



#### CORPORATE OFFICE

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— 2017 —





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# ABOUT MCB ISLAMIC BANK

MCB Islamic Bank Limited (the Bank) is the wholly owned subsidiary of MCB Bank Limited and commenced its operations in 2015 with nation-wide network of branches.

The aim of MCB Islamic Bank Limited is to be the 1st choice Shari'ah Compliant Financial Services Provider for the customers and to carry out business purely in accordance with the Shari'ah rules with full conviction and devotion.

Alhamdulillah, the Bank currently operates to provide Shari'ah compliant value added and high tech innovative banking solutions for customers under the supervision of Shari'ah Board which is being headed by renowned Islamic Scholar Prof. Mufti Munib-Ur-Rehman.

The Bank focuses on building strong lasting relationships and delivering an experience that satisfies all types of customers across Corporate, Commercial, SME, Consumer, Agriculture and Micro sectors. The Bank offers wide range of Riba Free and Shari'ah compliant products for both the Personal and Business needs.

The Bank is using world's renowned and highly recognizable Oracle Flexcube as its Core Banking Software. Different services and products offered by the bank are available to customers through a branch network of 76 branches backed by over 77 On-Site and Off-Site ATMs network. Bank operates EMV enabled Debit Card, iOS and Android based native Mobile and Internet Banking.

The Bank is committed to share the mutual benefits with the customers, staff and shareholders who participate in our business success under the highly skilled seasoned Management with the prime objective of Customers' Satisfaction.



# WHAT IS ISLAMIC BANKING

Islamic banking is defined as a banking system, which is in consonance with the spirit, ethos and value system of Islam and governed by the principles laid down by the Shari'ah.

Islamic banking, the more general term, is based not only to avoid interest-based transactions prohibited in Shari'ah but also to avoid unethical and un-social practices. In practical sense, Islamic Banking is the transformation of conventional money lending into transactions based on tangible assets and real services.

The model of Islamic banking system leads towards the achievement of a system which helps achieve economic prosperity.





# MISSION STATEMENT

- To provide innovative Shari'ah compliant financial solutions and quality services to our customers.
- To maximize Halal returns for our shareholders.
- To nurture an internal environment of qualified professionals and cutting-edge technology.



# VISION STATEMENT

To be the leading provider of Shari'ah Compliant Innovative financial products with a focus on service quality and providing superior value for our customers, shareholders, employees and the community.



# OUR VALUES

## **We are Shari'ah Driven**

Following the Shari'ah we will conduct our activity in a fair, ethical and socially responsible manner

## **Dedicated and Dependable**

We will build strong, enduring relationships, delivering an experience that delights our customers

## **Aspirational**

We will be professional and fulfil our commitments, delivering high quality products and services



# CORPORATE STRATEGY

MCB Islamic Bank's corporate strategy has three pillars, which will be pursued concurrently and focused in chronological order:

## A. Build market leadership within Pakistan

- Grow network
- Financial Inclusion
- Product Development
- Customer Satisfaction
- Technological Innovation

## B. Create a Shari'ah compliant integrated financial services group

Create a model that offers customers access to a diversified Shari'ah compliant financial services.

## C. Pursue international growth opportunities

With the growing acceptance of Islamic Banking worldwide, MCBIBL will turn its attention to replicating its business model through systemic geographic expansion.



# CORPORATE INFORMATION

## Registered Office/ Head Office

T-59, Phase II, DHA Lahore

## Shari'ah Compliance Department

339-Z, 2nd Floor  
Phase III, DHA  
Lahore

## Contact Information

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## Shari'ah Board

**Prof. Mufti Munib-ur-Rehman**

Chairman

**Mufti Syed Sabir Hussain**

Resident Shari'ah Board Member

**Mufti Mahmood Ahmad**

Shari'ah Board Member

## Chief Financial Officer

Syed Iftikhar Hussain Rizvi

## Company Secretary

Ms. Maimoona Cheema

## Head of Internal Audit

Mr. Muhammad Tariq Gondal

## Legal Advisors

Imtiaz Siddiqui & Associates, Advocates & Solicitor

## Auditors

M/s A.F. Ferguson & Co., Chartered Accountants.



# CREDIT RATING

Long Term

**A**

Short Term

**A - 1**



# BOARD OF DIRECTORS

**Raza Mansha**  
Chairman

**Omar Safdar**  
Non-Executive Director

**Ahmed Ebrahim Hasham**  
Independent Director

**Ibrahim Shamsi**  
Non-Executive Director

**Aftab Ahmad Khan**  
Non-Executive Director

**Ali Muhammad Mahoon**  
President & Executive Director

**M.U.A Usmani**  
Non-Executive Director





**Raza Mansha**  
Chairman

Mr. Raza Mansha has more than 21 years diversified professional experience in various business sectors including Banking, Textile, Power, Cement, Insurance, Hotels, Properties, Natural Gas, Agriculture, Dairy etc. He received his Bachelor degree from the University of Pennsylvania, USA. Currently he is on the Board of MCB Islamic Bank Limited, Nishat Hotels & Properties Limited, Adamjee Life Assurance Company Limited, MNET Services (Pvt.) Limited & Nishat (Rawind) Hotels and Properties Ltd.



**Mr. Ahmed Ebrahim Hasham**  
Independent Director

Mr. Ahmed Ebrahim Hasham is the Managing Director of Mehran Sugar Mills Limited. He is a board member of Pakistan Molasses Company Limited, Unicol Limited, UniEnergy Limited and Mehran Sugar Mills Limited. In addition, he is also a member of the Executive Committee of the Pakistan Sugar Mills Association and a Board member of Young President Organization Pakistan (YPO- Pakistan). He is an active contributor towards social and academic services, a board member of Hasham Foundation and Usman Memorial Foundation which in turn manages to the Usman Institute of Technology. He is a graduate in International Relations (IR) and Economics from Tufts University, USA.



**Mr. Aftab Ahmad Khan**  
Non-Executive Director

Mr. Aftab Ahmad Khan is a fellow member of the Institute of Chartered Accountants of Pakistan. He has over 50 years of diversified professional experience in various sectors. Presently, he serves on the board of various organizations including Nishat Paper Products Co. Limited, Nishat (Chunian) Limited, Nishat (Aziz Avenue) Hotels and Properties Ltd, Nishat (Gulberg) Hotels and Properties Ltd, Nishat (Rawind) Hotels and Properties Ltd, Nishat Energy Limited, Nishat Chunian Power Limited, MCB Financial Services Ltd, Nishat Hotels and Properties Ltd, Hyundai Nishat Motor (Pvt) Limited and Lalpur Solar Power (Pvt) Limited. He has also served on the Board of Punjab Industrial Development Board and in public sector organizations such as Ghee, Sugar and Rice mills.



**M.U.A Usmani**  
Non-Executive Director

Mr. MUA Usmani has over 50 years of diverse national and international experience in Corporate, Treasury & FX, Capital Markets, Compliance, Trade Finance, Loan Administration (CAD), and Financial Institutions. Having started his career with American Express Bank, Pakistan in 1963, he worked in various capacities before moving to Dubai as Vice President and Manager Correspondent Banking, Gulf and Pakistan. He also served as Acting Country Head of American Express Bank, Pakistan. Later, he joined Deutsche Bank, Pakistan in 1993 as Chief Manager and later was promoted to Director Global Markets & General Manager Treasury. During his career with these two foreign banks, Mr. Usmani was deputed on special assignments in New York, London and Frankfurt. He joined MCB Bank in 1999 as Group Head Treasury & FX and Capital Markets. Subsequently, he was assigned the responsibility of Compliance, FI and International & Overseas Branches and retired on December 21, 2006. He rejoined MCB in January 2009 as Group Head, Treasury & FX and was recently appointed as President / CEO of MCB Bank Limited in June 2010. He also enjoyed the privilege of being a member of SBP's DRAFT Committee on Foreign Exchange and was also member of Process Improvement Team (LC) at American Express, New York.



**Omair Safdar**  
Non-Executive Director

Mr. Omair Safdar has more than 12 years of experience in the banking industry. He has been associated with MCB Bank for the past decade, and currently heads the Capital Markets Division of the Bank. Omair holds a Bachelor's Degree in Economics from LUMS and is also a CFA Charter holder. He has thorough understanding of business, risk and investment dynamics, having been involved in Retail, Corporate, Investment Banking and Capital Markets transactions across industrial sectors and national boundaries. He currently serves on a number of Management Committees in MCB Bank including Credit, Investment and Write-Off. On behalf of MCB Bank, Omair also serves, as a Director, on the Board of MCB Islamic Bank and MCB Leasing Azerbaijan.



**Ibrahim Shamsi**  
Non-Executive Director

Mr. Ibrahim Shamsi has strong experience of modern management and effective control management. He is Chief Executive of Aladdin Water & Amusement Park, Karachi and Joyland, Lahore and also Chairman of Cotton Web (Pvt) Limited. He is also serving his responsibilities as the Director of on the Board of Adamjee Insurance Company Limited the largest insurance company of Pakistan. By qualification Mr. Shamsi is Master of Business Administration from LUMS Lahore. He Joined Siddiqsons Tin Plate Limited Board in 1997.



**Ali Muhammad Mahoon**  
President & Executive Director

Mr. Ali Muhammad Mahoon has over twenty years of experience with leading international banking and finance institutions including Citibank, ABN AMRO, Samba Financial Group and MCB Bank Ltd. He joined MCB Bank in 2005 where he served as SEVP and Group Head of Risk Management for three years. After working for a leading bank in Saudi Arabia, he returned to MCB after a gap of 6 years to head the Islamic Banking Group, starting January 1, 2015. During his twenty year tenure in banking, he has held senior level roles in corporate and investment banking as well as the risk management space. He holds a Master's degree in Business Administration from LUMS and is an Associate Member of the Chartered Institute of Management Accountants, England.



# BOARD COMMITTEES

NAME	DESIGNATION	SPECIAL INVITEE(S)
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## AUDIT COMMITTEE

Ibrahim Shamsi	Acting Chairman	President
Omar Salfar	Member	Chief Financial Officer Head of Audit Function

## RISK MANAGEMENT & PORTFOLIO REVIEW COMMITTEE

Ahmed Ebrahim Hasham	Chairman	Chief Risk Officer
Aftab A. Khan	Member	Any other board member, Shariah Board member or staff member can be invited with the approval of the Chairman of the Committee.
Omar Salfar	Member	
Ali Muhammad Mahoon	Member	

## HUMAN RESOURCE & REMUNERATION COMMITTEE

Raza Mansha	Chairman	President
Ahmed Ebrahim Hasham	Member	Group Head HR, GSD & Admin
		Any other board member or staff member can be invited with the approval of the Chairman of the Committee.

## BUSINESS STRATEGY & SERVICE QUALITY REVIEW COMMITTEE

Raza Mansha	Chairman	Any other board member, Shariah board member, executive or staff member can be invited with the approval of the Chairman of the Committee.
Aftab Ahmad Khan	Member	
Ibrahim Shamsi	Member	
Ali Muhammad Mahoon	Member	

## BOARD EVALUATION COMMITTEE

Ahmed Ebrahim Hasham	Chairman	Any other board member may be invited with the approval of the Chairman of the Committee.
Omar Salfar	Member	

## BOARD INFORMATION TECHNOLOGY COMMITTEE

Raza Mansha	Chairman	Group Head IT
Ahmed Ebrahim Hasham	Member	Any other board member, Shariah Board Member or staff may be invited with the approval of the Chairman of the Committee.
Ali Muhammad Mahoon	Member	



# MIB MANAGEMENT

## Ali Muhammad Mahoon

President & CEO



Ali Muhammad, President & CEO of MIB, has over 20 years of banking experience with leading international and local financial institutions. With an MBA from LUMS and Associate Membership of the Chartered Institute of Management Accountants, England, his career started from Citibank from where he moved on to ABN Amro Bank.

Ali joined MCB Bank Ltd in 2005, where he served as SEVP and Group Head of Risk Management for 3 years. He was then taken on board by a leading bank (SAMBAA) in Saudi Arabia in the area of risk management. After spending six years abroad, he returned to MCB to head the Islamic Banking Group w.e.f. Jan 01, 2015 and entrusted with the tough task of carving out the Islamic banking window for the purpose of creating a totally independent and full-fledged Islamic bank.

Ali's work philosophy is to keep things simple and sensible. He has formed the foundation of this bank on a customer-centric model and is relentlessly engaged in ensuring that the entire organization is infused with the credo of customer service and fully understands that this is MIB's unique selling proposition. He is committed to making MIB a success and a force to be reckoned with in the local banking industry.

## Aasim Salim

Group Head - Business Distribution



Aasim Salim joined MCB Islamic Bank Ltd in June 2017 as Group Head - Business Distribution. Previously he spent 14 successful years with Meezan Bank looking after various business functions since 2003. He is an M.B.A. (Gold Medalist) from Bahauddin Zakariya University Multan.

He also earned the S.B.P. Gold medal in D.A.I.B.P. with distinction in three subjects. He has over Twenty One years of banking & F.I. experience at various Managerial position in Pakistan and abroad.

## Abdul Aziz Memon

Country Head - Corporate, Commercial Banking and Financial Institutions Group



Abdul Aziz Memon is a Senior Banker, possessing Local as well as International Banking Experience of over 44 Years in Middle and Senior Management Positions. Mr. Memon joined MCB Islamic Bank Limited in May 2016 as Country Head-Business Distribution and since June 2017, he is Country Head- Corporate, Commercial Banking and Financial Institutions Group and Senior Executive Vice President.

Aziz Memon started his Banking Career as Management Trainee Officer in 1973 from Habib Bank Limited Pakistan. He Joined Habib Bank AG Zurich-Zurich in 1979 and was posted at Kuwait in their Associate Company as Manager of Main Branch. In 1990, He was posted as Chief Manager at Mombasa Branch, Kenya. He was transferred to Pakistan Operation of Habib Bank AG Zurich as Head of Credit & Operations of Main Branch Karachi in 1993. After the Merger of Habib Bank AG Zurich Pakistan Operation with and into Habib Metropolitan Bank Ltd (Subsidiary of Habib Bank AG Zurich) in 2006, he Established and Headed Credit Division at Head Office. He was then elevated to the Position of Chief Risk Officer and Senior Executive Vice President. In August 2013, He Separated from Habib Metropolitan Bank Limited as Head of Credit.

Aziz Memon Holds Bachelor of Science Degree from Karachi University.





### Syed Iftikhar Hussain Rizvi

Chief Financial Officer

Syed Iftikhar Hussain Rizvi leads the Financial Management of the Bank and responsible to develop, implement and control all financial-related activities of the bank in line with its business plans and strategy.

Iftikhar is a Fellow Member of the Institute of Chartered Accountants of Pakistan and has over 25 years of well diversified experience in the accounts and finance disciplines with added exposure in HR & corporate governance. Prior to joining the MIB, he worked with MCB Bank for 20 years in various capacities, lastly as Head – Central Accounts. His professional career began at Khalid Majid Hussain Rahman & Co., Chartered Accountants.



### Kashif Ahmed

Group Head – Compliance and Controls

Kashif Ahmed is a fellow member of the Institute of chartered accountants of Pakistan with more than twenty-three years of working experience including over twelve years in the banking sector. At present, he holds the position of executive Vice President and Group Head Compliance and Controls/ Chief Compliance Officer at MCB Islamic Bank Limited (MIB).

Prior to joining MIB, Kashif was Executive Vice President at MCB Bank Limited (MCB). During more than eight years stay at MCB, he has mostly worked in Audit & RAR Group with a brief stint at RBG Operations. He has previously served at Deloitte Pakistan, Deloitte Bahrain, Deloitte Bermuda, Mashreq Bank Pakistan Limited, Crescent Commercial Bank Limited and Noman Abid Investment Management Limited.



### Khawaja Khalil Shah

Chief Risk Officer

Khalil Shah leads the risk management function which encompasses the entire spectrum of risks i.e., credit, market and operational risk. He also has responsibility for Business Continuity Planning and Fraud Risk Management. His department also performs regulatory reporting including Credit Information Bureau pertaining to financing.

Khalil has around 26 years of banking experience most of which is in corporate banking and risk management. Prior to joining MIB, he was serving as Business Head-Portfolio Management, Wholesale Banking Group in MCB Bank Ltd since 2006. He has also spent considerable time at Al Faysal Investment Bank and Faysal Bank Ltd before becoming part of MCB clan.

### Shahid Mahmood

Chief Information Officer



Shahid Mahmood has over 25 years of management experience. He has cultivated his ability to combine broad-based Technology, Business and Financial knowledge to develop and implement Enterprise wide short and long-term technology solutions. And in the field of entrepreneurship, he has led several cutting-edge technology initiatives: Teradata SaaS BI/Data Warehouse Solutions, GIS Mapping, IOS/Android and Oculus Rift VR Development. He also holds a keen interest in Machine Learning and AI, well beyond his Andrew NG 'Machine Learning' course certification from Stanford University. As the Group Head, Shahid Mahmood has been instrumental in establishing the IT, Digital Banking and Marketing wings of MIB.

He has previously worked as the COO/Group Director of IT for several major technology organizations. Shahid, started his career with an American satellite mapping company producing electrical power distribution digital maps for the incumbent utility company. He then joined a bank in the corporate finance division. Later at a telecommunications organization he led various first-time initiatives including a web portal, a scratch card billing system, an in-house developed telecommunications billing system (60 million CDRs per month), a SMS interactive television application, and a satellite business channel, among many other projects.

Shahid graduated from Lahore University of Management sciences (LUMS) and also holds a Bachelor's degree in Mechanical Engineering from UET Lahore. He also completed the Bachelor's Degree course in double Maths & Physics from Punjab University.

### Salman Qutb

Group Head – Human Resource Management, GSD, Centralized Procurement & Security



Salman Qutb holds a Master's Degree in Business Administration from Lahore University of Management Sciences (LUMS) and Bachelors of Engineering from University of Engineering and Technology, Lahore, Pakistan. He possesses an overall professional experience of over twenty two years and is currently working as Group Head, Human Resource Management, General Services & Security at MCB Islamic Bank Ltd.

Previously, he has worked with MCB Bank Ltd., for ten years within Risk Management at different key positions; Head of Credit Risk Management Division, Head of Consumer Risk Management Division, Head of Basel – II & Special Projects Division and Head of Credit Risk Control. Prior to MCB, he has experience related to Sub-Prime & wholesale mortgage sector.

He is also a member of MIB Management Committee, Branch Expansion Committee, Purchase Committee, and Disciplinary Action Committee.

### Muhammad Saeed Raja

Group Head – Operations



M. Saeed Raja leads the Operations Group of MCB Islamic Bank Ltd. Core responsibilities of the group includes Centralized Branch Operations, Centralized Trade Operations, Consumer Finance Operations, Centralized Credit Operations, Treasury Operations, Swift Operations, Digital & Remote Banking Operations, Static Data Management, Banca Operations, Bank wide Reconciliation, Vendor Management & Outsourcing, Fund Settlement & Business Process Development & Re-Engineering.

Saeed has a diversified experience of over 27 years in the areas of Retail, Corporate and Islamic Banking. He is a diversified banker with core competences of branch Operations, centralized Operations, credits, foreign trade, business development & expansion, internal control, business process re-engineering & management and core banking system implementation.

Prior to joining MIB, he was associated with MCB Bank Ltd. and was serving as Country Head-Islamic Banking Operations, systems and controls. His 25 years of services and contribution towards achievement of MCB's strategic goals were recognized by the bank at the highest level and was conferred with the PRESIDENT AWARD twice.

Academically, he holds an EMBA degree in banking & finance and is a gold medalist. He is also a certified Islamic banker from National Institute of banking & finance (NIBAF).





### Syed Salman Ali

Group Head – Treasury & FXG

Syed Salman Ali has over 33 years of extensive experience of national and international Treasuries especially of Islamic Banking. Currently, he is looking after Treasury and Capital Market as a Group Head since one year at MCB Islamic Bank Limited. He established the Bank's treasury & FI and allied formations converting Islamic banking Division to full-fledged Islamic bank.

Before joining MCB Islamic Bank Ltd., he had served Al-Baraka Bank (Pakistan) Ltd., which is one of the pioneers of Islamic banks in Pakistan. He is also the member of different committees of the bank such as ALCO, Management committee, Investment committee, Management Finance Committee and Trustee of Bank's Provident fund.



### Muhammad Tariq Gondal

Group Head – Internal Audit & Risk Asset Review

Muhammad Tariq Gondal is a business graduate from Lahore University of Management Sciences (LUMS) along with Masters in Statistics from GC University Lahore. He is a Certified Internal Auditor (CIA), also hold Banking Diploma and Post graduate diploma in Islamic Banking and Insurance. Mr. Gondal has a diversified experience of more than twenty three years in areas of audit & inspection, risk, compliance and operations both in Central and Commercial Banking.



### Azhar Nazir

Group Head – Special Projects

Azhar Nazir is leading Special Projects Group. He has been associated with MCB Group for the last 18 years. The Orbit of his diversified professional exposure includes working on various senior level positions relating to Project Management, Core Banking implementation, Basel II implementation, Process Design & Re-engineering, Risk Management, Credit Policy & Credit Risk Review.

He is Financial Risk Manager (FRM-GARP), MSc Economics & Finance, Cost and Management Accountant (ICMAP) and Diplomaed Associate Institute of Bankers Pakistan (DAIBP).



### Mufti Syed Sabir Hussain

Resident Shari'ah Board Member/ Head Shari'ah Compliance Department

Mufti Syed Sabir Hussain, working with MCB Islamic Bank since September 2015, is a prominent Shari'ah Scholar and experienced Islamic Banker with 12 years of teaching, 10 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Almiyah, M.A Islamic Studies, M.Phil in Islamic Banking & Finance and and M.S (I.T) degrees.

He is ex-member of Shari'ah Advisory Board of SECP, Member of the Committee on Accounting and Auditing Standards of ICAP and invitee participant of Shari'ah Board of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he is member of AAOIFI Shari'ah Standard's committee for Urdu translation of Standards. He is an author of 13 books on Islamic economics & banking and other social issues. He is also delivering lectures in different Dar-ul-Uloms and Universities.

### Usman Ajmal

Acting Group Head – Product Management & Shar'ah Structuring

Usman Ajmal holds a double majors M.Sc. degree in Economics & Finance and also successfully completed Islamic Banking Certificate Course by the National Institute of Banking & Finance. He is a seasoned banking professional having a well-diversified overall work experience of more than 16 years with a proven track record of successful launches of a wide array of financial products and solutions. He has primarily been involved on the retail banking side in various capacities both in the business and risk management domains. He also carries experience of systems implementation projects with regards to retail banking products.

After working for KPMG (Taseer Hadi Khalid), he started his banking career as Management Associate in United Bank Limited. Later on Mr. Usman Ajmal joined MCB Bank Limited where he served as Unit Head Risk Management Policy and Department Head Consumer Credit Review. Thereafter, he was transferred to Retail Banking Group in MCB where he is accredited with launching and revamping a number of retail financing products.

Usman Ajmal joined Product Management & Shar'ah Structuring Group in MCB Islamic Bank Limited (MIB) in 2015. He has played an instrumental role in setting up this critical function as well as launching an assortment of retail products ranging from Deposits, Consumer Finance, Micro Finance, Banca Takaful, and Cash Management in MIB. He took over charge of Product Management & Shar'ah Structuring Group in late 2017 and is currently also serving as a Mancom member in MCB Islamic Bank Limited.



### Maimoona Cheema

Company Secretary & Head of Legal

Maimoona Cheema is currently working as Company Secretary & Head of Legal Affairs at MCB Islamic Bank Limited. Ms. Cheema has a Bachelor's degree in law (LL.B) and a Master's of Science in Finance & Financial Law from SOAS, University of London.

Ms. Cheema has extensive experience in the field of law and has worked with highly esteemed organizations including MCB Bank Limited, Telenor Pakistan (Pvt.) Limited and the Lahore Stock Exchange (G) Limited.



# KEY EXECUTIVES

**Ali Muhammad Mahoon**  
President / CEO

**Abdul Aziz Memon**  
Country Head – Corporate, Commercial Banking & FI Group

**Aasim Salim**  
Group Head – Business Distribution

**Syed Iftikhar Hussain Rizvi**  
Chief Financial Officer

**Kashif Ahmed**  
Group Head - Compliance & Controls

**Khawaja Khalil**  
Group Head - Risk Management

**Shahid Mahmood**  
Chief Information Officer

**Muhammad Saeed Raja**  
Group Head - Operations

**Salman Qutb**  
Group Head – Human Resource Management, GSD,  
Centralized Procurement & Security

**Syed Salman Ali**  
Group Head – Treasury

**Azhar Nazir**  
Group Head - Special Projects

**Mufti Syed Sabir Hussain**  
RSBM/Head Shari'ah Compliance Department

**Usman Ajmal**  
Acting Group Head Product Management & Shari'ah  
Structuring



# SHARI'AH BOARD



## Prof. Mufti Munib-Ur-Rehman

Chairman Shari'ah Board

Prof. Mufti Munib-ur-Rehman, working with MCB Islamic Bank since September 2015, is a renowned Shari'ah scholar with a vast 45 years' teaching and 30 years' Fatawas issuance experience.

He is the member Shari'ah Advisory Board of Securities and Exchange Commission of Pakistan (SECP), and the Chairman, Central Moon Sighting Committee Pakistan, prior to this he was a member of Islamic Ideology Council, Pakistan and Director of Islamic Studies, Hong Kong.



## Mufti Syed Sabir Hussain

Resident Shari'ah Board Member/ Head Shari'ah Compliance Department

Mufti Syed Sabir Hussain, working with MCB Islamic Bank Ltd. since September 2015, is a prominent Shari'ah Scholar and experienced Islamic Banker with 16 years of teaching, 12 years of Fatawas and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhassus-Fil-Fiqh, M.A Islamic Studies, and M.Phil. in Islamic Banking & Finance and M.S (I.T) degrees.

He is ex-member of Shari'ah Advisory Board of SECP, Member of the Committee on Accounting and Auditing Standards of ICAP and invitee participant of Shari'ah Board of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he is member of review committee for Urdu translation of AAOIFI Shari'ah standards. He is author of 14 books on Islamic economics & banking and other social issues; He is also delivering lectures in different Dar-ul-Uloms and Universities.

## Mufti Mahmood Ahmad

Shari'ah Board Member



Mufti Mahmood Ahmad is the Shari'ah Board member of MCB Islamic Bank Ltd., and Allied Bank Ltd., (Islamic Banking). He graduated as a Scholar in Shahadat-ul-Aalamiah (Master in Arabic and Islamic studies) from Wilaq-ul-Madaris Al-Arabia (1996), and Master in Arabic from Punjab University, Lahore. He also has done Master of Philosophy (M.Phil.) in Islamic banking and finance from University of Management and Technology (UMT), Takhassus-6-Al-Funoon from Jamia Khair-ul-madaris, Multan and Takhassus-6-Al-Ita (in Islamic Fiqh and fatwa) from Jamia Dar-ul-Uloom, Karachi. He is currently enrolled in PhD program of UMT in Islamic Banking and Finance. He has 18 years' teaching and Fatawa Issuance experience, and 7 years' experience as a Shari'ah consultant with Ghani Global Group and some other Islamic financial institutions.

He is a Lecturer of Tafsir, Hadith, and Fiqh in world-renowned Islamic university Al-Jamia Al-Ashrafia Lahore since August 2005 and a Mufti (Trainer/Consultant) in Al-Jamia Al-Ashrafia also since August 2005. Fatawas issued by him are published in the book of Ashraf-ul-Fatawa (2 volumes) published by the management of Jamia Ashrafia Lahore. He also serves as a lecturer on different subjects of Shari'ah & Islamic Finance. He is a visiting faculty member at the College of accountancy and finance, University of Lahore and delivers lectures on subjects of Islamic commercial laws and Takaful. He also delivers Friday khutbah and leads Friday prayer at a Jamia Mosque for about 17 years. His areas of working have been Tafsir Quran, Hadith, religious education, Islamic jurisprudence, Islamic law, Islamic banking and Takaful.

He presented academic papers at different conferences such as the Muslim World League' conference. He has also contributed by getting published his 8-volume based edited compilation of Mufti Taqi Usman's writings on Islamic economics and finance, titled (Islam aur Jadid Ma'ashi Masail) published by Idara-e-Islamiat Lahore. He is also a writer of many articles on different Shari'ah related issues and topics.





# CHAIRMAN'S MESSEGE

It gives me great pleasure witnessing MCB Islamic Bank completing another year of its expansion with noticeable growth in line with the Bank's strategy. This evident growth is an indicator of a strong commitment to achieve a sizable market share in the existing challenging environment. In accordance with the Bank's network expansion plan, a "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme")" between MCB Bank Limited (MCB) and MCB Islamic Bank (MiB) has been initiated to enhance the existing branch network by ninety (90) more branches at different strategic locations. Both the Bank and MCB have filed a petition before the Honourable Lahore High Court for the sanction of and for other orders facilitating implementation of the Scheme expected to be executed by 2nd quarter of 2018.

MCB Islamic Bank is a growing institution and is constantly looking to innovate and implement customer-centric services. Our Business team is continuously working to identify untapped market opportunities and to vigilantly enhance the portfolio to obtain sustainable profits. Further, to ensure fulfillment of system requirements, a significant development in implementation of a core banking system was also witnessed during the year. We also have in place a number of Sharia'h compliant products to meet financing, trade and funds management needs of all customers.

The country's economy has yet again shown potential of producing results far better than expectation. With 5.3% GDP growth the Country has posted its decade best GDP growth owing to the Government's economic reforms. The Year 2017 brought noteworthy evolution in China Pakistan Economic Corridor (CPEC) and has become the talk of the globe. CPEC, an essential component of 'One Belt One Road' proposed by China, is also termed as a "Game Changer" for Pakistan's economy. An economic path appears to have been set that can enable Pakistan to emerge as an economic power of the region. However, this momentum demands policy measures that can further build private sector confidence and open a gateway for long term foreign investment in the Country.

The global Islamic finance industry has grown rapidly over the past two decades, reaching total assets of US\$ 2.2 trillion as of the end of December 2016 - an increase of 7% over 2015. In 2016, 67 countries had Islamic banks or Islamic banking windows which share approximately 5% in total global banking assets. In Pakistan, Islamic Banking is growing at a much healthier pace of 12% during nine month of 2017, accounting to Rs. 2.1 trillion as at September 30, 2017 compared to the closure of December 2016. Further, market share of domestic Islamic Banking industry represents 13.7% of total banking industry assets. According to the Islamic Finance Country Index of 2017, Pakistan's ranking has been uplifted to 6th from 9th rank globally after gaining a 5.4 point increase over last year. These facts show great potential in the Islamic finance market of Pakistan.

