



## ANNUAL REPORT 2020



**MCB Islamic Bank Ltd.**

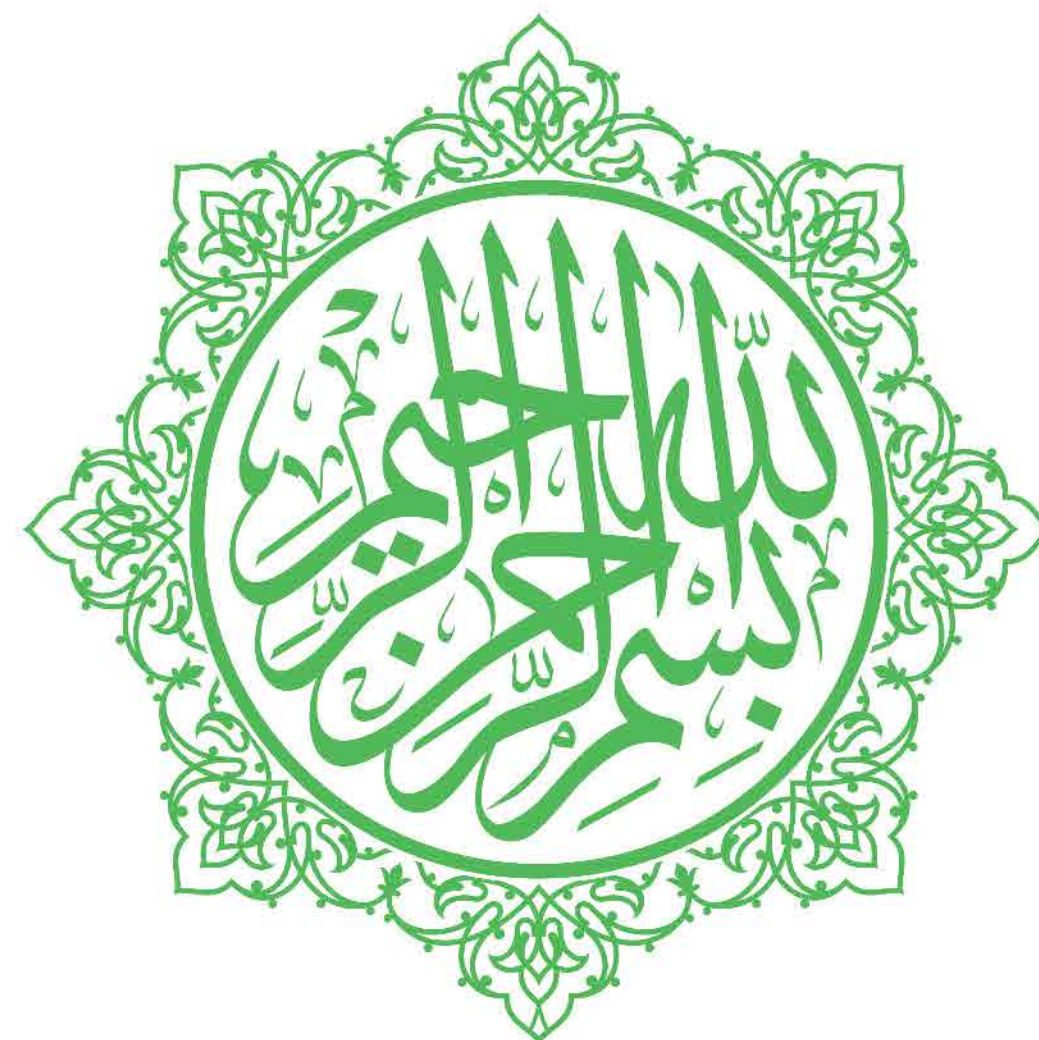


**MCB Islamic Bank Ltd.**

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Annual Report 2020





## HALAL AND RIBA FREE PERSONAL & BUSINESS BANKING PRODUCTS

**HIDAYAT**  
CURRENT ACCOUNT

**ASAAN**  
CURRENT ACCOUNT

**HIDAYAT**  
FOREIGN CURRENCY  
CURRENT ACCOUNT

**BASIC**  
BANKING ACCOUNT

**IMAAN**  
SAVING ACCOUNT

**BARKAT SAVING**  
PLUS ACCOUNT

**ASAAN**  
SAVING ACCOUNT

**IMAAN**  
FOREIGN CURRENCY  
SAVING ACCOUNT

**NA'MAT PLUS**  
FOREIGN CURRENCY  
TERM DEPOSIT

**ATFAAL**  
SAVING ACCOUNT



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## AMERA PAKISTAN MERA GHAR

### GOVERNMENT'S SUBSIDIZED PROFIT RATE SCHEME FOR HOUSING FINANCE

**Rihayesh Finance**  
Khuwahish Bani Rihayesh



## 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 a nation-wide network of branches.

The aim of MCB Islamic Bank Limited is to be the first choice Shari'ah compliant financial services provider for the customers and to carry out business purely in accordance with Shari'ah principles with full conviction and devotion.

Alhamdulillah, the Bank currently operates to provide Shari'ah compliant value added and innovative banking solutions for customers under the supervision of a Shari'ah Board chaired by the renowned Islamic scholar Professor Mufti Munib-Ur-Rehman.

The Bank focuses on building strong and lasting relationships as well as 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 personal and business needs.

The Bank is using world's renowned Core Banking Software solution. Different services and products offered by the bank are available to customers through a branch network of 187 branches backed by 188 (177 Onsite, 11 Offsite) ATMs. The Bank offers EMV enabled Debit Cards, IOS and Android based native Mobile Apps and Internet Banking services. Moreover, the Bank has also developed its suite of Cash Management services, including Payment upon Identification (PUI), Cash & Instrument Collection, Cash in Transit Services (CIT), Corporate Internet Banking by acquiring Oracle Banking Digital Experience (OBDX) and also working on development of product suit for Employee Banking under Cash Management umbrella.

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



## HIDAYAT CURRENT ACCOUNT SHARI'AH COMPLIANT CURRENT ACCOUNT



## 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. Interest free banking is a narrow concept denoting a number of banking instruments or operations which avoid interest.

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

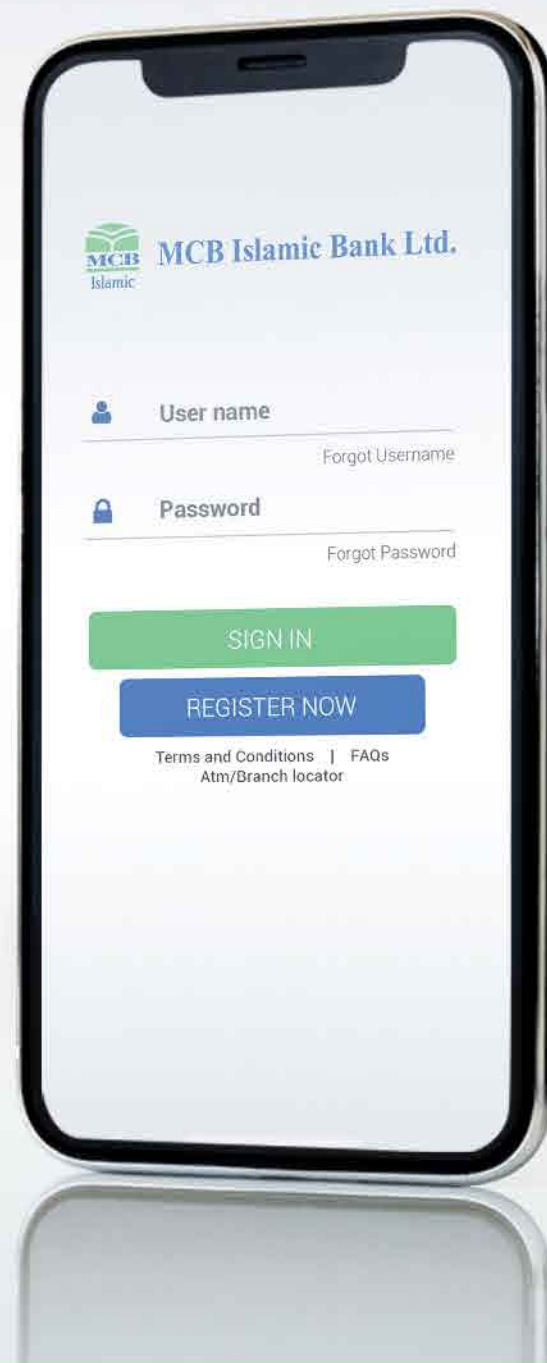
- To provide innovative Shari'ah compliant financial solutions and quality services to our customers.
- To maximize Halal returns for our shareholders.
- To nurture an internal environment of qualified professionals and cutting-edge technology.



## MOBILE BANKING

### ENJOY SEAMLESS BANKING ON THE GO

DOWNLOAD APP NOW!



## 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.

## REMITTANCE SERVICE

### THE QUICKEST WAY TO RECEIVE MONEY



## 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.



## MCB ISLAMIC BANK LOCKERS WE KEEP YOUR BELONGINGS SAFE



## CORPORATE STRATEGY

MCB Islamic Bank's corporate strategy consists of the following multi-dimensional elements, which are being pursued concurrently:

- Customer oriented business growth with focus on Shari'ah based high tech innovative product development, service excellence to attain customer satisfaction, and prudent network expansion.
- Optimum capital utilization through effective risk management, developing quality asset portfolio and maximum return.
- Attain operational efficiency by effective cost management and ensuring compliance with all the applicable regulatory requirements.
- Development of motivated human resource having Islamic Banking skills, while ensuring the transparent market based remuneration practices.



## **IMAAN SAVING ACCOUNT** **SHARI'AH COMPLIANT CHEQUING ACCOUNT**

## **CORPORATE INFORMATION**

### ■ **Board of Directors**

Mr. Raza Mansha (Chairman)	Non-Executive Director
Dr. Khalid Zaheer	Independent Director
Ms. Seema Aziz	Independent Director
Mr. Ahmed Ebrahim Hasham	Non-Executive Director
Mr. Ibrahim Shamsi	Non-Executive Director
Mr. Usman Hassan	Non-Executive Director
Mr. Omair Safdar	Non-Executive Director
Mr. Muhammad Azfar Alam Nomani	President / CEO

### ■ **Board Audit Committee**

Dr. Khalid Zaheer	Chairman
Ms. Seema Aziz	Member
Mr. Ibrahim Shamsi	Member
Mr. Omair Safdar	Member

### ■ **Human Resource & Remuneration Committee**

Dr. Khalid Zaheer	Chairman
Mr. Raza Mansha	Member
Mr. Usman Hassan	Member
Mr. Omair Safdar	Member

### ■ **Risk Management & Portfolio Review Committee**

Mr. Omair Safdar	Chairman
Mr. Ahmed Ebrahim Hasham	Member
Mr. Ibrahim Shamsi	Member
Mr. Muhammad Azfar Alam Nomani	Member

### ■ **Board Evaluation Committee**

Dr. Khalid Zaheer	Chairman
Mr. Omair Safdar	Member

### ■ **Business Strategy & Service Quality Review Committee**

Mr. Raza Mansha	Chairman
Mr. Usman Hassan	Member
Mr. Ahmed Ebrahim Hasham	Member
Ms. Seema Aziz	Member
Mr. Muhammad Azfar Alam Nomani	Member

### ■ **Board I.T. Committee**

Mr. Raza Mansha	Chairman
Dr. Khalid Zaheer	Member
Mr. Ibrahim Shamsi	Member
Mr. Muhammad Azfar Alam Nomani	Member

### ■ **Shari'ah Board**

Prof. Mufti Munib-ur-Rehman	Chairman Shari'ah Board
Mufti Syed Sabir Hussain	Resident Shari'ah Board Member
Mufti Nadeem Iqbal	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 Advisor**

M/s Imtiaz Siddiqui & Associates,  
Advocates & Solicitor

### ■ **Auditors**

M/s KPMG Taseer Hadi & Co.,  
Chartered Accountants

### ■ **Registered Office**

59-T Block, Phase-II, DHA,  
Lahore

### ■ **Website**

[www.mcbislamicbank.com](http://www.mcbislamicbank.com)



**SHARI'AH COMPLIANT  
CAR FINANCING SOLUTION**



**CREDIT  
RATING**

Long Term

**A**

Short Term

**A - 1**



## PRODUCTS & SERVICES

MCB Islamic Bank Ltd. (the Bank) offers a wide array of Halal and RIBA free Islamic Banking products and services to meet the requirements of individuals and businesses alike.

### 1) DEPOSIT PRODUCTS

The Bank offers a wide variety of Current, Saving and Term Deposit accounts such as the following:

CURRENT ACCOUNTS	SAVING ACCOUNTS	TERM DEPOSITS
<b>MCB Islamic Hidayat</b> Current Account	<b>MCB Islamic Imaan</b> Saving Account	<b>MCB Islamic Na'mat</b> Term Deposit
<b>MCB Islamic Basic</b> Banking Account	<b>MCB Islamic Barkat</b> Saving Account	<b>MCB Islamic Na'mat</b> Plus Term Deposit
<b>MCB Islamic Asaan</b> Current Account	<b>MCB Islamic Barkat</b> Saving Plus Account	<b>MCB Islamic</b> <b>Na'mat Premium Plus</b> Term Deposit
<b>MCB Islamic Hidayat</b> Foreign Currency Current Account	<b>MCB Islamic Barkat</b> Saving Premium Account	<b>MCB Islamic Aasoodgi</b> Term Deposit
	<b>MCB Islamic Barkat Super</b> Saving Account	<b>MCB Islamic</b> <b>Financial Institutions</b> Term Deposit
	<b>MCB Islamic Asaan</b> Saving Account	<b>MCB Islamic Na'mat Plus</b> Foreign Currency Term Deposit
	<b>MCB Islamic Atfaal</b> Saving Account	
	<b>MCB Islamic Imaan Foreign Currency</b> Saving Account	

### 2) DIGITAL BANKING

In order to meet growing needs of the customers, the Bank offers following Digital Banking products and services:

MCB Islamic Qadar Debit Cards	MCB Islamic Phone Banking
MCB Islamic Internet Banking	MCB Islamic Mobile App
SMS Notification Service	MCB Islamic ATMs network
Loyalty & Alliances	

### 3) CONSUMER FINANCE

MCB Islamic Bank offers Halal and RIBA Free Housing Finance (Rihayesh Finance) and Car Finance (MICAR) products to provide Shari'ah compliant housing and vehicle financing solutions to individuals.

In order to enable middle and low-income segments of the population to meet their housing needs, the Bank is also offering Shari'ah compliant low and medium cost housing finance options to our customers at affordable rates under State Bank of Pakistan's Profit Rate Subsidy Scheme for Housing Finance 'Mera Pakistan – Mera Ghar'.



### 4) MICROFINANCE

For fulfilling the needs of growing small / micro businesses in both Urban and Rural areas of Pakistan, the Bank offers Murabaha Microfinance (Sharai Karobar) for men and women operating small businesses in diverse sectors. Through this financing facility, they can avail financing of up to PKR 500,000/-.



### 5) SME BANKING

MCB Islamic Bank offers Shari'ah Compliant financing solutions for Small and Medium sized enterprises. These products have been designed to cater to the specific needs of SME industry. These products include Murabaha, Musawamah, Ijarah, Diminishing Musharakah, Istisna, Finished Goods Financing, and Commodity Salam.