I would like to thank the State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory bodies for their contributions towards strengthening the Islamic banking system of the Country. I also acknowledge the contribution of our Board of Directors and also extend sincere gratitude to all our employees for their efforts, loyalty and significant contribution to the growth and success of the Bank.

**Raza Mansha**  
Chairman  
MCB Islamic Bank Ltd.



# PRESIDENT'S REVIEW

The year 2017 has proved to be a year of growth and challenges for the Country. The Government's strategic initiatives like massive infrastructure development especially under CPEC, strong service sector, encouraging recovery in agriculture production and robust domestic demand supported by strong credit growth and investment projects, led Pakistan's economy posted 5.3% growth in the outgoing fiscal year (FY17), which is the highest level achievement since 2008-09.

Alhamdulillah, the Bank completed another year of promising growth. We moved through the year with a clear vision and our well defined growth strategy which helped us in growing our balance sheet, improving yield and expanding network. The Bank posted significant growth of 81% in its total assets on the back of remarkable deposits growth of 129%. Gross financings have also grown by 95% with nearly no infection. The Bank continues its focus on optimizing branch efficiencies and achieving critical mass with respect to its deposit base, with a focus towards building low cost CASA deposit, which increased to approximately 79% of total deposits. The continued low benchmark rate has squeezed the industry's margin and making it difficult for new setups to compete and manage profitability. The post-tax loss for the year was Rs.263 million. However, total revenue has witnessed encouraging growth of 40% on the back of increasing volumes and raising other income.

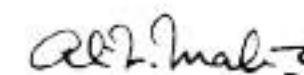
The Bank continues its branch expansion and opened 10 new branches during the year and reached a nationwide network of 76 branches. In order to further strengthen our outreach and to better serve our customers at their ease we have entered into a "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") with MCB Bank Limited (MCB)" and with the conclusion of the Scheme ninety (90) more branches will be added into our branch network. At present, we have marked our footprints in 37 cities nationwide.

Customer care has always been at our utmost priority. We believe that quality services could be our greatest differentiator. With state of the art technology platforms and high standard services, we are working to ensure excellence in all customer touch points. To facilitate customers, and improve their digital banking experience, we have launched EMV enabled debit card powered by UnionPay International with a global acceptance in more than 150 countries. Digital Banking ambit was enhanced further by launch of Internet Banking Services and Mobile App enabling customers to manage their day to day transactions need in a secure and convenient way.

We understand that the increasing demand for Islamic Banking products and services requires solicitous attention and prompt response. During the year, our Product team has successfully launched Shariah compliant financial products for Consumer Car Finance, Banca Takatuf, Cash Management and Microfinance.

I believe that our organization has come a long way since the bank commenced operations. We are blessed with a team of competent, devoted and hardworking professional that are certainly our core assets. We are diligently working towards ensuring that all the staff members have the environment to optimally perform to their potential and contribute towards our strategic goals.

I would like to thank State Bank of Pakistan, other regulators, our shareholders, the Board of Directors, the Management Team, the employees and most importantly, the Bank's customers for their continued trust and support.



**Ali Muhammad Mahoon**  
President & CEO  
MCB Islamic Bank Ltd.



# DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present the Annual Report of MCB Islamic Bank Limited ('the Bank'), containing the Audited Financial Statements for the year ended December 31, 2017.

## Economic Review

Despite of vulnerable political stability and external challenges, Pakistan's economy still managed real GDP growth of 5.3% during FY17 which is the highest in ten years and the size of the country's economy has exceeded US\$300 billion. This achievement was mainly due to the investment in energy and infrastructure development under the China Pakistan Economic Corridor (CPEC) project.

Manufacturing sector appears to be growing at a solid pace with Large-Scale Manufacturing (LSM) overall increasing on a year-on-year (YoY) basis by 5.5% during the 1H FY18 as compared to 1H FY17. This is resulted mainly from increase in Coke & Petroleum Products, Pharmaceuticals, Non Metallic Mineral Products, Automobiles, Iron & Steel Products, Electronics and Paper & Board.

Country's exports increased by 11.2% YoY as compared to imports which were increased by 19.0% YoY during the 1H FY18, as a result trade deficit widened to US\$17.9 billion. This massive imbalance of trade has resulted decrease in foreign exchange reserves by 13.0% to US\$20.2 billion at the closure of calendar year 2017 (CY17) from US\$23.2 billion last year. The same deficit also forced PKR devaluation by 5.6% against the US\$ to Rs.110.4 CY17 from Rs.104.6 CY16. Remittances from abroad remain calmed at US\$9.7 billion during 1H FY18, showing 2.5% growth, when compared with the remittance received during the corresponding period of last fiscal year.

The State Bank of Pakistan kept an accommodative monetary policy stance during the year by keeping the policy rate stable at 5.75%. CPI Inflation inched up from 3.7% YoY in January 2017 to 4.6% YoY by December 2017. Core inflation remained relatively stable at 5.4%.

The Pakistan Stock Exchange (PSX), after regained entry into the MSCI Emerging Market Index, touched the record height of 52,876 points during 1H CY17. However, with mounting political uncertainty, rising deficits, disappointing budget, and fears of depreciation of the PKR, shaken the investor confidence which resulted in more outflows than inflows. The market closes at 40,471 points fallen by 23.5% from the all-time high it hit in 2017.

Islamic banking continues to broaden its outreach and is competing effectively with conventional banks, supported by an increasing range of products and higher quality services. It is forecasted to grow at a Compound Annual Growth Rate (CAGR) of 19% over the period 2015-2019 worldwide. As per the Islamic Finance Country Index (IFCI), Pakistan gained a 5.4 point increase over last year, placing it on 6th rank from 9th rank globally. Market share of Islamic banking assets and deposits in overall banking industry of Pakistan was recorded at 11.9% and 13.7%, respectively by end September 2017. Branch network of Islamic banking industry stood at 2,368 branches (spread across 110 districts) by end September 2017.

## Bank's Performance

By the Grace of Allah, the Bank continued its journey of Islamic banking with a momentum of growth at the right trajectory and building the balance sheet with the desired mix of deposits and underwriting quality assets. Branch network expansion remained a priority for the Bank and this year 10 new branches were added.

In line with Bank's growth strategy, the Board of Directors in their meeting held on October 24, 2017 had approved the "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and MCB Bank Limited (MCB)". The Scheme envisages transfer of MCB's banking business of ninety (90) branches subject to the approval by the shareholders of the Banks and sanction by the Honourable Lahore High Court where under the assets, rights, liabilities, operations, systems, staff, assets of back office functions and obligations of MCB relating to banking business of these branches will be transferred to and vested in the Bank. The banking business of these branches will also stand converted into Islamic banking business on the effective date pursuant to the compliance of applicable regulatory permissions.

Both the Bank and MCB have filed a petition before the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under Section 279 to 283 and 285 read with other enabling provisions of the Companies Act, 2017. The Scheme on sanction and implementation will increase the existing network of the Bank, which is determined to promote Islamic banking as per strategy of the State Bank of Pakistan.

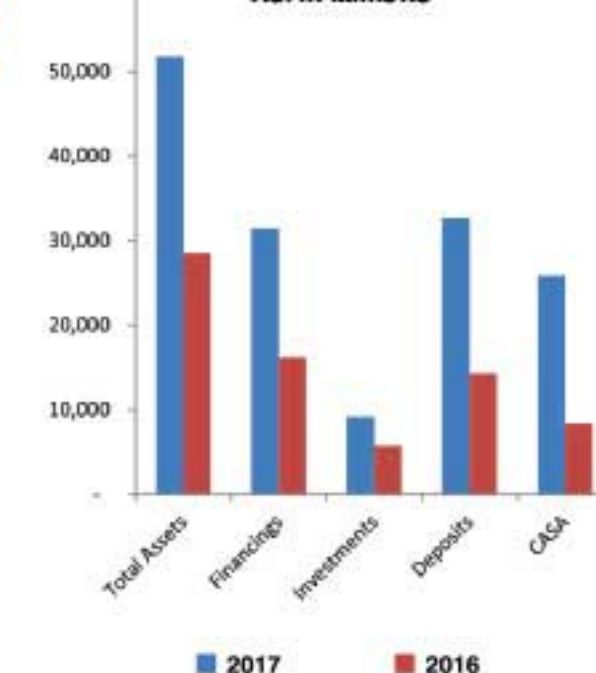
In order to further strengthen the Bank's capital base, subsequent to year end, MCB injected further equity by

subscribing to the right issue amounting to Rs.1.2 billion against 120 million ordinary shares having face value of Rs.10/- each issued by the Bank.

The Bank is at a firm standing with an asset base of Rs.51.8 billion, posted healthy growth of 81.2%, from last year's Rs.28.6 billion. Islamic financing and related assets impressively grew by 94.6% to Rs.31.5 billion from Rs.16.2 billion. As part of business strategy, focused efforts were made to vigilantly grow Consumer Finance portfolio and high yielding segment of Micro Finance was also launched. Surplus resources were diverted towards investments which grew by 59.2% to Rs.9.2 billion from Rs.5.8 billion. Trade volume increases by 68.5% to Rs.25.4 billion from Rs.15.1 billion last year.

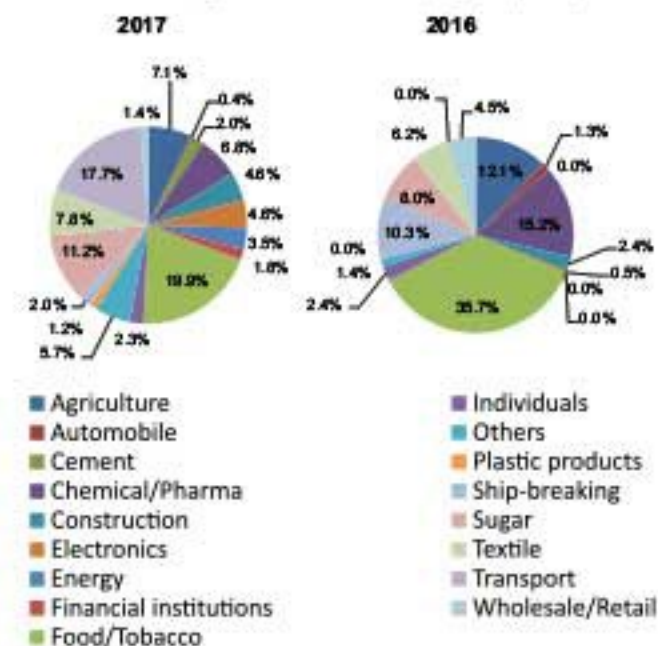
The Bank achieved an outstanding growth of 128.9% in total deposits, reaching to Rs.32.7 billion from Rs.14.3 billion last year, while at the same time improved the CASA percentage to 79.2% as compared to 58.7% last year. This is primarily because of the introduction of wider range of products, encompassing a myriad of options

**Key Balance Sheet Items  
Rs. in Millions**



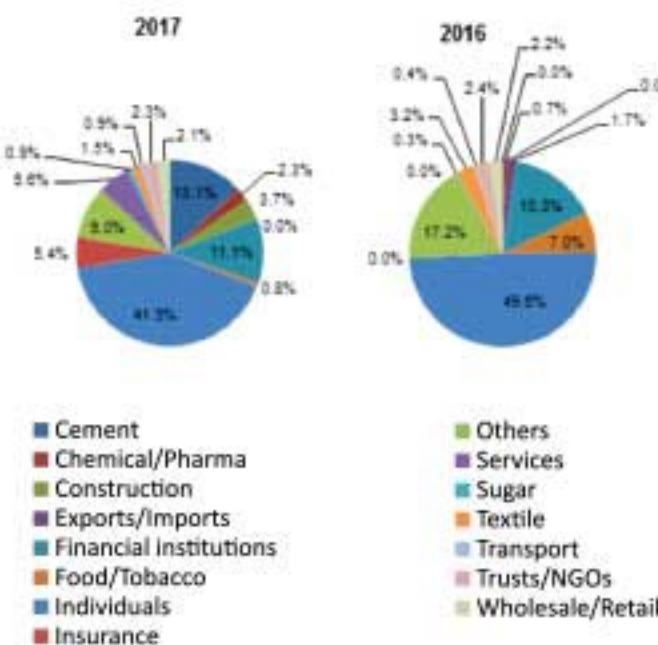
The Bank continued to grow its financing portfolio with more diversification by tapping new industries which mainly include cement, financial institutions, plastic, energy, and transport, storage and communication whereby these industries were untapped last year.

**Islamic Financing and related assets (Segment) Graph**



Individuals maintained their dominance over other customer segments in terms of Bank's deposit, with a contribution of nearly 41.3%.

**Deposit (Segment) Graph**





On profitability side, the year under review has proved to be a challenging year for the Bank. The Bank posted an after tax loss of Rs.262.9 million against profit after tax of Rs.79.9 million last year mainly due to the factors such as lack of performance on the capital markets side, full cost realization of all 26 new branches opened in the last quarter of 2016 and continued expansion cost.

However, total revenue of the Bank continued to grow and shows a positive growth of 39.9% and increased to Rs.2,499.9 million from Rs.1,785.9 million last year. Income generated from Islamic financing and related assets, investments and placements contributed 82.4% to total revenue of the Bank. Persistent focus towards mobilization of low cost deposits favourably impacted cost of fund which has increased from Rs.394.7 million to Rs.680.4 million mainly due to impressive volume growth.

Return on earning assets was reported 6.9% while the cost of fund was kept at 3.6% against 6.8% and 3.5% respectively last year. Loss per share for the year came to Rs.0.263 against earnings per share of Rs.0.080 last year, whereas book value per share including revaluation surplus stood at Rs.9.6 against 10.2 last year.

#### Key Financial Highlights

	2017	2016	Growth (%)
Investments – net	9,186	5,770	59%
Islamic Financing and related assets – net	31,473	16,173	95%
Total Assets	51,771	28,569	81%
Deposits	32,691	14,279	129%
Shareholders' Equity (including Revaluation)	9,631	10,298	(6%)
Net spread earned	1,055	950	11%
Other income	439	259	70%
Operating income	1,494	1,304	15%
Administrative & other expenses	1,845	1,190	55%
(Loss) / profit before taxation	(351)	114	(408%)
(Loss) / profit after taxation	(263)	80	(429%)
Basic / diluted (loss) / earnings per share (Rupees)	(0.263)	0.080	(429%)

#### Statement under Code of Corporate Governance

The Board of Directors is committed to ensure that the requirements of Corporate Governance set by the Securities and Exchange Commission of Pakistan are fully met. The Bank has adopted good corporate governance practices and the Directors are pleased to report that:

- The financial statements prepared by the management of the Bank present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- No dividend/bonus shares have been declared for the year.
- There is no doubt upon the Bank's ability to continue as going concern.
- Key operating and financial data since incorporation is presented in the report.
- The system of internal controls is in place and has been effectively implemented and monitored.
- There has been no material departure from best practices of corporate governance.
- The value of investments of the Bank's Provident Fund based on unaudited accounts at December 31, 2017 amounted to Rs.70.9 million.
- There is no overdue statutory payment on account of taxes, duties, levies and charges.

#### Compliance with Corporate Governance

The Bank has complied with the requirements of the Code of Corporate Governance relevant for the year ended December 31, 2017. A prescribed statement together with the Auditors Review Report thereon is included in the Annual Report.

#### Statement of Internal Control

The Board is pleased to endorse the statement made by the management. The Management's Statement of Internal Controls is included in the Annual Report.

#### Credit Rating

Pakistan Credit Rating Agency (PACRA) has maintained the Bank's medium to long-term rating as "A" and the short-term rating as 'A-1' with stable outlook.

#### Risk Management

The Board of Directors of MCB Islamic Bank drives the risk management framework and has instituted relevant guidelines keeping in view the size and complexity of the organization.

Independence and empowerment in risk management is the pivot that is applied as the fundamental part of the Board of Directors' vision. We have in place a mechanism which ensures independence to Risk Management Group in measuring, analyzing, controlling and monitoring risk from the frontline risk takers i.e. business soliciting groups. This separation of functions between the risk takers and the risk managers provides sufficient independence and yet joint responsibility to business & risk approving authorities for all related risks.

The Bank aims to align the Risk Management Framework with the international best practices and the guidelines of State Bank of Pakistan through various policy documents approved by the Board of Directors. Management Finance Committee for risk is an additional platform to ascertain, discuss and deliberate key risk issues in the portfolio at the management level. Risk Management Group provides updates to Risk Management & Portfolio Review Committee, a specialized sub-committee of Board, through regular meetings and obtains guidance and direction from it as well.

#### Capital Assessment and Adequacy

The Bank remains well-capitalized with capital base above the regulatory limits and Basel capital requirements. The Bank's Tier-1 to total risk weighted assets ratio is well within the comfortable zone and regulatory limits. The Bank conducts stress testing for credit, market and liquidity risks by applying various shocks under different scenarios. The Bank calculates value at risk for market risk assessment.

#### Liquidity Management

Asset Liability Committee (ALCO) is responsible for the formulation of overall liquidity strategy and oversight of the asset-liability management function. Asset-Liability Management Framework/ Liquidity Strategy & Contingency Funding Plan are in place, to ensure that the Bank can meet its liquidity needs on a timely basis while optimizing contribution towards the profitability of the Bank. Further, ALCO has approved a framework for regular assessment and monitoring of contractual / non-contractual assets and liabilities for better liquidity and yield / profit rate sensitivity Gap reporting. This is a regulatory requirement and the Bank is compliant on this front.

#### Business Continuity Plan

Operational risk is managed through Data Collection mechanism which includes collection of Operational Losses, Near Miss Events, and Control Breach Data on monthly basis. Based on this data, a Quarterly overview of significant operational risk events is presented to Risk Management and Portfolio Review Committee of the board. As part of internal control activities in the Bank, Risk Management Function is also actively engaged in creating risk awareness through staff training sessions in the areas of Operational Risk, Fraud Risk and Business Continuity / Disaster Recovery Planning.

The Bank has in place the Board of Directors' approved Business Continuity Plan which is implemented through Risk Management Group. Business Continuity Management Committee, a specialized sub-committee, is in place to oversee implementation matters. The committee meets on a regular basis to steer and monitor BCP imperatives. BCP Office also provides regular updates to Management Committee from time to time.

#### Core Banking System

In year 2017, the Bank has made significant headway in implementation of core banking system. The Bank has successfully migrated all branches from legacy system to Oracle Corporation's Flexcube core banking system. This new single platform has enabled the Bank to provide seamless services to its customers. The new foundation will open up avenues to further expand customer base and will go a long way in providing efficient and effective Shari'ah compliant solutions.

#### Trading of Shares of the Bank

Bank is currently a non-listed concern; hence no trades in the shares of the Bank were carried out by the Directors, executives and their spouses and minor children during the year 2017.

#### Board of Directors' Meetings

Seven Board of Directors meetings were held during the financial year. Information about the attendance is as under;



Name of Director	No. of Meetings Attended
Raza Mansha	7
Aftab Ahmed Khan	4
Ibrahim Shamsi	5
Omar Saeed	5
M U A Usmani	3
Khalid Mahmood Bhaimia (Resigned on November 30, 2017)	2
Ahmed Ebrahim Hasham	7
Ali Muhammad Mahoon	7

#### Board Sub-committees Meetings

Members	AC Meetings Held: 4	HR & RC Meetings Held: 4	RMPC Meetings Held: 4	BSSRC Meetings Held: 4	SEC Meetings Held: 1
Raza Mansha	4	4	4	4	1
Aftab A. Khan	4	4	4	4	1
Ibrahim Shamsi	4	4	4	4	1
Omar Saeed	4	4	4	4	1
M U A Usmani	4	4	4	4	1
Khalid Mahmood Bhaimia	4	4	4	4	1
Ahmed Ebrahim Hasham	4	4	4	4	1

#### Directors Training Program

The following directors have attended the following SECP certified training programs:

- Enhancing Board Effectiveness – Director's Training Program – Mr. Omar Saeed
- Training on Shariah Governance & Islamic Banking Principles for entire Board – One session

#### Change in Directors

The outgoing director, Mr. Khalid Mahmood Bhaimia resigned effective November 30, 2017 and Fit & Proper Test (FPT) approval for proposed director to replace Mr. Bhaimia is still pending with the State Bank of Pakistan.

	Outgoing Director	Proposed Director
1	Mr. Khalid Mahmood Bhaimia (Nominee) CNIC: 420005-769400-3	FPT of proposed director to replace Mr. Khalid Mahmood Bhaimia is currently under review with the State Bank of Pakistan along with waiver for filling of casual vacancy within ninety (90) days

#### Performance Evaluation of Board of Directors

The Board evaluation process is a constructive mechanism for improving board effectiveness, maximizing strengths and tackling weaknesses, leading to an immediate improvement in performance throughout the organization. An effective Board therefore continually needs to monitor and improve its performance to proactively gauge the contribution of individual board members and committees towards achieving the strategic goals of the financial institution in the long run. The assessment exercise performed annually by the Board Evaluation Committee helps by identifying performance determinants followed by rating the Board's efforts through a rating scale, provided for in the Guidelines on Performance Evaluation of Board of Directors (the "Guidelines") issued by the State Bank of Pakistan through BPRD Circular No. 11 of 2016 dated August 22, 2016.

The Bank's Board Evaluation Committee has a mechanism for annual evaluation of its own performance based on the Guidelines. The Board evaluates its performance by looking at the overall performance of the Bank as well as whether the Board members have the requisite skills/expertise, competency, knowledge and diversified experience considered relevant in the context of the Bank's operations and to make the Board an effective governing body.

Pursuant to the provisions of the SBP Guidelines, the Board has carried out the annual performance evaluation of its own performance, as well as the evaluation of the working of its Committees. A structured questionnaire was prepared based on the SBP Guidelines covering various aspects of the Board's functioning such as adequacy of the composition

of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance. A separate exercise was carried out to evaluate the performance of individual Directors. The Board Evaluation Committee was satisfied with the evaluation results, which reflected the overall engagement and effectiveness of the Board and its Committees.

#### Pattern of Shareholding

The aggregate shares held by Directors and other shareholders as of December 31, 2017 are as follows:

S. No.	Name of Shareholders	Relationship	No. of shares held
1	MCB Bank Limited	Parent Company	999,999,999
2	Mr. Raza Mansha	Director	01
3	Mr. Ibrahim Shamsi	Director	01
4	Mr. M U A Usmani	Director	01
5	Mr. Ahmed Ebrahim Hasham	Director	01
6	Mr. Omar Saeed	Director	01
7	Mr. Aftab Ahmed Khan	Director	01
8	Mr. Khalid Mahmood Bhaimia	Other	01

#### Auditors

In pursuance of the Code of Corporate Governance the Audit Committee has suggested the appointment of M/s. KPMG Taseer Hadi & Company, Chartered Accountants, as auditors of the Bank in place of retiring auditors M/s. A. F. Ferguson & Company, Chartered Accountants. The Board on the suggestion of the Audit Committee, has recommended to the shareholders the appointment of M/s. KPMG Taseer Hadi & Company, Chartered Accountants to act as statutory auditors of the Bank for the year ending December 31, 2018.

#### Future Outlook

Political instability, rising trade deficit, Rupee devaluation and sustainable economic policies are the key factors which needs to be addressed on top priority to get enough FDI necessary for achieving targeted economic growth of 6%. Recovery in oil prices is also setting a challenge in keeping the inflation under one digit. However, hopes are still alive as we expect political chaos to settle soon and CPEC to continue with the same expectation.

The Bank is attaining a prominence position through its branch network and customer focused product differentiation. With the conclusion of the Scheme, the Bank will further strengthen its existence and facilitates its customers with better reach. The recent change in policy rate will surely give a breath in improving the banking sector margins. The Bank will further focus in vigilantly growing consumer and micro finance portfolio.

Our Product team is working on this development and launching of new Shariah compliant financing product for these high yielding potential segments. This is determined to inculcate a culture of service excellence, while at the same time, attracting, developing and retaining the best human resources talent to ensure realization of our future strategic objectives.

#### Acknowledgment

On behalf of the Board of Directors and management, I wish to express our sincere gratitude to our customers, business partners and shareholders for their continued patronage and trust. I would also like to thank State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory authorities for their continuous guidance and support. The Board of Directors sincerely appreciates the significant contribution by all its staff members to the growth of this franchise under challenging business conditions.

#### For and on behalf of the Board of Directors

Raza Mansha  
Chairman  
February 12, 2018



کیلئے بہترین افرادی وسائل کو متوجہ کرنے، ترقی دینے اور ادارے سے وابستہ رکھنے کا بھی خواہاں ہے۔

تسلیم و تحسین:

بورڈ آف ڈائریکٹرز کی جانب سے میں اپنے صارفین، کاروباری شراکت دار اور شیئر ہولڈرز کا اگلے مسلسل اعتبار اور تعاون پر تہ دل سے مشکور ہوں۔ میں اسٹیٹ بینک آف پاکستان، سکیورٹی اینڈ اینچیف کیپیٹل کمیشن آف پاکستان اور دیگر انضباطی اداروں کے جاری معاونت اور رہنمائی پر بھی بے حد مشکور ہوں۔

بورڈ آف ڈائریکٹرز اپنے ملازمین کی خدمات کا پُر غلوں اعتراف کرتے ہیں۔ جنگی بدولت ادارے نے مشکل ماحول میں بھی شاندار ترقی کی ہے۔

منجانب ویرائے بورڈ آف ڈائریکٹرز:

رضا غلام

چیرمین

12 فروری 2018



نمبر شمار	حصص یافتگان کا نام	خلق	حصص کی تعداد
1	ایم ای ٹی بینک لمیٹڈ	بانک کمپنی	999,999,999
2	رضانہ	ڈائریکٹر	01
3	ایم ای ٹی	ڈائریکٹر	01
4	ایم ای ٹی	ڈائریکٹر	01
5	ایم ای ٹی	ڈائریکٹر	01
6	میر منور	ڈائریکٹر	01
7	آفتاب احمد خان	ڈائریکٹر	01
8	خالد محمود بھائی میاں	دیگر	01

## آڈیٹرز:

کوڈ آف کارپوریٹ گورننس کے تحت آڈٹ کمپنی نے میرمنز کے پی ایم جی (KPMG) تاہم ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو بینک کے ریٹرننگ آڈیٹرز مقرر کر دیا ہے۔ ایف۔ فرکس اینڈ کمپنی چارٹرڈ، اکاؤنٹنٹس کی جگہ آڈیٹرز مقرر کرنے کی تجویز دی ہے۔ بورڈ آڈٹ کمپنی کی تجویز پر اپنے حصص یافتگان کو میرمنز کے پی ایم جی تاہم ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو قانونی آڈیٹرز برائے سال ختم 31 دسمبر 2018 کے نامزد کرنے کی سفارش کرتا ہے۔

## مستقبل کی پیش بینی:

غیر چینی سیاسی صورتحال، بڑھتے ہوئے تجارتی خسارہ، روپے کی تنزلی اور پائیدار معاشی پالیسیاں دو مقامی ممالک ہیں جن میں درگئی کی ضرورت ہے۔ تاکہ آتی براہ راست بیرونی سرمایہ کاری ہو سکے جو 6 فی صد کے معاشی ہدف کو حاصل کرنے میں مددگار ثابت ہو سکے۔ تیل کی بڑھتی ہوئی قیمتوں کے باعث افراط زر کو ایک نمبر کی سطح تک محدود رکھنا بھی ایک دشوار عمل ہے۔ تاہم امید ابھی زندہ ہے اور ہم اس سیاسی بے چینی کے جلد خاتمہ اور سی پیک کی جاری رفتار کے برقرار رہنے کی بھرپور توقع رکھتے ہیں۔

بینک اپنے برائچوں کے حال اور صارفین پر مذکور پراڈکٹس کی امتیازی حیثیت کی بناء پر ایک ممتاز مقام حاصل کر رہا ہے۔ اس سکیم کی تکمیل کے بعد بینک اپنی موجودہ حیثیت کو مزید مضبوط بنانے کے ساتھ ساتھ اپنے صارفین کو اپنی وسعت کے ذریعہ مزید سہولیات فراہم کر سکے گا۔ پالیسی ریت میں حالیہ تبدیلی کے باعث بینک کے شعبہ کے مارجن میں بہتری کی توقع ہے۔ بینک اپنی مزید توجہ کنزیمر اور بچوں کے فنانس (مانیجر فنانس) میں جو کسی کے ساتھ اضافہ پر مرکوز کئے ہوئے ہے۔ ہماری پراڈکٹ ٹیم فنانس کی ایسی نئی پراڈکٹ کو تشکیل دے رہی ہے جو شریعت کی مطابقت کے ساتھ رکھتی ہو، تاکہ اس زیادہ آمدنی کے حامل مواقع سے استفادہ کیا جاسکے۔ بینک معیاری خدمت کے رواج کی تاکید اور فروغ کیلئے پرعزم ہے اور اس کے ساتھ اپنے مستقبل کے معین مقاصد کے حصول کو یقینی بنانے

## بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ:

بورڈ کے جائزہ کا عمل، بورڈ کی افادیت میں اضافہ، اپنی طاقت کو بڑھانے اور کمزوریوں سے نپٹنے کا ایک ایسا تعمیری عمل/نظام ہے جس نے پورے ادارے کی کارکردگی میں فوری بہتری کو فروغ دیا ہے۔ ایک کارآمد بورڈ اس امر کا مستحق ہے کہ اس کی کارکردگی کی نگرانی اور اس کو بہتر بنایا جائے تاکہ ہر بورڈ ممبر کی انفرادی حیثیت میں اور کمپنیوں کی کارکردگی کا بحر پور جائزہ لیا جاسکے اور مالیاتی ادارے کے اصل مقاصد کے حصول کو یقینی بنایا جاسکے۔ سالانہ بنیاد پر کی جانے والی اس شخصیات کی بدولت بورڈ ایجوکیشن کمپنی کی کارکردگی کے تحریکات کی نشاندہی اور ساتھ بورڈ کی کوششوں کی دوجہ بندی کر سکتی ہے۔ دوجہ بندی کے اس مقررہ معیار کو بورڈ آف ڈائریکٹرز کی کارکردگی کے جائزہ کے بارے اسٹیٹ بینک آف پاکستان کے پی پی آر ڈی (BPRD) سرنگر نمبر 11 برائے 2016 تاریخ 22 اگست 2016 کے ذریعہ جاری کردہ رہنمائی کے اصولوں (گائیڈ لائنز) کے تحت استوار کیا گیا ہے۔