MCB Islamic Bank offers following SME Banking services:

- 1) Short Term / Working Capital Financing
- 2) Medium / Long Term Financing
- 3) Trade Finance
- 4) Bank Guarantee
- 5) Risk participation arrangement with financial partners
- 6) SBP refinance schemes
- 7) 'Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme' to enable youth to avail affordable financing for establishing new business or strengthening an existing one
- 8) Awareness sessions for SME Customers on financial and non-financial advisory services with SMEDA, Chamber of commerce and trade associations.

### 6) COMMERCIAL BANKING

Commercial Financing segment focuses on building strong and long-lasting relationships with its customers by delivering satisfactory Shari'ah compliant solutions. To deliver excellent services, commercial financing segment facilitates its valued customers by synergizing its specialized team's effort with bank's outreach across the country for increased product servicing range for branch customers

Commercial financing business offers following range of products to its customers:

- Trade based financing (funded & non-funded)
- Cash Management & Remittance services
- Financing under SBP's refinance schemes
- Working capital financing
- Medium & Long term financing
- Letter of Guarantees
- Trade services without involving bank's exposure

### 7) CORPORATE BANKING

MCB Islamic Bank's Corporate Banking team is focused on providing a range of diverse financial services (including tailor made solutions) to corporate clients (including multinational and public entities) by partnering with them and building long-term sustainable relationships.



Our dedicated teams within Corporate Banking are situated in offices located in Karachi, Lahore, Islamabad, Multan and Faisalabad. Our in-house expertise of product specialists and Shari'ah scholars are well versed in providing Shari'ah-compliant financing solutions to meet our customer's financing, trade, foreign exchange, investment banking and various other business requirements in a hassle free, effective and efficient manner across a diverse range of industries.

Our Corporate Banking relationship teams in liaison with Product Management & Shari'ah Structuring, Treasury, Cash Management, Trade, Investment Banking and Consumer Banking departments develop and deliver offerings that are used across diverse businesses.

The Bank offers a complete range / array of Shari'ah compliant products for both **Corporate and Commercial** banking sectors which can be classified as follow:

#### ■ Working Capital Finance

A complete product suite for extending Shari'ah Compliant products for working Capital Finance including Murabaha, Musawamah, Istisna, Commodity Salam, Finished Goods Financing and Musharakah Running Finance for catering to balance sheet (working capital) needs of Corporates / Commercial / MNCs for managing their day-to-day funding needs.

#### ■ Medium & Long Term Finance

For catering to Balance Sheet requirements under long-term financing, MCB Islamic Bank has an array of medium to long term financing products which include Ijarah and Diminishing Musharakah.

#### ■ Trade Services

MCB Islamic Bank also offers a range of import and export services to effectively manage local and global supply chain needs of our customers and provides them a competitive edge. These facilities extend for both raw materials and fixed assets. Services that are offered under the umbrella of Trade Finance includes:

##### i. Export Services

- Bills for Collection under Export
- Letter of Credit Advising & Confirmation services
- Currency Salam (Shari'ah compliant alternate for Export Bill Discounting)
- Pre-Shipment and Post-Shipment financing on Islamic modes of financing

##### ii. Import Services

- Letter of Credit
- Import Financing

##### iii. Bank Guarantees

#### 8) SBP FINANCING / REFINANCING SCHEMES

State Bank of Pakistan (SBP) offers various Financing / Refinancing facilities to support industrial growth and exports with the aim to promote the overall economic development of the country. These schemes provide financing to targeted industries at subsidized rates for increasing their production capacity and meeting their working capital requirements. Moreover, SBP also introduced certain schemes to support the industry with regards to the challenges being faced in post-pandemic scenario. Accordingly, the Schemes available through MCB Islamic Bank are:

- Islamic Export Refinance Scheme (IERS)
- Islamic Long Term Financing Facility (ILTFF)
- Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises (IWCF)
- Islamic Financing Facility for Storage of Agricultural Produce (IFFSAP)

- Islamic Refinance Facility for Modernization of SMEs (IRFMS)
- Islamic Financing Facility for Renewable Energy (IFRE)
- Islamic Temporary Economic Refinance Facility (ITERF)
- Islamic Refinance Facility for Combating COVID-19 (IRFCC)
- Islamic Refinance Scheme for Payment of Wages and Salaries

#### 9) CASH MANAGEMENT SERVICES

##### ■ Collection

MCB Islamic Bank has a significantly enhanced capability of receiving collections on behalf of Bank's customers, whereby we can support diverse requirements of our clients for receiving payments from their payers throughout the bank's branch network. This product encompasses the entire paper-based accounts receivable function. The Bank can offer Collection services via API connectivity and update customer's data server in live environment with MIS on collected funds.

##### ■ Corporate Internet Banking

Increasingly, businesses are looking to support their marketing, sales and corporate activities with online payment solutions which are fast, hassle free yet improve controls, efficient yet reliable, and reduce paper pushing yet auditable. State-of-the-art corporate banking platform is made available to the Bank's clients, from anywhere with internet access. It is designed for transforming business models and processes to reduce operating costs and improve productivity. Customers can use online portal to access account information and make verity of financial and non-financial transactions.

##### ■ Payment Upon Identification (PUI)

PUI provides the opportunity to make payments to unbanked individuals via transfer money, with complete record for audit and gives control to client / payer to monitor authenticity of payee. It allows clients to upload payment instructions / data on Bank's platform through secured protocol, enabling beneficiaries to collect the cash from MIB branches, up to PKR 50,000/- per transaction.

#### 10) BANCA TAKAFUL PRODUCTS

MCB Islamic Bank in collaboration with different takaful partners has designed Shari'ah Compliant Family Certificates that offers a holistic combination of protection and long term savings, which help the participants to conveniently build their saving in order to fulfill their long term needs, and ensure that their family is financially protected if they are not around.

#### 11) OTHER MCB ISLAMIC BANK SERVICES

The Bank also offers various services to meet growing needs of its customers, some of which are as follows:

- Remittance Service
- Forex Services
- PRISM Services



## BOARD OF DIRECTORS



**IBRAHIM SHAMSI**  
Non-Executive Director

**DR. KHALID ZAHEER**  
Independent Director

**SEEMA AZIZ**  
Independent Director

**RAZA MANSHA**  
Chairman

**MUHAMMAD AZFAR ALAM NOMANI**  
President & CEO

**USMAN HASSAN**  
Non-Executive Director

**OMAIR SAFDAR**  
Non-Executive Director

**AHMED EBRAHIM  
HASHAM**  
Non-Executive Director





**Raza Mansha**  
Chairman

Mr. Raza Mansha has been a Director of MCB Islamic Bank Limited since December 2016. He has more than 22 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 in International Relations from the University of Pennsylvania, USA.

#### Other Directorships

- D. G. Khan Cement Company Limited
- Adamjee Life Assurance Company Limited
- Nishat (Raiwind) Hotels and Properties Limited
- Nishat (Aziz Avenue) Hotels and Properties Limited
- Nishat Dairy (Pvt.) Ltd.
- Euronet Pakistan (Pvt.) Ltd.
- Nishat Agrotech Farms (Pvt) Ltd.
- Nishat Agriculture Farming (Pvt) Ltd.
- Hyundai Nishat Motor (Pvt.) Ltd.
- Nishat Paper Products Co. Ltd.
- Nishat Developers (Pvt.) Ltd.
- Nishat Hotels & Properties Ltd.

#### Dr. Khalid Zaheer

##### Independent Director

Dr. Khalid Zaheer has been a Director of MCB Islamic Bank Limited since October 2018. He has over 20 years of teaching experience in renowned universities of the Country such as LUMS, IBA-Punjab University and University of Central Punjab. He received his doctoral (PhD.) degree from the University of Wales, UK. His PhD dissertation was a critique on Interest-Free Banking. His areas of interest are Islamic Banking, in particular its departures from true Islamic principles and application of Islamic teachings in the contemporary business and social environment.

He is associated with the non-political UK based organization, Understanding Islam UK (UIUK) since May 2012 for spreading a non-sectarian, peace-promoting, and moderate message of Islam based on the two authentic sources of Qur'an and Sunnah. He was the Director Education, Al-Mawrid, which is an NGO established to promote research and education on Islam.

#### Other Directorships

- Nil



#### Seema Aziz

##### Independent Director

Ms. Seema Aziz has been a Director of MCB Islamic Bank Limited since February 2020. She is an entrepreneur and social activist who has been working for the cause of education in Pakistan since 1988. She is the Founder and Chairperson of CARE Foundation, the largest non-governmental organization in Pakistan, educating nearly 300,000 students through 890 schools. She is also on the Board of Sefam (Pvt) Ltd.

Ms. Seema has studied from University of Punjab and Harvard Business School. Being actively involved in improving the educational opportunities for the children of Pakistan, she is on the Board of multiple Government and Private bodies working in the sector as well as on the Global Advisory Board of Harvard Business School.

#### Other Directorships

- Sefam (Pvt) Ltd.
- Sarena Textile Industries (Pvt) Ltd.
- Sarena Apparel (Pvt) Ltd.
- S-Luxe (Pvt) Ltd.
- Anokhee (Pvt) Ltd.
- S-Entertainer PK (Pvt) Ltd.
- Ali Embroidery Mills (Pvt) Ltd.
- Jaz Hatari (Pvt) Ltd.
- CARE Foundation
- Aik Hunar Aik Nagar
- Punjab Board of Investment & Trade (PBIT)
- Emine Erdogan Danish CARE Girls School Baseera







### Ahmed Ebrahim Hasham

#### Non-Executive Director

Mr. Ahmed Ebrahim Hasham has been a Director of MCB Islamic Bank Limited since its inception. He is 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 turns manages to the Usman Institute of Technology. He is a graduate in International Relations (IR) and Economics from Tufts University, USA.

#### Other Directorships

- Mehran Sugar Mills Ltd.
- Pakistan Molasses Company (Pvt.) Ltd.
- Hasham (Pvt.) Ltd.
- Unicol Limited.
- Uni Energy Ltd.
- Uni Foods Industries Ltd.
- Mehran Energy Ltd.
- Hasham Foundation
- Usman Memorial Foundation
- Hashamabad Coop Housing Society
- Usman Memorial Hospital Foundation



### Ibrahim Shamsi

#### Non-Executive Director

Mr. Ibrahim Shamsi has been a Director of MCB Islamic Bank Limited since December 2016. He has strong experience of modern management and effective control management. He is Chief Executive of Aladin Water & Amusement Park, Karachi and Joyland. By qualification Mr. Shamsi is Master of Business Administration from LUMS Lahore.

#### Other Directorships

- Fortress Square Services (Pvt.) Ltd.
- Dupak Properties (Pvt.) Ltd.
- Dupak Developer Pakistan (Pvt.) Ltd.
- A A. Joyland (Pvt.) Ltd.
- Joyland (Pvt.) Ltd.
- Siddiqsons Tin Plate Ltd.
- Siddiqsons Denim Mill Ltd.
- Siddiqsons Energy Ltd.
- Adamjee Insurance Company Ltd.
- Cotton Web (Pvt.) Ltd.

### Omar Safdar

#### Non-Executive Director

Mr. Omar Safdar has more than 16 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. Omar 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.

#### Other Directorships

- MCB NBCO CJSC (Former MCB Leasing Azerbaijan)



### Usman Hassan

#### Non-Executive Director

Mr. Usman Hassan has been appointed on the Board of Directors of MCB Islamic Bank Limited in September 2020. He has been with MCB Bank Limited since 2005 and has worked in the Risk Management Group before joining Human Resource Management as Group Head in July 2012. Prior to MCB Bank, he has worked as General Manager Finance of a large IPP (Independent Power Plant) and as senior financial analyst in PACRA (Pakistan Credit Rating Agency). Overall he has over 25 years of diversified experience. By qualification Mr. Usman Hassan is a Mechanical Engineer, Master of Business Administration from LUMS Lahore and CFA.

#### Other Directorships

- Nil





## Muhammad Azfar Alam Nomani

### President & CEO

Mr. Muhammad Azfar Alam Nomani joined MCB Islamic Bank Limited as the President on March 17th, 2020. Prior to joining MCB Islamic Bank, he held the position of the Head of Business Strategy and Planning as an SEVP at MCB Bank Ltd. With an illustrious career spanning over 27 years, Mr. Nomani has held various leadership roles in functions that range from Retail Banking, Corporate Banking, Credit and Risk Management, Compliance and Control as well as internationally in MCB Bangladesh and Sri-Lanka operations.

He holds an MBA degree in Finance from Lahore University of Management Sciences (LUMS), and an Engineering degree from University of Engineering and Technology (UET), Lahore.

### Other Directorships

- Nil





## MANAGEMENT

CONDUCTING OUR ACTIVITIES IN A FAIR,  
ETHICAL AND SOCIALLY RESPONSIBLE MANNER

## CORPORATE GOVERNANCE

Corporate Governance at MCB Islamic Bank Limited ("MIB" or the "Bank") refers to rights and responsibilities among different stakeholders of the Bank through a set of rules, policies and practices keeping focus on proper delegation, transparency and accountability in the organization as a whole. The success of the Bank relies on upholding high standards of corporate governance.

### Board Composition

Sr. No.	Category	Names of Directors
A	Independent Directors	Dr. Khalid Zaheer Ms. Seema Aziz
B	Non-Executive Directors	Mr. Raza Mansha Mr. Ahmed Ebrahim Hasham Mr. Omair Safdar Mr. Ibrahim Shamsi Mr. Usman Hassan
C	Executive Directors (President & CEO)	Mr. Muhammad Azfar Alam Nomani
D	Female Director	Ms. Seema Aziz

### Change in Directors

Mr. Aftab Ahmad Khan resigned from the Board of Directors w.e.f. February 18, 2020. To fill the casual vacancy, Mr. Usman Hassan was appointed as new director on the Board of Directors on September 17, 2020.

Mr. Muhtashim Ahmad Ashai, President/CEO of MCB Islamic Bank Limited resigned from his position w.e.f. March 16, 2020. Mr. Muhammad Azfar Alam Nomani was appointed as the new President/CEO of the Bank on March 17, 2020.

### Director's Profile

Directors' profile has been incorporated in the "Board of Directors" section.

### Board Committees

The Board of Directors has formed following six sub-committees to oversee relevant specialized functions of the Bank:

- Board Audit Committee (BAC)
- Human Resource and Remuneration Committee (HR & RC)
- Risk Management and Portfolio Review Committee (RM & PRC)
- Business Strategy and Service Quality Review Committee (BSSQRC)
- Board Information Technology Committee (BITC)
- Board Evaluation Committee (BEC)



### Board Audit Committee

Meetings held: 5

#### Composition

- 1) Dr. Khalid Zaheer – Chairman
- 2) Ms. Seema Aziz
- 3) Mr. Ibrahim Shamsi
- 4) Mr. Omair Safdar

#### Terms of Reference

The main terms of reference of the Committee will be:

- 1) Facilitate Board in establishing an unambiguous & observable 'tone at the top' for strong and effective system of internal controls based on & supported by strong ethical practices, culture, processes and technological systems. Review and recommend for BOD approval, comprehensive policies, procedures, in line with International Auditing Standards.
- 2) Review and approve Internal Audit Charter (IAC) in accordance with SBP guidelines.
- 3) Determination of appropriate measures to safeguard the bank's assets.
- 4) Reviewing of quarterly, half-yearly and annual financial statements of the bank, prior to their approval by the Board of Directors, focusing on:
  - Major judgmental areas;
  - Significant adjustments resulting from the audit;
  - The going concern assumption;
  - Any changes in accounting policies and practices;
  - Compliance with applicable accounting standards;
  - Compliance with listing regulations, other statutory and regulatory requirements;
  - Significant related party transactions;
  - Compliance with applicable Shari'ah rulings; and
  - All related party transactions.
- 5) Reviewing of preliminary announcements of results prior to publication.
- 6) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
- 7) Reviewing of Client Service Report / Management Letter issued by external auditors and management's response thereto.
- 8) Ensuring coordination between the internal and external auditors of the bank.
- 9) Making recommendation to the Board of Directors the appointment of external auditors including External Shari'ah Auditor(s), their removal, audit fees, the provision by the external auditors of any service to the bank in addition to audit of its financial statements.
- 10) Reviewing of the scope and extent of internal audit/Shari'ah audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the bank.

- 11) Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto.
- 12) Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective.
- 13) Reviewing of the bank's statement on internal control systems prior to endorsement by the Board of Directors and Internal Audit and Shari'ah Audit Reports.
- 14) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and/or Shari'ah Board (if required) and to consider remittance of any matter to the external auditors or to any other external body.
- 15) Review of arrangement for staff and management to report to BAC in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures.
- 16) Determination of compliance/Shari'ah compliance with relevant statutory requirements.
- 17) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.
- 18) Consideration of any other issue or matter as may be assigned by the Board of Directors.
- 19) Approval of Shari'ah audit Plan after review by the Shari'ah Board.
- 20) Approval of Internal Audit plan and budgets pertaining to Audit & RAR Group.
- 21) Receive and review summary of reported violations identified through internal audit activities and follow-up actions taken by management to ensure that audit observations/recommendations receive proper and timely attention by senior management. The BAC will also review the trends of audit observation from multiple dimensions to have deep insights into state of internal controls and must set specific, time bound action points/indicators to monitor improvements.
- 22) Report to board any significant matters identified by IAF/external auditors that warrant board's immediate attention.
- 23) Review effectiveness of whistle blowing procedures for receiving (through internal or external sources) complaints/concerns regarding business ethics/conduct practices, governance & risk management practices, controls over financial reporting, auditing practices etc. The BAC will ensure that such concerns are treated confidentially and that the reporting employee(s) are protected and not penalized in any manner whatsoever. The BAC will ensure that employees remain aware of i) existence of such procure of such procedures, ii) the procedure to utilize it and iii) are encouraged to be a 'whistleblower'.
- 24) Provide its fullest support to IAF and internal auditors to perform their mandated activities independently and in objective manner.

### Human Resource & Remuneration Committee

Meetings held: 3

#### Composition

- 1) Dr. Khalid Zaheer – Chairman
- 2) Mr. Raza Mansha
- 3) Mr. Usman Hassan
- 4) Mr. Omair Safdar



### Terms of Reference

The main tasks of the Committee are to ensure that:

- 1) The human resource policies are reviewed periodically, and, if necessary are revised & recommended to the Board of Directors for its approval, in order to attract and retain highly qualified & skilled employees.
- 2) To ensure implementation of Bank's Remuneration Policy.
- 3) To ensure that appropriate criteria are adopted for annual performance appraisal of the President & his direct reports.
- 4) To ensure that key hierarchical organizational structure supports the business strategy & plan and, if deemed appropriate, approve any changes upon the recommendations of the President.
- 5) HRRC may periodically review MIB's HR Policies through peer analysis either through in house resource or any external consultant
- 6) To review selection, evaluation, compensation (including retirement benefits if any) and succession planning of the CEO and these will be recommended to the Board for approval.
- 7) The HRRC shall review and recommend Training and development budget (which is part of an overall budget document of the bank) to the BOD; and subsequently monitor the implementation of the same.
- 8) HRRC shall monitor implementation of approved training & development policy.
- 9) The selection, evaluation, compensation (including retirement benefits) and succession planning of the CFO, Company Secretary and Internal Audit and recommend to the Board.

### Risk Management & Portfolio Review Committee

Meetings held: 4

#### Composition

- 1) Mr. Omair Safdar - Chairman
- 2) Mr. Ahmed Ebrahim Hasham
- 3) Mr. Ibrahim Shamsi
- 4) Mr. Muhammad Azfar Alam Nomani

### Terms of Reference

The main terms of reference of the Committee will be:

- 1) Review the bank's risk related policies/ Strategy for management of financing, market, operational, Compliance and other risks, in light of internal developments, guidelines issued by the regulatory bodies and international best practices, on as and when required basis and recommend the same to Board for review and approval.
- 2) Monitor bank's progress towards risk management related projects on as and when required basis.
- 3) Review and recommend to Board, bank's Risk Appetite Statement and Compliance Program as and when required.
- 4) Review various reports pertaining to risk in the bank's portfolio prepared by the Risk Management Group. The Committee shall also consider comments of the relevant senior management while reviewing such reports and communicate the planned/executed corrective actions to the Board, if required.
- 5) Review Minutes of Compliance Committee of Management (CCM) to ascertain its effectiveness in Managing Compliance Risk.

- 6) Review the Compliance Issues and information and progress in implementing remedial action taken with respect to instances of Non-Compliance /Control weaknesses identified by Compliance & Controls Group and evaluate the effectiveness of Bank's overall Management of Compliance Risk, including seeking assurances from Senior Management on implementation and effectiveness of Compliance Risk Controls.
- 7) To engage with CCO on Half Yearly basis, to discuss issues faced by the Compliance Function in the implementation of board approved Compliance Program.
- 8) To recommend the Appointment, any disciplinary action or termination of CCO and ensure that position of CCO does not remain vacant for more than 60 days.
- 9) To ensure that CCO has proper stature, authority, resources, support, independence and capacity to offer his objective opinions to Senior Management and Board on Compliance Risks.

### Business Strategy & Service Quality Review Committee

Meetings held: 5

#### Composition

- 1) Mr. Raza Mansha - Chairman
- 2) Mr. Ahmed Ebrahim Hasham
- 3) Ms. Seema Aziz
- 4) Mr. Usman Hassan
- 5) Mr. Muhammad Azfar Alam Nomani

### Terms of Reference

The main terms of reference of the Committee will be:

- 1) Review the Bank's policies including but not limited to finance, treasury, compliance, Service Quality and other policies of the Bank (excluding Human Resource, Risk Management, Audit & IT related policies), in light of internal developments, guidelines issued by the regulatory bodies and international best practices, on as and when required basis and recommend the same to Board for approval.
- 2) Review the strategies, policy and procedures/frameworks related to the bank's strategic initiatives, service quality, customers' complaint management, and fair treatment of customers
- 3) To review Bank's Annual Budget prepared by the management and recommend it for approval by the BOD.
- 4) To monitor the performance of the bank against approved strategy / budget on a quarterly basis.
- 5) Recommend policy changes to align service delivery with expectations of the customers, vision of the bank and innovations in the market.
- 6) Provide policy guidance (0 inculcate values those recognize the importance of customer orientation at all phases of product design and service lifecycle.
- 7) Provide strategic direction to instill a culture that recognizes the importance of complaints as an opportunity to improve and take corrective measures.
- 8) Monitor the bank's progress towards achieving its objectives in terms of service delivery and customer satisfaction.
- 9) Receive periodic reports on issues and achievement on Conduct Assessment Framework.
- 10) Receive annual assessment of Conduct Assessment Framework for review and approval, along with proposed as well as actual improvements introduced.



- 11) Receive periodic reports on service health of the bank, including:
  - a) Statistic on and analysis of customer complaints
  - b) Measurement of key service indicators and key processes
  - c) Summary of customer feedback received through surveys

#### Board IT Committee

Meetings held: 2

#### Composition

- 1) Mr. Raza Mansha - Chairman
- 2) Dr. Khalid Zaheer
- 3.) Mr. Ibrahim Shamsi
- 4) Mr. Muhammad Azfar Alam Nomani

#### Terms of Reference

The main terms of reference of the Committee will be:

- 1) The Board IT Committee shall have a minimum of three (03) directors as its members, one of whom shall be an independent director and at least one member shall have relevant qualification or experience of IT.
- 2) The committee shall be responsible for formulation of IT strategy and its different framework, review and implementation of IT strategy and policy framework, guiding the management for necessary course of action, oversight of IT performance and aligning IT with business needs.
- 3) The committee shall receive appropriate information from IT, lines of business, and external sources. Additionally, it shall coordinate and monitor the institution's IT resources.
- 4) The committee shall be mainly responsible for advising and reporting to the board on the status of technology activities and digital initiatives in the Bank. These reports shall enable the board to make decisions without having to be involved in routine activities.
- 5) The committee shall review IT and Digital strategies and relevant policies before submission to the board.
- 6) The committee shall ensure that risk management strategies are designed and implemented to achieve resilience, such as the ability to effectively respond to wide-scale disruptions, including cyber-attacks and attacks on multiple critical infrastructures.
- 7) The committee may also review and determine the adequacy of the institution's training plan including cyber security training, for the staff.
- 8) The committee shall receive periodic updates from IT Steering Committee to monitor all technology related projects approved by the board.
- 9) The committee shall ensure that technology procurements are aligned with the IT strategy approved by the board.
- 10) If deem necessary, the committee may seek expert opinion from independent sources.

#### Board Evaluation Committee

Meetings held: 1

#### Composition

- 1) Dr. Khalid Zaheer - Chairman
- 2) Mr. Omair Safdar

#### Terms of Reference

The main terms of reference of the Committee will be:

- 1) The Board Evaluation Committee shall undertake the following tasks:
  - Formulation of criteria for performance evaluation of overall Board, its Committees, Individual Directors, Independent Directors, Chairperson and the President in the form of a framework.
  - Carrying out performance evaluation of the overall Board, its Committees, Independent Directors, Individual Directors, Chairperson and the President.
  - Identifying weak areas required to improve Board's and Board Committee effectiveness.
  - Recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge and skills (as and when required).
  - Reviewing (as and when required), the composition of the existing Board and its Sub-Committees and recommending amendment to the composition.
  - Assisting the Board of Directors by helping to identify individuals qualified to become members of the Board and its Committees.
  - Review nominations of potential director candidates who will strengthen the Board and remedy any perceived deficiencies in its fulfillment of the specific criteria identified above.
  - Ensuring that the specific criteria outlining the skills, experience, expertise, backgrounds and other characteristics identified by the State Bank of Pakistan in its Fit & Proper Test criteria are duly met before it recommends the proposed director for nomination.
- 2) In carrying out its responsibilities regarding director nominations, the Board Evaluation Committee has set the following guidelines and criteria to determine the qualifications for eligibility of nominees to the Board of Directors as follows:
  - The Committee will review candidate qualifications in light of the needs of the Board and the Company, considering the current mix of director attributes and other pertinent factors (specific qualities, skills and professional experience required will vary depending on the Company's specific needs at any point in time).
  - The Committee will consider the diversity of the existing Board, so that the Board maintains a body of directors from diverse professional and personal backgrounds.
  - Any nominee shall duly meet the requirements set forth by the State Bank of Pakistan for directorship.
  - Any nominee should be an individual of the highest character and integrity and have an inquiring mind, vision and the ability to work well with others.
  - Any nominee should be free of any conflict of interest which would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director.
  - Any nominee should possess substantial and significant experience which would be of value to MIB in the performance of the duties of a director.
  - Any nominee should have sufficient time available to devote to the affairs of MIB in order to carry out the responsibilities of a director.



Following are the details of directors' status and membership of the above committees:

Directors	Status		Membership					
			BAC	HR & RC	RM & PRC	BITC	BEC	BSSQRC
<b>Raza Mansha</b>	Non-Executive	Male	-	Yes	-	Yes	-	Yes
<b>Aftab Ahmad Khan</b> (Resigned on 18-02-2020)	Non-Executive	Male	Yes	Yes	-	-	-	Yes
<b>Ibrahim Shamsi</b>	Non-Executive	Male	Yes	-	Yes	Yes	-	-
<b>Omair Safdar</b>	Non-Executive	Male	Yes	Yes	Yes	-	Yes	-
<b>Ahmed Ebrahim Hasham</b>	Non-Executive	Male	-	-	Yes	-	-	Yes
<b>Dr. Khalid Zaheer</b>	Independent	Male	Yes	Yes	-	Yes	Yes	-
<b>Seema Aziz</b>	Independent	Female	Yes	-	-	-	-	Yes
<b>Usman Hassan</b> (Appointed on 17-09-2020)	Non-Executive	Male	-	Yes	-	-	-	Yes
<b>Muhtashim Ahmad Ashai</b> (Resigned w.e.f 16-03-2020)	President & CEO	Male	-	-	Yes	Yes	-	Yes
<b>Muhammad Azfar Alam Nomani</b> (Appointed on 17-03-2020)	President & CEO	Male	-	-	Yes	Yes	-	Yes

#### Directors' Participation/Attendance in Board and Committee Meetings Held During 2020

Details for the meetings of the BOD and sub-committees held during the Year 2020 along with attendance are as below:

Directors	Attendance						
	BOD*	BAC	HR & RC	RM & PRC	BITC	BEC	BSSQRC
<b>Raza Mansha</b>	5/5	-	3/3	-	3/3	-	3/5
<b>Aftab Ahmad Khan</b> (Resigned on 18-02-2020)	1/1	1/1	1/1	-	-	-	1/1
<b>Ibrahim Shamsi</b>	4/5	2/2	-	3/4	½	-	-
<b>Omair Safdar</b>	5/5	5/5	3/3	4/4	-	1/1	1/1**
<b>Ahmed Ebrahim Hasham</b>	5/5	-	-	4/4	-	-	4/4
<b>Dr. Khalid Zaheer</b>	5/5	5/5	3/3	-	1/2	1/1	-
<b>Seema Aziz</b>	3/5	2/3	-	-	-	-	1/4
<b>Usman Hassan</b> (Appointed on 17-09-2020)	2/2	-	0/0	-	-	-	2/2
<b>Muhtashim Ahmad Ashai</b> (Resigned w.e.f. 16-03-2020)	1/1	-	-	1/1	1/1	-	1/1
<b>Muhammad Azfar Alam Nomani</b> (Appointed on 17-03-2020)	4/4	-	-	3/3	1/1	-	4/4

\* Total 05 meetings of BOD were held during the year 2020.

\*\*Attended as special invitee.

#### Performance Evaluation of the Board of Directors

The Board of Directors of MCB Islamic Bank Limited strives to ensure that the Bank is on track to achieve its long-term objectives while adhering to regulatory requirements. The Board of Directors and its sub committees comprise of qualified and experienced members, having diverse experience whose contributions are invaluable in defining the overall direction of the organization.

The Board of Directors recognizes that along with numerous other functions and responsibilities, it also has a duty of care and loyalty towards the Bank, to act honestly in the interests of the Bank and exercise its role with

complete integrity and care. The Board therefore constituted a Board Evaluation Committee in 2015 to evaluate the performance of the overall Board, its Committees, performance of the Chairperson, Independent Directors and Individual Directors and of the President once in a calendar year with the help of a detailed criteria formulated in line with the requirements of the State Bank of Pakistan and the Securities & Exchange Commission of Pakistan (SECP).

As per the requirements of the State Bank of Pakistan Guidelines on Performance Evaluation of the Board of Directors, the Board evaluation process has to be undertaken either by the Board's nominated committee or an independent service provider appointed by the Board. The Board opted for an in-house evaluation approach for the year 2020.