ان گائیڈ لائنز کے تحت بینک کے بورڈ نے اپنی اور دیگر کمپنیوں کی کارکردگی کے سالانہ جائزہ کیلئے ایک نظام وضع کر رکھا ہے۔ بورڈ ناصرف بینک کی مجموعی کارکردگی کو دیکھتے ہوئے ابھی پرفارمنس (کارکردگی) کا جائزہ لیتا ہے، بلکہ اس امر کی طرف بھی توجہ دیتا ہے کہ اس کے بورڈ کے ممبران مطلوبہ صلاحیتوں اور مہارت، قابلیت، علم اور حشرقی تجربات جو بینک کے آپریشنز سے متعلق ہوں، سے مالا مال ہوں۔ اور بورڈ کی انتظامی حیثیت میں زیادہ افادیت کا باعث بن سکیں۔

اسٹیٹ بینک آف پاکستان کی جانب سے گائیڈ لائنز کی فراہمی کے تاخیر میں بورڈ نے ناصرف اپنی سالانہ کارکردگی کا جائزہ لیا ہے، بلکہ اپنی کمپنیوں کی کارکردگی کو بھی جانچا ہے۔ (SBP) ایس پی پی کی گائیڈ لائنز پر مبنی ایک سوالنامہ تیار کیا گیا۔ جس میں بورڈ کے کل معاملات جیسا کہ بورڈ اور اس کی کمپنیوں کی ساخت کی معقولیت، بورڈ کے کلچر، خصوصی ذیولوں کی تکمیل کے عملی اقدامات، ذمہ داریاں اور انتظامی صلاحیتوں جیسے پہلوؤں شامل کیا گیا۔ ڈائریکٹرز کی انفرادی حیثیت سے کارکردگی کا جائزہ لینے کیلئے ایک علیحدہ مشق کی گئی۔ بورڈ ایجوکیشن کمپنی جائزوں کے ان نتائج سے مطمئن تھی جو کہ بورڈ اور اس کمپنیوں کی افادیت اور مجموعی طور پر اثرائتاز ہونے کی صلاحیت کا مظہر ہے۔

## حصص کی نمائندگی کی ترکیب:

31۔ دسمبر 2017 تک بینک کے ڈائریکٹرز اور دیگر حصص یافتگان کے مجموعی حصص کی تفصیل مندرجہ ذیل ہے:



## بورڈ کی ذیلی کمیٹیوں کے اجلاس:

انکبان	اسپی	ایڈیٹرز	ایڈیٹرز	ایڈیٹرز	ایڈیٹرز	ایڈیٹرز	ایڈیٹرز
ممبران	ممبران	ممبران	ممبران	ممبران	ممبران	ممبران	ممبران
رضانہ	-	-	-	-	-	-	-
آفتاب احمد خان	-	-	-	-	-	-	-
ایم ای ٹی	-	-	-	-	-	-	-
میر منور	-	-	-	-	-	-	-
ایم ای ٹی	-	-	-	-	-	-	-
خالد محمود بھائی میاں	-	-	-	-	-	-	-
ایم ای ٹی	-	-	-	-	-	-	-

## ڈائریکٹرز ٹریننگ پروگرام:

مندرجہ ذیل ڈائریکٹرز نے ایس ای سی پی (SECP) کے باقاعدہ ٹریننگ پروگرام میں شرکت کی:

- بورڈ کی افادیت میں اضافہ - ڈائریکٹرز پروگرام - میر منور

- شرعی احکامات اور اسلامی بینکاری کے اصول (ایک سیشن) مکمل بورڈ

## ڈائریکٹرز میں تبدیلی:

جناب خالد محمود بھائی میاں نے بطور ڈائریکٹر 30 نومبر 2017 کو اسٹیٹ دے دیا اور ان کے تہاویل متوقع ڈائریکٹر کی فہرست اور پراپر ٹیمٹ، ایف پی پی (FPT) کو منھوری ابھی اسٹیٹ بینک آف پاکستان میں ذمہ اختوا ہے

جائے واسلے ڈائریکٹرز	متوقع ڈائریکٹرز
1	ایک متوقع ڈائریکٹر کی ایف پی پی جو جناب خالد محمود بھائی میاں کا تہاویل ہوگا ابھی (SBP) شہت بینک کے ذریعہ جو ہے اور اس کے ساتھ عام رسائی کیلئے 90 دن کی حد میں اس کی درخواست کی

جاری رکھے (پی پی پی - BCP) کے ناگزیر عوامل پر غور اور نگرانی کی جاسکے۔ پی پی پی آفس مینجمنٹ کمیٹی کو بھی تازہ ترین صورتحال سے باقاعدگی سے آگاہ کرتا ہے۔

## کورپوریٹ گورننس:

سال 2017ء میں بینک نے کورپوریٹ گورننس کے سسٹم کے لحاظ کیلئے قابل ذکر اقدامات کئے ہیں۔ بینک نے نہایت کامیابی کے ساتھ اپنی تمام برائچوں کو لگائی (LGACY) سسٹم سے اور نیکل کارپوریشن کے فلیکس کیوب کورپوریٹ گورننس سسٹم میں منتقل کر دیا ہے۔ اس سے واحد اکلوتے پلیٹ فارم کے ذریعے بینک اپنے صارفین کو بلا رکاوٹ خدمات کی فراہم کرنے کی صلاحیت سے بہرہ مند ہوا ہے۔ اس نئی شروعات/مواقع دستیاب ہونے اور شریعت کے تابع سہولیات کی معیاری اور مستقل فراہمی کے عمل سے ڈورس نتائج حاصل ہوئے۔

## بینک کے حصص کی کارٹریڈنگ/کاروبار:

بینک فی الوقت ایک غیر لفظ ادارہ ہے۔ لہذا اس کے ڈائریکٹرز، حیدر وارمان اور ان کے شریک حیات اور تالیف بچوں میں سے کسی نے بھی سال 2017 میں بینک کے حصص کا کوئی کاروبار نہیں کیا۔

## بورڈ آف ڈائریکٹرز کی میٹنگ:

اس مالی سال کے دوران بورڈ آف ڈائریکٹرز کے سات اجلاس ہوئے ان میں حاضری کی تفصیل مندرجہ ذیل ہیں:

ڈائریکٹر کا نام	میٹنگ کی تعداد میں حاضری
رضانہ	7
آفتاب احمد خان	4
ایم ای ٹی	6
میر منور	6
ایم ای ٹی	3
خالد محمود بھائی میاں (30 دسمبر 2017 تا)	2
ایم ای ٹی	7
علی احمد خان	7



منافع کی مد میں یہ تجربہ سال بینک کیلئے ایک مشکل سال ثابت ہوا۔ اس سال بینک نے گزشتہ سال کے 79.9 ملین روپے کے بعد ان گیس منافع کے مقابلہ میں 262.9 ملین کا نقصان بعد ان گیس رپورٹ کیا جس کے بنیادی عوامل میں کپٹل مارکیٹ کی محدود کارکردگی، سال 2016 کی آخری سرمایہ میں کھلے والی 26 نئی برانچوں کی مکمل لاگت کا شمار اور بینک کی وسعت کیلئے جاری اخراجات تھے۔

تاہم بینک کی کل آمدنی میں مسلسل اضافہ جاری ہوا جس میں ایک مثبت نمود بھی گئی جو گزشتہ سال کی 1,785.9 ملین روپے کی سطح سے 39.9 فی صدی شرح کے اضافہ سے 2,499.9 ملین روپے پر رپورٹ ہوئی۔ اسلامی فنانسنگ و متعلقہ اثاثوں کی آمدنی، سرمایہ کاری اور سٹیمس (placements) نے بینک کی کل آمدنی میں 82.4 فی صدی کی شراکت کی۔ بینک کے کم لاگت کے فیچرز کے حصول پر جاری مسلسل ارتقاء نے بینک کے سرمائے کی لاگت پر مثبت اثر ڈالا ہے۔ جو ہم میں نمایاں ترقی کے بعد 394.7 ملین روپے بڑھ کر 680.4 ملین روپے تک جا پہنچی۔

پیداواری اثاثوں سے حاصل شدہ آمدنی کی شرح 6.9 فی صدی جبکہ سرمائے کی لاگت کی شرح 3.6 فی صدی گزشتہ سال میں ان کی شرح بالترتیب 6.8 فی صدی اور 3.5 فی صدی رہی تھی۔ پچھلے سال کی 0.080 روپے فی شیئر (حصص) آمدنی کے مقابلہ میں اس سال 0.263 روپے فی شیئر کا نقصان ریکارڈ کیا گیا۔ تاہم فی شیئر یک وچلے بشمول اضافی تحفہ نو کے، گزشتہ سال کی 10.2 روپے کی شرح کی نسبت 9.6 روپے پر درج کی گئی۔

### نمایاں مالیاتی جھلکیاں:

عمو (%)	2016	2017	
سرمایہ کاری۔ غائب	9,188	5,770	69%
اسلامی فنانسنگ اور متعلقہ اثاثے (غائب)	31,473	16,173	95%
کل اثاثات	51,771	28,568	81%
فیچرز	32,691	14,279	129%
حصص یافتگان کی ایکویٹی (سرمایہ) بشمول تحفہ نو	9,631	10,266	16%
غائب آمدنی	1,055	950	11%
دیگر آمدنی	438	258	70%
آپریٹنگ (کاروباری) آمدنی	1,494	1,304	15%
انتظامی و دیگر اخراجات	1,845	1,190	55%
(نقصان) / منافع قبل از گیس	(351)	114	(408%)
(نقصان) / منافع بعد از گیس	(293)	80	(429%)
بنیادی (مکمل شدہ) (نقصان آمدنی) / منافع / سرمایہ	(0.263)	0.080	(429%)

### کوڈ آف کارپوریٹ گورننس کے تحت بیانیہ:

بورڈ آف ڈائریکٹرز اس امر کو یقینی بنانے کے لئے پرعزم ہیں کہ سیکورٹی اینڈ ایجنسی کیسٹن آف پاکستان کی جانب سے معین کردہ کارپوریٹ گورننس کے تمام معیار اور شرائط کی مکمل پاسداری ہو۔ بینک نے کارپوریٹ گورننس کے بہترین معیار کو اختیار کیا ہے اور ڈائریکٹرز بحسن و بھلائی رپورٹ کرتے ہیں کہ:

• بینک کے مینجمنٹ کی طرف سے تیار کردہ فنانس سٹیمس اسکی کارکردگی، صورتحال، نقدی کے بہاؤ (کیس فلو) اور ایکویٹی میں تبدیلیوں کا واضح اظہار کرتی ہیں۔

• بینک کے اکاؤنٹس کی درست و متوازن بات تیار کی گئی ہیں۔

• فنانس سٹیمس کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تجزیے موزوں اور حقائق اندازوں پر مبنی ہیں۔

• فنانس سٹیمس کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل اکاؤنٹنگ سٹینڈرڈز کو مد نظر رکھا گیا ہے اور اس سے کسی بھی انحراف کو وضاحت کے ساتھ سالانہ اکاؤنٹس میں بیان کیا گیا ہے۔

• اس سال میں کسی ڈیویڈنڈ یا بونس شیئر کا اعلان نہیں کیا گیا ہے۔

• بطور ادارہ بینک کے کام جاری رکھنے کی اہلیت میں کسی شک و شبہ کی گنجائش نہیں ہے۔

• کاروبار کے آغاز سے اب تک، تمام اہم نکات اور مالیاتی ڈیٹا اس رپورٹ میں شامل ہے۔

• اندرونی انضباط کا نظام مضبوط و خال پر استوار کیا گیا ہے اور نہایت متحرک انداز میں نافذ اور جانچا جاتا ہے۔

• کارپوریٹ گورننس کے بہترین معیار اور ضابطہ عمل سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔

• 31 دسمبر 2017 تک پروویڈنٹ فنڈ کی سرمایہ کاری کی قدر بمطابق غیر آئینہ اکاؤنٹس 70.9 ملین روپے رہی۔

• بینک کے ذمہ کسی طرح کا کوئی ٹیکس / محصول، ڈیوٹی یا اس سے متعلقہ دیگر اخراجات واجب الادا نہیں ہے۔

### کارپوریٹ گورننس کی تکمیل:

بینک نے 31 دسمبر 2017 کو اختتام پزیر سال سے متعلقہ کوڈ آف کارپوریٹ گورننس کی مطلوب شرائط کی تکمیل ہے۔ اس ضمن میں مقررہ بیانیہ اور اس کے ساتھ آڈیٹرز کی اس بارے میں تجزیہ رپورٹ اس سالانہ رپورٹ میں شامل ہیں۔

### انٹرنل کنٹرول (اندرونی انضباط) کا بیانیہ:

بورڈ انتہائی مسرت سے انتظامیہ کے بیانیہ کو پیش کرتا ہے۔ انتظامیہ کا اندرونی انضباط کا بیانیہ سالانہ رپورٹ میں شامل ہے۔

### کریڈٹ ریٹنگ:

پاکستان کریڈٹ ریٹنگ ایجنسی (پاکرا) نے بینک کی درمیانی سے طویل مدت کی ریٹنگ کو (A) اے اور قلیل مدت کی ریٹنگ کو A-1 (اے ون) کی سطح مستحکم پیش پیشی کے ساتھ برقرار رکھا ہے۔

### خدشات کا انتظام (ریسک مینجمنٹ):

ایم سی بی اسلامک بینک کے بورڈ آف ڈائریکٹرز اس کے خدشات کے انتظام کی بنیادی سافت کاپیٹن کرتے ہیں۔ اور اس ادارے کے حجم اور دشواریوں کے تناظر میں اس کی مکمل رہنمائی کرتے ہیں۔

آزادی اور خود مختاری خدشات کے انتظام میں ایک ناگزیر حیثیت کی حامل ہیں اور ان کا اطلاق بورڈ آف ڈائریکٹرز کی ہدایت کے بنیادی جزو کے طور پر کیا جاتا ہے۔ ہم نے ایک نظام وضع کر رکھا ہے جو رسک مینجمنٹ (خدشات کے انتظام) گروپ کی کوٹھار کرنے، جائزہ لینے، اس کا رد داک اور سب سے پہلے خدشات یا رسک لینے والے یعنی کاروبار کرنے والے گروپ، کی جانب سے اس پر نگاہ رکھنے کے عمل کو یقینی بناتا ہے۔ رسک لینے والے اور رسک کا انتظام کرنے والوں کے مابین معاملات کی اس لمبھگی کے باعث ایک طرف موزوں آزادی دستیاب ہوئی ہے اور ساتھ ہی کاروبار اور رسک کی منظوری دینے والی مجاز اتھارٹی کی تمام متعلقہ خدشات (رسک) کیلئے مشترکہ ذمہ داری کا بھی تعین کیا گیا ہے۔

بینک اپنے بورڈ آف ڈائریکٹرز کے منظور شدہ متفرق پالیسی و متاثرات کے ذریعہ اپنی رسک مینجمنٹ (خدشات کے انتظام) کے ڈھانچے کی موجودہ بہترین عالمی ضابطوں اور اسٹینڈرڈز آف پاکستان کی جانب سے جاری شدہ رہنمائی کے اصولوں کے مطابق ڈھانچے کیلئے پرعزم ہے۔ خدشات کیلئے مینجمنٹ فنانس کیلئے ایک اضافی قادم ہے جو خدشات کو چٹا چٹے اس کے بارے میں بات کرنے اور انتظامیہ (مینجمنٹ) کو اس کے اہم نکات سے آگاہ کرنے کی خاطر تشکیل دیا گیا ہے۔ رسک مینجمنٹ گروپ تازہ ترین معلومات رسک مینجمنٹ اور رپورٹ فوریہ کی پیشی، جو کہ ایک بورڈ کی ایک خصوصی طور پر تشکیل دی گئی ایک ڈیلی کیلئے ہے کہ

باقاعدہ اجلاسوں کے ذریعہ مہیا کرتا ہے اور ان سے رہنمائی اور ہدایت بھی لیتا ہے۔

### سرمایہ کی تشخیص اور موزونیت (کپٹل اسٹیمنٹ اور ایڈیکوئیٹی):

بینک اپنے سرمایہ کی بنیاد میں، سرمایہ کی مطلوبہ ضوابط کی حد اور بازل (BASEL) سرمایہ کی مطلوبہ شرح سے نمایاں طور پر بلند ہے۔ بینک کی سطح - I (Tier-I) سے کل رسک ازائی اثاثوں کی شرح نہایت مضبوط اور ضوابط کی حدود کے اندر ہے۔ بینک، کریڈٹ مارکیٹ اور سیال پزیری کے خدشات (رسک) کو مختلف طرح دباؤ کا فکارت کر کے ان کی شدت کا معائنہ (سٹریٹسٹیک) کرتا ہے۔ مارکیٹ کے رسک کی تشخیص کیلئے بینک رسک کی وچلے کا بھی شمار کرتا ہے۔

### لیکویڈیٹی (سیال پزیری) کا انتظام:

ایسٹ انٹرنیشنل (اثاثوں اور واجبات) کی کمپنی (ایچکو - ALCO) بینک کی مجموعی سیال پزیری کی حکمت اور اثاثوں و واجبات کے انتظام کی نگرانی کے نظام کو مرحب کرنے کی ذمہ دار ہے۔ اثاثوں، واجبات کا انتظامی ڈھانچہ سیال پزیری کی حکمت عملی اور کسی امکانی صورت میں ہونے والے اخراجات کے پلان اپنی جگہ پر نافذ ہیں۔ تاکہ اس امر کو یقینی بنایا جاسکے اور بینک اپنے منافع میں بہترین شرکت کے ساتھ اپنی سیال پزیری کی ضروریات کو بروقت پورا کر سکے۔ علاوہ ازیں ایچکو (ALCO) نے ایک فریم ورک کی منظوری دی ہے، جو معاہداتی اور غیر معاہداتی اثاثات جات و واجبات کی نگرانی اور باقاعدہ تشخیص کرے گا، تاکہ ان کی بہتر سیال پزیری اور آمدنی کی حمایت کے فرق کی رپورٹنگ کی جاسکے۔ یہ ایک ضوابطی ضرورت ہے اور بینک اس پر مکمل طور پر کاربند ہے۔

### کاروبار جاری رکھنے کا پلان:

ڈیٹا (مواد) اکٹھا کرنے کا سکیم (نظام) جس میں آپریٹل نقصان، انتہائی قریب سے گھومتے ہوئے مواقع اور کنٹرول (ضابطے) کی خلاف ورزی کے ڈیٹا (مواد) کو مابہت بنیاد پر اکٹھا کیا جاسکے، کے ذریعہ آپریٹل (کارکردگی) کے خدشات (رسک) کا رد داک / انتظام کیا جاتا ہے۔ اس ڈیٹا (مواد) کی بنیاد پر نمایاں آپریٹل خدشات کے معاملات کے بارے میں ایک سرمایہ تجزیہ بورڈ کی رسک مینجمنٹ اور رپورٹ فوریہ کیلئے کے سامنے پیش کیا جاتا ہے۔ بینک کے اندرونی نظام جزو کے طور پر، خدشات کے انتظام کا عمل آپریٹل رسک، دھوکہ دہی (فراڈ) کے رسک اور کاروباری جاری رکھنے / ناگہانی صورتحال کی بحالی کی پلاننگ کو شافٹ ریٹنگ سیشنز کے ذریعہ آگاہی کے بارے میں بھی نہایت چابکدستی سے عمل پیرا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے منظور شدہ کاروباری جاری رکھنے کے پلان کو بینک نے رسک مینجمنٹ گروپ کے ذریعہ نافذ کیا گیا ہے۔ بزنس (کاروبار) کو یقینی (جاری) مینجمنٹ کیلئے، جو کہ ایک خصوصی ڈیلی کیلئے ہے، کا قیام کیا جاتا ہے تاکہ یہ تمام نافذ العمل معاملات کی دیکھ بھال کر سکے۔ یہ کیلئے باقاعدگی سے اجلاس منعقد کرتی ہے تاکہ کاروبار



ایم ایس سی آئی، ایمرجنگ مارکیٹ انڈکس ( اجمرتی منڈیوں کے انڈکس ) میں دوبارہ



# FINANCIAL SUMMARY

## FINANCIAL DATA

### STATEMENT OF FINANCIAL POSITION

	2017	2016	2015
	Rupees in thousands		
Total assets - net	51,770,766	28,568,502	26,887,541
Cash and balances with treasury banks	3,390,753	1,509,804	698,123
Balances with other banks	2,703,251	2,750,998	6,347,459
Due from financial institutions	1,400,000	-	-
Investments - net	9,186,213	5,769,675	5,995,470
Islamic financing and related assets - net	31,472,935	16,172,727	12,473,797
Operating fixed assets and others	3,617,614	2,365,298	1,372,692
Total liabilities - net	42,139,987	18,302,629	16,904,789
Bills payable	314,210	447,776	89,864
Due to financial institutions	7,926,790	2,785,650	631,520
Deposits and other accounts	32,690,808	14,279,436	9,450,072
Other liabilities	1,208,179	749,243	6,733,333
Net assets	9,630,779	10,265,873	9,982,752
Share capital	10,000,000	10,000,000	10,000,000
Shareholders' equity	9,832,379	10,094,531	10,014,614

### PROFIT AND LOSS ACCOUNT

Profit / return earned	2,060,927	1,526,778	376,295
Profit / return expensed	1,005,671	576,544	101,057
Net spread earned	1,055,256	950,234	275,238
(Reversal of provision) / provision	(55)	(94,137)	39,901
Net spread after provisions	1,055,311	1,044,371	235,337
Fee, commission and brokerage income	46,325	34,678	9,874
Dividend income and Gain on sale of securities - net	352,356	196,172	10,439
Income from dealing in foreign currencies	29,846	17,322	3,968
Other income	10,483	10,992	787
Operating expenses	1,845,248	1,189,562	202,774
(Loss) / profit before taxation	(350,927)	113,973	57,631
Taxation	87,930	(34,056)	(5,324)
(Loss) / profit after taxation	(262,997)	79,917	52,307

### OTHERS

Imports	23,416,703	13,259,000	2,018,706
Exports	1,971,928	1,807,700	100,169

### KEY RATIOS

Capital adequacy ratio	23.81%	39.74%	46.50%
(Loss) / profit before tax ratio	-17.03%	7.46%	15.32%
(Loss) / profit after tax ratio	-12.76%	5.23%	13.90%
Income / expense ratio	87.69%	106.82%	116.77%
Return on average equity (ROE)	-2.64%	0.79%	0.52%
Return on average assets (ROA)	6.22%	6.43%	5.95%
Return on average earning assets	6.99%	6.79%	6.34%
Cost of deposit	3.15%	3.34%	3.17%
Cost of fund	3.60%	3.54%	3.26%
Gross Financing to Deposit ratio	96.28%	113.27%	133.01%
Infection ratio	0.00%	0.01%	0.01%
CASA to Deposit ratio	79.19%	58.67%	60.68%
Book value per share including revaluation surplus	9.63	10.27	9.98
Basic / diluted (loss) / earnings per share - after tax - Rupees	(0.263)	0.080	0.052

### NON-FINANCIAL DATA

No. of employees (excluding outsourced)	795	601	328
No. of financing customers (excluding staff)	179	71	31
No. of deposit accounts	48,492	31,250	22,498



# SERVICE QUALITY

At MCB Islamic Bank, we believe in a service culture which ensures consistent delivery of our products and services to our valued customers.

The Bank also has a dedicated unit of Complaint Management which handles and addresses customer complaints as per the Customer Grievances Handling policy approved by the Board. The Bank has a strong complaint handling mechanism which allows our customers to log complaints from various channels which include 24/7 call center, website, email, branches, Banking Mohtasib, SBP, and complaint drop box placed in all our branches across the country.

The Bank has a complaint escalation mechanism whereby all complaints are escalated to the senior management if not resolved within the stipulated time. In Year 2017, detailed root causes of complaints have been presented in service quality control committee. Proactive measures have been taken, that reduced unnecessary lodgement of complaints while many process improvements were also made during the year.

In Year 2017, the Bank received 1052 number of complaints out of which 1043 complaints were resolved as of 31 December 2017 and average complaint resolution time is 4.16 working days.



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ وَالصَّلَاةُ وَالسَّلَامُ عَلَى سَيِّدِ الْأَنْبِيَاءِ وَالْمُرْسَلِينَ وَعَلَى آلِهِ وَصَحْبِهِ أَجْمَعِينَ أَمَّا بَعْدُ

# REPORT OF SHARI'AH BOARD

(FOR THE YEAR ENDED DECEMBER 31, 2017)

The Shari'ah Board of MCB Islamic Bank Ltd. (MIB) was established in September, 2015. Currently Shari'ah Board comprises of respected Prof. Mufti Munib-ur-Rehman as Chairman Shari'ah Board, Mufti Syed Sabir Hussain as Resident Shari'ah Board Member (RSBM) and Mufti Mahmood Ahmad as Member Shari'ah Board. In the year 2017 Shari'ah Board meetings were held on the following dates:

- First Shari'ah Board Meeting – February 15, 2017
- Second Shari'ah Board Meeting – April 26, 2017
- Third Shari'ah Board Meeting – July 31, 2017
- Fourth Shari'ah Board Meeting – October 10, 2017

- 1 While the Board of Directors and Executive Management are solely responsible to ensure that the operations of MIB are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of MIB.
- 2 To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of MIB carried out reviews of each types of transactions, products, process flows/modus operandi and concepts. In this regard, 66 branches have been inspected for Shari'ah as per Shari'ah Compliance program. Further, Pool Management System (PMS) and treasury transactions were also reviewed as per required frequency and major highlighted system related matters have been rectified as per guidance of SCD. In order to enhance the Islamic banking knowledge and expertise in general as well as product wise especially in Islamic Micro Finance and SME businesses, were made mandatory for all staff of the Bank with the coordination of Learning & Development Department of HRG.
- 3 The Shari'ah Board of the MIB has issued Four (4) Instructions & Guidelines & Two (2) Fatawa during the period.
- 4 SCD with the coordination of management has reviewed the existing legal documents of financing products namely Islamic Micro Finance on Murabaha basis, Consumer Car Finance and House Finance on Diminishing Musharakah, Consumer Car Finance on Ijarah basis, Musharakah Running Finance, Musharakah Export Finance, Murabaha Financing, Diminishing Musharakah of corporate and commercial business.
- 5 SCD has also facilitated Islamic Banking training sessions the front and back offices staff of MIB. Further, SCD has taken initiative to establish an effective and comprehensive Islamic Banking training mechanism for all business centers, Branch Managers/ Branch Operation Managers. Internal trainers were also part of Shari'ah related training initiatives during the year.
- 6 Shari'ah Board praises and encourages the effort of Management regarding implementation of proper dress code in all branches and permission of branches' staff to wear Shalwar & Qameez on Friday. It is also hoped that same will be approved for Back offices' staff.

## Recommendations:

Based on the observations made through Shari'ah review, report and Shari'ah Compliance checks, it is recommended that:

- i In future, there shall be more Shari'ah Trainings for front and back office staff with emphasis on specialize products training sessions;
- ii Newly inducted staff shall be trained on Islamic Banking and Islamic Banking Products before confirmation;
- iii As pool management is very sensitive by its nature, therefore, it shall be more automated to avoid any human error.
- iv All back offices who are involve on execution of the transactions are advised to use standard documents approved by Shari'ah Board and should bear initial on each page.

## Conclusion:

Shari'ah Board has reviewed & advised corrective measures on the report of Internal Shari'ah Audit and Shari'ah Compliance Inspection reports and is of the view that:

- i MIB has complied with Shari'ah rules and principles in the light of Fatawa, Instructions and Guidelines issued by Shari'ah Board.
- ii MIB has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
- iii MIB has a comprehensive mechanism in place to ensure Shari'ah Compliance in their overall operations.
- iv During the course of Shari'ah compliance of the transactions, it was realized that the amount of Charity collection during the year was PKR 6.133 million from different heads which was instructed to transfer to the Charity account. The bank has disbursed the Charity amount to Shari'ah approved charitable organizations as per MIB's charity policy and SBP's guidelines.
- v MIB has complied with the SBP instructions on profit and loss distribution and pool management.
- vi While the Bank is actively pursuing training of its human resources about various aspects of Islamic Banking & Finance through training sessions/seminars, however further improvement is required in the level of awareness of Islamic Banking & Finance of the staff, management and the BOD through enhanced training mechanism for each level. The management and the BOD has made sincere efforts and appreciates the importance of Shari'ah compliance in overall operations of MIB.
- vii The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.

Shari'ah Board would like to take this opportunity to offer praise to Almighty ALLAH and seek his guidance and Tauwleeq, and to express its wishes for further progress, development and prosperity of Islamic Banking, Ahamdullah under the sincere efforts of senior management, and Islamic Banking industry in Pakistan as a whole.