#### Criteria for Performance Evaluation

Evaluation is carried out through a structured questionnaire covering various aspects of the Board's functioning such as size, composition of the Board and Committees, adequacy of Independent Directors, frequency of meetings, mixture of diversity of knowledge, expertise & skills of directors, attendance at meetings, preparation for meetings and valuable contribution etc. All parameters set for evaluation are rated through a Rating Scale (1-5) against each question as follows:

- "1" represents as "Strong"
- "2" represents as "Satisfactory"
- "3" represents as "Fair"
- "4" represents as "Marginal"
- "5" represents as "Un-satisfactory"

#### Evaluation by External Consultant

As per the requirements of SBP Guidelines on Performance Evaluation of Board of Directors, evaluation of the overall Board, its Committees, individual directors, Independent directors, Chairperson and the President for the year 2018 was undertaken through an External Evaluator i.e. Pakistan Institute of Corporate Governance (PICG), as appointed by the Board for the purpose.

#### Board Evaluation FTY 2020

In view of SBP Guidelines, the Board Evaluation Committee with the help of Board Members evaluated the performance of the overall Board of Directors, its Committees, the Chairman, individual and Independent Directors and the President/CEO in the following manner:

- Performance Evaluation of the Chairperson was performed by the Independent Directors with the help of other Directors.
- Performance evaluation of Independent Directors was carried out by the entire Board excluding the Director being evaluated
- Performance evaluation of CEO was performed by all the Board Members

Accordingly it was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Bank's objectives, was found to be generally satisfactory.

#### Director's Training Program

Till Dec 31, 2020, the following directors have attended Directors Training Program from SECP approved institutions:

- 1) Mr. Ahmed Ebrahim Hasham
- 2) Mr. Omair Safdar
- 3) Ms. Seema Aziz
- 4) Mr. Muhammad Azfar Alam Nomani

#### Accessibility of Annual Report 2020:

Annual Report – 2020 and other information of the Bank are accessible on Bank's website: [www.mcbislamicbank.com](http://www.mcbislamicbank.com)



# MANAGEMENT



STANDING 1<sup>st</sup> ROW (Left to Right)

**SYED IFTIKHAR HUSSAIN RIZVI**  
Chief Financial Officer

**KHAWAJA KHALIL SHAH**  
Chief Risk Officer

**OMER KHALID LASHARI**  
Group Head - Corporate  
Investment Banking & FI

**MUHAMMAD AZFAR ALAM NOMANI**  
President/CEO

STANDING 2<sup>nd</sup> ROW (Left to Right)

**ZAHID HUSSAIN**  
Group Head – Retail Banking

**MUHAMMAD HAMID YASIN**  
Group Head - MSME, Commercial  
and Consumer Finance

**KASHIF AHMED**  
Group Head – Compliance  
and Controls



STANDING 1<sup>st</sup> ROW (Left to Right)

**AZHAR NAZIR**  
Chief Information Officer

**SALMAN QUTB**  
Group Head - HRMG, Security,  
Procurement & GSD

**SYED SALMAN ALI**  
Group Head – Treasury & FXG

**MUHAMMAD SAEED RAJA**  
Group Head – Operations

STANDING 2<sup>nd</sup> ROW (Left to Right)

**MAIMOONA CHEEMA**  
Company Secretary  
& Head of Legal

**MUHAMMAD TARIQ GONDAL**  
Group Head – Internal Audit  
& Risk Asset Review

**USMAN AJMAL**  
Group Head – Product Management  
& Shari'ah Structuring

**MUFTI SYED SABIR HUSSAIN**  
Resident Shari'ah Board Member/  
Head-Shari'ah Compliance Department





**Muhammad Azfar Alam Nomani**  
President

Mr. Muhammad Azfar Alam Nomani joined MCB Islamic Bank Limited as the President on March 17th, 2020. Prior to joining MCB Islamic Bank, he held the position of the Head of Business Strategy and Planning as an SEVP at MCB Bank Ltd. With an illustrious career spanning over 27 years, Mr. Nomani has held various leadership roles in functions that range from Retail Banking, Corporate Banking, Credit and Risk Management, Compliance and Control as well as internationally in MCB Bangladesh and Sri-Lanka operations.

He holds an MBA degree in Finance from Lahore University of Management Sciences (LUMS), and an Engineering degree from University of Engineering and Technology (UET), Lahore.

### Omer Khalid Lasharie

#### Group Head – Corporate, Investment Banking & FI

Mr. Omer Khalid's experience spans over 27 years in Corporate & Investment Banking, Cash management, Home remittances etc. at major financial institutions of Pakistan. He has been instrumental in building asset's book and maximizing institution's profitability through effectively managing financing portfolio, actively participating/ handling investment banking, project finance and structured finance deals.

Prior to joining MCB Islamic Bank Limited; he has worked in leading institutions like MCB Bank Limited and UBL. His major assignment was with MCB Bank as Regional Corporate Head Central for 3 years. His last assignment was as Head of Transaction Banking Division for MCB Bank Limited where he efficiently led one of the largest cash management portfolio and vibrantly devised strategies to maximize remittance flows. He holds MBA from Lahore University of Management Sciences (LUMS).



### Khawaja Khalil Shah

#### Chief Risk Officer

Mr. Khalil Shah leads the risk management function which encompasses credit appraisal/administration, market risk, and operational risk. He also has responsibility for Cyber Security, Business Continuity Planning and Fraud Risk Management as these are layers of operations risk. His department also performs regulatory reporting pertaining to financing and Basel ratios.

Khalil has around 28 years of banking experience most of which is in corporate / investment banking and risk management. Prior to joining MCB Islamic, he was serving as Business Head-Portfolio Management, Wholesale Banking Group in MCB Bank Ltd since 2008. He has also spent considerable time at Al Faysal Investment Bank and Faysal Bank Ltd before becoming part of MCB clan.

### Syed Iftikhar Hussain Rizvi

#### Chief Financial Officer

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

Mr. Rizvi is a 'Certified Professional of Islamic Banking' and 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 MCB Islamic, he worked with MCB Bank for 20 years in various capacities, lastly as Head – Centralized Accounts. His professional career began at Khalid Majid Hussain Rahman & Co., Chartered Accountants.







### Kashif Ahmed

#### Group Head – Compliance and Controls

Mr. Kashif Ahmed is a fellow member of the Institute of Chartered Accountants of Pakistan with more than 26 years of working experience including over 15 years in the banking sector. Prior to joining MCB Islamic in year 2015, he has worked with Deloitte Pakistan, Deloitte Bahrain, Deloitte Bermuda, Mashreq Bank Pakistan Limited, Crescent Commercial Bank Limited, Noman Abid Investment Management Limited and lastly at MCB Bank Limited, with extensive management level experience in Audit, Finance & Accounts and Operations.

As a Group Head/ Chief Compliance Officer, he leads Compliance function of MCB Islamic covering Regulatory Compliance, Compliance Assurance and AML/CFT. He also has responsibility for Service Quality Control function.

He is also a member of MCB Islamic's Management Committee, Compliance Committee of Management, Service Quality Control Committee and Disciplinary Action Committee.

### Muhammad Hamid Yasin

#### Group Head - MSME, Commercial and Consumer Finance

Mr. Hamid is a business graduate from the Institute of Business Administration (IBA), Karachi and has over 25 years of banking experience in Retail and Corporate banking as well as Risk Management. Before joining MCB Islamic in 2018, he served Samba Financial Group (SFG) at the Head Office in Riyadh, Saudi Arabia for over eight years in the capacity of Assistant General Manager in the Risk Management Group. Prior to SFG, Hamid served MCB Bank for more than 14 years – starting as a Management Trainee in 1994 and progressively moving on to such diverse functions as Retail and Corporate credit risk management at branch and regional levels, branch operations, Basel II Project Management and bank-wide Operational and Credit risk management.



### Azhar Nazir

#### Chief Information Officer

Azhar is leading Information Technology Group. He has been associated with MCB Group for the last 20 years. He brings with him rich experience of planning, developing and implementing state of the art information technology solutions. He has held various senior level positions with track record of successful delivery of cross-functional projects in Information Technology, Core Banking Implementation, Digital Banking, Data migrations and Risk Management. He is graduate from International Islamic university, Cost & Management Accountant (ICMAP). Financial Risk Manager (FRM-GARP), DAIBP and CPIB (IIFII).



### Salman Qutb

#### Group Head - HRMG, Security, Procurement & GSD

Mr. 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 MCB Islamic Management Committee, IT-Steering Committee, Purchase Committee, and Disciplinary Action Committee.



### Zahid Hussain

#### Group Head – Retail Banking

Mr. Zahid Hussain has joined MCB Islamic Bank as Group Head for Retail Banking. Prior to this, he was leading the Retail Banking Group (West) for MCB as Business Head. His expansive career of 28 years has seen him in various leadership positions in MCB, Bank Alfalah and Bank of Punjab. Mr. Hussain has, over the years, effectively managed a large network of clients ranging from Retail, Commercial, Corporate Assets, Liabilities and Foreign Trade. He began his career as an Management trainee officer and has worked his way up taking on challenging roles to enhance branch networks and business targets. He holds a MSc Degree in Applied Mathematics from Punjab University & Diploma in banking from Institute of Bankers Pakistan. He is recipient of Coveted Award "Who is Who" in year 2018 for outstanding services in banking.

### Muhammad Saeed Raja

#### Group Head – Operations

Mr. 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, System parameterization & Static Data Management of Core Banking system and allied applications, Centralized Reconciliation, Vendor Management & Outsourcing arrangements, Fund Settlement, Cash Processing Centers, Centralized Inward Clearing, Centralized FCY Remittances & Business Process Development & Re-Engineering.

Saeed has a diversified experience of over 30 years in the areas of Retail, Corporate and Islamic Banking. Prior to joining MCB Islamic Bank, 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 35 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 last five years 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

Mr. 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 holds Banking Diploma and Post graduate diploma in Islamic Banking & Insurance along with certification in Islamic Banking from NIBAF. Mr. Gondal has a diversified experience of more than twenty-five years in areas of audit & inspection, risk, compliance and operations both in Central and Commercial Banking.



### Usman Ajmal

#### Group Head – Product Management & Shari'ah Structuring

Mr. Usman Ajmal holds a double majors M.Sc. degree in Economics & Finance and has 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 18 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 was accredited with launching and revamping a number of retail financing products.

Mr. Usman Ajmal joined Product Management & Shari'ah Structuring Group (PM&SS Group) in MCB Islamic Bank Limited (MCB Islamic) 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 MCB Islamic. Moreover, PM&SS Group has introduced a number of new Islamic modes of finance and revamped existing ones as well as refinance schemes under his supervision since he took over charge of PM&SS Group in late 2017. He is also currently serving as a Mancom member in MCB Islamic Bank Limited.



### 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 21 years of teaching, 14 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhassus-Fil-Fiqh, M.A Islamic Studies, M.Phil. in Islamic Banking & Finance and M.S (I.T) degrees. He is enrolled in Phd. on Islamic Banking and Finance from International Islamic University, Islamabad (IIUI).

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 Advisory Committee of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he was member of review committee for Urdu translation of AAOIFI Shari'ah standards. He is author of 27 books on Islamic economics & banking and other social issues; He is also delivering lectures in different Dar-ul-Ulooms and Universities.

### 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.





## MANAGEMENT

CONDUCTING OUR ACTIVITIES IN A FAIR,  
ETHICAL AND SOCIALLY RESPONSIBLE MANNER



## KEY

## EXECUTIVES

**Mr. Muhammad Azfar Alam Nomani**  
President/CEO

**Mr. Omer Khalid Lashari**  
Group Head – Corporate, Investment  
Banking & FI

**Mr. Khawaja Khalil Shah**  
Chief Risk Officer

**Syed Iftikhar Hussain Rizvi**  
Chief Financial Officer

**Mr. Kashif Ahmed**  
Group Head – Compliance and Controls

**Mr. Muhammad Hamid Yasin**  
Group Head - MSME, Commercial and  
Consumer Finance

**Mr. Zahid Hussain**  
Group Head – Retail Banking

**Mr. Azhar Nazir**  
Chief Information Officer

**Mr. Salman Qutb**  
Group Head - HRMG, Security,  
Procurement & GSD

**Mr. Muhammad Saeed Raja**  
Group Head – Operations

**Syed Salman Ali**  
Group Head – Treasury & FXG

**Mr. Muhammad Tariq Gondal**  
Group Head – Internal Audit & Risk Asset Review

**Mr. Usman Ajmal**  
Group Head – Product Management &  
Shari'ah Structuring

**Ms. Maimoona Cheema**  
Company Secretary & Head of Legal



## SHARI'AH BOARD

### MEMBERS



**MUFTI SYED SABIR HUSSAIN**  
Resident Shari'ah Board Member/  
Head Shari'ah Compliance Department

**PROF. MUFTI MUNIB-UR-REHMAN**  
Chairman Shari'ah Board

**MUFTI NADEEM IQBAL**  
Shari'ah Board Member





**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 48 years' teaching and 33 years' Fatawas issuance experience. He remained the member of Shari'ah Advisory Board of Securities and Exchange Commission of Pakistan (SECP) for three terms and the member of the Council of Islamic Ideology Pakistan (CIIP), he rendered voluntary services for the country since 2001 to 2020 as Chairman Central Moon Sighting Committee Pakistan. He served as Director of Islamic Studies, Hong Kong in 1985. He is the president of Tanzeem-ul-Madaris Ahle Sunnat Pakistan & Secretary General of Ittihad-e-Tanzeemat-e-Madaris Pakistan. He participated in international seminars in Saudi Arabia, UK, Norway, USA, Canada, Kazakhstan, Turkey and other Countries.

He remained member of the Board of Studies of University of Karachi, Federal Urdu University & Board of Intermediate Karachi. He remained member of the syndicate of University of Karachi & PMAS Arid University, Rawalpindi. He is the member of National Curriculum Pakistan & National Education Task Force. He was Shari'ah Adviser of Federal Shariat Court Pakistan. The 11 Volumes of his Fatwas has already published and has vast acceptability amongst Ulama. He is the Principle & Managing Trustee of Jamia Naeemia Karachi. He is Chairman Shari'ah Advisory Committee of Dawood Family Takaful Ltd and remained Chairman Shari'ah Board of Burj Bank Ltd for more than a decade.

### 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 21 years of teaching, 14 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhassus-Fil-Fiqh, M.A Islamic Studies, M.Phil. in Islamic Banking & Finance and M.S (I.T) degrees. He is enrolled in Phd. on Islamic Banking and Finance from International Islamic University, Islamabad (IIUI).

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 Advisory Committee of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he was member of review committee for Urdu translation of AAOIFI Shari'ah standards. He is author of 27 books on Islamic economics & banking and other social issues; He is also delivering lectures in different Dar-ul-Ulooms and Universities.



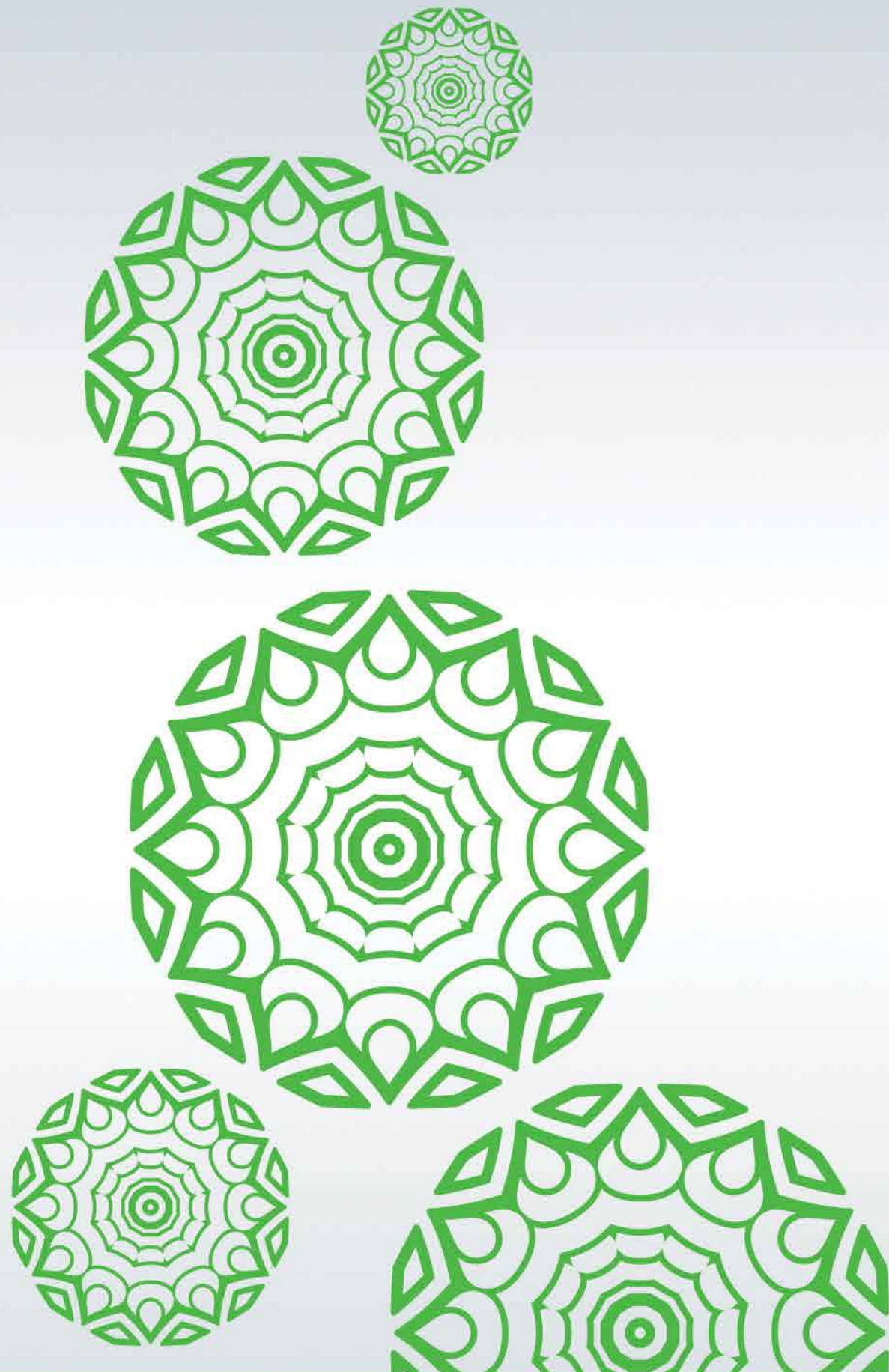
### Mufti Nadeem Iqbal

#### Shari'ah Board Member

Mufti Nadeem Iqbal is the Shari'ah Board Member. He is senior teacher and Mufti at Dar-ul-Uloom Amjadia, Karachi and currently heading Dar-ul-Ifta. He has 29 years' experience of teaching Islamic Jurisprudence and 17 years' experience of issuing Fatawa (Shari'ah Opinions). He has 15 years' experience in Islamic Banking. He holds Master's Degree in Islamic Studies from University of Karachi, Takhassus-Fil-Fiqh from Dar-ul-Uloom Amjadia, Karachi, Fazil Dars-e-Nizami, and Fazil Shahada-tul-Almia. He gave his services as Resident Shari'ah Board Member/Shari'ah Advisor at Soneri Bank's Islamic Banking Division for thirteen years. He is visiting faculty member at Sheikh Zayed Islamic Centre, University of Karachi and Hamdard University, Karachi. He is writer of several books including Islamic Jurisprudence.







## ROLE OF SHARI'AH BOARD

- The Shari'ah Board (SB) shall advise the BOD and the executive management of the MCB Islamic Bank Ltd. (MIB) on all Shari'ah related matters. All the SB's Decisions/Rulings/Fatawas shall be binding on the MCB Islamic whereas the Shari'ah Board shall be responsible and accountable for all its Shari'ah decisions.
- The SB shall cause to develop a comprehensive Shari'ah compliance framework for all areas of operations of the MIB and shall approve all products/services to be offered and/or launched by the MCB Islamic Bank.
- The SB shall ensure that all the MCB Islamic bank products and services and related agreements/ contracts, structures, process flows, product manuals, marketing advertisements, sales illustrations and brochures etc. are in conformity with the rules and principles of Shari'ah. The executive management while seeking the SB's decision on any proposal shall ensure provision of all the necessary information, details and documents enabling the SB to have adequate understanding of the product, its process flows, business and economic outcomes and Shari'ah permissibility or impermissibility.
- The Shari'ah Board shall have unhindered access to all records, documents and information from all sources including professional advisors and MCB Islamic employees in discharge of its duties.
- Considering the importance of the SB's decisions and their binding nature, the SB shall rigorously deliberate on the proposals before giving any decision/fatwa; all such deliberations and rationale for allowing or disallowing a particular product/service etc. shall be duly recorded and documented.
- All the reports of internal/external Shari'ah audit and Shari'ah compliance reviews shall be submitted to the SB for prescribing appropriate enforcement action. SB shall take up the unresolved issues with the management and if warranted shall include the outstanding issues in their annual Shari'ah Board Report. Moreover, Head of SCD and RSBM shall discuss all the significant and unresolved issues with SBP inspection team during on-site inspection.
- The SB shall also specify the process/procedures for changing, modifying or revisiting Fatawas/Rulings/Guidelines etc. already issued by SB.

### Meetings of Shari'ah Board held in 2020

Sr. No.	Quarter	Date of Meeting	Meeting Attended (Yes / No)		
			Chairman	Member	RSBM
1	Q1	20-Mar-20	Yes	Yes	Yes
2	Q2	25-Jun-20	Yes	Yes	Yes
3	Q3	14-Sep-20	Yes	Yes	Yes
4	Q4	29-Dec-20	Yes	Yes	Yes

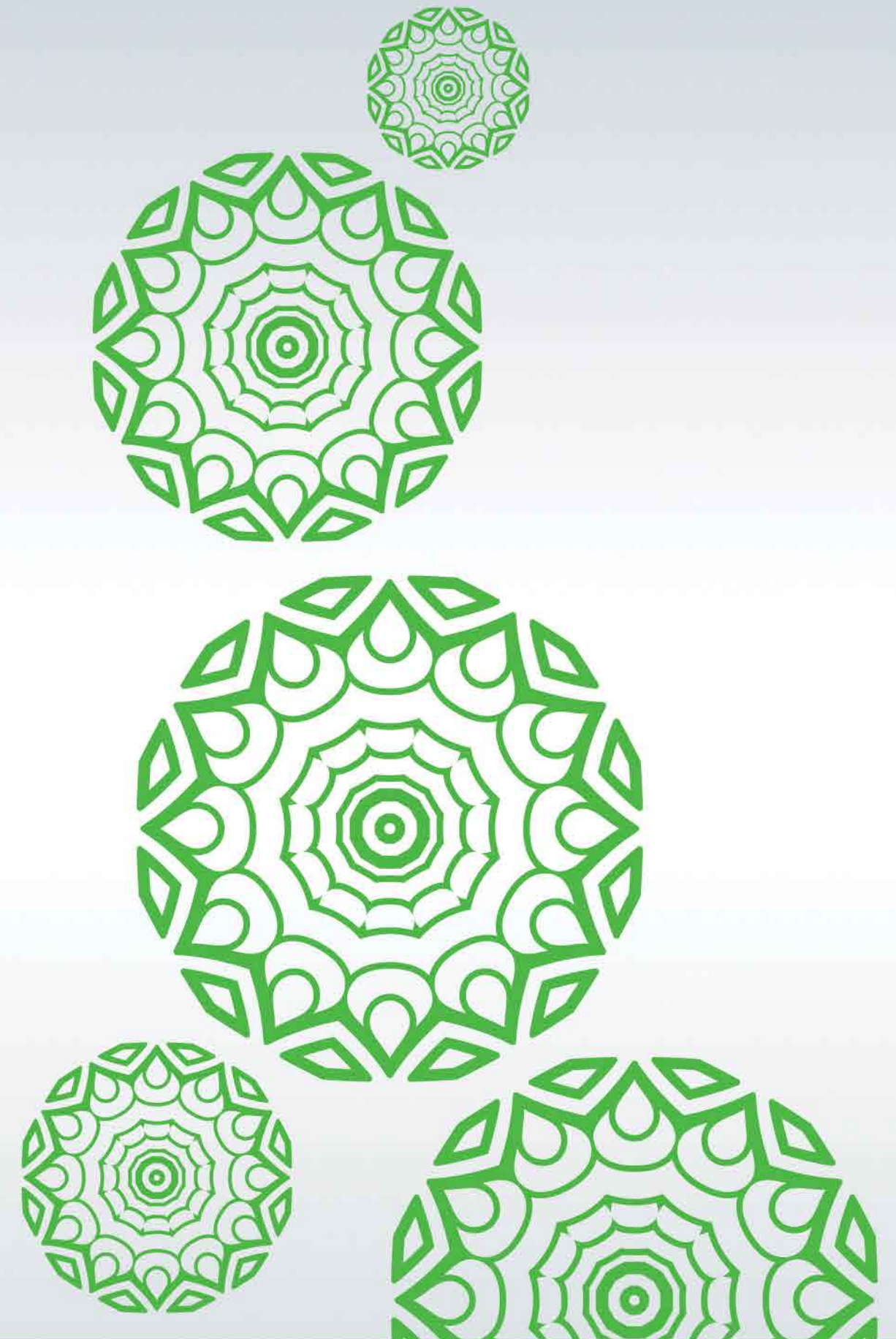
### Meetings of Shari'ah Board-Board of Directors held in 2020

Sr. No.	Half Year	Date of Meeting	Meeting Attended (Yes / No)		
			Chairman	Member	RSBM
1	1st	21-Apr-20	Yes	Yes	Yes
2	2nd	29-Dec-20	Yes	Yes	Yes



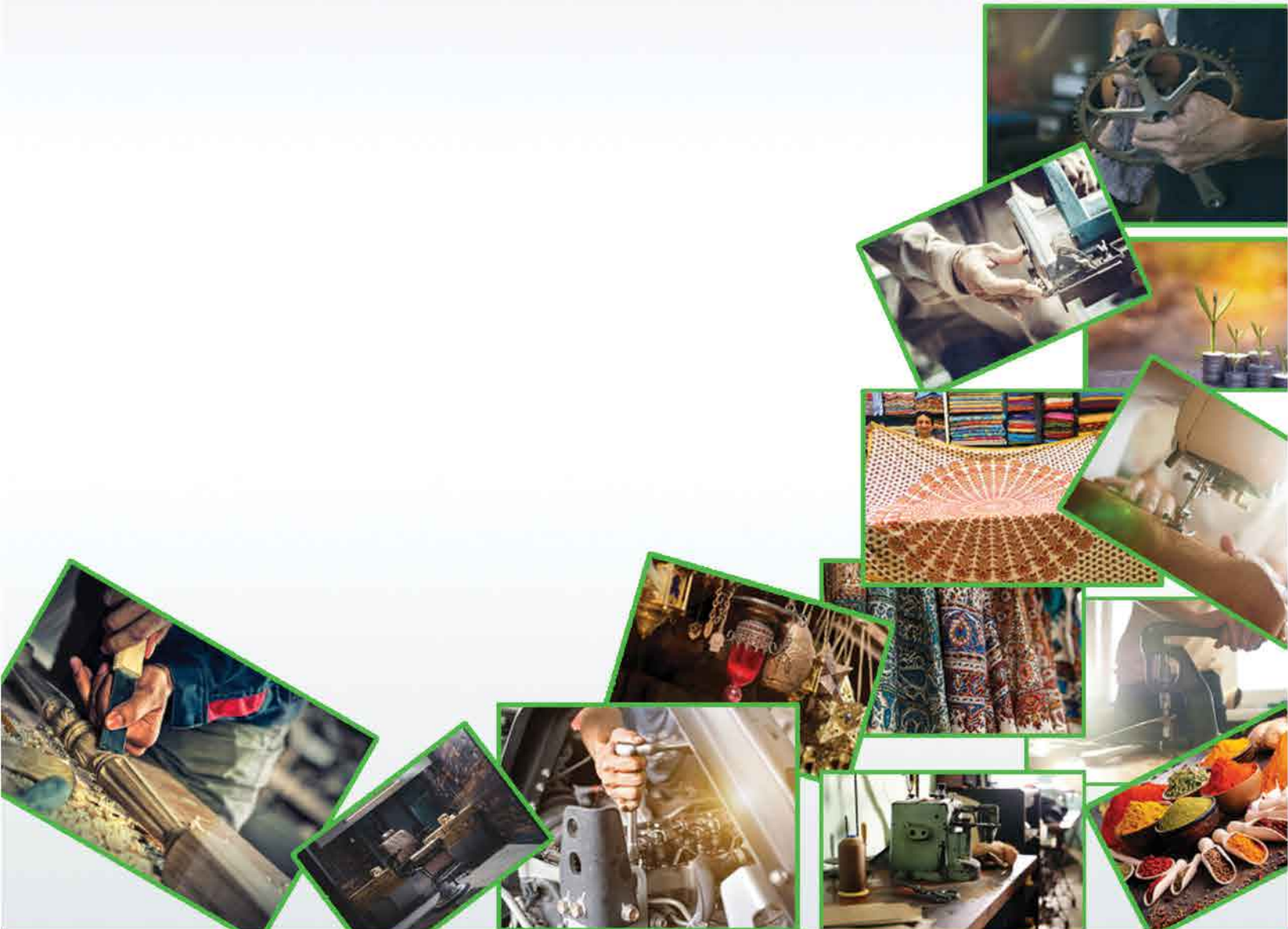
Membership on Shari'ah Board of other Companies

Sr. #	Name of Members	Date of Joining/Leaving the Board	Status of Member Chairman/ Resident Member/ Non Resident Member	Number of Other Board Memberships along with Name of Companies
1	Mufti Munib-ur-Rehman	15-Sep-15	Chairman	1) Chairman Shari'ah Supervisory Board ■ Dawood Family Takaful
2	Mufti Syed Sabir Hussain	16-Sep-15	Resident Member	1) Shari'ah Supervisory Board Member/ Consultancy ■ Dawood Family Takaful
3	Mufti Nadeem Iqbal	15-Oct-18	Non Resident Member	No other engagement





**SHARAI KAROBAR**  
MICROFINANCE PRODUCT



## CHAIRMAN'S MESSAGE

I am pleased to present this report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Bank's objectives.

As part of its momentous role in the strategic matters having long-term implications, the board has effectively maintained a balance between regulatory obligations and the Bank's operational requirements. Accordingly, sub-committees are in place with defined scope of work assigned to ensure optimal performance of their functions as per their mandate and respective terms of reference.

With continued focus on the protection of the interests of Bank's shareholders, the Board has ensured an effective corporate governance structure with strengthening internal controls, risk management and audit functions, in order to completely align the Bank's strategy with its vision, mission and core values. The Board has ensured its ethical and professional conduct in the oversight and management of the organization.