وَاللَّهُ سُبْحَانَهُ وَتَعَالَى أَعْلَامُ

*Munib ur Rehman*

**Professor Mufti Munib-ur-Rehman**  
Chairman Shari'ah Board

*Syed Sabir Hussain*

**Mufti Syed Sabir Hussain**  
Resident Shari'ah Board Member

*Muhammud Ahmad*

**Mufti Mahmood Ahmad**  
Member Shari'ah Board

January 24, 2018



## بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ وَالصَّلَاةُ وَالسَّلَامُ عَلَى سَيِّدِ الْأَنْبِيَاءِ وَالْمُرْسَلِينَ وَعَلَى آلِهِ وَصَحْبِهِ أَجْمَعِينَ أَمَّا بَعْدُ

### مجلس امور شرعیہ کی رپورٹ (مالی سال اختتام پذیر ۳۱ دسمبر ۲۰۱۷ء)

ایم سی بی اسلامک بینک (ایم آئی بی) کا شریعہ بورڈ ستمبر ۲۰۱۵ء کو تشکیل پایا، موجودہ شریعہ بورڈ پر وفیسر مفتی فیض الرحمن چیئرمین شریعہ بورڈ، مفتی سید صابر حسین ریزیہ نیت شریعہ بورڈ ممبر اور مفتی محمود احمد ممبر شریعہ بورڈ پر مشتمل ہے۔ ۲۰۱۷ء میں شریعہ بورڈ کے اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

- شریعہ بورڈ کا پہلا اجلاس، ۱۵ فروری ۲۰۱۷ء
- شریعہ بورڈ کا دوسرا اجلاس، ۲۶ اپریل ۲۰۱۷ء
- شریعہ بورڈ کا تیسرا اجلاس، ۳۱ جولائی ۲۰۱۷ء
- شریعہ بورڈ کا چوتھا اجلاس، ۱۰ اکتوبر ۲۰۱۷ء

۱ بورڈ آف ڈائریکٹرز اور ایگزیکٹو مینجمنٹ اس امر کے ذمہ دار ہیں کہ ایم آئی بی کے تمام معاملات شریعت کے اصولوں کے عین مطابق ہوں، لہذا ایم (شریعہ بورڈ) ایم آئی بی کے شریعہ کمپلائنس کی صورت حال کے بارے میں ایک رپورٹ جمع کرانے کے ذمہ دار ہیں۔

۲ اس رپورٹ میں اہلکار کے طور پر عرض یہ ہے کہ ایم آئی بی کے شریعہ کمپلائنس ڈیپارٹمنٹ نے ہم قلم کے مالی معاملات پر وہ کٹس، معاملات کے مراحل اور تقریبات کا جائزہ لیا ہے۔ اس سے شریعہ کمپلائنس پر وکرام کے بینک کی ۶۶ برانچوں کا شرعی جائزہ لیا گیا۔ مزید برآں پول ٹینجٹ سسٹم اور ٹریڈی کے معاملات کو بھی معقولہ معیار کے مطابق دیکھا گیا لہذا شریعہ کمپلائنس ڈیپارٹمنٹ کی رہنمائی میں سسٹم سے متعلقہ اہم مسائل کی تصحیح کرنی گئی ہے۔ اسلامی بینکاری کے بارے میں علم اور مہارت کو بڑھانے کی غرض سے باہم اسلامی بینکاری اور بانٹو صوم پر وہ کٹس مائیکرو فنانس اور ایس ایم ای (SME) کے کاروبار کی تربیت بی بی ممبروں ڈیپارٹمنٹ کے تعاون سے تمام اسٹاف کے لئے لازم ہے۔

۳ ایم آئی بی کے شریعہ بورڈ نے اس دوران چارہ ایات و دھرم عمل اور فتاویٰ ہدایت ہادی کے ہیں

۴ شریعہ کمپلائنس ڈیپارٹمنٹ نے بینک کی انتظامیہ کے تعاون سے موجودہ قانونی و استوائیات بنس ممبرانہ کی فیڈ بک اور اسلامی مائیکرو فنانس، باہم پر مبنی کنزومر فنانس، ہادی مشارکہ فنانس، برآمداتی مشارکہ فنانس، ممبرانہ فنانس، کارپوریٹ اور کمرشل کاروبار کے لئے شرکت خزانہ پر نظر ثانی کی۔

۵ شریعہ کمپلائنس ڈیپارٹمنٹ نے بینک کے فرٹ آفس اور ایک اسٹاف کے لئے اسلامی بینکاری کی ٹریننگ کے کئی پروگرامز منعقد کئے ہیں۔ مزید برآں شریعہ کمپلائنس ڈیپارٹمنٹ نے کاروباری معاملات اہم دینے والے اسٹاف، برانچ مینجرز، آفیشل مینجرز، ایگزیکٹو مینجمنٹ اور بورڈ آف ڈائریکٹرز کی ٹریننگ کے سلسلے میں ایک پروگرامز باقی پروگرام ترتیب دیا ہے۔ علاوہ ازیں اس سال سے شریعہ سے متعلقہ تربیت کے لئے بینک کے اسٹاف کی نہایت لینے کا بھی آغاز کیا گیا۔

۶ شریعہ بورڈ نے بینک کی تمام برانچوں میں اہلکار کے دن عوام قیض پسنے کی اجازت دینے پر انتظامیہ کے اس عمل کو سرلہ اور اس کی عملہ افزائی کی اور اس آئیہ کا اہلکار کیا کہ یہی اجازت بینک آفس اسٹاف کو بھی ملے گی۔

مشارعات:

شرعی جائزہ کے دوران آلے والے تحفظات، ہادی رپورٹ اور شریعہ کمپلائنس کی بنیاد پر درج ذیل مشارعات پیش کی جاتی ہیں:

- i مستقبل میں فرٹ آفس اور ایک اسٹاف کے لئے شریعہ کی تربیت میں مزید اضافہ کیا جائے گا اس طور پر وہ کٹس سے حلقہ تربیت پر توجہ دی جائے گی
- ii نئے شامل کئے جانے والے اسٹاف کے ہاتھ وہ تحریر سے پہلے ان کی اسلامی بینکاری اور اس کی پروکس کی تربیت ضرور کی جائے گی
- iii ہر ماہ پول ٹینجٹ اپنی طرہ کے اجازت سے استوائی ساس شعبہ ہے، لہذا کسی بھی استوائی طرہ سے منوعہ رستے کی غرض سے اسے مزید غور کیا جائے گا
- iv ایک آفس کے وہ تمام اسٹاف، کاروباری معاملات کی انجمن دینی پر مبنی ہیں، کہ وہ استوائی ہادی ہے کہ وہ شریعہ بورڈ سے مشورہ و استوائیات جس کے ہر مسئلے پر دیکھا جائے گا

تلاص:

شریعہ بورڈ نے انٹرئل شریعہ آڈٹ اور شریعہ کمپلائنس کی رپورٹس کو دیکھنے کے بعد اسلامی احکامات کے لئے ہدایات دیں، لہذا شریعہ بورڈ کے مطابق:

- i ایم آئی بی نے شریعہ بورڈ کے ہادی کو وہ فیصلے ہات اور ہدایات والا عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔
- ii ایم آئی بی اسٹیٹ بینک آف پاکستان کے اسٹاف، قوانین و ہدایات اور دھرم عمل (جو اسٹیٹ بینک آف پاکستان کے شریعہ بورڈ کے احکام کے مطابق ہیں) سے ہم آہنگ ہے۔
- iii شریعہ کمپلائنس کو یقینی بنانے کے لئے ایم آئی بی کے پاس ایک جامع طریقہ کار موجود ہے۔
- iv مالی معاملات کے شریعہ کمپلائنس کے دوران یہ معلوم ہوا کہ ایم آئی بی نے مختلف مدت سے ۸۰، ۱۳۳ ملین کی پیریڈکٹ کیلئے پیریڈکٹ میں ڈال دیا گیا ہے۔ علاوہ ازیں بینک نے ایم آئی بی کی پیریڈکٹ اور اسٹیٹ بینک آف پاکستان کے اصولوں کے مطابق شریعہ بورڈ سے مشورہ و مختلف پیریڈکٹ اور رول کو پیریڈکٹ کی افادیت سے رقم ادا کی۔
- v ایم آئی بی کے نفع و نقصان کی تقسیم اور پول کی انتظام کاری اسٹیٹ بینک آف پاکستان کی ہدایات کے عین مطابق ہے۔
- vi اگرچہ بینک فعال طریقے سے اپنے اہلکار کو اسلامی بینکاری اور مالیاتی نظام کے بارے میں تربیت دے رہا ہے، تاہم اہلکار، انتظامیہ اور بورڈ آف ڈائریکٹرز میں آگہی پیدا کرنے کی غرض سے اسلامی بینکاری کی تربیت میں مزید اضافہ کی ضرورت ہے۔ انتظامیہ اور بورڈ آف ڈائریکٹرز نے اہلکار پر مبنی کوششیں کی ہیں اور انہوں نے ایم آئی بی میں شریعہ کمپلائنس کی اہمیت کو تسلیم کیا ہے۔

vii شریعہ بورڈ کو اپنی ذمہ داریوں سے ہمہ گیر آں ہونے کے لئے خاطر و اداس سال فراہم کئے گئے ہیں۔

شریعہ بورڈ اللہ تعالیٰ کی بارگاہ میں اس کی تعریف پیش کرنے اور اس سے بہت اور توفیق کا خواہاں ہے اور سینئر مینجمنٹ اور اسلامی بینکاری انٹرنی کی قیادت کو سبشوں سے ان شاء اللہ اسلامی بینکاری نظام کی مزید ترقی اور ترقی کا متحمل ہے۔

وَاللَّهُ سُبْحَانَهُ وَتَعَالَى أَعْلَمُ

پروفیسر مفتی فیض الرحمن

چیئرمین شریعہ بورڈ

Munir ul Rehman

مفتی سید صابر حسین

ریزیہ نیت شریعہ بورڈ ممبر

Signature

مفتی محمود احمد

شریعہ بورڈ ممبر

Signature

برج: ۲۳، جنوری ۲۰۱۸ء



# NOTICE OF 4<sup>TH</sup> ANNUAL GENERAL MEETING

## OF MCB ISLAMIC BANK LIMITED

Notice is hereby given that the 4th Annual General Meeting of MCB Islamic Bank Limited will be held on Monday, March 26, 2018 at 10:00 A.M. at 339-Z Block, DHA Phase III, Lahore to transact the following businesses:

### Ordinary Business:

- 1 To confirm the minutes of the 3rd Annual General Meeting held on March 27, 2017.
- 2 To receive, consider and adopt the Annual Audited Financial Statements of the Bank for the year ended December 31, 2017 together with Directors' and Auditors' Reports thereon.
- 3 To appoint auditors of the Bank for the year ending December 31, 2018 and to fix their remuneration. The Audit Committee has suggested the appointment of M/s. KPMG Taseer Hadi & Company, Chartered Accountants, as auditors of the Bank in place of retiring auditors M/s. A. F. Ferguson & Company, Chartered Accountants. The Board on the suggestion of the Audit Committee has recommended to the shareholders the appointment of M/s. KPMG Taseer Hadi & Company, Chartered Accountants to act as statutory auditors of the Bank for the year ending December 31, 2018.

March 2, 2018  
Lahore.

By Order of the Board  
*Maimoona Cheema*  
Ms. Maimoona Cheema  
Company Secretary

### NOTES:

- 1 Members whose names appear in the register of members on March 26, 2018 will be entitled to attend the proceedings of the meeting.
- 2 A member entitled to attend and vote at the Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote instead of him/her at the meeting. No person shall act as a proxy, who is not a member, except corporate entity which can appoint a person who is not a member.
- 3 The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity, its common seal should be affixed on the instrument.
- 4 The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, MCB Islamic Bank Limited, 59, T-Block, DHA Phase II, Lahore not less than 48 hours before the time of holding the meeting.
- 5 If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.
- 6 The Bank has placed its audited financial statements for the year ended 31 December, 2017 on the its website: [www.mcbislamicbank.com](http://www.mcbislamicbank.com)





# STATEMENT ON INTERNAL CONTROLS

This statement is presented to comply with the requirement of State Bank of Pakistan (SBP) circular no. BSD-7 dated May 27, 2004 "Guidelines on Internal Controls" and SBP's OSED Circular No.01 dated February 07, 2014 "Instructions on Internal Controls over Financial Reporting (ICFR)".

An Internal control system is a set of processes designed to identify, evaluate and mitigate the risk of failures and to achieve overall business objective of the Bank. The Board exercises overall responsibility in ensuring that Bank's system of internal controls is adequate and effective to manage the risk profiles within Bank's risk appetite.

The Bank's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures, under the policies approved by the Board, with the main objectives of ensuring effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. However, any system of internal control can only be designed to manage, rather than eliminate the risk of failure to achieve objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Concerted efforts are made by every Group to improve the control environment at grass root level by regularly reviewing and streamlining procedures to prevent and rectify control lapses as well as imparting training for improvement at various levels.

The scope of Internal Audit & RAR Group independent from the management, inter alia includes, review and assessment of the adequacy and effectiveness of the control activities across the Bank as well as evaluation of implementation of and compliance with all the prescribed policies and procedures. Periodic updates are submitted to Audit Committee on audit activities and significant issues.

Compliance & Controls Group of the Bank through its Regional Compliance Officers and centralized automated AML monitoring solution, also oversees adherence to the regulatory requirements, with specific emphasis on Anti-Money Laundering / Combatting the Financing of Terrorism. Based on observation and weaknesses identified by the Internal and External Auditors and the Compliance & Shariah Compliance teams, improvements are brought about by the management in internal controls to minimize, prevent and rectify control lapses.

Bank's Risk Management function is entrusted with the responsibility to overview and strengthen the internal controls of the bank, including operational risk data collection and performance of risk and control self-assessment on bank wide basis. The Bank has established Internal Control units within each Group. As a relatively new Bank, initially top down approach is being used for Risk Assessment; however the Bank has initiated the process of implementation of Integrated Framework on Internal Controls issued by the Committee of Sponsoring Organizations of Treadway Commission in accordance with the Guidelines on Internal Controls issued by State Bank of Pakistan. As part of internal control activities in the bank, Risk Management Function is also actively engaged in creating risk awareness through staff training sessions in the areas of Operational Risk, Fraud Risk and Business Continuity / Disaster Recovery Planning.

The Bank has been granted exemption from submission of Long Form Report for the year 2016 by SBP and has already started implementation as per the roadmap of Internal Controls over Financial Reporting (ICFR) submitted to SBP. Bank's External Auditors will review and issue Long Form Report on ICFR roadmap as of December 31, 2017.

Based upon the results derived through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Bank's existing internal control system is adequate and has been effectively implemented and monitored. The management will continue enhancing its coverage and compliance with the SBP guidelines on Internal Controls and implementation of key controls as identified under ICFR to further strengthen its control environment on an ongoing basis.

Based on above, the Board of Directors endorses the management evaluation of Internal Controls.

Kashif Ahmed  
Group Head – Compliance & Controls

Khawaja Khalil Shah  
Chief Risk Officer

Muhammad Tariq Gondal  
Group Head – Audit & Risk Assets Review

Syed Iftikhar Hussain Rizvi  
Chief Financial Officer

January 31, 2018



# REPORT OF THE AUDIT COMMITTEE

The Audit Committee comprises of experienced and qualified directors. The directors have diversified experience of banking and industry. The Chairman of Audit Committee, being independent director, resigned on 30th November, 2017. Thereafter, regulatory approval has been submitted for an independent director against vacant position.

The Head of Internal Audit has direct access to the Board's Audit Committee. The Committee ensures staffing of the internal audit function with personnel of sufficient internal audit acumen, and that the function is equipped with the necessary resources and authority to execute their responsibilities independently and objectively.

Audit Committee remained actively engaged in the review of the Bank's financial statements as well as audit activities in accordance with the requirements of Code of Corporate Governance and that of Charter of the Audit Committee, duly approved by the Board of Directors. Audit Committee held four meetings, during the year 2017. Significant agenda items of the meetings are:

- Review of the Bank's periodic financial statements, including disclosure of related party transactions prior to their approval by the Board of Directors (BOD).
- Review of status of compliance against observations highlighted by internal and external auditors, including regular updates on the rectification actions taken by the management in response to the audit findings.
- Review of significant issues highlighted by internal auditors during audits / reviews of branches and other functions of the Bank.
- Review and recommendation of the Bank's revised Internal Audit Policy and Internal Audit Manual including incorporation of State Bank's Shari'ah Governance Framework requirements; and the Whistle Blowing Program for BOD approval.
- Review, approval and oversight of Annual Audit Plan and along with resource requirements of Audit & RAR Group.
- Approval of compensation of Head of Internal Audit & RAR.
- Review of Management Letter issued by External Auditors along with management response.
- Review of implementation status of Internal Controls over Financial Reporting. (ICFR)
- Recommendation of scope and appointment of external auditors, including finalization of audit and consultancy fee.
- Review of statement on Internal Control Systems, prior to endorsement by the BOD.

February 12, 2018  
Karachi



Chairman Audit Committee  
MCB Islamic Bank Limited



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

## For the year ended December 31, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. G-I the Prudential Regulations for Corporate/ Commercial Banking issued by the State Bank of Pakistan (SBP) for the purpose of establishing a framework of good governance, whereby the Bank is managed in compliance with the best practices of Corporate Governance.

MCB Islamic Bank Limited (the Bank) has applied the principles contained in the CCG in the following manner:

- The Bank encourages representation of independent and non-executive Directors on its Board of Directors (the Board). As at December 31, 2017 the Board includes:

CATEGORY	NAMES
Independent Directors *	Mr. Ahmed Ebrahim Hasham
Executive Directors	Mr. Ali Muhammad Mahoon
Non-executive Directors	Mr. Raza Mansha, Mr. Aftab Ahmad Khan, Mr. MUA Usmani, Mr. Omair Salfar, Mr. Ibrahim Shamsi

- \* Mr. Khalid Mahmood Bhaimia, an independent director resigned on November 30, 2017

The Independent Director meets the criteria of independence as defined in the Prudential Regulations issued by the SBP and the Board complies with the requirements stipulated under clause i (b) of the CCG.

- The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Bank (excluding the listed subsidiaries of listed holding companies where applicable).
- All the resident Directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- One casual vacancy arose on the Board of Directors during the year on account of resignation of Mr. Khalid Mahmood Bhaimia, an independent director, as of November 30, 2017. The Fit & Proper Test documents of the proposed replacement of Mr. Khalid Mahmood Bhaimia were submitted to the State Bank of Pakistan on December 12, 2017 and waiver requested for filling of casual vacancy within ninety (90) days. At the date of signing of the report the casual vacancy is yet to be filled due to the pending prior approval by the State Bank of Pakistan.
- The Bank has prepared a 'Code of Conduct' and has ensured that appropriate steps are taken to disseminate it throughout the Bank along with its supporting policies and procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms & conditions of the employment of the Chief Executive Officer (the CEO), other executive and non-executive Directors, have been taken by the Board/shareholders.
- The Board meetings were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

- The Board arranged one (01) training program on Shari'ah Governance and Islamic Banking Principles for its Directors during the year.
- The Board has approved appointment of the Chief Financial Officer (the CFO), Company Secretary and Head of Internal Audit, including their remunerations and terms & conditions of employment.
- The Director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- The financial statements of the Bank were duly endorsed by the CEO and CFO before approval of the Board.
- The Directors, CEO and executives do not hold any interest in the shares at the Bank other than that disclosed in the pattern of shareholding.
- The Bank has complied with all the corporate and financial reporting requirements of the CCG.
- The Board formed an Audit Committee. As at December 31, 2017 there were two members of Committee both of whom were non-executive Directors whereas, the Independent Director & Chairman of the Committee, Mr. Khalid Mahmood Bhaimia had resigned w.e.f. November 30, 2017. However, as per clause xxiv of the Code of Corporate Governance, the Bank shall establish an Audit Committee, having at least three members, comprising of non-executive Directors and at least one independent director. Fit & Proper Test documents of the proposed replacement of Mr. Khalid Mahmood Bhaimia were submitted to the State Bank of Pakistan on December 12, 2017 and waiver requested for filling of casual vacancy within ninety (90) days. At the date of signing of the report the casual vacancy is yet to be filled due to the pending prior approval by the State Bank of Pakistan.
- The meetings of the Audit Committee were held once in every quarter prior to approval of interim and final results of the Bank. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
- The Board has formed a Human Resources and Remuneration Committee. As at December 31, 2017 there were two members of Committee, including one independent Director, both of whom are non-executive Directors, whereas, another independent Director of the Committee, Mr. Khalid Mahmood Bhaimia had resigned w.e.f. November 30, 2017. However, as per clause xxv of the Code of Corporate Governance, the Bank shall establish a Human Resources and Remuneration Committee Audit Committee, having at least of three members comprising a majority of non-executive directors, including preferably an independent director. Fit & Proper Test documents of the proposed replacement of Mr. Khalid Mahmood Bhaimia were submitted to the State Bank of Pakistan on December 12, 2017 and waiver requested for filling of casual vacancy within ninety (90) days. At the date of signing of the report the casual vacancy is yet to be filled due to the pending prior approval by the State Bank of Pakistan.
- The Board has set up an effective internal audit function which is staffed by suitably qualified and experienced persons for the purpose and is conversant with the policies and procedures at the Bank.
- 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adapted by the ICAP.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- We confirm that all other material principles enshrined in the CCG have been complied with except for the following which are not applicable as Bank is not listed on the stock exchange:
  - Intimation of the 'closed period' to Directors, employees and stock exchange prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Bank's securities.
  - Dissemination of material/price sensitive information among all market participants at once through stock exchange.

For and on behalf of the Board

*Ali Muhammad Mahoon*

Ali Muhammad Mahoon  
President & CEO  
MCB Islamic Bank Ltd.  
February 12, 2018



# AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE

With the best practices of the code of corporate governance



A.F. FERGUSON & CO.

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of MCB Islamic Bank Limited ("the Bank"), for the year ended December 31, 2017, to comply with Regulation G-1 of the Prudential Regulations for Corporate/ Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. 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 Code.

As 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 Director's 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 Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Director for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2017.

Further we highlight below instances of non-compliance with the requirements of the Code as reflected in the note reference where these are stated in the Statement of Compliance (SOC):

## Note reference of SOC

### i. Note 15

#### Description

The Board formed an Audit Committee. As at December 31, 2017 there were two members of Committee both of whom were non-executive Directors whereas, the Independent Director & Chairman of the Committee, Mr. Khalid Mahmood Bhaimia had resigned w.e.f. November 30, 2017.

However, as per clause xxiv of the Code of Corporate Governance, the Bank shall establish an Audit Committee, having at least three members, comprising of non-executive Directors and at least one Independent Director.

A waiver has been requested from the State Bank of Pakistan on December 12, 2017 for filling of casual vacancy within ninety (90) days.

At the date of signing of the report the casual vacancy is yet to be filled, subject to prior approval by the State Bank of Pakistan

**Chartered Accountants**  
Engagement Partner: Hammad Ali Ahmad  
February 13, 2018  
Lahore

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O. Box 39, Lahore-54660, Pakistan  
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### ii. Note 17

#### Description

The Board has formed a Human Resources and Remuneration Committee. As at December 31, 2017 there were two members of Committee, including one independent Director, both of whom are non-executive Directors, whereas, another Independent Director of the Committee, Mr. Khalid Mahmood Bhaimia had resigned w.e.f. November 30, 2017.

However, as per clause xxv of the Code of Corporate Governance, the Bank shall establish a Human Resources and Remuneration Committee Audit Committee, having at least of three members comprising a majority of non-executive Directors, including preferably an independent Director.

A waiver has been requested from the State Bank of Pakistan on December 12, 2017 for filling of casual vacancy within ninety (90) days.

At the date of signing of the report the casual vacancy is yet to be filled, subject to prior approval by the State Bank of Pakistan



# AUDITORS' REPORT TO THE MEMBERS



A.F. FERGUSON & CO.

We have audited the annexed statement of financial position of MCB Islamic Bank Limited (the Bank) as at December 31, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with notes forming part thereof (herein-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for ten branches which have been audited by us, 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 our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance 1962, (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the international standards of auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of Islamic financing and related assets covered more than sixty percent of the total Islamic financing and related assets of the Bank, we report that:

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purpose of our audit;
- (b) in our opinion:
  - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of Bank's affairs as at December 31, 2017 and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion 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.

**Chartered Accountants**  
**Engagement Partner:** Hammad Ali Ahmad  
 February 13, 2018  
 Lahore

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\*KARACHI \*LAHORE \*ISLAMABAD



# FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>ASSETS</b>			
Cash and balances with treasury banks	7	3,390,753	1,509,804
Balances with other banks	8	2,703,251	2,750,998
Due from financial institutions	9	1,400,000	-
Investments - net	10	9,186,213	5,769,675
Islamic financing and related assets - net	11	31,472,935	16,172,727
Operating fixed assets	12	2,622,993	2,104,250
Deferred tax assets - net	13	289,465	-
Other assets - net	14	705,156	261,048
		51,770,766	28,568,502
<b>LIABILITIES</b>			
Bills payable	16	314,210	447,776
Due to financial institutions	17	7,926,790	2,785,650
Deposits and other accounts	18	32,690,808	14,279,436
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	13	-	40,524
Other liabilities	19	1,208,179	749,243
		42,139,987	18,302,629
<b>NET ASSETS</b>		<u>9,630,779</u>	<u>10,265,873</u>
<b>REPRESENTED BY</b>			
Share capital	20	10,000,000	10,000,000
Reserves	21	26,444	26,444
(Accumulated loss) / unappropriated profit		(194,065)	68,087
		9,832,379	10,094,531
(Deficit) / surplus on revaluation of assets - net of tax	22	(201,600)	171,342
		<u>9,630,779</u>	<u>10,265,873</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		

The annexed notes 1 to 46 and Annexures - I and II form an integral part of these financial statements.

**RAZA MANSHA**  
CHAIRMAN

**AFTAB AHMAD KHAN**  
DIRECTOR

**OMAIR SAFDAR**  
DIRECTOR

**ALI MUHAMMAD MAHOON**  
PRESIDENT / CEO



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Note	2017 Rupees in thousands	2016 Rupees in thousands
Profit / return earned	24	2,060,927	1,526,778
Profit / return expensed	25	1,005,671	576,544
Net spread earned		1,055,256	950,234
Reversal of provision against non-performing Islamic financing and related assets - net	11.6	(55)	(94,137)
Provision for diminution in the value of investments - net		-	-
Bad debts written off directly		(55)	(94,137)
Net spread after provisions		1,055,311	1,044,371
<b>Other income</b>			
Fee, commission and brokerage income		46,325	34,678
Dividend income		84,593	58,802
Income from dealing in foreign currencies		29,846	17,322
Unrealized gain / (loss) on revaluation of investments classified as held for trading		-	-
Gain on sale of securities - net	26	267,763	137,370
Other income	27	10,483	10,992
Total other income		439,010	259,164
		1,494,321	1,303,535
<b>Other expenses</b>			
Administrative expenses	28	1,845,119	1,187,266
Other write off	29	1	-
Other charges	30	128	2,296
Total other expenses		1,845,248	1,189,562
Extra ordinary / unusual items		-	-
<b>(Loss) / profit before taxation</b>		(350,927)	113,973
<b>Taxation</b>			
- Current		(31,249)	(17,859)
- Prior years		(4,488)	(4,886)
- Deferred		123,667	(11,331)
	31	87,930	(34,056)
<b>(Loss) / profit after taxation</b>		(262,997)	79,917
Unappropriated profit brought forward		84,070	4,153
(Accumulated loss) / unappropriated profit carried forward		(178,927)	84,070
		Rupees	
<b>Basic / diluted (loss) / earnings per share - after tax</b>	33	(0.263)	0.080

The annexed notes 1 to 46 and Annexures - I and II form an integral part of these financial statements.

**RAZA MANSHA**  
CHAIRMAN

**AFTAB AHMAD KHAN**  
DIRECTOR

**OMAIR SAFDAR**  
DIRECTOR

**ALI MUHAMMAD MAHOON**  
PRESIDENT / CEO

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Rupees in thousands	2016 Rupees in thousands
(Loss) / profit after taxation for the year	(262,997)	79,917
Other comprehensive income	-	-
Total comprehensive (loss) / profit for the year transferred to equity	(262,997)	79,917
<b>Items that may be reclassified to profit and loss account</b>		
<b>Components of comprehensive income not reflected in equity</b>		
(Deficit) / surplus on revaluation of available for sale investments	(591,359)	41,988
Related deferred tax asset / (liability)	206,976	(14,696)
	(384,383)	27,292
<b>Total comprehensive (loss) / income for the year</b>	(647,380)	107,209

The annexed notes 1 to 46 and Annexures - I and II form an integral part of these financial statements.

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DIRECTOR

**OMAIR SAFDAR**  
DIRECTOR

**ALI MUHAMMAD MAHOON**  
PRESIDENT / CEO



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Share Capital	Statutory Reserve	Revenue Reserve	Unappropriated Profit / (Accumulated Loss)	Total
Rupees in thousands					
Balance as at January 01, 2016	10,000,000	10,461	-	4,153	10,014,614
Profit after taxation for the year ended December 31, 2016	-	-	-	79,917	79,917
Transfer to statutory reserves	-	15,983	-	(15,983)	-
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
<b>Balance as at December 31, 2016</b>	<b>10,000,000</b>	<b>26,444</b>	<b>-</b>	<b>68,087</b>	<b>10,094,531</b>
Loss after taxation for the year ended December 31, 2017	-	-	-	(262,997)	(262,997)
Transfer to statutory reserves	-	-	-	-	-
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	845	845
Other comprehensive income for the year	-	-	-	-	-
<b>Balance as at December 31, 2017</b>	<b>10,000,000</b>	<b>26,444</b>	<b>-</b>	<b>(194,065)</b>	<b>9,832,379</b>

The annexed notes 1 to 46 and Annexures - I and II form an integral part of these financial statements.

**RAZA MANSHA**  
CHAIRMAN

**AFTAB AHMAD KHAN**  
DIRECTOR

**OMAIR SAFDAR**  
DIRECTOR

**ALI MUHAMMAD MAHOON**  
PRESIDENT / CEO

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / profit before taxation		(350,927)	113,973
Less: Dividend income		(84,593)	(58,802)
		(435,520)	55,171
<b>Adjustments for non-cash and other items</b>			
Depreciation - Owned assets	12.2	112,069	51,955
Depreciation - Ijarah assets	11.2.1	458,125	466,708
Amortization	12.3	29,695	15,699
Reversal of provision against non-performing Islamic financing and related assets - net	11.6	(55)	(94,137)
Provision for diminution in the value of investments - net		-	-
Other assets written off	29	1	-
Provision for Workers' Welfare Fund	30	-	2,279
Unrealized gain on forward exchange contracts - net	14	(2,196)	-
Loss on sale of fixed assets - net	30	20	-
Gain on sale of securities - net	26	(267,763)	(137,370)
		329,896	305,134
		(105,624)	360,305
<b>(Increase) / decrease in operating assets</b>			
Due from financial institutions		(1,400,000)	-
Islamic financing and related assets		(15,758,278)	(4,071,501)
Other assets - net		(451,956)	(48,807)
		(17,610,234)	(4,120,308)
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		(133,566)	357,912
Due to financial institutions		5,141,140	2,154,130
Deposits and other accounts		18,411,372	4,829,364
Other liabilities		442,137	(84,381)
		23,861,083	7,257,025
		6,145,225	3,497,022
		(14,798)	(62,076)
		6,130,427	3,434,946
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in securities		(7,158,297)	(1,185,531)
Dividend income received		73,697	56,834
Proceeds from sale of available for sale securities		3,418,163	1,590,684
Payment against demerger scheme		-	(5,901,988)
Proceeds from sale of fixed assets		1,771	-
Investment in operating fixed assets		(632,559)	(779,725)
<b>Net cash used in investing activities</b>		<b>(4,297,225)</b>	<b>(6,219,726)</b>
<b>Increase / (decrease) in cash and cash equivalents during the year</b>		<b>1,833,202</b>	<b>(2,784,780)</b>
Cash and cash equivalents at the beginning of the year		4,260,802	7,045,582
<b>Cash and cash equivalents at the end of the year</b>	34	<b>6,094,004</b>	<b>4,260,802</b>

The annexed notes 1 to 46 and Annexures - I and II form an integral part of these financial statements.