Pakistan's economy has started showing signs of recovery during the 2nd half of year 2020 after facing a significant slowdown mainly due to the impacts of COVID 19 outbreak and stringent macroeconomic stabilization measures taken by the Government and SBP. In view of the related challenges, SBP has projected a growth of slightly above 2% for next Fiscal Year (FY) and accordingly the economy will accelerate in its journey of growth. However, further immediate efforts are required to tackle the higher inflation level and industrial economic revival.

Despite the aforementioned challenges, the Bank has witnessed another year of growth while establishing a solid financial standing in line with its strategy by strengthening core deposit, balance sheet spreads and optimum deployment of funds while constantly focusing on innovative and customer centric services. Our energetic Business team is continuously engaged in identification of market opportunities and prudent enhancement of the portfolio not only to obtain its sustainable future growth but also to play a constructive role towards the growth of Islamic financial system in Pakistan.

Islamic Banking is growing steadily as an integral part of the global as well of Pakistan's financial system. In Pakistan, it shares the 16% and 17.3% in terms of banking assets and total deposits respectively while the network has expanded to 3,303 branches across the country. Despite the economic challenges, the growth is expected to continue in future.

Visualizing 2021, I am optimistic that the Bank will remain well positioned to register steady growth in shareholder' value. On behalf of the Board of Directors, I would like to extend my gratitude to the regulatory bodies including State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Federal Board of Revenue for their uninterrupted assistance and co-operation. I would also like to appreciate our valued shareholders' for putting up their confidence in long-term strategic goals.

Finally, I would like to pay my gratitude to the Bank's team for their utmost hard work and commitment on the road to building a robust and technologically empowered Bank.

**Raza Mansha**  
Chairman





## MCB ISLAMIC FOREIGN EXCHANGE PORTAL PROVIDING A FULLY DIGITALIZED PLATFORM TO OUR CUSTOMERS WITH SALIENT FEATURES



## PRESIDENT'S MESSAGE

The growth of MCB Islamic Bank (the Bank) can be termed as a journey of resilience towards multifaceted challenges, by showing highest level of professional enthusiasm. Alhamdulillah, despite the adverse economic conditions of the country which were further deteriorated by the outbreak of COVID 19, the Bank's financial results for the Year 2020 have shown significant improvement depicting the dedication and hard work of our passionate and capable team. 2020 was the year of consolidation for our Bank after embarking upon remarkable branch network expansion during the previous years. Our progress throughout the year reflects our clear vision and well defined strategy of emphasizing on quality assets, backed by low cost deposit and containment of costs.

The Bank posted a growth of 21% in its Deposit base with a healthy CASA mix of 78.4%, and non-remunerative Deposit constituting 33.6% of the total Deposit mix as at end of Dec '20. It is worth noting that during the year 2020, the Bank had to re-adjust its strategies to cater for the compressed margins due to steep decline in benchmark policy rate, along with the rising cost of doing business including regulatory and compliance costs. On the asset side, both net financing and investments went up robustly by 65% and 69% respectively during the year 2020, mainly due to optimal funds deployment while simultaneously focusing on asset quality. We continue to prudently manage risk throughout the Bank while maintaining a strong risk management culture, and successful efforts have been made for improvements in credit quality across commercial and corporate portfolios. The Bank posted profit after tax of Rs.208 million for the year, improving by 185% from an after tax loss of Rs.244 million at the end of Dec '19. This is a phenomenal performance especially keeping in view the struggling economic conditions of the country during the year 2020. The Bank's sound financial position was reaffirmed by the Pakistan Credit Rating Agency (PACRA), which maintained the Bank's medium to long-term rating as "A" and the short-term rating as 'A-1' with positive outlook.

Our improving results are expressive of the proficient execution of our strategies and assure us that we are indeed on the right track to achieve and deliver on future goals and milestones. After some easing out of the tight monetary policies by SBP as part of COVID 19 relief measures, the Bank is well poised to benefit from the promising outlook being shown by the country's economy, including growth in Large Scale Manufacturing, an improved Current Account balance, and rising construction related activities.

The Bank considers human resource its core asset and I acknowledge the competence, devotion and hard work of our professional team in generating consistent value for our stakeholders. We are well aware of the importance of retaining and attracting the best talent, and hence employees' development and trainings remained our highest priority during the year. We are diligently working towards ensuring a conducive environment for our staff to optimally perform and contribute towards our strategic goals.

Lastly, I would like to acknowledge the guidance of the Chairman and the Board of Directors for their contribution in making 2020 a successful year for the Bank. The dedication and hard work of our team strengthens our commitment to serve our customers with increased diligence and interest. With our dedication, team work, and unity of purpose I have no doubt that we will be able to go the extra mile to meet and exceed the expectations of our shareholders, customers, employees and regulators, In Sha Allah.



**Muhammad Azfar Alam Nomani**  
President & CEO



## BARKAT SUPER SAVING ACCOUNT

SAVING ACCOUNT WITH RELATIVELY HIGHER EXPECTED RETURNS



## 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) for the year ended Dec 31, 2020.

Rupees in Million			
Statement of Financial Position	2020	2019	Growth (%)
Deposits	99,253	81,854	21%
Total Assets	141,171	105,022	34%
Investments – net	27,618	16,310	69%
Islamic Financing – net	84,896	51,310	65%
Shareholders' Equity (including revaluations)	10,728	10,467	2%
Profit & Loss Account	2020	2019	Growth (%)
Operating income	5,074	4,337	17%
Operating and other expenses	4,666	4,503	4%
Profit / (Loss) before provisions	408	(166)	346%
Provisions against financing and investments	15.3	199.8	-92%
Profit / (Loss) before taxation	393	(366)	207%
Profit / (Loss) after taxation	208	(244)	185%
Basic / diluted earnings / (loss) per share - Rs.	0.18	(0.21)	185%

#### Bank's Performance

In the year 2020, Pakistan's banking industry faced multiple challenges including re-adjusting their strategies to contain the pressure from steep decline in benchmark Policy rate, implementation of safe work place practices, disruptive technological advancements followed by evolving customer experience dynamics, developing regulatory requirements and decline in credit growth and quality owing to COVID-19 pandemic.

While remaining aware of the evolving challenges, the Bank continued to focus on prudent management of its economic capital to attain sustainable growth in deposit base and high quality assets. The margins remained compressed due to downward trending policy rate along with the rising cost of doing business including the regulatory and compliance costs.

The Bank has shown consistent performance both at business and financial fronts due to support of its optimal organizational structure, multi-dimensional risk management framework and effective compliance with regulatory instructions. **Alhamdulillah, the Bank has posted a Profit Before Tax of Rs. 393 million for the year 2020.**

During the year, the Bank consolidated its position with respect to existing branch network, reaching at a total of 187 branches. Our energetic liability team has successfully delivered with an excellent growth of 21% in deposit portfolio on year-on-year basis closed at Rs.99.2 billion from Rs.81.8 billion in 2019. The Bank not only successfully expanded its new to bank accounts but also maintained an optimal cost of funds at 4.88% through strong relationship management and better customer experience. The Bank's continued focus on the accumulation of no and low-cost Deposits has resulted in a healthy CASA mix at 78.4%, with non-remunerative Deposit constituting 33.6% of total Deposit mix as at end of Dec 2020. This position promises healthy stress absorption capacity with respect to the future liquidity requirements.



The Bank's asset base has reached to Rs.141 billion as at end of Dec 2020, with a 34% increase against Rs.105 billion at the end of Dec 2019. The net Islamic financing and investments witnessed a robust growth of 65% and 69% respectively mainly because of Bank's approach of optimum deployment of funds while simultaneously focusing on asset quality. The net financing closed at Rs.84.9 billion against Rs.51.3 billion at Dec 2019, whereas the investments were at Rs.27.6 billion as at Dec 31, 2020 against Rs.16.3 billion at Dec 31, 2019.

On profitability side, the Bank successfully registered profit against the last year's loss despite a volatile capital market and dull economic conditions. Positive volumetric growth in average earning assets supported by improving customers' spreads and effective duration management through re-profiling has enabled the Bank to post a gross revenue of Rs.10.4 billion in 2020 as compared to Rs.10.2 billion in 2019. Return on earning assets stood at a healthy level of 9.83% while the cost of funds was at 4.88% resulting in a net spread of 4.95% for the year under review. During the period under review, operating expenses were contained to increase only by 4% as compared to the last year through effective management control in order to sustain profitability levels, despite high inflationary pressures.

The Bank's profit before provisions during the year was Rs.408 million, growing by a phenomenal 346% from last year's loss before provisions of Rs.166 million. Further, the provision charge during the period of Rs.15.3 million against Rs.200 million in last year represents the Bank's efficient approach towards deployment of funds while taking advantage of an improving capital market and cautiously ensuring high quality assets.

In view of the above developments and struggling economic conditions; gradually increasing Balance Sheet spreads enabled the Bank's P&L to improve significantly and posted an after tax profit of Rs.208 million for the period under review against loss of Rs.244 million for the corresponding period, representing a more than healthy increase of 185%. The improvement in the Bank's profitability is also evident from earnings per share after tax of Rs.0.18 for the period under review, against a loss per share of Rs.0.21 for the last year.

#### Economic Review

The world economy is showing signs of recovery after plunging to rock bottom due to the outbreak of coronavirus (COVID-19). The International Monetary Fund (IMF) has estimated the global growth contraction for the year 2020 at negative 3.5%, reflecting stronger economic recovery in the second half of the year. Amid exceptional uncertainty, the global economy is projected to grow at about 5.5% in next year with expectations of a vaccine-powered activities later in the year along with the additional policy support for few large economies.

On domestic front, the country's economy has started showing signs of recovery during the 2nd half of year 2020 after facing the earlier significant slowdown mainly due to stringent macroeconomic stabilization measures taken by the Government and State Bank of Pakistan (SBP). However, still persisting fiscal and COVID related challenges, the SBP's growth projection for next Fiscal Year (FY) is slightly above 2%.

National Consumer Price Index (CPI) was at 8% on year-on-year basis in Dec 2020 against the 12.6% of last year mainly due to easing food inflation despite upward adjustment in fuel prices. Further, SBP expects the inflation to fall within the previously announced range of 7-9% for FY21 and accordingly the policy rate unchanged at 7% in Monetary Policy Statement on Jan 22, 2021.

On the real side, Large-Scale Manufacturing has grown by 7.4% on year-on-year so far FY21 against a contraction of 5.3% during the same period of last year. Majority of the subsectors have started positive growth from Nov 2020, indicating a more broad-based manufacturing recovery in process. On the demand side, cement sales remain strong due to rising construction activities whereas the sales for petroleum products along with the automobile are also growing. In agriculture, more than expected decline in cotton output is likely to be offset by improved growth in other crops including the wheat mainly due support prices and subsidies for fertilizers etc. Further, the growing manufacturing and construction sectors will benefit other sectors like wholesale, retail and transportation.

The external sector continued to improve with Current Account remaining in surplus during the first half of FY21, at USD 1.1 billion compared to a deficit of over USD 2 billion during the same period last year, mainly supported by the strong influx of the workers' remittances which grew by 24.9% on year-on-year basis. Exports have also recovered to their pre-COVID monthly level of around USD 2 billion along with a rise in imports, mainly of machinery and industrial raw material, in line with the pick-up in economic activity. Continuous improvement in the Current Account position has led to a slight appreciation in the exchange rate and further strengthened external buffers. FX reserves stood at USD 20.5 billion as at Dec 2020.

On the fiscal front, despite higher interest payments and COVID related spending, fiscal developments have been broadly in line with this year's budget and healthy growth in revenues has restricted the deficit during the FY21 so far. Revenue collection of Federal Board of Revenue (FBR) has grown by 5% during first half FY21.

Stock market has also shown an overall bullish sentiment during the year 2020, which can be attributed to investor confidence being restored gradually regarding macro-economic outlook, with KSE-100 Index closing at 43,755 points on Dec 31, 2020.

Islamic banking industry continues to broaden its outreach in year 2020 also and trying to compete effectively with conventional banks through diversified range of products and higher quality services. Total assets and deposits depicted growth of 27.2% and 26% closing at Rs. 3,809 billion (market share of 16%) and Rs. 3,034 billion (market share of 17.3%) respectively whereas the Branch network closed at 3,303 branches by the end of Sep 2020.

#### Risk Management

Risk Management Framework comprises governance and organizational structure, policy and procedures, risk assessment techniques, tools, systems, early warning indicators, reporting and escalation mechanism aligned with the Bank's strategic directions and business goals set by the Board of Directors and commensurate with size and scope of the Bank which ensures the independence of Risk Management Function in measuring, analyzing, controlling and monitoring risk from the frontline risk takers i.e. business soliciting groups. The Bank aims to align the Risk Management Framework with the international best practices and the guidelines of State Bank of Pakistan.

A subcommittee of Board i.e. the Risk Management & Portfolio Review Committee obtains quarterly updates from Risk Management Group on credit, market operational risks and provides guidance and directions thereof. In addition, Management Finance Committee is another platform to ascertain, discuss and deliberate key risk issues in the portfolio at the management level.

The Bank's market risk management unit is responsible for management of Basel related ratios, annual Internal Capital Adequacy Assessment, annual behavioral study and quarterly stress testing for various risks as part of regulatory regime. The Bank also calculates Value at Risk for various market risk parameters assessment. In line with regulatory requirements, the Bank is actively engaged in setting up 'expected loss' framework for implementation of IFRS-9.

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. Asset Liability Committee at management level is responsible for oversight of the assets and liabilities management function.

Operational risk is managed through diversified data collection mechanism which includes but not limited to data for operational losses, near miss events, control breach data, internal / external / compliance / regulatory observations and Risk Control & Self-Assessment exercise. The Bank has now developed an in-house system to facilitate operational risk data collection.

Fraud risk is managed by a dedicated unit and serves as a focal point. Fraud risk unit also operates a 24x7 call center to proactively track fraudulent usage of digital banking transactions.

Business continuity planning and disaster recovery planning are in place and managed by a dedicated unit.

Various bank wide training sessions are conducted in liaison with trainings department of Human Resources to create risk awareness among the staff on operational risks, fraud risks, cyber security risks and business continuity.

IT security risks are being mitigated through various automated solutions for monitoring of data base logs, patch management and cyber threats along with the annual internal and external vulnerability assessment and penetration testing. The Bank has now in place a 24x7 Security Operations Centre for monitoring. The Bank aims to further strengthen the related risk mitigating measures in the coming year.



### 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 positive outlook.

### Statement on Internal Control

The Board is pleased to endorse the statement made by management relating to internal controls including management's evaluation of ICFR. The Management's Statement on Internal Control is included in the Annual Report.

### Statement under Code of Corporate Governance and section 227 of Companies Act 2017

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. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed and explained.
- There has been no material departure from the best practices of corporate governance.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- Profit amounting to Rs.41.66 million has been transferred to Statutory Reserve for the year 2020.
- The System of Internal Control is sound in design and has been effectively implemented and monitored.
- As of Dec 31, 2020 the six (06) non-executive directors hold one share each, one share is held by other (Mr. Aftab Ahmad Khan Ex-Director), while remaining 1,154,999,993 shares of the Bank are held by the Parent Company i.e. MCB Bank Ltd.
- Statement of Compliance with Code of Corporate Governance is included in the Annual Report.
- Composition of the Board is given in the Statement of Compliance with the Code of Corporate Governance in the corporate governance section of the Annual Report.
- The Committees of Board of Directors along with their terms of reference/charter have been separately disclosed in the corporate governance section of the Annual Report.
- The number of Board and committees' meetings held during the year and attendance by each Director has been separately disclosed in the corporate governance section of the Annual Report.
- Detail of remuneration of Chairman, President/CEO and non-executive directors, including independent directors, is disclosed in note 37 of the financial statements. Non-executive directors are paid a reasonable and appropriate remuneration for attending the Board and/or its committee meetings which is not at a level that could be perceived to compromise independence. No fee is paid to the directors who do not attend a meeting. Similarly, fee is not paid for the proposals considered through circulation.
- Details of directors' training programs are given in the statement of compliance with the code of corporate governance.
- Key operating and financial data for the last 05 years is presented in the Annual Report.
- The value of investments of the Bank's Provident Fund based on unaudited accounts at Dec 31, 2020 amounted to Rs.346.87 million.
- There is no overdue statutory payment on account of taxes, duties, levies and charges.

### Charity Funds Management

Charity is one of the most important pillars of a healthy society. The Bank remains committed to its objective of paying back to the society, but in line with the Islamic principles of Ihsan - both directly and indirectly.

In order to disincentivize misuse of the system, customers have to contribute towards a charity account in case of late payment. Also, if during a Shariah audit, a transaction is identified where the process defined to ensure Shariah compliance is not followed, income of such a transaction is transferred to charity account. During 2020, a total of Rs.56.5 million was paid from the charity account on behalf of the customers and to purify the non-compliant income to different charitable organizations as detailed in Note 19.2.1 to Financial Statements.

### 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 2020.

### Auditors

M/s. KPMG Taseer Hadi & Co., Chartered Accountants after completion of 05 years' tenure as External Auditors of MCB Bank Ltd. are retiring. In pursuance of the Code of Corporate Governance, the External Auditors of a subsidiary Company should be the same as of that of the Parent Company, and the Board Audit Committee (BAC) has suggested the appointment of M/s A. F. Ferguson & Company, Chartered Accountants as auditors of the Bank in place of retiring auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants. The Board on the suggestion of BAC, has recommended to the shareholders the appointment of M/s A. F. Ferguson & Company, Chartered Accountants to act as statutory auditors of the Bank for the year ending December 31, 2021.

### Future Outlook

Despite a strong global growth projection for the year 2021 and recent vaccine approvals raising hopes of a turnaround in the pandemic, renewed waves and new variants of COVID-19 pose serious threats for the global economic outlook. Continued policy level support along with a quick and even rollout of the vaccines across the globe are the most likely fundamental requirements for a sustainable economic recovery.

Pakistan's economy, despite showing resilience after the impacts of stabilizing macro-economic policies and COVID-19 related slowdown, continue to face some concerns with respect to expected inflationary pressures in near term due to an upward adjustment in fuel prices and increasing utility tariffs. SBP expects the Policy rate to remain unchanged in the near term, in absence of unforeseen developments.

Despite the impacts of Covid-19, the long-term growth levers for banking industry remains intact, disruptive technologies and fintech are redefining the competitive landscape. The banking sector is at a crossroads for driving industry growth through financial inclusion, convenient policy and regulatory reforms and emergence of customers' expectations around convenience of evolving technological platforms of e-banking.

The Bank intends to continue with its strategy of long-term sustainable profitability through focus on generating no and low-cost Deposits, high earning assets, and building a professionally competent workforce. The Bank believes in optimization to carry out despite continuous investment towards technological upgradation to enable digital migration, currency devaluation and hiked inflationary pressures.

Further, the Bank remains committed to its vision to 'be the leading provider of Shariah compliant innovative financial products with a focus on service quality and providing superior value for our customers, shareholders, employees and the community' and will continue to contribute to the growth of Islamic banking in Pakistan.

### Acknowledgment

On behalf of the Board of Directors and management, I wish to express 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 the Bank under challenging business conditions.

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

  
Raza Mansha  
Chairman

  
Muhammad Azfar Alam Nomani  
President / CEO

February 09, 2021



### تسلیم و تحسین:

بورڈ آف ڈائریکٹرز کی جانب سے میں اپنے صارفین، کاروباری شراکت دار اور شیئرز ہولڈرز کا انکے مسلسل اعتماد اور تعاون پر تہ دل سے مشکور ہوں۔ میں اسٹیٹ بینک آف پاکستان، سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر انضباطی اداروں کے جاری معاونت اور رہنمائی پر بھی انکابے حد مشکور ہوں۔ بورڈ آف ڈائریکٹرز اپنے ملازمین کی خدمات کا پُر خلوص اعتراف کرتے ہیں جنکی بدولت ادارے نے مشکل ماحول میں بھی شاندار ترقی کی ہے۔

### منجانب و برائے بورڈ آف ڈائریکٹرز:

رضاء منشاء  
چیئرمین

محمد ظفر عالم نعمانی  
پریزیڈنٹ اسی ای او

09 فروری 2021

پاداش میں ایک خیراتی اکاؤنٹ میں شمولیت اختیار کرنی پڑتی ہے۔ علاوہ ازیں اگر شریعہ آڈٹ کے دوران کسی ایسے لین دین کی نشاندہی ہو جائے جہاں طریقہ کار کے اختیار کرنے میں شریعت سے انحراف کیا گیا ہو تو ایسے لین دین سے حاصل ہونے والی تمام آمدنی بھی خیراتی اکاؤنٹ میں شامل کردی جاتی ہے۔ سال 2020ء میں صارفین کی جانب سے اور غیر تقبلی آمدنی کو پاک کرنے کے لیے کل 56.5 ملین روپے کی رقم مختلف خیراتی اداروں کو ادا کی گئی جس کی تفصیل مالیاتی اسٹیٹمنٹس کے نوٹ 19.2.1 میں واضح کی گئی ہے۔

### بینک کے حصص کی ٹریڈنگ/کاروبار:

بینک فی الوقت ایک غیر لحد ادارہ ہے۔ لہذا اس کے ڈائریکٹرز، عہدہ داران اور ان کے شریک حیات اور نابالغ بچوں میں سے کسی نے بھی سال 2020ء میں بینک کے حصص کا کوئی کاروبار نہیں کیا۔

### آڈیٹرز:

میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس، ایم سی بی بینک میں بطور بیرونی آڈیٹرز اپنے پانچ سال مکمل کرنے کے بعد رخصت ہو رہے ہیں۔ کوڈ آف کارپوریٹ گورننس کے مطابق کسی بھی ذیلی کمپنی کے بیرونی آڈیٹرز کی مالک کمپنی کے آڈیٹرز ہی ہوتے ہیں۔ اور بورڈ آڈٹ کمیٹی نے میسرز ایف فرگوسن اینڈ کمپنی (A.F. Ferguson & Co.) چارٹرڈ اکاؤنٹینٹس کو ریٹائرنگ آڈیٹرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس کی جگہ بینک کے بیرونی آڈیٹرز مقرر کرنے کی سفارش کی ہے۔ بورڈ اپنی آڈٹ کمیٹی کی سفارش پر اپنے حصص یافتگان کو میسرز ایف فرگوسن اینڈ کمپنی (A.F. Ferguson & Co.) چارٹرڈ اکاؤنٹینٹس کو 31 دسمبر 2021 کو اختتام پذیر سال کے قانونی آڈیٹرز مقرر کرنے کی تجویز دیتا ہے۔

### مستقبل کی پیش بینی :

سال 2021ء کے عالمی نمو کے مضبوط تخمینوں اور ویکسین کی حالیہ منظوری، جس سے اس عالمگیر وباء سے جلد نجات کی امیدیں بڑھ گئی ہیں، کے باوجود کووڈ 19- کی نئی لہروں اور نئی تبدیلیوں نے عالمی معیشت کی پیش بینی کو شدید خطرات لاحق کر دیے ہیں۔ پالیسی کی سطح پر جاری سپورٹ اور اس کے ساتھ دنیا بھر میں ویکسین کی تیز ترین فراہمی کو یقینی بنانا اس وقت پائیدار معاشی بحالی کی بنیادی اور ناگزیر ضرورت بن چکا ہے۔

پاکستان کی معیشت، معاشی استحکام کی پالیسیوں کے اثرات اور کووڈ 19 کے باعث ہونے والی سست روی سے نبرد آزما ہونے کے باوجود، مستقبل قریب میں تیل کی قیمتوں میں اضافے اور بنیادی محصولات کے بڑھنے سے پیدا ہونے والے افراط زر کے دباؤ کا مسلسل سامنا کر رہی ہے۔ اسٹیٹ بینک آف پاکستان نے کسی غیر متوقع تبدیلی کے بغیر پالیسی ریٹ میں کسی بھی تبدیلی کی توقع کا اظہار نہیں کیا ہے۔

کووڈ 19 کے اثرات کے باوجود، بینکنگ کی صنعت کے طویل مدت میں نمو کے اشاریے اپنی جگہ پر برقرار ہیں۔ ٹیکنالوجی کی مشکلات اور فن ٹیک (Fintech) مسابقتی میدان کا ازسر نو تعین کر رہے ہیں۔ بینکنگ کا شعبہ مالیاتی شمولیت، آسان پالیسی اور ضوابطی اصلاحات اور ای بینکنگ کے ارتقائی پلیٹ فارمز میں سہولتوں سے صارفین کی ابھرتی ہوئی توقعات پر پورا اترتے ہوئے، صنعتی ترقی کی رہنمائی کی راہ پر گامزن ہے۔

بینک کم اور بغیر لاگت کے ڈیپازٹس کے حصول، زیادہ پیداواری اثاثہ جات اور ایک قابل افرادی قوت کی تعمیر پر اپنی توجہ مرکوز رکھتے ہوئے ایک طویل المدت پائیدار منافع کے حصول کی حکمت عملی کو جاری رکھے ہوئے ہے۔ بینک اپنی ڈیجیٹل منتقلی میں آسانی کے لیے مسلسل سرمایہ کاری، کرنی کی قدر میں فرسودگی اور بڑھتے ہوئے افراط زر کے دباؤ کے باوجود اصلاح کی جانب پیش قدمی پر یقین رکھتا ہے۔

مزید برآں، بینک شریعت کے تابع اور تنوع سے بھرپور مالیاتی پراڈکٹس، اپنی خدمات کے معیار پر توجہ اور اپنے صارفین، حصص یافتگان، ملازمین اور کمیونٹی کو اعلیٰ ترین درجہ کی ویلیو کی پیش کش کے ذریعہ ایک نمایاں فراہم کنندہ کے طور پر اپنے ویژن پر مکمل کاربند ہے۔ اور پاکستان میں اسلامی بینکاری کی نشوونما کے لیے اپنے کردار کو جاری رکھے ہوئے ہے۔



بیانیہ سالانہ رپورٹ میں شامل ہے۔

### کوڈ آف کارپوریٹ گورننس اور کمپنیز ایکٹ 2017ء کے سیکشن 227 کا بیانیہ:

بورڈ آف ڈائریکٹرز اس امر کو یقینی بنانے کے لیے کوشاں ہے کہ سیوریٹی اینڈ ایگزیکیوٹو کمیشن آف پاکستان کی جانب سے وضع کردہ کارپوریٹ گورننس کے مطلوبات کو مکمل طور پر پورا کیا جائے بینک نے کارپوریٹ گورننس کے بہترین اصولوں کو اختیار کیا ہے اور بورڈ آف ڈائریکٹرز بخوشی بیان کرتے ہیں کہ:

- بینک کے مینجمنٹ کی طرف سے تیار کردہ فنانشل اسٹیٹمنٹس اسکی کارکردگی، صورتحال، نقدی کے بہاؤ (کیش فلو) اور ایکویٹی میں تبدیلیوں کا واضح اظہار کرتی ہیں۔
- بینک کے اکاؤنٹس کی درست دستاویزات تیار کی گئی ہیں۔
- فنانشل اسٹیٹمنٹس کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے موزوں اور محتاط اندازوں پر مبنی ہیں۔
- فنانشل اسٹیٹمنٹس کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کو مد نظر رکھا گیا ہے اور اس سے کسی بھی انحراف کو وضاحت کے ساتھ سالانہ اکاؤنٹس میں بیان کیا گیا ہے۔
- کارپوریٹ گورننس کے بہترین معیار اور ضابطہ عمل سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
- بطور ادارہ بینک کے کام جاری رکھنے کی اہلیت میں کسی شک و شبہ کی گنجائش نہیں ہے۔
- 41.66 ملین روپے کا منافع سال 2020ء کے قانونی ریزرو میں منتقل کیا گیا ہے۔
- اندرونی انضباط کا نظام مضبوط خدوخال پر استوار کیا گیا ہے اور نہایت منوثر انداز میں نافذ اور جانچا جاتا ہے۔
- 31 دسمبر 2020ء تک 6 نان ایگزیکٹو ڈائریکٹرز کی ملکیت میں فی کس ایک حصص ہے۔ جناب آفتاب احمد خان (سابق ڈائریکٹر) کی ملکیت میں ایک حصص جبکہ بینک کے بھایا 1,154,999,993 حصص اس کی مالک کمپنی ایم سی بی بینک لمیٹڈ کے پاس ہیں۔
- کوڈ آف کارپوریٹ گورننس کی تعمیلات کا بیانیہ سالانہ رپورٹ میں شامل ہے۔
- بورڈ کی تشکیل، سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں موجود کوڈ آف کارپوریٹ گورننس کی تعمیلات میں درج ہے۔
- بورڈ آف ڈائریکٹرز کی کمیٹیوں اور اسکے دائرہ کار و اختیار اور کام کا طریقہ کار سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں علیحدہ طور پر تحریر کیا گیا ہے۔
- سال کے دوران، بورڈ اور کمیٹیوں کے منعقد شدہ اجلاسوں اور ان میں ہر ڈائریکٹر کی شرکت کی تفصیل کو سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں علیحدہ طور پر تحریر کیا گیا ہے۔
- چیئرمین، پریزیڈنٹ/سی ای او اور نان ایگزیکٹو ڈائریکٹرز بشمول آزاد ڈائریکٹرز کی تفصیل مالیاتی گوشواروں کے نوٹ 37 میں مہیا کی گئی ہے۔
- تمام نان ایگزیکٹو ڈائریکٹرز کو بورڈ اور ایسا اسکی ذیلی کمیٹیوں کے اجلاسوں میں شرکت کے عوض نہایت معقول اور مناسب معاوضہ دیا جاتا ہے۔ یہ معاوضے اس درجے کے نہیں ہوتے کہ کسی کی آزاد حیثیت کے بارے کسی مفامت یا سمجھوتے کا تاثر بھی مل سکے۔ اجلاس میں شرکت نہ کرنے والے ڈائریکٹرز کو کوئی فیس نہیں ادا کی جاتی۔ اسی طرح کسی تجویز کی سرکوشش کے ذریعے منظوری کی بھی کوئی ادائیگی نہیں کی جاتی۔
- ڈائریکٹرز کے ٹریننگ پروگرام کی تفصیل کوڈ آف کارپوریٹ گورننس کی تعمیلات کے بیانیہ میں درج ہے۔
- گزشتہ 5 سال کا نمایاں کاروباری اور مالیاتی ڈیٹا سالانہ رپورٹ میں پیش کیا گیا ہے۔
- 31 دسمبر 2020ء تک پروویڈنٹ فنڈ کی سرمایہ کاری کی قدر بمطابق غیر آڈیٹڈ اکاؤنٹس 346.87 ملین روپے رہی۔
- بینک کے ذمہ کسی طرح کا کوئی ٹیکس محصول، ڈیوٹی یا اس سے متعلقہ دیگر اخراجات واجب الادا نہیں ہے۔