**RAZA MANSHA**  
CHAIRMAN

**AFTAB AHMAD KHAN**  
DIRECTOR

**OMAIR SAFDAR**  
DIRECTOR

**ALI MUHAMMAD MAHOON**  
PRESIDENT / CEO



## NOTES TO AND FORMING PART OF THESE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 1 STATUS AND NATURE OF BUSINESS

- 1.1** MCB Islamic Bank Limited (the Bank) was incorporated in Pakistan as an unlisted public limited company on May 15, 2014 under the Companies Ordinance, 1984 to carry out the business of an Islamic Commercial Bank in accordance and in conformity with the principles of Islamic Shari'ah and in accordance with regulations and guidelines of the State Bank of Pakistan. The Securities and Exchange Commission of Pakistan granted "Certificate of Commencement of Business" to the Bank on January 30, 2015. The Bank is a wholly owned subsidiary of MCB Bank Limited (MCB).
- 1.2** The State Bank of Pakistan (SBP) granted a "Certificate of Commencement of Banking Business" to the Bank on September 14, 2015 under Section 27 of the Banking Companies Ordinance, 1962. The Bank formally commenced operations as a Scheduled Islamic Commercial Bank with effect from October 15, 2015 upon receiving notification in this regard from SBP under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities.
- 1.3** The Bank is operating through 76 branches in Pakistan (December 31, 2016: 66 branches). The Registered Office of the Bank is situated at 59 Block T, Phase II, DHA, Lahore Cantt and Principal Office is situated at 339 Block Z, Phase III, DHA Lahore Cantt.

### 2 BASIS OF PRESENTATION

- 2.1** The Bank provides financing through Shari'ah compliant financing products mainly through Murabaha, Istisna, Ijarah, Diminishing Musharaka, Running Musharaka and Export Refinance under Islamic Export Refinance Scheme.
- 2.2** The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such Islamic financing is recognised in accordance with the principles of Islamic Shari'ah and in accordance with regulations and guidelines of the State Bank of Pakistan. However, income, if any, received which does not comply with the principles of Islamic Shari'ah is recognised as charity payable if so directed by the Shari'ah Board of the Bank.

### 3 STATEMENT OF COMPLIANCE

- 3.1** These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 23 of 2017 dated October 04, 2017, the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of provisions and directives issued under the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the repealed Companies Ordinance, 1984 or the directives issued by the SECP and the SBP differ from the requirements of IFRSs, the provisions and directives issued under the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFASs notified under the repealed Companies Ordinance, 1984 and the directives issued by SECP and SBP shall prevail.

The State Bank of Pakistan has deferred the applicability of IFAS 3 'Profit and Loss Sharing on Deposits', International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BPRD Circular No. 04 of 2015 dated February 25, 2015 and BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as SBP has defined the segment categorisation in the above mentioned circular, its requirements will prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting period beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

### 3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting period beginning on or after January 1, 2018:

	Effective date (accounting periods beginning on or after)
- IFRS 2 Share based payments (amendments)	January 1, 2018
- IFRS 9 Financial Instruments: Classification and Measurement	January 1, 2018
- IFRS 15 Revenue from contracts	January 1, 2018
- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendment)	January 1, 2018
- IFRS 16 Leases	January 1, 2019

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. The standard introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting period beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

### 4 SCHEME OF COMPROMISE, ARRANGEMENT AND RECONSTRUCTION WITH MCB BANK LIMITED

The Board of Directors in their meeting held on October 24, 2017 had approved the "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and MCB Bank Ltd. (MCB)". The Scheme envisages transfer of MCB's banking business of ninety (90) branches subject to the approval by the shareholders of the Banks and sanction by the Honourable Lahore High Court where under the assets, rights, liabilities, operations, systems, staff, assets of back office functions and obligations of MCB relating to banking business of these branches will be transferred to and vested in the Bank. The banking business of these branches will also stand converted into Islamic banking business on the effective date pursuant to the compliance of applicable regulatory permissions.



Both the Bank and MCB have filed a petition before the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under Section 279 to 283 and 285 read with other enabling provisions of the Companies Act, 2017. The Scheme on sanction and implementation will rationalize the branch network of MCB and increase the existing network of the Bank, which is striving to promote Islamic banking as per strategy of the State Bank of Pakistan.

## 5 BASIS OF MEASUREMENT

- 5.1 These financial statements have been prepared under the historical cost convention, except that certain classes of fixed assets are stated at revalued amounts and certain investments, foreign currency balances and commitments in respect of certain foreign exchange contracts have been marked to market and carried at fair value in accordance with the requirements of the SBP.

### Measurement of fair values

The Bank has an established control framework with respect to the measurement of fair values. The management regularly reviews significant observable and unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. The valuation of financial assets and financial liabilities are categorized and disclosed in note 39 keeping in view the measurement requirements specified in note 3.1.

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

### 5.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

#### a) Classification of investments

In classifying investments, the Bank follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

#### b) Provision / Impairment against Investments

Provision for diminution in the value of Sukuk certificates is made as per the Prudential Regulations issued by the SBP. The Bank determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational / financial cash flows. Impairment loss in respect of other investments classified as 'available for sale' and investments classified as 'held to maturity' is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Provision for diminution in the value of Sukuk certificates is made as per the Prudential Regulations issued by the SBP.

## c) Provision against Islamic financing and related assets

The Bank reviews its Islamic financing and related assets portfolio to assess amount of non-performing Islamic financing and related assets and determine provision required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the customer and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in note 6.4.2.

## d) Taxation

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

## e) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1 Business acquisition

Business acquisition from Group companies are recognized at carrying values.

### 6.2 Cash and cash equivalents

Cash and cash equivalents shall include cash and balances with treasury banks, and balances with other banks in current and deposit accounts.

### 6.3 Investments

The Bank classifies its investments as follows:

#### a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, rate of return movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

#### b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity. Bai-Mua'jal receivables from Government of Pakistan are measured at cost.

#### c) Available for sale

These are investments, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

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. Trade date is the date on which the Bank commits to purchase or sell the investment.



In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account.

### 6.3.1 Provision / impairment

Provision for diminution in the value of Sukuk certificates is made as per the Prudential Regulations issued by the SBP. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position below equity is transferred to the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

## 6.4 Islamic financing and related assets

6.4.1 These are financial products offered by the Bank and are stated net of specific and general provision against non performing Islamic financing and related assets, if any. A brief description of the products are given below:

### Murabaha

In Murabaha transactions, the Bank purchases the goods through its agent or client and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.

Under Murabaha financing, funds disbursed for purchase of goods are recorded as 'Advance against Murabaha finance'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financing are recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

### Ijarah

In Ijarah financing, the Bank provides the asset on pre-agreed rentals for specific tenors to the customers. Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'.

The rental on Ijarah under Islamic Financial Accounting Standard - 2 Ijarah (IFAS 2) are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method.

Impairment of Ijarah assets is determined in accordance with the Prudential Regulations issued by the SBP. The provision for impairment of Ijarah assets is shown as part of 'Islamic financing and related assets'.

The significant Ijarah contracts entered into by the Bank are with respect to vehicles, plant and machinery and equipment and are for periods ranging from 1 to 7 years.

### Diminishing Musharaka

In Diminishing Musharaka based financing, the Bank enters into Musharaka based on Shirkat-ul-Milk for financing and agreed share of fixed assets (example: house, land, plant, machinery or vehicle) with its customers and enters into period profit payment agreement for the utilization of the Bank's Musharaka share by the customer.

### Running Musharaka

In Running Musharaka based financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in the customer's operating business where the funds can be withdrawn or refunded during the Musharakah period.

### Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount financed is received back by the Bank alongwith profit.

## 6.4.2 Provision

Islamic financing and related assets are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer and Small Enterprise (SEs) financing made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on Islamic financing and related assets. Islamic financing and related assets are written off when there is no realistic prospect of recovery.

## 6.5 Operating fixed assets

### 6.5.1 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets become available for use.

### 6.5.2 Property and equipment

Property and equipment, other than land carrying value which is not amortized, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount.

Subsequent costs are included in the asset's 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. All other repairs and maintenance are charged to the profit and loss account.

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 12.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Gains / losses on sale of property and equipment are currently credited / charged to the profit and loss account, except the related surplus on revaluation of land and buildings (net of deferred taxation) which is transferred directly to unappropriated profit.

### 6.5.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible assets are amortized over its estimated useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

### 6.5.4 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account 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 that asset.



## 6.6 Taxation

### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

### Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12 'Income Taxes'.

## 6.7 Staff retirement benefits

### Defined contribution plan

The Bank operates a recognised contributory provident fund scheme for all its permanent employees. Equal monthly contributions are made both by the Bank and its permanent employees, to the Fund at the rate of 8.33% of the basic salaries of employees. However, an employee has an option to increase his/her contribution upto 12.5% but the Bank will still contribute 8.33% of the employee's basic salary. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

## 6.8 Provisions and contingent assets and liabilities

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

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

## 6.9 Funds due to / from financial institutions

### Bai Muajjal

In Bai Muajjal, the Bank sells sukuk 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.

### Musharaka / Mudaraba / Wakala

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

### Musharaka with State Bank of Pakistan under IERS

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

## 6.10 Deposits

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

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Savings deposits' or 'Fixed deposits'. No profit or loss is passed to current account depositors.

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

## 6.11 Pool Management

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

Under the general deposits pool, the Bank accepts funds on Mudaraba basis from depositors (Rabb-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings, investments and placements. When utilising investing funds, the Bank prioritizes the funds received from depositors over the funds generated from own sources.

Specific pools may be operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to Bank's customers and liquidity management respectively under the Musharaka / Mudaraba modes. The Bank also maintains an Equity Pool which consists of Bank's equity and funds accepted on Qard (non-remunerative current deposit account) basis.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool, if any. The directly related costs comprise of depreciation on Ijarah assets, takaful premium, documentation charges etc. No general or administrative nature of expense is charged to pool. No provision 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 Musharaka at gross level (before charging of Mudarib fee) as per the investment ratio of the equity. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period after charging of Mudarib fee.

The deposits and funds accepted under the above mentioned pools are provided to diversified sectors and avenues of the economy / business as mentioned in the notes and are also invested in Government of Pakistan backed Ijarah Sukuks. Staff financings are exclusively financed from the equity pool.

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool.

## 6.12 Revenue recognition

- Profit on investments in Sukuks is recognised on an accrual basis. Where Sukuks (excluding those classified as held for trading) are purchased at a premium or discount, such premiums / discounts are amortised through the profit or loss account using the effective yield method.
- Profit from Bai-Muajjal is recognised on an accrual basis.
- Profit from Murabaha financing is accounted for on culmination of the Murabaha transaction. Profit on Murabaha is recognised on an accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately on the later date.
- Rental income from Ijarah financing is recognised on an accrual basis. Depreciation on Ijarah asset is charged to income (net of with rental income) over the period of Ijarah using the straight line method.
- Profit on Diminishing Musharaka is recognised on an accrual basis.
- Profit on Running Musharaka financing is booked on an accrual basis and is subject to adjustment (if any) upon declaration of profit by Musharakah partners.



- Profit on Istisna financing is recognised on an accrual basis.
- Commission income is recognized on a time proportionate basis.
- Dividend income is recognised when the Bank's right to receive dividend is established.
- Gain or loss on sale of investments is recognised in the profit and loss account in the year in which it arises.

### 6.13 Acceptances

Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

### 6.14 Foreign currencies

#### 6.14.1 Transactions and balance

Transactions in foreign currencies (other than the results of operations of foreign operations) shall be translated to Rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies shall be expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date and the currency fluctuation shall be reflected in the exchange translation reserve in equity. Foreign bills purchased and forward foreign exchange contracts other than those relating to foreign currency deposits shall be valued at the rates applicable to their respective maturities.

#### 6.14.2 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the date of the statement of financial position.

### 6.15 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain financings. These are stated at lower of the carrying value or current fair value of such assets.

### 6.16 Financial instruments

#### 6.16.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position includes cash and balances with treasury banks, balances with other banks, due from financial institutions, investments, Islamic financings and related assets, other assets (excluding balances related to tax), bills payables, due to financial institutions, deposits and other liabilities (excluding balances related to tax).

#### 6.16.2 Offsetting

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

### 6.17 Dividend distribution and appropriation

Dividend declared and other appropriations (other than appropriations required by law) approved subsequent to the balance sheet date are considered as non-adjusting events and are not to be recorded in the financial statements. However, a separate disclosure of the fact should be made in the financial statements.

### 6.18 Earnings / (loss) per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

## 6.19 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.

### 6.19.1 Business segments

#### - Corporate finance

Corporate finance includes underwriting, securitization, investment banking, syndications, IPO related activities (excluding investments) and secondary private placements.

#### - Trading and sales

It includes equity, foreign exchanges, commodities, own securities, placements and due to / from financial institutions.

#### - Retail banking

It includes retail financings and deposits, banking services, private financings and deposits, banking services and retail offered to its retail customers and small and medium enterprises.

#### - Commercial banking

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

### 6.19.2 Geographical segments

The Bank operates only in Pakistan.

	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>7 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
- local currency		886,035	526,373
- foreign currencies		208,309	64,502
		<u>1,094,344</u>	<u>590,875</u>
With the State Bank of Pakistan (SBP) in			
- local currency current account	7.1	1,767,494	609,301
- foreign currency current account		37,423	12,126
- foreign currency deposit accounts			
cash reserve account	7.2	41,186	13,702
special cash reserve account	7.3	49,356	16,422
		<u>90,542</u>	<u>30,124</u>
With National Bank of Pakistan in			
- local currency current account		400,950	267,378
		<u>3,390,753</u>	<u>1,509,804</u>

**7.1** The local currency current account is maintained with the SBP as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by the SBP.

**7.2** As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). This account is non-remunerative in nature.

**7.3** Special cash reserve of 6% is required to be maintained with the SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. This account is non-remunerative in nature.



	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>8 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- deposit account	8.1	2,161,145	2,316,562
Outside Pakistan			
- current account		542,106	434,436
		<u>2,703,251</u>	<u>2,750,998</u>

8.1 This represents savings accounts carrying profit at expected rates ranging from 0.05% to 5.75% per annum (2016: 0.60% to 5.64% per annum).

	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>9 DUE FROM FINANCIAL INSTITUTIONS</b>			
Musharaka arrangements	9.1	<u>1,400,000</u>	<u>-</u>

9.1 This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 5.80% to 5.85% per annum (December 31, 2016: Nil).

		2017 Rupees in thousands	2016 Rupees in thousands
<b>9.2 Particulars of due from financial institutions</b>			
In local currency		1,400,000	-
In foreign currencies		-	-
		<u>1,400,000</u>	<u>-</u>

## 10 INVESTMENTS - NET

10.1 Investments by types	Note	2017			2016		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in thousands							
<b>Available-for-sale securities</b>							
Shares in listed companies		1,981,675	-	1,981,675	1,096,829	-	1,096,829
Sukuk certificates		6,764,560	-	6,764,560	3,526,509	-	3,526,509
		8,746,235	-	8,746,235	4,623,338	-	4,623,338
<b>Held to maturity</b>							
Sukuk certificates		1,035,000	-	1,035,000	1,150,000	-	1,150,000
<b>Investments at cost</b>							
		9,781,235	-	9,781,235	5,773,338	-	5,773,338
Less: Provision for diminution in the value of investments		-	-	-	-	-	-
<b>Investments (net of provision)</b>							
		9,781,235	-	9,781,235	5,773,338	-	5,773,338
Deficit on revaluation of investments classified as available-for-sale securities - net	22.2	(595,022)	-	(595,022)	(3,663)	-	(3,663)
<b>Total investments at market value</b>							
		9,186,213	-	9,186,213	5,769,675	-	5,769,675

	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>10.2 Investments by segment</b>			
<b>Federal Government Securities</b>			
GOP Ijarah Sukuk	10.4	5,630,497	2,517,047
<b>Fully paid up ordinary shares</b>			
Listed companies	10.5	1,981,675	1,096,829
<b>Sukuk certificates</b>			
Sukuk certificates	10.6	2,169,063	2,159,462
<b>Investments at cost</b>		<u>9,781,235</u>	<u>5,773,338</u>
Less: Provision for diminution in the value of investments		-	-
<b>Investments (net of provision)</b>		<u>9,781,235</u>	<u>5,773,338</u>
Deficit on revaluation of available for sale securities - net	22.2	(595,022)	(3,663)
<b>Total investments at market value</b>		<u>9,186,213</u>	<u>5,769,675</u>

10.3 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Reserve requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

## 10.4 Particulars of Federal Government Securities - Unlisted, Secured

Face value of Rs. 100,000 each unless otherwise stated.

Particulars	Collateral	Profit rate	Profit payment	2017 Carrying value	2016 Carrying value
Rupees in thousands					
<b>GOP IJARAH SUKUK - 15</b>					
Nil (2016: 19,050) certificates	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 2%	Semi-annually	-	1,907,047
Maturity date: June 25, 2017					
<b>GOP IJARAH SUKUK - 16</b>					
11,400 (2016: 5,500) certificates	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 0.5%	Semi-annually	1,145,326	553,334
Maturity date: December 18, 2018					
<b>GOP IJARAH SUKUK - 17</b>					
17,970 (2016: Nil) certificates	Government of Pakistan Sovereign guarantee	Fixed Rate	Semi-annually	1,817,739	-
Maturity date: February 15, 2019					
<b>GOP IJARAH SUKUK - 18</b>					
9,560 (2016: 560) certificates	Government of Pakistan Sovereign guarantee	Fixed Rate	Semi-annually	963,171	58,668
Maturity date: March 29, 2019					
<b>GOP IJARAH SUKUK - 19</b>					
17,000 (2016: Nil) certificates	Government of Pakistan Sovereign guarantee	Fixed Rate	Semi-annually	1,704,261	-
Maturity date: June 30, 2020				<u>5,630,497</u>	<u>2,517,047</u>



2017	2016		2017	2016
Number of shares			Carrying value	
			Rupees in thousands	
<b>Listed companies - Fully paid up ordinary shares of Rs.10 each</b>				
100,000	100,000	Abbot Laboratories Pakistan Limited	85,042	85,042
-	1,000,000	Al Shaheer Corporation Limited	-	56,610
-	100,000	Attock Refinery Limited	-	37,106
1,025,000	-	Crescent Steel & Allied Product	256,003	-
500,000	500,000	Dawood Hercules Corporation Limited	76,092	76,092
100,000	-	Engro Corporation Limited	26,720	-
3,792,000	3,792,000	Engro Fertilizer Limited	280,401	280,401
-	1,792,000	Fauji Fertilizer Company Limited	-	224,635
304,600	-	Ghandhara Nissan Limited	85,760	-
732,700	-	GlaxoSmithKline Pakistan Limited	161,272	-
10,000,000	-	K Electric Limited	99,803	-
-	626,000	Kohinoor Textile Mills Limited	-	49,362
1,000,000	1,000,000	Kot Addu Power Company Limited	86,804	86,804
149,850	-	National Refinery Limited	94,081	-
-	4,980	Nestle Pakistan Limited	-	43,331
400,000	-	Packages Limited	308,108	-
1,450,000	-	Pak Electron Limited	136,403	-
1,500,000	1,000,000	Sui Northern Gas Pipeline Limited	216,279	65,576
1,500,500	2,000,500	Sui Southern Gas Corporation Limited	68,907	91,870
			<u>1,981,675</u>	<u>1,096,829</u>

#### 10.6 Particulars of Sukuk Certificates - Unlisted, Secured

Face value of Rs. 1,000,000 each unless otherwise stated.

Particulars	Collateral	Profit rate	Profit payment	2017	2016
				Carrying value	
				Rupees in thousands	
<b>WAPDA III Sukuk Certificates</b>					
38,700 (2016: 38,700) certificates	Government of Pakistan Sovereign guarantee	6 months KIBOR plus 1%	Semi-annually	115,063	144,462
Maturity date: October 14, 2021					
Face value Rs. 2,857 (2016: 3,572)					
<b>Meezan Bank Limited</b>					
490 (2016: 490) certificates	Tangible Assets	6 months KIBOR plus 0.7%	Semi-annually	490,000	490,000
Maturity date: September 22, 2026					
<b>Fatima Fertilizer Company Limited</b>					
75,000 (2016: 75,000) certificates	Tangible Assets	6 months KIBOR plus 1.1%	Semi-annually	300,000	375,000
Maturity date: November 28, 2021					
Face value Rs. 4,000 (2016: 5,000)					
<b>K-Electric Limited</b>					
230,000 (2016: 230,000) certificates	Tangible Assets	3 months KIBOR plus 1%	Quarterly	1,035,000	1,150,000
Maturity date: June 17, 2022					
Face value Rs. 4,500 (2016: 5,000)					
<b>Dubai Islamic Bank Pakistan Limited</b>					
129 (2016: Nil) certificates	Tangible Assets	6 months KIBOR plus 0.5%	Semi-annually	129,000	-
Maturity date: July 14, 2027					
<b>AlBaraka Bank Pakistan Limited</b>					
100 (2016: Nil) certificates	Tangible Assets	6 months KIBOR plus 0.75%	Semi-annually	100,000	-
Maturity date: August 22, 2024				<u>2,169,063</u>	<u>2,159,462</u>

#### 10.7 Quality of available for sale securities

	2017		2016	
	Market value	Credit Rating	Market value	Credit Rating
			Rupees in thousands	
<b>Sukuk certificates</b>				
GOP Ijarah Sukuk - 15	-	-	1,908,143	Unrated
GOP Ijarah Sukuk - 16	1,148,094	Unrated	563,475	Unrated
GOP Ijarah Sukuk - 17	1,821,260	Unrated	-	-
GOP Ijarah Sukuk - 18	963,074	Unrated	57,126	Unrated
GOP Ijarah Sukuk - 19	1,698,980	Unrated	-	-
WAPDA III Sukuk Certificates	115,530	Unrated	144,332	Unrated
Meezan Bank Limited	512,166	AA-	510,335	AA-
Dubai Islamic Bank Pakistan Limited	131,267	A+	-	-
AlBaraka Bank Pakistan Limited	100,000	A	-	-
Fatima Fertilizer Company Limited	308,250	AA-	375,000	AA-
	<u>6,798,821</u>		<u>3,558,411</u>	
<b>Ordinary shares - listed</b>				
Abbot Laboratories Pakistan Limited	69,761	Unrated	95,709	Unrated
Al Shaheer Corporation Limited	-	-	57,400	Unrated
Attock Refinery Limited	-	-	42,530	AA / A1+
Crescent Steel & Allied Products Limited	130,493	A+ / A2	-	-
Dawood Hercules Corporation Limited	55,940	AA- / A1+	72,165	AA- / A1+
Engro Corporation Limited	27,475	AA / A1+	-	-
Engro Fertilizer Limited	256,794	AA- / A1+	257,780	AA- / A1+
Fauji Fertilizer Company Limited	-	-	187,031	AA / A1+
Ghandhara Nissan Limited	47,100	A / A1	-	-
GlaxoSmithKline Pakistan Limited	123,006	Unrated	-	-
K Electric Limited	63,100	AA / A1+	-	-
Kohinoor Textile Mills Limited	-	-	72,741	A+ / A1
Kot Addu Power Company Limited	53,900	AA+ / A1+	78,800	AA+ / A1+
National Refinery Limited	64,566	AA+ / A1+	-	-
Nestle Pakistan Limited	-	-	44,820	Unrated
Packages Limited	203,932	AA / A1+	-	-
Pak Electron Limited	68,860	A+ / A1	-	-
Sui Northern Gas Pipelines Limited	141,915	AA- / A1	81,570	AA- / A1
Sui Southern Gas Corporation Limited	45,750	A+ / A1	72,718	A+ / A1
	<u>1,352,592</u>		<u>1,063,264</u>	
	<u>8,151,213</u>		<u>4,619,675</u>	

Note 2017 2016  
Rupees in thousands

#### 11 ISLAMIC FINANCING AND RELATED ASSETS - NET

In Pakistan			
- Murabaha financing	11.1.2	5,078,311	2,719,939
- Inventory held under Murabaha		4,513,090	4,987,296
- Advances against Murabaha		421,318	804,071
- Murabaha under Islamic Export Refinance Scheme		101,575	87,003
- Advances against Murabaha under Islamic Export Refinance Scheme		-	299,650
- Diminishing Musharaka		8,903,262	4,392,900
- Advances against Diminishing Musharaka		1,248,246	1,222,733
- Running Musharaka financing		8,009,283	-
- Running Musharaka financing under Islamic Export Refinance Scheme		806,700	-
- Net book value of assets in Ijarah under IFAS 2	11.2.1	1,484,280	1,243,897
- Advances against Ijarah		139,249	42,508
- Advances against Istisna under Islamic Export Refinance Scheme		100,000	-
- Staff finance	11.3	668,860	374,004
Islamic financing and related assets - gross		<u>31,474,154</u>	<u>18,174,001</u>
Provision against non performing Islamic financing and related assets	11.6	(1,219)	(1,274)
Islamic financing and related assets - net of provision		<u>31,472,935</u>	<u>16,172,727</u>
11.1 Murabaha sale price		15,369,303	6,882,958
Murabaha purchase price		(14,930,577)	(6,493,825)
		<u>438,726</u>	<u>189,133</u>



### 11.1.1 Deferred Murabaha income

	2017 Rupees in thousands	2016 Rupees in thousands
Opening balance	43,815	37,665
Arising during the year	438,726	189,133
Recognised during the year	(323,011)	(182,983)
	<u>159,530</u>	<u>43,815</u>

### 11.1.2 Murabaha receivable

	2017 Rupees in thousands	2016 Rupees in thousands
Opening balance	2,719,939	1,352,558
Sales during the year	15,369,303	6,682,958
Received during the year	(13,010,931)	(5,315,577)
	<u>5,078,311</u>	<u>2,719,939</u>

### 11.2 Net book value of assets in Ijarah under IFAS 2

#### 11.2.1 Movement in net book value of Ijarah assets

Assets under Ijarah		2017 Rupees in thousands	2016 Rupees in thousands
Opening balance		2,211,421	2,220,003
Disbursed during the year		849,798	427,303
Disposals during the year		(610,546)	(435,885)
Closing balance		<u>2,450,673</u>	<u>2,211,421</u>
Accumulated depreciation			
Opening balance		967,524	785,792
Charged during the year		458,125	466,708
Adjustment during the year		(459,236)	(284,976)
Closing balance		<u>966,413</u>	<u>967,524</u>
Net investment in Ijarah		<u>1,484,260</u>	<u>1,243,897</u>

#### 11.2.2 Ijarah rental receivable under IFAS 2

	2017			
	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in thousands			
Ijarah rentals receivable	228,860	1,111,113	-	<u>1,339,973</u>

	2016			
	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in thousands			
Ijarah rentals receivable	649,951	447,265	-	<u>1,097,216</u>

### 11.3 Staff finance

	2017 Rupees in thousands	2016 Rupees in thousands
Staff vehicle finance under Diminishing Musharaka	118,625	49,222
Staff housing finance under Diminishing Musharaka	<u>550,235</u>	<u>324,782</u>
	<u>668,860</u>	<u>374,004</u>

### 11.4 Particulars of Islamic financing and related assets - gross

	2017 Rupees in thousands	2016 Rupees in thousands
In local currency	31,474,154	16,174,001
In foreign currency	-	-
	<u>31,474,154</u>	<u>16,174,001</u>
Short term (upto one year)	19,030,277	8,897,959
Long term (over one year)	<u>12,443,877</u>	<u>7,276,042</u>
	<u>31,474,154</u>	<u>16,174,001</u>
Corporate financing	30,408,515	15,519,924
Consumer / SME / Micro financing	396,779	280,073
Staff financing	<u>668,860</u>	<u>374,004</u>
	<u>31,474,154</u>	<u>16,174,001</u>

11.5 Islamic financing and related assets include Rs. 0.729 million (2016: Rs. 1.029 million) which have been placed under non-performing status as detailed below:

Category of classification	2017								
	Classified Islamic financing and related assets			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in thousands								
OAEM	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Loss	729	-	729	729	-	729	729	-	729
	<u>729</u>	<u>-</u>	<u>729</u>	<u>729</u>	<u>-</u>	<u>729</u>	<u>729</u>	<u>-</u>	<u>729</u>

Category of classification	2016								
	Classified Islamic financing and related assets			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in thousands								
OAEM	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Loss	1,029	-	1,029	1,029	-	1,029	1,029	-	1,029
	<u>1,029</u>	<u>-</u>	<u>1,029</u>	<u>1,029</u>	<u>-</u>	<u>1,029</u>	<u>1,029</u>	<u>-</u>	<u>1,029</u>

### 11.6 Particulars of provision against non-performing Islamic financing and related assets

	2017			2016		
	Specific	General	Total	Specific	General	Total
	Rupees in thousands					
Opening balance	1,029	245	1,274	1,129	94,282	95,411
Charge during the year	-	245	245	-	38	38
Reversal during the year	(300)	-	(300)	(100)	(94,075)	(94,175)
	<u>(300)</u>	<u>245</u>	<u>(55)</u>	<u>(100)</u>	<u>(94,037)</u>	<u>(94,137)</u>
Closing balance	<u>729</u>	<u>490</u>	<u>1,219</u>	<u>1,029</u>	<u>245</u>	<u>1,274</u>

11.6.1 The Bank has maintained general provision at an amount equal to 1% of the fully secured performing portfolio of consumer, small enterprise and micro financing as required by the Prudential Regulations issued by the SBP.



### 11.7 Particulars of provision against Islamic financing and related assets with respect to currencies

	2017			2016		
	Specific	General	Total	Specific	General	Total
	Rupees in thousands					
In local currency	729	490	1,219	1,029	245	1,274
In foreign currency	-	-	-	-	-	-
	729	490	1,219	1,029	245	1,274

### 11.8 Particulars of Islamic financing and related assets to Directors, Executives and Officers.

#### 11.8.1 Due from Directors, Executives or Officers of the Bank or any of them either severally or jointly with any other persons:

	Directors		Executives / Officers	
	2017	2016	2017	2016
	Rupees in thousands			
Balance at the beginning of the year	13,936	22,304	360,068	50,330
Balance acquired under demerger scheme	-	-	-	107,966
Disbursements during the year	-	-	389,803	226,998
Repayments during the year	(833)	(8,368)	(94,114)	(25,226)
Balance at the end of the year	13,103	13,936	655,757	360,068

#### 11.8.2 Due from companies or firms in which the Directors of the Bank are interested as Directors, partners or in the case of private companies as members:

	2017	2016
	Rupees in thousands	
Balance at the beginning of the year	660,568	519,403
Disbursements during the year	297,000	452,350
Repayments during the year	(643,436)	(311,185)
Balance at the end of the year	314,132	660,568

#### 11.8.3 The Bank does not have any subsidiary companies, controlled firms and managed modarabas. Further, as at December 31, 2017 and December 31, 2016, the Bank has no Islamic financing and related assets balance outstanding with any other related parties.

Note 2017 2016  
Rupees in thousands

### 12 OPERATING FIXED ASSETS

Capital work-in-progress	12.1	243,436	804,094
Property and equipment	12.2	1,896,647	1,192,512
Intangible assets	12.3	482,910	107,644
		2,622,993	2,104,250

#### 12.1 Capital work-in-progress

Advance for computer software	3,108	267,673
Advance to suppliers and contractors	68,112	293,713
Civil works	147,101	115,585
Others	25,115	127,123
	243,436	804,094

### 12.2 Property and equipment

	2017									
	Cost			Accumulated Depreciation				Book value		
	As at January 1, 2017	Additions (other adjustment) / (Disposals)	Surplus arising on revaluation	As at December 31, 2017	As at January 1, 2017	Charge / other adjustment / (Disposals)	Adjustment arising on revaluation	As at December 31, 2017	As at December 31, 2017	Rate of depreciation % / Estimated useful life
	Rupees in thousands									
Land-Freehold	600,005	96,507	11,072	707,584	-	-	-	-	707,584	0%
Buildings-Freehold	311,753	35,054	1,868	348,675	-	7,530	-	7,530	341,145	Upto 50 years
Leasehold improvements	80,963	128,345 5,143	-	214,451	10,877	34,297 5,143	-	50,317	164,134	Upto 5 years
Furniture and fixtures	29,509	32,402 321	-	62,232	3,879	6,055 321	-	10,255	51,977	10%
Electrical, office and computer equipments	201,964	488,944 3,606 (360)	-	704,174	31,326	60,199 3,606 (94)	-	95,037	609,137	10% to 25%
Vehicles	15,333	13,803 2,242 (1,815)	-	29,563	953	3,568 2,242 (250)	-	6,860	22,670	20%
Total	1,230,547	805,055 11,312 (2,178)	12,940	2,068,679	47,035	112,069 11,312 (384)	-	170,032	1,896,647	

	2016									
	Cost			Accumulated Depreciation				Book value		
	As at January 1, 2016	Additions / (other adjustment)	Surplus arising on revaluation	As at December 31, 2016	As at January 1, 2016	Charge / (other adjustment)	Adjustment arising on revaluation	As at December 31, 2016	As at December 31, 2016	Rate of depreciation % / Estimated useful life
Rupees in thousands										
Land-Freehold	474,704	-	125,301	600,005	-	-	-	-	600,005	0%
Buildings-Freehold	244,176	-	67,577	311,753	1,364	5,535	(6,919)	-	311,753	Upto 50 years
Leasehold improvements	30,554	50,409	-	80,963	557	10,320	-	10,877	70,066	Upto 5 years
Furniture and fixtures	19,557	9,967 (15)	-	29,509	446	3,433	-	3,879	25,630	10%
Electrical, office and computer equipment	113,319	92,831 (4,166)	-	201,984	2,191	29,833 (666)	-	31,326	170,658	10% to 25%
Vehicles	12,702	5,434 (2,803)	-	15,333	362	2,634 (2,243)	-	953	14,380	20%
Total	885,012	158,641 (6,984)	192,878	1,236,547	4,940	51,055 (2,941)	(6,919)	47,035	1,192,512	

#### 12.2.1 The land and buildings of the Bank were revalued in December 2016 by independent valuers (Tristar International Consultant (Private) Limited and Sarda Enterprises, valuation and engineering consultants) on the basis of market value. During the year, the registered office of the Bank was capitalized along with revaluation surplus thereon. The information relating to location of all revalued assets is given in Annexure I. The details of assets which were revalued are as follows.

		Rupees in thousands
Total revalued amount of land		680,005
Total revalued amount of buildings		325,253

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2017 would have been as follows:

		Rupees in thousands
Land		571,211
Buildings		267,465



## 12.3 Intangible assets

	2017							
	Cost		Accumulated Amotization			Book value		Amortization
	As at January 1, 2017	Additions	As at December 31, 2017	As at January 1, 2017	Charge	As at December 31, 2017	As at December 31, 2017	
	Rupees in thousands							
Computer software	131,068	404,961	536,029	23,424	29,695	53,119	482,910	7 years
	2016							
	Cost		Accumulated Amotization			Book value		Amortization
	As at January 1, 2016	Additions	As at December 31, 2016	As at January 1, 2016	Charge	As at December 31, 2016	As at December 31, 2016	
	Rupees in thousands							
Computer software	83,887	47,181	131,068	7,725	15,699	23,424	107,644	7 years

12.4 The gross carrying amount (cost) of fully depreciated assets that are in use as at December 31, 2017 are as follows:

	Rupees in thousands
Leasehold improvements	549
Electrical, office and computer equipments	2,863
Furniture and fixtures	190
Vehicles	1,261

## 12.5 Details of disposal of operating fixed assets

The information relating to disposal of operating fixed assets required to be disclosed as part of the financial statements by the State Bank of Pakistan is given in Annexure II which forms an integral part of these financial statements.

	2017	2016
	Rupees in thousands	
<b>13 DEFERRED TAX ASSETS / (LIABILITY) - NET</b>		
<b>Deductible temporary difference</b>		
Workers Welfare Fund	798	798
Unused tax losses	189,882	5,587
Minimum tax	31,249	17,859
Deficit on revaluation of available for sale investments - net	208,258	1,282
	430,187	25,526
<b>Taxable temporary difference</b>		
Surplus on revaluation of fixed assets	(26,273)	(26,074)
Accelerated tax depreciation	(114,449)	(39,976)
	(140,722)	(66,050)
	289,465	(40,524)
<b>14 OTHER ASSETS - NET</b>		
Profit / return accrued in local currency	438,696	82,575
Advances, deposits, advance rent and other prepayments	75,883	64,877
Advance taxation	50,528	71,467
Dividend receivable	20,376	9,480
Rental receivable	17,154	8,925
Receivable against ATM transactions	90,705	21,725
Unrealized gain on forward exchange contracts - net	2,196	-
Stationary and stamps	1,829	1,786
Others	7,789	233
	705,156	261,048
<b>15 CONTINGENT ASSETS</b>		
There were no contingent assets of the Bank as at December 31, 2017 (2016: Nil).		
<b>16 BILLS PAYABLE</b>		
In Pakistan	314,210	447,776
Outside Pakistan	-	-
	314,210	447,776

## 17 DUE TO FINANCIAL INSTITUTIONS

Note	2017	2016
	Rupees in thousands	
In Pakistan	7,926,790	2,785,650
Outside Pakistan	-	-
	7,926,790	2,785,650

## 17.1 Particulars of due to financial institutions with respect to currencies

Note	2017	2016
In local currency	7,926,790	2,785,650
In foreign currency	-	-
	7,926,790	2,785,650

## 17.2 Details of due to financial institutions - Secured / Unsecured

<b>Secured</b>		
Musharaka with the State Bank of Pakistan under Islamic Export Refinance Scheme	17.2.1	1,007,200
		385,650
<b>Unsecured</b>		
Musharaka arrangements	17.2.2	6,919,590
		2,400,000
		7,926,790
		2,785,650

17.2.1 These Musharaka arrangements are on a profit and loss sharing basis maturing between January 14, 2018 to April 18, 2018 (2016: March 6, 2017 to June 26, 2017) and are secured against demand promissory notes executed in favour of the SBP. A limit of Rs. 1,500 million has been allocated to the Bank by the SBP under Islamic Export Refinance Scheme.

17.2.2 This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 5.10% to 5.80% per annum (2016: 5.05% to 5.30% per annum) and having maturity till March 27, 2018.

	Note	2017	2016
		Rupees in thousands	
<b>18 DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		4,641,153	3,951,572
Savings deposits		13,770,648	4,920,369
Current accounts - Non-remunerative		8,715,425	3,124,174
Margin deposits		144,483	99,668
		27,271,709	12,095,783
<b>Financial institutions</b>			
Remunerative deposits		5,358,234	2,183,638
Non-remunerative deposits		60,865	15
		5,419,099	2,183,653
		32,690,808	14,279,436
<b>18.1 Particulars of deposits</b>			
In local currency		32,025,030	14,013,771
In foreign currencies		665,778	265,665
		32,690,808	14,279,436
<b>19 OTHER LIABILITIES</b>			
Profit / return payable in local currency	19.1	185,629	67,623
Profit / return payable in foreign currencies		1,741	608
Accrued expenses		388,112	238,809
Deferred Murabaha income under Islamic financing and related assets		159,530	43,815
Advance receipt against Islamic financing and related assets		13,511	13,374
Retention money payable		12,992	-
Charity collection account	19.2	5,513	10,580
Income received in advance		21,651	38,078
Security deposits under Ijarah financing		333,845	301,901
Branch adjustment account		30,069	-
Withholding tax, Federal Excise Duty and other tax payable		6,312	7,308
Others		49,274	27,147
		1,208,179	749,243



- 19.1 It includes Rs. 5,513 million (2016: Rs. 1,198 million) in respect of profit / return payable on Musharaka with the SBP under Islamic Export Refinance Scheme.

	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>19.2 Reconciliation of charity collection account</b>			
Opening balance		10,580	2,505
Additions during the year			
- Received from customers against late payment		7,406	6,002
- Dividend purification amount		582	4,608
- Profit on charity saving account		135	65
		8,133	10,675
Charity paid during the year / period	19.2.1	(13,200)	(2,600)
Closing balance		5,513	10,580

**19.2.1 Charity was paid to the following institutions:**

Aziz Jehan Begum Trust for the Blind	1,000	400
Care Foundation Pakistan	1,000	-
Chiniot Anjuman Islamia	1,000	-
Family Welfare Society	1,000	-
Fast – NU Chiniot – Faisalabad Campus	1,000	-
Fatmid Foundation	1,000	-
Infaq Memorial Trust	1,000	-
M/s Qureshi Nazir Education Trust	1,000	1,000
Mind Organization	1,000	400
Rising Sun Education & Welfare Society	1,000	400
SADA Welfare Foundation	1,000	-
Sindh Institute of Urology & Transplantation (SIUT)	1,000	400
The Citizens Foundation	700	-
Pakistan Student Loan Scheme (Endowment fund)	500	-
	13,200	2,600

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

**20 SHARE CAPITAL**

**20.1 Authorised capital**

2017 Number of shares	2016 Number of shares		2017 Rupees in thousands	2016 Rupees in thousands
1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10/- each	15,000,000	15,000,000

**20.2 Issued, subscribed and paid up capital**

2017 Number of shares	2016 Number of shares		2017 Rupees in thousands	2016 Rupees in thousands
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10/- each Fully paid in cash	10,000,000	10,000,000

- 20.3 The Bank's shares are 100 percent held by MCB Bank Limited (MCB) - the Parent Company and its nominee Directors.

	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>21 RESERVES</b>			
Statutory reserves	21.1	26,444	26,444

- 21.1 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>22 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus / (deficit) arising on revaluation (net of tax) of:			
- Fixed assets	22.1	185,164	173,723
- Available for sale securities	22.2	(386,764)	(2,381)
		(201,600)	171,342

**22.1 Surplus / (deficit) on revaluation of fixed assets - net of tax**

Surplus on revaluation of fixed assets as at January 1	199,797	-
Recognised during the year	12,940	199,797
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(845)	-
Related deferred tax liability on incremental depreciation charged during the year	(455)	-
Surplus on revaluation of fixed assets as at December 31	211,437	199,797

Less: related deferred tax liability on:  
revaluation as at January 01  
revaluation recognised during the year  
incremental depreciation charged during the year

	26,074	-
	654	26,074
	(455)	-
	26,273	26,074
	185,164	173,723

**22.2 Surplus / (deficit) on revaluation of available for sale securities - net of tax**

Securities - net of tax			
Available for sale securities			
- Listed shares		(629,083)	(33,565)
- Sukuks		34,061	29,902
		(595,022)	(3,663)
Related deferred tax asset	13	208,258	1,282
		(386,764)	(2,381)

**23 CONTINGENCIES AND COMMITMENTS**

**23.1 Transaction-related contingent liabilities**

Guarantees favouring - beneficiary		
- Government	1,535,209	1,004,070
- Others	734,320	159,568
	2,269,529	1,163,638

**23.2 Trade-related contingent liabilities**

Import Letters of Credit	5,587,572	2,039,247
Acceptances	134,755	39,505
	5,722,327	2,078,752

**23.3 Commitments in respect of forward exchange contracts**

Purchase	535,867	-
Sale	349,072	-

**23.4 Commitments for the acquisition of operating fixed assets**

Acquisition of fixed assets	49,089	129,690
Acquisition of computer software	5,380	17,561
	54,469	147,251

**23.5 Commitments to extend credit**

The Bank makes commitment(s) to extend credit in the normal course of business including related parties but these being revocable commitments do not attract any penalty or expense if the facility is unilaterally withdrawn.



	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>24 PROFIT / RETURN EARNED</b>			
On financings to customers		1,567,354	993,577
On investments in			
- available for sale securities		282,008	111,442
- held to maturity securities		80,517	201,935
		362,525	313,377
On deposits with financial institutions		97,648	213,887
On inter bank Musharaka / Modaraba agreements		33,400	5,937
		<u>2,060,927</u>	<u>1,526,778</u>
<b>25 PROFIT / RETURN EXPENSED</b>			
On deposits and other accounts		680,385	394,723
On Musharaka with the SBP under IERS		14,022	9,690
On other short term fund - Musharaka / Modaraba agreements		311,264	172,131
		<u>1,005,671</u>	<u>576,544</u>
<b>26 GAIN ON SALE OF SECURITIES - NET</b>			
Shares / units of open end mutual funds		269,730	138,592
Federal Government Securities - Sukuk certificates		(1,967)	(1,222)
		<u>267,763</u>	<u>137,370</u>
<b>27 OTHER INCOME</b>			
Rental income		8,229	8,925
Locker rent		1,078	1,872
Fees and charges recovered		1,176	195
		<u>10,483</u>	<u>10,992</u>
<b>28 ADMINISTRATIVE EXPENSES</b>			
Salaries and allowances	28.1	985,925	636,438
Remuneration to Shari'ah Board Members		7,369	6,450
Contribution to defined contribution plan		23,978	12,630
Non-executive Directors' fees, allowances and other expenses		740	180
Rent, rates and taxes		162,789	120,030
Takaful expenses		20,331	8,920
Utilities		42,256	27,861
Legal and professional charges		21,608	12,604
Communication	28.2	87,988	49,845
Repairs and maintenance		57,712	44,733
Fee and subscription		4,027	2,231
Travelling and conveyance		36,942	34,097
Entertainment		16,424	9,536
Stationery and printing		16,964	14,623
Advertisement and publicity		15,334	10,654
Brokerage, commission, bank and clearing charges		13,193	8,922
Outsourced service utilisation charges		90,641	44,522
Auditor's remuneration	28.3	8,218	7,352
Depreciation	12.2	112,069	51,955
Amortisation of intangible assets	12.3	29,695	15,699
Security services including cash handling charges		71,138	48,020
Training expenses		7,469	6,154
Others		12,309	13,810
		<u>1,845,119</u>	<u>1,187,266</u>
<b>28.1</b>	This includes Rs. 6.662 million (2016: Rs. 2.986 million) in respect of Contribution to Employees' Old Age Benefit Institution.		

**28.2** This includes payment made to Eastnets amounting to Rs. 1,326 million (2016: 1,789 million) in respect of Eastnets Gateway Connectivity Package for SWIFT connectivity.

	2017 Rupees in thousands	2016 Rupees in thousands
<b>28.3 Auditor's remuneration</b>		
Audit fee	1,925	1,750
Fee for interim review	825	750
Taxation services and other certifications	4,553	4,040
Sales tax on services	365	312
Out-of-pocket expenses	550	500
	<u>8,218</u>	<u>7,352</u>

	2017 Rupees in thousands	2016 Rupees in thousands
<b>29 OTHER WRITE OFF</b>		
Stamp papers	1	-

**29.1** This represents obsolete stamp papers, acquired under demerger scheme, written off during the year.

	2017 Rupees in thousands	2016 Rupees in thousands
<b>30 OTHER CHARGES</b>		
Penalties imposed by the State Bank of Pakistan	108	17
Loss on sale of fixed assets - net	20	-
Provision for Workers Welfare Fund	-	2,279
	<u>128</u>	<u>2,296</u>

	2017 Rupees in thousands	2016 Rupees in thousands
<b>31 TAXATION</b>		
<b>For the year</b>		
- Current	31,249	17,859
- Deferred	(123,667)	11,331
	<u>(92,418)</u>	<u>29,190</u>
<b>Prior years</b>		
- Current	4,488	4,866
	<u>(87,930)</u>	<u>34,056</u>

<b>31.1 Relationship between tax charge and accounting profit</b>		
(Loss) / profit before taxation	(350,927)	113,973
Tax at the applicable rate	35%	35%
Tax on income	(122,824)	39,891
Effect of:		
- permanent differences	37	(32,921)
- prior year tax charge	4,488	4,866
- others	30,369	22,220
Tax charge for the year	<u>(87,930)</u>	<u>34,056</u>



	Note	2017 Rupees in thousands	2016 Rupees in thousands
<b>32 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE - PRE TAX</b>			
(Loss) / profit before taxation		(350,927)	113,973
		<b>Number of shares</b>	
Weighted average number of ordinary shares		1,000,000,000	1,000,000,000
		<b>Rupees</b>	
Basic / diluted (loss) / earnings per share - pre tax		(0.351)	0.114
<b>33 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE - AFTER TAX</b>			
(Loss) / profit after taxation		(262,997)	79,917
		<b>Number of shares</b>	
Weighted average number of ordinary shares		1,000,000,000	1,000,000,000
		<b>Rupees</b>	
Basic / diluted (loss) / earnings per share - after tax		(0.263)	0.080
<b>34 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	7	3,390,753	1,509,804
Balances with other banks	8	2,703,251	2,750,998
		<u>6,094,004</u>	<u>4,260,802</u>
<b>35 STAFF STRENGTH</b>			
		<b>2017</b>	<b>2016</b>
		<b>Number</b>	
Permanent		776	589
Temporary / on contractual basis		19	12
Bank's own staff strength at the end of the year		795	601
Outsourced	35.1	155	89
Total staff strength		<u>950</u>	<u>690</u>
<b>35.1</b>	This excludes outsourced security guards and tea services staff.		
<b>36 CREDIT RATING</b>	Pakistan Credit Rating Agency (PACRA) has maintained the Bank's medium to long-term rating as "A" and the short-term rating as 'A-1' with stable outlook.		
<b>37 DEFINED CONTRIBUTION PLAN</b>	The Bank operates an approved contributory provident fund for 596 (2016: 300) where permanent employees administered by the Board of Trustees for all of its permanent employees. Equal monthly contributions are made both by the Bank and its permanent employees to the Fund at the rate of 8.33% of the basic salaries of employees. However, an employee has an option to increase his / her contribution upto 12.5% but the Bank will still contribute 8.33% of the employee's basic salary.		
		<b>2017</b>	<b>2016</b>
		<b>Rupees in thousands</b>	
Contribution made by the Bank		24,820	12,630
Contribution made by the employees		25,551	13,525
		<u>50,371</u>	<u>26,155</u>

**38 COMPENSATION OF DIRECTORS AND EXECUTIVES**

	President / Chief Executive Officer		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	Rupees in thousands					
Fees	-	-	740	180	-	-
Managerial remuneration and bonus (including deferred)	37,491	35,055	-	-	301,851	203,330
Contribution to defined contribution plan	1,374	1,171	-	-	15,401	8,591
Rent and house maintenance	7,421	6,324	-	-	89,511	61,248
Utilities	1,649	1,405	-	-	19,891	13,611
Medical	-	-	-	-	4,890	3,425
Conveyance	-	-	-	-	48,271	46,808
Others	11	5	-	-	65,880	19,164
	<u>47,946</u>	<u>43,960</u>	<u>740</u>	<u>180</u>	<u>545,695</u>	<u>356,177</u>
Number of persons	1	1	7	6	239	171

**38.1** The Bank has no Executive Director other than President / Chief Executive Officer. The President / Chief Executive Officer has been provided with free use of Bank maintained car.

**39 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of Islamic financing & related assets, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of Islamic financing and related assets has been calculated in accordance with the Bank's accounting policy as in stated 6.4.2.

The repricing profile with effective rates and maturity are stated in notes 43.3 and 43.4.1 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer financing and deposits are frequently re-priced.

**39.1** 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 the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and building.



	2017			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	Rupees in thousands			
<b>On-balance sheet financial instruments</b>				
<b>Financial assets measured at fair value</b>				
<b>Available for sale securities</b>				
Ordinary shares - listed	1,352,592	-	-	1,352,592
Sukuk certificates	-	6,798,621	-	6,798,621
	1,352,592	6,798,621	-	8,151,213
<b>Non - Financial Assets measured at fair value</b>				
Operating fixed assets (land and buildings)	-	-	1,005,258	1,005,258
<b>Off-balance sheet financial instruments</b>				
Foreign exchange contracts purchase	-	546,363	-	546,363
Foreign exchange contracts sale	-	357,373	-	357,373

	2016			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	Rupees in thousands			
<b>On-balance sheet financial instruments</b>				
<b>Financial assets measured at fair value</b>				
<b>Available for sale securities</b>				
Ordinary shares - listed	1,063,264	-	-	1,063,264
Sukuk certificates	-	3,556,411	-	3,556,411
	1,063,264	3,556,411	-	4,619,675
<b>Non - Financial Assets measured at fair value</b>				
Operating fixed assets (land and buildings)	-	-	911,758	911,758
<b>Off-balance sheet financial instruments</b>				
Foreign exchange contracts purchase	-	-	-	-
Foreign exchange contracts sale	-	-	-	-

The valuation techniques used for above assets are same as disclosed in note 6.3 & 6.5 of these financial statements.

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year.

- (a) **Financial instruments in level 1**  
Financial instruments included in level 1 comprise of investments in listed ordinary shares.
- (b) **Financial instruments in level 2**  
Financial instruments included in level 2 comprise of Sukuks and Forward Exchange Contracts.
- (c) **Financial instruments in level 3**  
Currently, no financial instrument is classified in level 3.

#### Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Ijarah Sukuks (GOP Ijarah Sukuks and other Ijarah Sukuks)	Fair values of GoP Ijarah Sukuks and other Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
Operating fixed assets (land and building)	Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

#### 40 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2017				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in thousands				
Total income	-	875,775	45,750	1,578,412	2,499,937
Total expenses	-	(904,181)	(867,027)	(1,079,656)	(2,850,864)
Income tax expense	-	-	-	-	87,930
Net income	-	(28,406)	(821,277)	498,756	(262,997)
Segment assets - gross	-	14,227,587	4,718,610	32,485,795	51,431,992
Advance taxation - net	-	-	-	-	50,528
Deferred tax asset - net	-	-	-	-	289,465
Total assets	-	14,227,587	4,718,610	32,485,795	51,771,985
Segment non performing assets	-	-	-	729	729
Segment provision required and held	-	-	-	729	729
Segment liabilities	-	7,029,035	33,508,588	1,602,364	42,139,987
Deferred tax liability - net	-	-	-	-	-
Total liabilities	-	7,029,035	33,508,588	1,602,364	42,139,987
Segment return on assets (%)	-	7.45%	1.35%	6.36%	6.22%
Segment cost of funds (%)	-	5.48%	3.15%	2.15%	3.60%

	2016				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in thousands				
Total income	-	746,695	32,400	1,006,847	1,785,942
Total expenses	-	(621,905)	(530,563)	(519,501)	(1,671,969)
Taxation	-	-	-	-	(34,056)
Net income	-	124,790	(498,163)	487,346	79,917
Segment assets - gross	-	9,275,808	2,043,276	17,179,225	28,498,309
Advance taxation - net	-	-	-	-	71,467
Deferred tax asset - net	-	-	-	-	-
Total assets - gross	-	9,275,808	2,043,276	17,179,225	28,569,776
Segment non performing assets	-	-	-	1,029	1,029
Segment provision required and held	-	-	-	1,029	1,029
Segment liabilities	-	2,438,544	15,017,440	806,121	18,262,105
Deferred tax liability	-	-	-	-	40,524
Total liabilities	-	2,438,544	15,017,440	806,121	18,302,629
Segment return on assets (%)	-	6.69%	2.27%	6.65%	6.43%
Segment cost of funds (%)	-	4.16%	3.34%	3.10%	3.54%

#### 41 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its parent company, associates, companies with common directorship, employee benefit plans and its directors and key management personnel and their close family members.

The Bank enters into transactions with related parties in the normal course of business.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.



41.1 The details of balances with related parties and transactions with them are given below:

	Parent company		Associated companies		Directors **		Key Management Personnel ***		Others ****	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees in thousands									
<b>Balances with other banks</b>										
Opening balance	3,669	-	-	-	-	-	-	-	-	-
Deposits during the year	113,326	10,004	-	-	-	-	-	-	-	-
Withdrawal during the year	(75,154)	(9,335)	-	-	-	-	-	-	-	-
Closing balance	42,841	3,669	-	-	-	-	-	-	-	-
<b>Islamic financing and related assets</b>										
Opening balance	-	-	693,566	519,403	13,938	22,304	65,246	45,402	-	-
Disbursed during the year	-	-	297,000	452,360	-	-	99,074	29,967	-	-
Repaid / adjustments * during the year	-	-	(943,435)	(311,182)	(833)	(8,366)	(20,542)	(9,523)	-	-
Closing balance	-	-	314,132	660,581	13,105	13,938	43,778	65,846	-	-
<b>Others</b>										
Advance paid against purchase of property	20,000	20,000	-	-	-	-	-	-	-	-
Other receivables	19,340	8,925	31,864	4,447	-	-	1,330	1,515	-	-
Other payables	21,915	3,613	19,214	10,608	9,450	8,340	10,014	6,470	52	43
<b>Due to Financial Institutions</b>										
Opening balance	-	211,821	-	-	-	-	-	-	-	-
Received during the year	21,080,514	1,922,345	-	-	-	-	-	-	-	-
Repaid during the year	(21,163,824)	(2,134,166)	-	-	-	-	-	-	-	-
Closing balance	524,590	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>										
Opening balance	-	-	123,115	20,236	430	1,169	19,633	25,455	28,668	4,738
Received / Adjustments * during the year	-	-	10,721,966	2,894,976	41,382	24,772	216,732	166,314	137,988	147,307
Withdrawal / Adjustments * during the year	-	-	(15,488,776)	(2,782,087)	(41,184)	(25,505)	(162,979)	(172,136)	(143,575)	(123,577)
Closing balance	-	-	395,305	123,115	828	430	53,386	19,633	23,581	28,668
<b>Contingencies &amp; Commitments</b>										
<b>Liabilities - outstanding</b>										
Letter of Credit	-	-	599,646	-	-	-	-	-	-	-
Letter of Guarantee	-	-	695,212	-	-	-	-	-	-	-
Forward exchange contract										
Purchase	309,872	-	-	-	-	-	-	-	-	-
Sale	200,597	-	-	-	-	-	-	-	-	-
Unrealized gain on forward exchange contract - net	5,092	-	-	-	-	-	-	-	-	-
	Parent company		Associated companies		Directors **		Key Management Personnel ***		Others ****	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees in thousands									
<b>Transactions during the period</b>										
Fee	-	-	-	-	740	160	-	-	-	-
Managerial remuneration	-	-	-	-	44,796	37,660	125,992	94,242	-	-
Contribution paid to provident fund	-	-	-	-	-	-	-	-	53,462	20,841
Profit received	-	-	27,566	90,307	538	1,042	2,501	2,902	-	-
Profit paid	51,588	8,571	5,832	1,062	-	-	1,454	592	806	175
Investment made in securities	-	-	411,795	-	-	-	-	-	-	-
Proceeds from sale of securities	-	-	431,701	-	-	-	-	-	-	-
Commission received	-	-	2,750	-	-	-	-	-	-	-
Disbursement made against advance salary	-	-	-	-	-	-	1,230	1,230	-	-
Repayment made against advance salary	-	-	-	-	-	-	1,350	200	-	-
Payment made against demerger scheme	-	5,901,868	-	-	-	-	-	-	-	-
Payment made against staff finance	-	113,434	-	-	-	-	-	-	-	-
Payment made against purchase of fixed assets	-	20,000	-	-	-	-	-	-	-	-
Re-embursement under home remittance payments	90,575	-	-	-	-	-	-	-	-	-
Payment made for expenses	16,766	1,010	75,017	33,660	-	-	-	-	-	-
Proceed from sale of fixed assets	-	-	1,492	-	-	-	32	-	-	-
Foreign currency purchase	9,531,438	4,873,774	-	-	-	-	-	-	-	-
Foreign currency sale	4,112,451	1,791,724	-	-	-	-	-	-	-	-
Letter of Credit issued	-	-	3,308,224	-	-	-	-	-	-	-
Letter of Guarantee issued	-	-	528,644	-	-	-	-	-	-	-

\* Primarily relates to those who are no longer related parties or have become related parties of the Bank as at December 31, 2017

\*\* Directors include the President / Chief Executive Officer.

\*\*\* Key management personnel includes certain head of departments who report directly to President / Chief Executive Officer.

\*\*\*\* This represents balances and transactions of staff retirement benefit plan and related parties other than those separately mentioned.

## 42 CAPITAL ASSESSMENT AND ADEQUACY

### 42.1 Scope of Applications

The Basel-III Framework as introduced by the State Bank of Pakistan (SBP) is applicable to the Bank on a standalone basis as the Bank does not have any subsidiary or affiliate for the purpose of consolidation. In this regards, the SBP has issued disclosure requirements which has formed the basis for preparation of these notes. The SBP has specified a transitional period till 2018 for full implementation of Basel III. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

### 42.2 Capital management

#### Objectives and goals of managing capital

The Bank manages its capital to attain the following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities;
- retain flexibility to harness future investment opportunities; build and expand even in stressed times.

#### Statutory minimum capital requirement and Capital Adequacy Ratio (CAR)

The State Bank of Pakistan through its BPRD Circular No. 10 of 2014 dated October 17, 2014 requires Islamic Banking Subsidiary to raise its paid-up capital (net of losses) upto Rs.10 billion within a period of 5 years from the date of commencement of its operations. During the transitory period of five (5) years, the Islamic banking subsidiary shall maintain the following variable CAR requirement depending on the MCR level held:

Year	MCR Level	CAR Requirement
1st	Rs. 6 billion	16%
2nd	Rs. 7 billion	15%
3rd	Rs. 8 billion	14%
4th	Rs. 9 billion	13%
5th	Rs. 10 billion	As per CAR applicable under Basel-III rules

The capital adequacy ratio of the Bank was subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

#### Phase-in arrangement and full implementation of the minimum capital requirements:

Ratio	Year End December 31,						As at Dec 31,
	2013	2014	2015	2016	2017	2018	2019
1 CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2 ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3 Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4 Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5 *CCB	-	-	0.25%	0.65%	1.275%	1.90%	2.50%
6 Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%



\* Capital Conservation Buffer (CCB) Consisting of CET1 only

Under Basel III framework, Bank's regulatory capital is analysed into two tiers.

- Tier 1 capital (going concern capital) which is sub divided into:
  - a) Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and unappropriated profits (net of losses) after all regulatory adjustments applicable on CET1.
  - b) Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1.

Presently the Bank does not have any AT1 capital.

The deduction from Tier 1 Capital include mainly:

- i) Book value of goodwill / intangibles;
  - ii) Deficit on revaluation of available for sale investments;
  - iii) Defined-benefit pension fund net assets
  - iv) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
  - v) Investment in mutual funds above a prescribed ceiling;
  - vi) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
  - vii) 30% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position,
- Tier 2 capital, which includes subordinated debt/ instruments, share premium of issuance of subordinated debt/ instruments, general provisions against financing (up to a maximum of 1.25 % of credit risk weighted assets), Revaluation Reserve eligible up to 45% for treatment as Supplementary Capital.

The deductions from Tier 2 include mainly:

- Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- 30% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

The Bank is in compliance with the required capital adequacy ratio including CCB (11.275% of the risk-weighted assets) through improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank remained compliant with all externally imposed capital requirements throughout the year. Further, there has been no material change in the Bank's management of capital during the year.

## 42.3 Capital Adequacy Ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy under Basel III treatment is presented below:

	2017	2016
	Rupees in thousands	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital / Capital deposited with SBP	10,000,000	10,000,000
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on issue of shares	-	-
5 General / Statutory Reserves	26,444	26,444
6 Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated / unremitted profits / (losses)	(194,065)	68,087
8 Minority interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 <b>CET 1 before Regulatory Adjustments</b>	9,832,379	10,094,531
10 Total regulatory adjustments applied to CET1 (Note 42.3.1)	908,749	377,698
11 <b>Common Equity Tier 1</b>	8,923,630	9,716,833
<b>Additional Tier 1 (AT 1) Capital</b>		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 <b>AT1 before regulatory adjustments</b>	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 42.3.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-
21 <b>Tier 1 Capital (CET1 + admissible AT1)</b>	8,923,630	9,716,833
<b>Tier 2 Capital</b>		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	490	-
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	-	-
29 of which: Unrealized gains/losses on AFS	-	-
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 <b>T2 before regulatory adjustments</b>	490	-
33 Total regulatory adjustment applied to T2 capital (Note 42.3.3)	-	-
34 Tier 2 capital (T2) after regulatory adjustments	490	-
35 Tier 2 capital recognized for capital adequacy	490	-
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	490	-
38 <b>TOTAL CAPITAL (T1 + admissible T2)</b>	8,924,120	9,716,833
39 <b>Total Risk Weighted Assets (RWA) (for details refer Note 42.6)</b>	37,483,953	24,452,715



	2017	2016
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40 CET1 to total RWA	23.81%	39.74%
41 Tier-1 capital to total RWA	23.81%	39.74%
42 Total capital to total RWA	23.81%	39.74%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.00%	6.00%
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	17.81%	33.74%
<b>National minimum capital requirements prescribed by SBP</b>		
48 CET1 minimum ratio	6.00%	6.00%
49 Tier 1 minimum ratio	7.50%	7.50%
50 Total capital minimum ratio	10.00%	10.00%
51 Total capital minimum ratio plus CCB	11.275%	10.65%
	<b>2017</b>	<b>2016</b>
	<b>Rupees in thousands</b>	
<b>Leverage Ratio</b>		
Tier 1 Capital	8,923,630	9,716,833
Total Exposures	58,052,067	32,581,429
Leverage Ratio	15.37%	29.82%

		2017	2016		
		Rupees in thousands			
Regulatory Adjustments and Additional Information	Amount	Amounts subject to Pre- Basel III treatment	Amount	Amounts subject to Pre- Basel III treatment	

#### 42.3.1 Common Equity Tier 1 capital: Regulatory adjustments

1	Goodwill (net of related deferred tax liability)	-	-
2	All other intangibles (net of any associated deferred tax liability)	486,018	375,317
3	Shortfall in provisions against classified assets	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	221,131	-
5	Defined-benefit pension fund net assets	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-
7	Cash flow hedge reserve	-	-
8	Investment in own shares/ CET1 instruments	-	-
9	Securitization gain on sale	-	-
10	Capital shortfall of regulated subsidiaries	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	201,600	2,381
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
15	Amount exceeding 15% threshold	-	-
16	of which: significant investments in the common stocks of financial entities	-	-
17	of which: deferred tax assets arising from temporary differences	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-
20	Any other deduction specified by SBP (mention details)	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
22	<b>Total regulatory adjustments applied to CET1</b>	<b>908,749</b>	<b>377,698</b>

	2017		2016	
	Rupees in thousands			
Regulatory Adjustments and Additional Information	Amount	Amounts subject to Pre-Basel III treatment	Amount	Amounts subject to Pre-Basel III treatment

#### 42.3.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

23	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
24	Investment in own AT1 capital instruments	-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30	<b>Total regulatory adjustment applied to AT1 capital</b>	-	-	-

#### 42.3.3 Tier 2 Capital: regulatory adjustments

31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-
33	Investment in own Tier 2 capital instrument	-	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
36	<b>Total regulatory adjustment applied to T2 capital</b>	-	-	-

#### 42.3.4 Risk Weighted Assets subject to pre-Basel III treatment

37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-BaseI III Treatment)	-	-
i)	of which: deferred tax assets	-	-
ii)	of which: Defined-benefit pension fund net assets	-	-
iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-



## 42.4 Capital Structure Reconciliation

	Balance sheet as per published financial statements	Under regulatory scope of consolidation	Ref
<b>Step 1</b>			
	<b>As at December 31, 2017</b> Rupees in thousands		
<b>Assets</b>			
Cash and balances with treasury banks	3,390,753	3,390,753	
Balances with other banks	2,703,251	2,703,251	
Due from financial institutions	1,400,000	1,400,000	
Investments - net	9,186,213	9,186,213	
Islamic financing and related assets - net	31,472,935	31,472,935	
Operating fixed assets	2,622,993	2,622,993	
Deferred tax assets - net	289,465	289,465	
Other assets - net	705,156	705,156	
<b>Total assets</b>	<b>51,770,766</b>	<b>51,770,766</b>	
<b>Liabilities and Equity</b>			
Bills payable	314,210	314,210	
Due to financial institutions	7,926,790	7,926,790	
Deposits and other accounts	32,690,808	32,690,808	
Sub-ordinated loans	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities - net	-	-	
Other liabilities	1,208,179	1,208,179	
<b>Total liabilities</b>	<b>42,139,987</b>	<b>42,139,987</b>	
Share capital	10,000,000	10,000,000	
Reserves	26,444	26,444	
Accumulated loss	(194,065)	(194,065)	
Minority Interest	-	-	
<b>Total Equity</b>	<b>9,832,379</b>	<b>9,832,379</b>	
Deficit on revaluation of assets	(201,600)	(201,600)	
<b>Total liabilities and equity</b>	<b>51,770,766</b>	<b>51,770,766</b>	
	<b>Balance sheet of the published financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Ref</b>
<b>Step 2</b>			
	<b>As at December 31, 2017</b> Rupees in thousands		
<b>Assets</b>			
Cash and balances with treasury banks	3,390,753	3,390,753	
Balances with other banks	2,703,251	2,703,251	
Due to financial institutions	1,400,000	1,400,000	
Investments	9,186,213	9,186,213	
of which: non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others	-	-	e

## Step 2

	Balance sheet of the published financial statements	Under regulatory scope of consolidation	Ref
	<b>As at December 31, 2017</b> Rupees in thousands		
Islamic financing and related assets shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	31,472,935 - 490	31,472,935 - 490	f g
Operating fixed assets of which: Intangibles	2,622,993 486,018	2,622,993 486,018	k
Deferred tax assets of which: DTAs that rely on future profitability excluding those arising from temporary differences of which: DTAs arising from temporary differences exceeding regulatory threshold	289,465 - 221,131	289,465 - 221,131	h i
Other assets of which: Goodwill of which: Defined-benefit pension fund net assets	705,156 - -	705,156 - -	j l
<b>Total assets</b>	<b>51,770,766</b>	<b>51,770,766</b>	
<b>Liabilities and Equity</b>			
Bills payable	314,210	314,210	
Due to financial institutions	7,926,790	7,926,790	
Deposits and other accounts	32,690,808	32,690,808	
Sub-ordinated loans of which: eligible for inclusion in AT1 of which: eligible for inclusion in Tier 2	- - -	- - -	m n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities of which: DTLs related to goodwill of which: DTLs related to intangible assets of which: DTLs related to defined pension fund net assets of which: other deferred tax liabilities	- - - -	- - - -	o p q r
Other liabilities	1,208,179	1,208,179	
<b>Total liabilities</b>	<b>42,139,987</b>	<b>42,139,987</b>	
Share capital of which: amount eligible for CET1 of which: amount eligible for AT1	10,000,000 10,000,000 -	10,000,000 10,000,000 -	s t
Reserves of which: portion eligible for inclusion in CET1 of which: portion eligible for inclusion in Tier 2	26,444 26,444 -	26,444 26,444 -	u v
Accumulated loss	(194,065)	(194,065)	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1 of which: portion eligible for inclusion in AT1 of which: portion eligible for inclusion in Tier 2	- - -	- - -	x y z
Surplus / (deficit) on revaluation of assets of which: revaluation reserves on fixed assets of which: unrealized loss on AFS	(201,600) - -	(201,600) - -	aa
In case of deficit on revaluation (deduction from CET1)	(201,600)	(201,600)	ab
<b>Total liabilities and Equity</b>	<b>51,770,766</b>	<b>51,770,766</b>	



Step 3		Component of regulatory capital reported by bank	Source based on reference number from step 2
		As at December 31, 2017	
		Rupees in thousands	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1	Fully Paid-up Capital	10,000,000	
2	Balance in share premium account	-	(s)
3	Reserve for issue of bonus shares	-	
4	General / Statutory Reserves	26,444	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated profit	(194,065)	(w)
7	Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	CET 1 before Regulatory Adjustments	-	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		9,832,379	
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	486,018	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	(h) - (r) * 40%
13	Defined-benefit pension fund net assets	-	(l) - (q) * 40%
14	Reciprocal cross holdings in CET1 capital instruments	-	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	201,600	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	221,131	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1	908,749	
31	<b>Common Equity Tier 1</b>	8,923,630	
<b>Additional Tier 1 (AT 1) Capital</b>			
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(l)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	<b>AT1 before regulatory adjustments</b>	-	

Step 3		Component of regulatory capital reported by bank	Source based on reference number from step 2
		As at December 31, 2017	
		Rupees in thousands	
<b>Additional Tier 1 Capital: regulatory adjustments</b>			
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	Total of Regulatory Adjustment applied to AT1 capital	-	
46	Additional Tier 1 capital	-	
47	<b>Additional Tier 1 capital recognized for capital adequacy</b>	-	
48	<b>Tier 1 Capital (CET1 + admissible AT1)</b>	8,923,630	
<b>Tier 2 Capital</b>			
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(z)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	490	(g)
54	Revaluation Reserves	-	
55	of which: Revaluation reserves on fixed assets	-	
56	of which: Unrealized Gains/Losses on AFS	-	portion of (aa)
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	<b>T2 before regulatory adjustments</b>	490	
<b>Tier 2 Capital: regulatory adjustments</b>			
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital	-	



## Step 3

	Component of regulatory capital reported by bank	Source based on reference number from step 2
	As at December 31, 2017	
	Rupees in thousands	
66 Tier 2 capital (T2)	490	
67 Tier 2 capital recognized for capital adequacy	-	
68 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69 Total Tier 2 capital admissible for capital adequacy	-	
70 <b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>8,924,120</b>	

## 42.5 Main Features Template of Regulatory Capital Instruments

1 Issuer	MCB Islamic Bank Limited
2 Unique identifier (e.g. PSX Symbol)	MCBIBL
3 Governing law(s) of the instrument	Relevant Capital Market Laws
Regulatory treatment	
4 Transitional Basel III rules	Common equity Tier 1
5 Post-transitional Basel III rules	Common equity Tier 1
6 Eligible at solo/ group/ group & solo	Standalone
7 Instrument type	Common Shares
8 Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	10,000,000
9 Par value of instrument	PKR 10 per share
10 Accounting classification	Shareholder equity
11 Original date of issuance	2015
12 Perpetual or dated	Perpetual
13 Original maturity date	No maturity
14 Issuer call subject to prior supervisory approval	Not applicable
15 Optional call date, contingent call dates and redemption amount	Not applicable
16 Subsequent call dates, if applicable	Not applicable
Coupons / dividends	
17 Fixed or floating dividend/ coupon	Not applicable
18 coupon rate and any related index/ benchmark	Not applicable
19 Existence of a dividend stopper	No
20 Fully discretionary, partially discretionary or mandatory	Fully discretionary
21 Existence of step up or other incentive to redeem	No
22 Noncumulative or cumulative	Not applicable
23 Convertible or non-convertible	Not applicable
24 If convertible, conversion trigger (s)	Not applicable
25 If convertible, fully or partially	Not applicable
26 If convertible, conversion rate	Not applicable
27 If convertible, mandatory or optional conversion	Not applicable
28 If convertible, specify instrument type convertible into	Not applicable
29 If convertible, specify issuer of instrument it converts into	Not applicable
30 Write-down feature	Not applicable
31 If write-down, write-down trigger(s)	Not applicable
32 If write-down, full or partial	Not applicable
33 If write-down, permanent or temporary	Not applicable
34 If temporary write-down, description of write-up mechanism	Not applicable
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity ranks after all creditors and depositors
36 Non-compliant transitioned features	No
37 If yes, specify non-compliant features	Not applicable

## 42.6 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

	2017		2016	
	Risk weighted assets	Capital requirement	Risk weighted assets	Capital requirement
	Rupees in thousands			
<b>Risk-weighted exposures</b>				
<b>Credit risk</b>				
Portfolios subject to standardised approach (Simple Approach)				
<b>On-Balance sheet</b>				
Corporate portfolio	23,774,862	2,377,486	15,557,263	1,555,726
Banks / DFIs	834,658	83,466	589,783	58,978
Public sector entities	724,616	72,462	196,599	19,660
Sovereigns / cash & cash equivalents	-	-	-	-
Loans secured against residential property	192,582	19,258	113,674	11,367
Retail	147,380	14,738	39,650	3,965
Past due loans	-	-	514	51
Operating fixed assets	2,136,975	213,698	1,721,962	172,196
Other assets	560,406	56,041	179,789	17,979
	28,371,479	2,837,149	18,399,234	1,839,922
<b>Off-Balance sheet</b>				
Non-market related	2,881,575	288,158	1,675,561	167,556
Market related	-	-	-	-
	2,881,575	288,158	1,675,561	167,556
<b>Equity Exposure Risk in the Banking Book</b>				
Listed	-	-	-	-
Unlisted	-	-	-	-
	-	-	-	-
<b>Total Credit Risk</b>	<b>31,253,054</b>	<b>3,125,307</b>	<b>20,074,795</b>	<b>2,007,478</b>
<b>Market Risk</b>				
<b>Capital Requirement for portfolios subject to Standardized Approach</b>				
Profit rate risk	1,190,620	119,062	369,572	36,957
Equity position risk	2,705,185	270,518	2,126,525	212,653
Foreign Exchange risk	400,468	40,047	387,688	38,769
<b>Total Market Risk</b>	<b>4,296,273</b>	<b>429,627</b>	<b>2,883,785</b>	<b>288,379</b>
<b>Operational Risk</b>				
Capital Requirement for operational risks	1,934,626	193,463	1,494,135	149,414
<b>TOTAL</b>	<b>37,483,953</b>	<b>3,748,397</b>	<b>24,452,715</b>	<b>2,445,271</b>
	2017		2016	
	Required	Actual	Required	Actual
	%	%	%	%
<b>Capital Adequacy Ratios</b>				
CET1 to total RWA	6.00%	23.81%	6.00%	39.74%
Tier-1 capital to total RWA	7.50%	23.81%	7.50%	39.74%
Total capital to total RWA	10.00%	23.81%	10.00%	39.74%
Total capital plus CCB to total RWA *	11.275%	23.81%	10.65%	39.74%

\* As SBP capital requirement of 11.275% (2016: 10.65%) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.



## 43 RISK MANAGEMENT

Risk is an inherent part of banking business activities. The risk management framework and governance structure at MCB Islamic Bank helps to mitigate and counter any foreseeable risk in its various lines of business. Risk awareness forms an integral part of strategic and operational activities of risk management. Through its risk management policy the Bank sets the best course of action to counter uncertainty by identifying, prioritizing, mitigating and monitoring risk issues, with the goal of enhancing shareholders' value. Bank's risk management structure is based on the following five guiding principles while conforming to the prescribed Shari'ah guidelines:

- Optimizing risk/return in a controlled manner
- Establishing clear responsibility and accountability
- Establishing independent and properly resourced risk management function.
- Promoting open risk culture
- Adopting international best practices in risk management

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM & PRC), the senior management and its relevant committees, i.e. the Risk Management Committee (RMC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of a comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring processes which are closely aligned with the activities of the Bank. The framework combines core policies, procedures and process designs with broad oversight and is supported by an efficient monitoring mechanism across the Bank to ensure that risks are kept within an acceptable level.

The Bank ensures that not only the relevant risks are identified but their implications are also considered and the basis provided for managing and measuring the risks. Through Internal Control units, the Bank ensures that effective controls are in place to mitigate each of the identified risks.

Independent from business groups, Head of Risk Management reports functionally to the Risk Management & Portfolio Review Committee (RM & PRC) and administratively to the President; the RM & PRC convenes regular meetings to evaluate the Bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management

### 43.1 Credit Risk

Credit risk arises from our dealings with individuals, corporate clients, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its financing and investment activities. It stems from the Bank's both, on and off-balance sheet activities. Credit risk makes up the largest part of the Bank's exposure. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. Organizational structure of this function ensures pre and post-facto management of credit risk. While, Credit Review function provides pre-fact evaluation of counterparties, the Credit Risk Control (CRC) performs post-fact evaluation of financing facilities and reviews clients' performance on an ongoing basis.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-III requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Bank has developed rating systems and all its corporate and commercial financing customers are internally rated. The Bank is in the process of continuously improving the system and bringing it inline with the Basel framework requirements.

In order to manage the Bank's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;

As a part of credit assessment the Bank uses an internal rating framework as well as the ratings assigned by the external credit rating agencies, wherever available.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control, being an independent function from the business and operations group, is responsible for performing the following activities:

- Credit disbursement authorization;
- Collateral coverage and monitoring;
- Compliance of loan covenants/ terms of approval;
- Maintenance/ custody of collateral and security documentation.

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulation R-1.

The Bank creates specific provision against Non- Performing Financings (NPFs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Please refer note No. 11.6 for reconciliation of changes in specific and general provisions.

### Management of Non Performing Financing

Non performing financings will be handled by Special Asset Management Department. It will be responsible for restructuring / rescheduling of problem financings, as well as litigation of both civil and criminal cases for collection of debt.

### Stress Testing

Credit Risk stress testing is a regular exercise. Bank's all credit exposures including funded and non-funded facilities are subject to stress test. This exercise is conducted on a quarterly basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

### 43.1.1 Segmental Information

Segmental Information is presented in respect of the class of business and geographical distribution of Islamic financing and related assets (gross), deposits, contingencies and commitments.



## 43.1.1.1 Segments by class of business

	2017					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in thousands	Percent	Rupees in thousands	Percent	Rupees in thousands	Percent
Agriculture, forestry and fishing	2,245,870	7.14%	139,148	0.43%	227,142	2.84%
Automobile and transportation equipment	135,961	0.43%	243	0.00%	373,980	4.68%
Cement	896,154	1.89%	4,265,644	13.05%	480,598	6.02%
Chemical and pharmaceuticals	2,146,692	6.82%	706,266	2.34%	361,686	4.53%
Commerce / Trade	85,805	0.27%	73,769	0.23%	-	0.00%
Construction	1,484,094	4.65%	1,211,327	3.71%	726,993	9.10%
Electronics and electrical appliances	1,452,983	4.62%	30,070	0.09%	609,538	7.63%
Exports / Imports	9,811	0.03%	-	0.00%	17,429	0.22%
Financial institutions (NBF, DF, Banks)	562,799	1.79%	3,637,264	11.13%	-	0.00%
Food, Beverages & Tobacco	6,261,564	19.69%	256,262	0.78%	1,447,587	18.11%
Fuel, oil and gas exploration	-	0.00%	3,151	0.01%	-	0.00%
Insurance	-	0.00%	1,782,058	5.45%	-	0.00%
Mining & Quarrying	-	0.00%	100,885	0.31%	-	0.00%
Trusts/Non-Government Organizations (NGOs)	35,000	0.11%	755,884	2.31%	-	0.00%
Paper Products	-	0.00%	-	0.00%	138,009	1.73%
Plastic products	383,128	1.22%	-	0.00%	192,077	2.40%
Production and transmission of energy	1,100,000	3.49%	120,488	0.37%	127,277	1.59%
Services	20,399	0.06%	1,817,895	5.56%	210,253	2.63%
Shoe & leather garments	10,013	0.03%	11,810	0.04%	12,216	0.15%
Ship-breaking	625,439	1.99%	-	0.00%	914,522	11.44%
Sugar	3,526,228	11.20%	284,966	0.87%	-	0.00%
Transport, Storage and Communication	5,577,806	17.72%	287,884	0.88%	22,289	0.28%
Textile	2,438,234	7.75%	484,804	1.48%	1,224,512	15.32%
Wholesale and retail trade	424,224	1.35%	672,766	2.08%	418,672	5.24%
Individuals	730,394	2.32%	13,515,906	41.34%	-	0.00%
Others	1,841,564	5.22%	2,472,821	7.56%	486,676	6.09%
	31,474,154	100.00%	32,690,808	100.00%	7,991,856	100.00%

	2016					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in thousands	Percent	Rupees in thousands	Percent	Rupees in thousands	Percent
Agriculture, forestry and fishing	1,958,358	12.11%	38,428	0.27%	109,770	3.39%
Automobile and transportation equipment	210,032	1.30%	176	0.00%	35,745	1.10%
Cement	-	0.00%	3,209	0.02%	26,584	0.82%
Chemical and pharmaceuticals	2,481,820	15.22%	103,734	0.73%	106,528	3.29%
Commerce / Trade	-	0.00%	-	0.00%	-	0.00%
Construction	393,196	2.43%	-	0.00%	682,559	21.05%
Electronics and electrical appliances	73,743	0.46%	54,047	0.38%	212,182	6.54%
Exports / Imports	-	0.00%	236,116	1.65%	-	0.00%
Financial institutions (NBF, DF, Banks)	-	0.00%	2,183,653	15.29%	-	0.00%
Food, Beverages & Tobacco	5,774,755	35.70%	1,005,700	7.04%	1,321,193	40.75%
Fuel, oil and gas exploration	-	0.00%	4,157	0.03%	-	0.00%
Insurance	-	0.00%	-	0.00%	-	0.00%
Mining & Quarrying	-	0.00%	20,822	0.15%	-	0.00%
Non-Government Organizations (NGOs)	-	0.00%	335,409	2.35%	-	0.00%
Paper Products	-	0.00%	5,309	0.04%	54,182	1.67%
Plastic products	-	0.00%	32,467	0.23%	-	0.00%
Production and transmission of energy	-	0.00%	2,428	0.02%	-	0.00%
Services	24,490	0.15%	-	0.00%	38,516	1.19%
Shoe & leather garments	12,628	0.08%	3,092	0.02%	3,404	0.10%
Ship-breaking	1,670,507	10.33%	19	0.00%	30,969	0.96%
Sugar	1,299,063	8.03%	45,154	0.32%	-	0.00%
Transport, Storage and Communication	-	0.00%	67,927	0.41%	4,400	0.14%
Textile	1,006,869	6.23%	453,596	3.18%	216,695	6.66%
Wholesale and retail trade	725,020	4.48%	317,754	2.23%	94,303	2.91%
Individuals	383,496	2.37%	7,083,296	49.60%	-	0.00%
Others	180,042	1.11%	2,292,945	16.06%	305,350	9.42%
	16,174,001	100.00%	14,279,436	100.00%	3,242,390	100.00%

## 43.1.1.2 Segment by sector

	2017					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in thousands	Percent	Rupees in thousands	Percent	Rupees in thousands	Percent
Public / Government	6,564,016	20.86%	1,281,903	3.92%	1,535,209	19.21%
Private	24,910,138	79.14%	31,408,905	96.08%	6,456,647	80.79%
	31,474,154	100.00%	32,690,808	100.00%	7,991,856	100.00%

	2016					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in thousands	Percent	Rupees in thousands	Percent	Rupees in thousands	Percent
Public / Government	393,196	2.43%	1,171,850	8.21%	1,004,070	30.97%
Private	15,780,803	97.57%	13,107,786	91.79%	2,238,320	69.03%
	16,174,001	100.00%	14,279,436	100.00%	3,242,390	100.00%

## 43.1.1.3 Details of non-performing Islamic financing and related assets and specific provisions by class of business segment

	2017		2016	
	Classified Islamic financing and related assets	Specific provision held	Classified Islamic financing and related assets	Specific provision held
	Rupees in thousands			
Others	729	729	1,029	1,029

## 43.1.1.4 Details of non-performing Islamic financing and related assets and specific provisions by sector

	2017		2016	
	Classified Islamic financing and related assets	Specific provision held	Classified Islamic financing and related assets	Specific provision held
	Rupees in thousands			
Public / Government	-	-	-	-
Private	729	729	1,029	1,029
	729	729	1,029	1,029

## 43.1.1.5 Geographical segment analysis

	2017			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in thousands			
Pakistan	(350,927)	51,770,766	9,630,779	7,991,856

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in thousands			
Pakistan	113,973	28,568,502	10,265,673	3,242,390

## 43.1.2 Credit Risk - General Disclosures

The Bank has adopted Standardized approach of Basel II for calculation of capital charge against credit risk in line with SBP's requirements.

## Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Under standardized approach, the capital requirement is based on the credit rating assigned to the counter parties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. The Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company - Vital Information Systems), Fitch, Moody's and Standard & Poors. Credit rating data for financing is obtained from recognized External Credit Assessment Institutions and then mapped to State Bank of Pakistan's Rating Grades.

Type of Exposures for which the ratings from the External Credit Rating Agencies are used by the Bank.

Exposures	JCR-VIS	PACRA	Other (S&P / Moody's / Fitch)
Corporate	Yes	Yes	-
Banks	Yes	Yes	Yes
Sovereigns	-	-	Yes
SME's	Yes	Yes	-



The criteria for transfer of public issue ratings onto comparable assets in the banking book and the alignment of the alphanumerical scale of each agency used with risk buckets is the same as specified by the banking regulator SBP in BSD Circular No.8 table 2.3 dated June 27, 2006.

#### Long - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	1
2	A+ A A-	A+ A A-	A+ A A-	A1 A2 A3	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	4
5	B+ B B-	B+ B B-	B+ B B-	B1 B2 B3	B+ B B-	5,6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and Below	CCC+ and below	7

#### Short - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F1	P-1	A-1+, A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Others	Others	Others	Others	Others

#### Credit Exposures subject to Standardized approach

2017				
Exposures	Rating	Amount Outstanding	Deduction CRM	Net amount
Rupees in thousands				
Corporate	1	2,373,725	-	2,373,725
	2	4,194,991	-	4,194,991
	3,4	915,852	-	915,852
	5,6	-	-	-
	Unrated	17,825,098	-	17,825,098
Bank	1	4,073,129	-	4,073,129
	2	401	-	401
	3,4	39,663	-	39,663
	5,6	-	-	-
	Unrated	-	-	-

(continue ...)

2017				
Exposures	Rating	Amount Outstanding	Deduction CRM	Net amount
Rupees in thousands				
Public Sector Entities in Pakistan	1	-	-	-
	2	-	-	-
	3,4	-	-	-
	5,6	-	-	-
	Unrated	5,949,231	4,500,000	1,449,231
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash	1	4,027,856	621,000	3,406,856
	2	-	-	-
	3,4	-	-	-
	5,6	-	-	-
	Unrated	-	-	-
Mortgage		550,235	-	550,235
Retail		196,507	-	196,507
2016				
Exposures	Rating	Amount Outstanding	Deduction CRM	Net amount
Rupees in thousands				
Corporate	1	2,053,360	-	2,053,360
	2	1,096,611	-	1,096,611
	3,4	-	-	-
	5,6	-	-	-
	Unrated	13,447,997	-	13,447,997
Bank	1	2,627,233	-	2,627,233
	2,3	145,571	-	145,571
	4,5	-	-	-
	6	-	-	-
	Unrated	-	-	-
Public Sector Entities in Pakistan	1	-	-	-
	2,3	-	-	-
	4,5	-	-	-
	6	-	-	-
	Unrated	393,198	-	393,198
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash	1	1,497,678	-	1,497,678
	2	-	-	-
	3	-	-	-
	4,5	-	-	-
	6	-	-	-
	Unrated	-	-	-
Mortgage		324,783	-	324,783
Retail		52,866	-	52,866



#### 43.1.3 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

##### 43.1.3.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

The Bank has strong policies and processes for collateral valuation and collateral management thus ensuring that collateral valuation happens at regular defined intervals. Collaterals are normally held for the life of exposure. Regular monitoring of coverage of exposure by the collateral and lien / charge registered over the collaterals is carried out besides ensuring that collateral matches the purpose, nature and structure of the transaction and also reflect the form and capacity of the obligor, its operations, nature of business and economic environment. The Bank mitigates its risk by taking collaterals that may include assets acquired through the funding provided, as well as cash, government securities, marketable securities, current assets, fixed assets, and specific equipment, commercial and personal real estate.

The Standardized Approach of Basel-II guidelines allows the Bank to take benefit of credit risk mitigation of financial collaterals against total exposures in the related financing facilities.

MCB Islamic Bank manages limits and controls concentrations of credit risk as identified, in particular, to individual counterparties and groups, and also reviews exposure to industry sectors and geographical regions on a regular basis. Limits are applied in a variety of forms to portfolios or sectors where MCB Islamic Bank considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

##### Concentration of risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz., industry, geography, and single / group borrower obligor. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single and group obligors. Within the SBP limits, the Bank has further defined limits to avoid excessive concentration of portfolio.

##### Equity position risk in the banking book

The Bank takes proprietary equity positions for both trading and strategic purposes. As of December 31, 2017 the composition of equity investments is as follows:

##### Composition of equity investments exposures

	Held for trading	Available for Sale
	Rupees in thousands	
Equity investments – publicly traded	-	1,981,675
Equity investments - others	-	-
Total value	-	1,981,675

##### Classification of equity investments

Bank classifies its equity investment portfolio in accordance with the directives of SBP as follows:

- Investments - Held for trading
- Investments - Available for sale
- Investments in subsidiaries
- Investments in Associates

##### Policies, valuation and accounting of equity investments

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account directly.

Unquoted equity securities are valued at the lower of cost 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.

Unrealized loss (net of deferred tax) of Rs. 386.764 million was recognized in the balance sheet in respect of "AFS" equity securities.

#### 43.2 Market Risk Management

Market Risk arises from changes in market rates such as Profit / Yield Rates, Foreign Exchange Rates, Equity Prices, and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. MCB Islamic Bank is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Capital Market Group.

The Bank's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, Management Finance Committee of management, ALCO, Investment Committee and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. Market Risk seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

In line with regulatory requirements, MCB Islamic Bank has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market Risk by using conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Bank has established a specific Market Risk Limit Policy providing guideline for assuming controlled market risk, its monitoring and management. These limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Beside conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its treasury and capital market groups. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon.

A framework of stress testing, scenario analysis and reverse stress tests of both banking and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by senior management and also reported to the SBP.

##### 43.2.1 Foreign Exchange Risk Management

Foreign exchange risk exposes the bank to changes in the values of current holdings and future cash flows denominated in currencies other than home currency due to the exchange rate fluctuation and volatility. The types of instruments exposed to this risk include foreign currency-denominated financing, foreign currency-denominated deposits, future cash flows in foreign currencies arising from foreign exchange transactions, etc.



The core objective of foreign exchange risk management is to ensure the foreign exchange exposure of the Bank remain within defined risk appetite and insulate the Bank against undue losses that may arise due to volatile movements in foreign exchange rates or profit rates.

December 31, 2017				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in thousands				
Pakistan Rupee	50,891,985	41,472,469	(189,204)	9,230,312
United States Dollar	549,362	531,349	315,015	333,028
Great Britain Pound	124,302	113,972	-	10,330
Euro	131,501	22,197	(95,751)	13,553
U.A.E Dirham	39,993	-	(30,060)	9,933
Swiss Franc	9,685	-	-	9,685
Japanese Yen	23,938	-	-	23,938
Total foreign currency exposure	878,781	667,518	189,204	400,467
Total currency exposure	51,770,766	42,139,987	-	9,630,779

December 31, 2016				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in thousands			
Pakistan Rupee	28,057,376	18,035,970	-	10,021,406
United States Dollar	350,903	218,822	-	132,081
Great Britain Pound	59,155	21,156	-	37,999
Euro	81,288	26,618	-	54,670
U.A.E Dirham	1,682	-	-	1,682
Swiss Franc	7,108	-	-	7,108
Japanese Yen	10,990	63	-	10,927
Total foreign currency exposure	511,126	266,659	-	244,467
Total currency exposure	28,568,502	18,302,629	-	10,265,873

### 43.2.2 Equity Price Risk

Bank's proprietary positions in the equity instruments expose it to the equity price risk in its trading and banking books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR analysis and stress testing of the equity portfolio are also performed and reported to senior management on daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index using internal based assumptions. In addition to this Stress Testing and historical scenario analysis on Equities are also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

### 43.2.3 Country Risk

The world is changing rapidly and interdependencies and inter linkages of banks operating in different countries are ever increasing. Thus banks having cross border exposures whether on-balance sheet or off-balance sheet are susceptible to the changing conditions in various countries of the world. Therefore, it becomes very important for institutions to effectively manage its cross border exposures to avoid any unfavorable situation.

MCB Islamic Bank understands the risks involved in taking cross border exposure and to cater it; Country Risk Policy, in line with SBP guidelines, is already in place.

Country Exposure Limits are in place, which broadly capture direct exposure on sovereigns.

### 43.3 Mismatch of Yield Rate Sensitive Assets and Liabilities

Yield rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

		2017										Non-profit bearing financial instruments
Effective yield / profit rate %	Total	Exposed to yield / profit risk										
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
Rupees in thousands												
On-balance sheet financial instruments												
Financial assets												
Cash and balances with treasury banks		3,380,793	-	-	-	-	-	-	-	-	-	3,380,793
Balances with other banks	0.06% to 5.75%	2,703,251	2,161,145	-	-	-	-	-	-	-	-	542,106
Due from financial institutions	5.80% to 6.85%	1,400,000	1,400,000	-	-	-	-	-	-	-	-	-
Investments - net	5.24% to 7.28%	9,196,215	843,435	1,135,500	1,571,874	-	-	-	-	-	-	5,635,906
Islamic financing and related assets-net	2.0% to 14.10%	31,472,695	18,324,670	11,588,958	4,228,235	3,406,873	-	-	-	-	-	1,895,862
Other assets		854,638	219,348	219,348	-	-	-	-	-	-	-	215,932
		48,807,783	14,748,598	12,942,903	5,798,199	3,406,873	-	-	-	-	-	11,811,496
Financial liabilities												
Bills payable		314,210	-	-	-	-	-	-	-	-	-	314,210
Due to financial institutions	2.08% to 5.80%	7,826,790	4,199,590	2,720,000	-	-	-	-	-	-	-	1,067,200
Deposits and other accounts	0.00% to 8.18%	32,890,898	23,770,035	-	-	-	-	-	-	-	-	8,890,773
Other liabilities		1,206,179	-	-	-	-	-	-	-	-	-	1,288,178
		42,139,987	27,969,625	2,720,000	-	-	-	-	-	-	-	11,450,362
On-balance sheet gap		6,667,796	(13,221,027)	10,222,903	5,798,199	3,406,873	-	-	-	-	-	461,134
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		535,897	499,382	55,485	-	-	-	-	-	-	-	-
Forward exchange contracts - sale		349,672	249,243	64,190	35,839	-	-	-	-	-	-	-
Off-balance sheet gap		186,225	250,139	(8,705)	(35,839)	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap			(13,221,027)	10,222,903	5,798,199	3,406,873	-	-	-	-	-	-
Cumulative yield / profit risk sensitivity gap			(13,221,027)	(2,958,126)	2,796,983	8,206,896	6,296,699	6,206,958	6,206,958	6,206,958	6,206,958	-

2016												Non-profit bearing financial instruments
Effective yield / profit rate %	Total	Exposed to yield / profit risk										
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
Rupees in thousands												
On-balance sheet financial instruments												
Financial assets												
Cash and balances with treasury banks		1,909,894	-	-	-	-	-	-	-	-	-	1,909,894
Balances with other banks	0.8% to 5.94%	2,750,688	2,316,562	-	-	-	-	-	-	-	-	434,126
Due from financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments - net	3.90% to 7.2%	5,799,675	-	-	1,926,576	14,434	582,341	85,960	432,733	1,680,335	-	1,083,264
Islamic financing and related assets-net	2.5% to 14.45%	16,172,727	2,366,272	2,841,134	8,407,181	2,366,196	-	-	-	-	-	374,004
Other assets		189,581	41,287	41,287	-	-	-	-	-	-	-	187,007
		26,382,785	4,718,121	2,882,391	10,327,757	2,404,800	582,341	85,960	432,733	1,680,335	-	3,480,515
Financial liabilities												
Bills payable		447,776	-	-	-	-	-	-	-	-	-	447,776
Due to financial institutions	2.08% to 5.33%	2,795,690	1,895,850	906,000	-	-	-	-	-	-	-	-
Deposits and other accounts	0.02% to 6.25%	14,279,436	11,155,247	-	-	-	-	-	-	-	-	3,124,189
Other liabilities		746,243	-	-	-	-	-	-	-	-	-	746,243
		18,369,145	13,040,997	906,000	-	-	-	-	-	-	-	4,317,268
On-balance sheet gap		8,013,640	(8,322,776)	1,976,391	10,327,757	2,404,800	582,341	85,960	432,733	1,680,335	-	(932,693)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		-	-	-	-	-	-	-	-	-	-	-
Forward exchange contracts - sale		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap			(8,322,776)	1,976,391	10,327,757	2,404,800	582,341	85,960	432,733	1,680,335	-	-
Cumulative yield / profit risk sensitivity gap			(8,322,776)	(6,346,385)	3,767,372	6,191,672	6,794,513	6,879,306	7,383,038	8,963,373	8,963,373	-

### 43.3.1 Reconciliation of assets and liabilities exposed to yield / profit rate risk with total assets and liabilities

	2017	2016
Rupees in thousands		
Total financial assets as per note 43.3	48,807,783	26,382,785
Add: Non financial assets	-	-
Operating fixed assets	2,622,960	2,184,259
Deferred tax assets	289,465	-
Other assets	90,528	71,467
Total assets as per Statement of Financial Position	51,770,766	28,638,502
Total financial liabilities as per note 43.3	42,139,987	18,282,106
Add: Non financial liabilities	-	-
Deferred tax liability	-	40,524
Total liabilities as per Statement of Financial Position	42,139,987	18,322,629



### Liquidity Risk

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost. The Bank's Board of Directors sets Bank's policy for managing liquidity risk and entrusts accountability for supervision of the implementation of this strategy to senior management. Senior management exercises its responsibilities for managing market & liquidity risk through various committees including the Asset & Liability Management Committee (ALCO). Treasury department manages the Bank's liquidity position on a daily basis. The Bank's main approach of managing the liquidity risk is to make certain that it will always have adequate liquidity to meet its liabilities when they are due in normal and stressed scenarios without incurring any untoward expenditure or incurring reputational harm. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

#### Maturity of assets and liabilities

## † Maturities of assets and liabilities based on expected maturities

[illegible][illegible]

### Liquidity Gap Reporting

Regarding behaviour of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioural study using volatility methodology. On the basis of its findings 44% of current accounts and saving accounts are bucketed into Up to 1-year maturity while 56% of current accounts/saving accounts are bucketed in over 1 year maturity.

#### 43.4.1.2 Maturities of assets and liabilities based on contractual maturities

[illegible][illegible]

#### 43.4.2 Basel III Liquidity Requirement

#### 43.4.2.1 Liquidity Coverage Ratio (LCR)

The objective of Liquidity Coverage Ratio (LCR) is to ensure short-term resilience of the liquidity risk profile of the bank by ensuring availability of adequate High Quality Liquid Assets to survive a significant stress scenario lasting for 30 calendar days. As per regulatory requirements, banks are required to maintain a minimum of the following LCR levels in accordance with the timeline below.

	March 31, 2017	December 31, 2017	December 31, 2018
Minimum LCR requirement	80%	80%	100%

	2017	2016
	Rupees in thousands	
<b>Liquidity Coverage Ratio (LCR)</b>		
Total High Quality Liquid Assets	10,076,000	4,918,662
Total Net Cash Outflow	6,766,052	1,311,421
Liquidity Coverage Ratio	163.82%	375.07%



		Total unweighted value (average)	
		a	b
		Rupees in thousands	
<b>HIGH QUALITY LIQUID ASSETS</b>			
1	Total high quality liquid assets (HQLA)		10,076,000
<b>CASH OUTFLOWS</b>			
2	Retail deposits and deposits from small business customers of which:		
2.1	Stable deposit	-	-
2.2	Less stable deposit	22,493,401	2,249,340
3	Unsecured wholesale funding of which:	-	-
3.1	Operational deposits (all counterparties)	-	-
3.2	Non-operational deposits (all counterparties)	14,647,407	8,378,963
3.3	Unsecured debt	-	-
4	Secured wholesale funding	-	-
5	Additional requirements of which:		
5.1	Outflows related to derivative exposures and other collateral requirements	-	-
5.2	Outflows related to loss of funding on debt products	-	-
5.3	Credit and Liquidity facilities	379,000	37,900
6	Other contractual funding obligations	-	-
7	Other contingent funding obligations	7,991,855	399,593
8	<b>TOTAL CASH OUTFLOWS</b>	45,511,663	11,065,796
<b>CASH INFLOWS</b>			
9	Secured lending	-	-
10	Inflows from fully performing exposures	1,477,198	738,599
11	Other Cash inflows	4,103,251	3,561,145
12	<b>TOTAL CASH INFLOWS</b>	5,580,449	4,299,744
		<b>TOTAL ADJUSTED VALUE</b>	
21	<b>TOTAL HQLA</b>	-	10,076,000
22	<b>TOTAL NET CASH OUTFLOWS</b>	-	6,766,052
23	<b>LIQUIDITY COVERAGE RATIO</b>	-	1.4892

#### 43.4.2.2 Net Stable Funding Ratio (NSFR)

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 on ongoing basis. Banks are required to maintain NSFR requirement of at least 100% on an ongoing basis from December 31, 2017.

	2017	2016
	Rupees in thousands	
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	34,350,286	21,129,489
Total Required Stable Funding	22,423,462	11,264,972
Net Stable Funding Ratio	153.19%	187.57%

		Unweighted value by residual maturity				Weighted value
		No Maturity	Less than 6 months	6 months to greater than 1 year	Greater than or equal to 1 year	
Rupees in thousands						
ASF Items						
1	Capital:	8,923,630	-	-	-	8,923,630
2	Regulatory capital	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposit from small business customers:	-	-	-	-	-
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	20,403,584	1,545,799	492,226	51,792	20,244,061

		Unweighted value by residual maturity				(continue....)
		No Maturity	Less than 6 months	6 months to greater than 1year	Greater than or equal to 1year	Weighted value
		Rupees in thousands				
<b>ASF Items</b>						
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	5,484,071	4,713,335	-	-	5,098,703
10	Other liabilities:	-	37,887	37,886	64,949	83,692
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities and equity not included in othercategories	-	-	-	-	-
13	<b>Total ASF</b>	-	-	-	-	34,350,286
<b>RSF Items</b>						
14	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	1,370,369
15	Deposits held at other financial institutions for operational purposes	542,106	-	-	-	271,053
16	Performing loans and securities:	-	-	-	-	-
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	13,220,083	11,237,071
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	-	-
22	Other assets:	-	-	-	-	-
23	Physical traded commodities, including gold	-	-	-	-	-
24	Assets posted as initial margin for derivative contracts	-	-	-	-	-
25	NSFR derivative assets	-	-	-	-	-
26	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27	All other assets not included in the above categories	-	15,829,345	2,423,507	-	9,126,426
28	Off-balance sheet items	-	8,065,571	272,785	32,499	418,543
29	<b>Total RSF</b>	-	-	-	-	22,423,462
30	<b>Net Stable Funding Ratio (%)</b>	-	-	-	-	153%



### 43.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Bank's operational risk management framework, as laid down in the operational risk policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

Operational Risk Management helps the Bank understand risks and improve mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Bank. Going forward, the Bank will further strengthen its risk function, policies and procedures to facilitate its operations and improve quality of assets to safeguard interest of depositors.

#### Operational Risk-Disclosures Basel II Specific

Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA).

Operational loss data pertaining to key risk events is also collected on bank-wide basis. Periodic review and analysis will be prepared for senior management and Risk Management and Portfolio Review Committee (RM&PRC) of the Board. Such reports will cover the significant risk events with root cause analysis and recommendations for further improvements.

## 44 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITORS' AND SPECIFIC POOLS

### 44.1 The Bank is maintaining the following types of pools for profit declaration and distribution:

- 1) General Pool
- 2) IERS Musharaka Pool
- 3) Treasury Musharaka / Mudaraba Pools
- 4) Equity Pool

Features, risks and rewards of each pool are given below:

#### 1) General Pool

The Bank manages one general pool for its depositors' (Rabbul Mal) maintaining deposits in both local and foreign currencies and also commingled its equity in this pool. The income (gross income less direct expenses) generated from the pool is distributed between Bank's equity and depositors' fund in proportion to their respective share in the pool. Under the Mudaraba mechanism, the income so distributed to depositors' fund is shared between the Bank (Mudarib) and depositors' (Rabbul Mal) according to the pre-agreed profit sharing ratios and assigned weightages.

The deposits and funds accepted under the General Pool are deployed to diversified sectors and avenues of the economy / business mainly to 'Agriculture, Forestry & Fishing', 'Textile & Allied', 'Food & Allied', 'Distribution & Trade', 'Investment in Government of Pakistan Ijarah Sukuk', etc.

#### Parameters associated with risk and rewards

Following are the consideration attached with risk and reward of general pool:

- Period, return, safety, security and liquidity of investment.
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of the Bank.
- Element of risk attached to various types of investments.
- SBP rules and Shar'ah clearance.

### 2) Islamic Export Refinance Scheme (IERS) Musharaka Pool

The Bank manages IERS Musharaka Pool for funds accepted from SBP under IERS. Under the PLS mechanism, the Bank generates revenues from the pool funds which are shared with the SBP according to the pre-agreed profit sharing ratios. Musharaka investments from the SBP under IERS are channeled towards the export sector of the economy and other financings as per SBP guidelines.

### 3) Treasury Musharaka / Mudaraba Pools

The Bank accepts funds from other banks to manage its liquidity under Musharaka / Mudaraba mode. The funds accepted are tagged to remunerative assets having maturity on or after the period for which funds are accepted. The revenue generated from the pool asset is shared between the bank and other member of the pool according to pre-agreed profit sharing ratios or assigned weightages accordingly.

### 4) Equity Pool

The Equity Pool consists of Bank's equity and funds accepted on Qard (non-remunerative current deposit account) basis. The funds of this pool are invested in various assets or ventures which are higher in risk or having longer funding period. In addition to that all staff financings are financed by this pool. The risk of assets in the pool is borne by the Bank.

#### Charging of expenses

Direct expenses are being charged to respective pools, while indirect expenses such as general and administrative expenses are being borne by the Bank as Mudarib. No provision expense is charged to the pool unless it is written off. The direct expenses charged to the pool may include depreciation of Ijarah assets, premium amortization on Sukuk, impairment losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; the Bank's pool management framework and the respective pool creation memo may identify and specify these and any other similar expenses to be charged to the pool.

### 44.2 Following are the detail of profit distribution among different pool maintained by the Bank:

2017							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%		Rupees in thousands
General Pool	Monthly	6.97%	50%	567,234	4.18%	20%	113,019

Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%		Rupees in thousands
Islamic Export Refinance (IERS)	Monthly	4.88%			2.06%		
Treasury Musharaka/ Mudaraba Pool	As required	6.24%			5.50%		
Equity Pool	Monthly	8.28%					



2016							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%		Rupees in thousands
General Pool	Monthly	6.69%	50%	382,862	3.89%	14%	54,230

Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%		Rupees in thousands
Islamic Export Refinance (IERS)	Monthly	5.58%			3.04%		
Treasury Musharaka/ Mudaraba Pool	As required	6.85%			5.72%		
Equity Pool	Monthly	17.91%					

#### 45 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Comparative information has been rearranged, reclassified or additionally incorporated, wherever necessary, in these financial statements for the purpose of better comparison and to align with current year's presentation, the effects of which are not material.

#### 46 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 12, 2018 by the Board of Directors of the Bank.



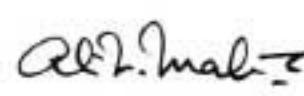
**RAZA MANSHA**  
CHAIRMAN



**AFTAB AHMAD KHAN**  
DIRECTOR



**OMAIR SAFDAR**  
DIRECTOR



**ALI MUHAMMAD MAHOON**  
PRESIDENT / CEO

#### Annexure - I

Summarized detail of the valuation of owned properties (refer note 12.2.1)

City	Land	Building	Total
	Rupees in thousands		
Faisalabad	156,253	21,556	177,809
Hyderabad	29,700	15,750	45,450
Karachi	74,997	178,000	252,997
Lahore	332,010	103,962	435,972
Rawalpindi	87,045	5,985	93,030
<b>Grand Total</b>	<b>680,005</b>	<b>325,253</b>	<b>1,005,258</b>



## Annexure - II

Disposal of operating fixed assets (refer note 12.5)

Description	Cost	Accumulated Depreciation	Book Value	Sales proceeds /insurance claim	Mode of disposal /settlement	Particulars of Buyers	Locations
Rupees in thousands							
<b>Furniture and fixtures, computers and office equipments</b>							
Computer equipment	85	56	29	32	Final settlement	Mr. Mujeeb Baig (Ex-Employee)	Lahore
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	275	38	237	247	Various	Various	Lahore
<b>Vehicles</b>							
Toyota Corolla	1,815	290	1,525	1,492	Claim	Adamjee Insurance Company Limited	Quetta
	2,175	384	1,791	1,771			





# BRANCH NETWORK



# PUNJAB

Kachehri Road	Dera Ghazi Khan
Peoples Colony	Faisalabad
Kotwali Road	Faisalabad
Sharif Pura Chowk, GT Road	Gujranwala
Bhimber Road	Gujrat
Jinnah Avenue, Blue Area	Islamabad
F-10 Markaz	Islamabad
G-11 Markaz	Islamabad
Quaidabad	Khushab
Liberty Market	Lahore
Allama Iqbal Road, Dharampura	Lahore
Main Boulevard Faisal Town	Lahore
Z block DHA	Lahore
Shah Alam Market	Lahore
Allama Iqbal Town	Lahore
Maulana Shaukat Ali Road, Johar Town	Lahore
58 Main Gulberg	Lahore
Shan Arcade, New Garden Town	Lahore
Cavalry Ground	Lahore
Off Rawind Road, Dream Gardens	Lahore
Opposite Expo Centre, Johar Town	Lahore
PIA Housing Society	Lahore
JK Sugar Mills	Mian Channu
Shah Rukh-e-Alam Colony	Multan
Nawan Shehar	Multan
Shahi Road	Rahim Yar Khan
Bank Road	Rawalpindi
Satellite Town	Rawalpindi
Chakiala Scheme III	Rawalpindi
Main Bazar	Sadiqabad
Farid Town	Sahiwal
Club Road	Sargodha
Lahore-Sheikhupura Road	Sheikhupura
Mall Godam Road	Toba Tek Sing



# SINDH

Thandi Sarak	Hyderabad
Main Saddar Bazar	Hyderabad
Latifabad	Hyderabad
Shahrah-e-Faisal	Karachi
Rashid Minhas Road	Karachi
Khayaban-e-Shamsheer	Karachi
Muhammad Ali Society	Karachi
M.A. Jinnah Road	Karachi
S.I.T.E.	Karachi
Highway Trade Centre Super Highway	Karachi
Khalid-Bin-Waleed Road	Karachi
Korangi Industrial Area	Karachi
North Nazimabad	Karachi
Safoora Chowk Gulistan-e-Jauhar	Karachi
Dhooraji	Karachi
F.B Industrial Area	Karachi
Gulshan-e-Iqbal	Karachi
Abdullah Haroon Road, Saddar	Karachi
Anaj Mandi Road	Larkana
Masjid Road	Nawabshah
Station Road	Sukkur
Hyderabad Road	Tando Adam
Hyderabad Road	Tando Allahyar



# BALOUCHISTAN

## BALOUCHISTAN

Taj Road

Chaman

Airport Road

Gawadar

Tehsil Road

Loralai

Band Road

Pishin

M.A Jinnah Road

Quetta

Hazara Town

Quetta

Sirki Road

Quetta

Main Road

Turbat

Tehsil Road

Zhob



# KHYBER PAKHTUNKHWA

Mansehra Road	Abbottabad
Pak Haider Market, GT Road	Batkhela
Ataliq Bazar	Chitral
Shamsi Road	Mardan
Main Bazar	Mingora
Tasneem Plaza	Peshawar
Karkhano Market	Peshawar
Matta	Sawat
Kabal	Sawat
Zeb Plaza Balambat Road	Timergara



# FORM OF PROXY

MCB Islamic Bank Limited

The Company Secretary,  
MCB Islamic Bank Limited,  
59-T Block, Phase-II, DHA, Lahore

I/We \_\_\_\_\_ of \_\_\_\_\_ being member(s) of MCB Islamic Bank Limited ("the Company"), holding \_\_\_\_\_ Ordinary shares, do hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_, who is also a Member of the Company, as my / our proxy to vote for me / us, and on my / our behalf at the 4th Annual General Meeting of the Company to be held on Monday, March 26, 2018 at 10:00 AM at T-59, Phase II, DHA Lahore and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

Witness No. 1: _____	Witness No. 2: _____
Name : _____	Name : _____
C.N.I.C. No./Passport No: _____	C.N.I.C. No./Passport No: _____
Address: _____	Address: _____

Member's signature on  
Rs. 5/- Revenue Stamp

## NOTES

### A. General:

- 1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Company, except corporate entity which can/may appoint a person who is not a member.
- 2 The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity, its common seal should be affixed on the instrument.
- 3 The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, MCB Islamic Bank Limited, 59-T Block, Phase II, DHA, Lahore not less than 48 hours before the time of holding the meeting.
- 4 If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.





نوٹ :

جزل (متفرق):

۱۔ اجلاس میں شرکت اور ووٹ دینے کا اہل رکن / ممبر، اس امر کا حق رکھتا ہے کہ وہ اپنی جگہ کسی دوسرے رکن / ممبر کو اپنا پراکسی نامزد کر سکے جو اسکی جانب سے اجلاس میں شرکت اور ووٹ ڈال سکے۔ کوئی بھی ایسا شخص جو کمپنی کا رکن / ممبر نہ ہو پراکسی کے طور پر نامزد نہیں ہو سکتا ماسوائے کسی کارپوریٹ ادارے کے جو کسی غیر رکن / غیر ممبر شخص کو اپنا پراکسی نامزد کر سکتا ہے۔

۲۔ کسی پراکسی کو نامزد کرنے کی دستاویز پر متعلقہ رکن / ممبر یا اسکے وکیل، جس کو تحریری اجازت دی گئی ہو، کے دستخط ہوں گے۔ اگر کوئی رکن / ممبر ایک کارپوریٹ ادارہ ہے تو اس دستاویز پر اسکی عام سیل آویزاں ہونا ضروری ہے۔

۳۔ پراکسی کی نامزدگی کی دستاویز اور اس کے ساتھ مختار عام، اگر کوئی ہو تو، جس کے تحت اس دستاویز پر دستخط کئے گئے ہیں یا اسکی تصدیق شدہ کاپی کو اجلاس کے منعقد ہونے کے کم از کم (48) اڑتالیس گھنٹے پہلے کمپنی سیکرٹری، ایم سی بی اسلامک بینک لمیٹڈ 59-ٹی بلاک فیز 11، ڈی ایچ اے، لاہور، میں جمع کروائی جائیں گی۔

۴۔ اگر کوئی رکن / ممبر ایک سے زیادہ پراکسی نامزد کرے اور رکن / ممبر کی جانب سے ایک سے زیادہ پراکسی دستاویز جمع کروائی گئی ہوں تو ایسی تمام پراکسی دستاویز کا اہدم قصور ہوگی۔



## پراکسی فارم

کمپنی سیکرٹری

ایم سی بی اسلامک بینک لمیٹڈ

59-ٹی بلاک فیز-II ڈی ایچ اے

لاہور

میں / ہم \_\_\_\_\_ ساکن \_\_\_\_\_

\_\_\_\_\_ بحیثیت رکن / ممبر ایم سی بی اسلامک بینک لمیٹڈ (کمپنی) اور

\_\_\_\_\_ عام حصص کا / کے مالک کے طور پر کسی / سمات

\_\_\_\_\_ ساکن \_\_\_\_\_ کو یا اسکی عدم دستیابی کی

\_\_\_\_\_ صورت میں کسی / سمات \_\_\_\_\_

\_\_\_\_\_ ساکن \_\_\_\_\_

جو کہ کمپنی کا رکن / ممبر بھی ہے، کو اپنا پراکسی مقرر کرتا کرتی کرتے ہوں / ہیں تاکہ وہ کمپنی کے چوتھے سالانہ عام اجلاس

جو بروز پیر مورخہ 26 مارچ 2018 کو صبح 10 بجے 339-زیڈ بلاک، ڈی ایچ اے، فیز III، لاہور کو منعقد ہو رہا ہے،

اس میں یا اس کے کسی ملتوی شدہ اجلاس میں میری / ہماری جگہ شرکت کر سکے اور ووٹ دے سکے۔

گواہ کے طور پر / ہمارے لیے یہ \_\_\_\_\_ 2018 کا دن ہے۔

گواہان:

\_\_\_\_\_ گواہ نمبر 1: \_\_\_\_\_ گواہ نمبر 2:

\_\_\_\_\_ نام \_\_\_\_\_ نام

\_\_\_\_\_ شناختی کارڈ / پاسپورٹ نمبر \_\_\_\_\_ شناختی کارڈ / پاسپورٹ نمبر

\_\_\_\_\_ پتہ \_\_\_\_\_ پتہ

\_\_\_\_\_ \_\_\_\_\_

مہر کے دھنلا

5 روپے کی رسیدی ٹکٹ پر