### خیراتی فنڈز کا انتظام:

خیرات ایک مضبوط معاشرے کے اہم ستون کی حیثیت رکھتی ہے۔ اس امر اور احسان کے اسلامی اصول کو مد نظر رکھتے ہوئے بینک معاشرہ میں اپنا کردار ادا کرنے کے مقصد پر براہ راست یا بالواسطہ طور پر مسلسل کاربند ہے۔

شریعت کے متفقہ اصولوں کی روشنی میں صارفین سے ادائیگی میں تاخیر کو کوئی چارجز نہیں لیے جاتے تاہم، نظام کے غلط استعمال کو روکنے کے لیے صارفین کو تاخیری ادائیگی کی

نشانہ دی، رپورٹنگ اور متحرک میکانزم جو کہ بینک کی مخصوص ہدایات اور بورڈ آف ڈائریکٹرز کی جانب سے متعین کاروباری ہدف اور بینک کے حجم اور گنجائش جو کہ خدشات کے تدارک کے نظام کی آزادانہ حیثیت کو یقینی بناتے ہوئے ان کو جانچنے، پرکھنے، قابو پانے اور خدشات کو اخذ کرنے والے اولین کردار، یعنی کاروبار فراہم کرنے والے گروپس، کی جانب سے ان کا احاطہ کرنے سے مکمل مطابقت رکھتا ہو، پر مشتمل ہوتا ہے۔ بینک اپنے خدشات کے تدارک کے نظام کو بہترین عالمی طریقہ کار اور اسٹیٹ بینک آف پاکستان کے فراہم کردہ رہنمائی کے اصولوں کے مطابق ہم آہنگ کرنے کے لیے پرعزم ہے۔

بورڈ کی ایک ذیلی کمیٹی (RISK MANAGEMENT & PORTFOLIO REVIEW COMMITTEE) "رہنما مینجمنٹ اینڈ پورٹ فولیو ریویو کمیٹی" ریسک مینجمنٹ گروپ سے باقاعدگی سے کریڈٹ، مارکیٹ اور آپریشنل ریسک کے بارے میں تازہ ترین معلومات سرمایہ بنیاد پر حاصل کرتی ہے اور اس بارے میں ہدایات اور رہنمائی بھی فراہم کرتی ہے۔ علاوہ ازیں، مینجمنٹ فنانس کمیٹی (Management Finance Committee) بھی ایک مزید پلیٹ فارم ہے جو انتظامی درجہ پر خدشات کی تشخیص اور اس کا جائزہ اور اس بارے میں اپنی رائے دیتی ہے۔

بینک کا مارکیٹ ریسک مینجمنٹ یونٹ انضباطی تقاضوں کو پورا کرتے ہوئے مارکیٹ اور سیال پذیری کے خدشات کے لیے باسل (BASEL) سے متعلقہ تناسب، سرمائے کی موزونیت کا سالانہ داخلی جائزہ، کردار سازی کی تحقیق اور مختلف خدشات کے لیے سرمایہ سٹریٹس ٹیسٹنگ (STRESS TESTING) کے عمل کا ذمہ دار ہے۔ مختلف منڈیوں سے جڑے خدشات کے امور کے تجزیے کے لیے بینک ان کی ویلیو ایٹ ریسک (Value at Risk) کا تخمینہ بھی لگاتا ہے۔ ضوابطی مطلوبات کے مطابق بینک 9 - IFRS کے Expected Loss کے فریم ورک کے نفاذ کے لیے مستعدی سے کاربند ہے۔

(Asset-Liability Management Framework/ Liquidity Strategy & Contingency Plan) پر عملدرآمد جاری ہے تاکہ اپنے منافع میں بھرپور شمولیت رکھتے ہوئے بینک اپنی سیال پذیری کی ضروریات کو بروقت پورا کر سکے۔ انتظامی درجہ پر ایٹ لیبیلیٹی کمیٹی (Asset Liability Committee) اثاثہ جات اور واجبات کے انتظام کے عمل کی نگرانی کی ذمہ دار ہے۔

بینک کے کاروباری خدشات کا تدارک متنوع ڈیٹا (DATA) کو اکٹھا کرنے کے نظام کے ذریعہ کیا جاتا ہے۔ جس میں بشمول (نگران تک ہی محدود نہیں) کاروباری نقصانات کا ڈیٹا، نیز میس ایونٹس (Near Miss Events)، کنٹرول بریک (CONTROL BREACH) ڈیٹا، داخلی/ بیرونی/ قلمی/ انضباطی مشاہدوں اور خدشات پر قابو پانے اور خود تشخیصی مشقیں شامل ہیں۔ بینک نے اب کاروباری خدشات سے متعلق ڈیٹا کو جمع کرنے کے لیے اپنے ادارے کے اندر ہی ایک نظام وضع کر لیا ہے۔ فراڈ (دھوکہ دہی) کے خدشات کی ایک مخصوص یونٹ کے ذریعے نگرانی کی جاتی ہے جو ایک 24 x 7 کال سینٹر کو بھی چلاتا ہے تاکہ ڈیجیٹل بینکاری کے لین دین کے استعمال کا کھوج لگایا جاسکے۔

بزنس کوئنٹی نیوٹی پلاننگ (Bussiness Continuty Planning) اور ڈیزاسٹر ریکوری پلاننگ (Diaster Recovery Planning) موجود ہیں جو کہ ایک مخصوص یونٹ کے ذریعے کی جاتی ہیں۔

اپنے شاف کو کاروباری خدشات، فراڈ کے خدشات، سائبر سیکیورٹی خدشات اور کاروبار کو جاری رکھنے جیسے معاملات سے مکمل آگاہی کے لیے ہیومن ریسورسز کے ٹریننگ ڈیپارٹمنٹ کے تعاون سے پورے بینک میں مختلف ٹریننگ سیشنز کا انعقاد کیا گیا ہے۔

آئی ٹی سیکیورٹی کے خدشات کا تدارک ڈیٹا بیس لاگز (Data Base Logs)، (Patch Management and Cyber Threats) پیچ مینجمنٹ اور سائبر تھریٹس کی نگرانی کے خود کار نظام کے ذریعے کیا جاتا ہے جس میں اندرونی اور بیرونی حاسیت کا جائزہ اور اس میں مداخلت کی ٹیسٹنگ (Testing) بھی شامل ہے۔ ایک 24 x 7 سیکیورٹی آپریشن سینٹر بھی نگرانی کیلئے موجود ہے۔ بینک آنے والے سال میں اپنے خدشات کے تدارک کے اقدامات کو مزید مستحکم کرنے کا اعادہ رکھتا ہے۔

### کریڈٹ ریسٹنگ:

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

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

بورڈ انتہائی مسرت سے اندرونی انضباط سے متعلق انتظامیہ کے بیانیہ بشمول انتظامیہ کے آئی سی ایف آ (ICFR) کے تخمینے کی توثیق کرتا ہے۔ انتظامیہ کا اندرونی انضباط کا



داخلی محاذ پر، ملک کی معیشت جو پہلے سے نمایاں سست روی کا شکار تھی، نے حکومت اور اسٹیٹ بینک آف پاکستان کی جانب سے معاشی استحکام کے لیے اٹھائے گئے کڑے اقدامات کے بعد سال 2020ء کی دوسری ششماہی کے دوران بحالی کے اشاریے ظاہر کرنا شروع کر چکی ہے۔ تاہم مسلسل برقرار رہتے مالیاتی اور کووڈ سے جڑے خدشات کے تناظر میں اسٹیٹ بینک آف پاکستان نے اگلے مالی سال کے لیے نمو کا تخمینہ 2 فیصد کی شرح سے معمولی اضافہ پر لگایا ہے۔

**صارفین کی قیمتوں کا قومی انڈیکس (National Consumer Price Index - CPI)** گزشتہ سال کی 12.6 فیصد کی شرح کے مقابلہ میں، سال بہ سال کی بنیاد پر، تیل کی قیمتوں میں اضافے کے باوجود اشیاء خورد و نوش کے افراط زر میں کمی کے باعث دسمبر 2020ء میں 8 فیصد پر رہا۔ مزید یہ کہ اسٹیٹ بینک آف پاکستان نے، اس توقع پر کہ مالی سال 2021ء کے لیے افراط زر کی شرح 7 سے 9 فیصد کی پہلے سے تخمینہ شدہ حدود میں رہیں گی، اپنے مائٹری پالیسی بیانیہ مورخہ 22 جنوری 2021ء میں پالیسی ریٹ کو 7 فیصد کی شرح پر برقرار رکھا ہے۔

بڑے پیمانے کی صنعت سازی نے گزشتہ سال کے اسی تقابلی عرصہ کے دوران 5.3 فیصد کے سکڑاؤ کی نسبت مالی سال 2021ء میں اب تک، سال بہ سال کی بنیاد پر، 7.4 فیصد کی نمو حاصل کی ہے۔ اس کے ذیلی شعبوں کی کثیر تعداد نومبر 2020ء سے مثبت نمو کا آغاز کر چکی ہے، جو کہ وسیع الہیاد صنعتی بحالی کے عمل کا اظہار ہے۔ طلب کے حوالہ سے، تعمیرات کی سرگرمیوں میں اضافے کے باعث سینٹ کی فروخت اچھی رہی۔ جبکہ پٹرولیم کی مصنوعات اور گاڑیوں کی فروخت میں بھی اضافہ دیکھا گیا۔ زراعت میں، کپاس کی پیداوار میں توقع سے زیادہ کمی کے اثرات کو دیگر فصلوں بشمول گندم میں بہتری نے بڑی حد تک زائل کر دیا، جس میں اعلان کردہ امدادی قیمت اور کھاد کے لیے سب سڈی کا اہم کردار رہا۔ مزید برآں، صنعت اور تعمیراتی شعبہ میں جاری بہتری سے دیگر شعبوں، جس میں تھوک و پرجون فروش اور نقل و حمل شامل ہیں، کو بھی ثمرات حاصل ہو سکیں گے۔

سال 2021ء کی پہلی ششماہی کے دوران بیرونی شعبہ میں، کرنٹ اکاؤنٹ میں مسلسل بہتری جاری رہی، جو کہ گزشتہ سال کی اسی مدت کے 2 بلین امریکی ڈالرز سے زائد کے خسارے کی نسبت 1.1 بلین امریکی ڈالرز کے سرپلس میں رہا۔ اس میں زیادہ تر کردار افرادی ترسیلات زر کی مضبوط وصولیوں کا رہا جس میں، سال بہ سال کی بنیاد پر، 24.9 فیصد کی نمو دیکھی گئی۔ معاشی سرگرمیوں میں اضافے کے تناظر میں برآمدات میں بھی کووڈ سے پہلے کی 2 بلین امریکی ڈالرز کی ماہانہ سطح تک کی بہتری دیکھی گئی جبکہ درآمدات میں بھی مشینری اور صنعتی خام مال کے باعث اضافہ درج ہوا۔ جو کہ معاشی سرگرمیوں میں بہتری سے مماثلت رکھتا ہے کرنٹ اکاؤنٹ میں مسلسل بہتری کی بدولت زرمبادلہ کی شرح میں قدرے اضافہ ہوا اور بیرونی خدشات کے تدارک کو مضبوط کرنے کا باعث رہا۔ غیر ملکی زرمبادلہ کے ذخائر دسمبر 2020ء تک 20.5 بلین امریکی ڈالرز پر جا پہنچے۔

مالیاتی حوالہ سے، سود کی مد اور کووڈ سے متعلق اخراجات کے اضافے کے باوجود، مالیاتی حوالہ سے ہونے والی پیش رفت زیادہ تر اس سال کے بجٹ کے تخمینہ کے مطابق رہی اور آمدنی میں ہونے والی توانا نمو، مالی سال 2021ء کے دوران خسارے کو محدود رکھنے میں اب تک مددگار ثابت ہوئی ہے۔ مالی سال 2021ء کی پہلی ششماہی میں فیڈرل بورڈ آف ریونیو (ایف بی آر) کی آمدنی کی وصولیوں کی شرح میں 5 فیصد تک کا اضافہ ہوا۔

اسٹاک مارکیٹ میں بھی سال 2020ء کے دوران مجموعی طور پر افزائش کا رجحان دیکھا گیا جو کہ معاشی پیش بینی کے بارے میں سرمایہ کاروں کے اعتماد کی بتدریج بحالی کا مرہون منت ہے۔ کے ایس ای - 100 انڈیکس 31 دسمبر 2020ء تک 43,755 پوائنٹس پر بند ہوا۔

سال 2020ء میں بھی اسلامی بینکنگ کی صنعت اپنی وسعت کے پھیلاؤ میں مصروف عمل رہی۔ اور اپنی متنوع مصنوعات اور اعلیٰ معیار کی خدمات کے ذریعے روایتی بینکوں کا ڈٹ کر مقابلہ کرتی رہی۔ کل اثاثہ جات اور ڈیپازٹس بالترتیب 27.2 فیصد اور 26 فیصد کی نمو کے ساتھ بالترتیب 3,809 بلین روپے (16 فیصد مارکیٹ شیئر) اور 3,034 بلین روپے (17.3 فیصد مارکیٹ شیئر) پر درج کیے گئے جبکہ برانچوں کا نیٹ ورک ستمبر 2020ء کے اختتام تک 3,303 برانچوں پر جا پہنچا۔

### خدشات کا انتظام (رہنما بحث فریم ورک):

خدشات کے تدارک کا نظام، گورننس اور ادارے کی انتظامی ہیئت، پالیسی اور طریقہ کار، خدشات کے تعین کے اسلوب، آلات، سسٹمز، خطرات کی پیشگی

اپنے موزوں ادارتی ڈھانچے، خدشات کے تدارک کے کثیر الجہت نظام اور ضوابطی ہدایات کی مناسب تعمیل کی بدولت بینک نے کاروباری اور مالیاتی دونوں محاذ پر اپنی کارکردگی میں تسلسل کا مظاہرہ کیا ہے۔ الحمد للہ، بینک نے سال 2020ء کے لیے 393 ملین روپے کا قبل ازنگس منافع حاصل کیا ہے۔

اس سال کے دوران بینک نے اپنے موجودہ برانچ نیٹ ورک، جس کا حجم 187 برانچوں تک پہنچ چکا ہے، کے ساتھ اپنی پوزیشن کو مستحکم کیا ہے۔ واجبات کے حوالہ سے ہماری باصلاحیت ٹیم ڈیپازٹ پورٹ فولیو میں 21 فیصد کی شاندار نمو حاصل کرنے میں کامیاب رہی ہے۔ جو کہ سال 2019 کے 81.8 بلین روپے کی نسبت سال بہ سال کی بنیاد پر 99.2 بلین روپے تک جا پہنچے۔ بینک نے نہایت کامیابی سے ناصر سے اکاؤنٹس کا اجرا کیا ہے بلکہ مضبوط تعلقاتی انتظام اور صارفین کے بہتر تجربہ کے ذریعے اپنے سرمائے کی لاگت کو 4.88 فیصد کی مناسب ترین شرح پر برقرار بھی رکھا ہے۔ بینک اپنی توجہ کم اور بغیر لاگت کے ڈیپازٹس کو جمع کرنے پر برقرار رکھے ہوئے ہے جس کی بدولت کاسا (CASA) کی ترکیب 78.4 فیصد کی توانا شرح پر رہی اور اس کے ساتھ دسمبر 2020 تک کے کل ڈیپازٹس کی ترکیب میں غیر پیداواری ڈیپازٹس کی شرح کا حصہ 33.6 فیصد رہا۔ یہ صورتحال مستقبل میں سیالیت کے مطلوبات کے حوالے سے دباؤ کو برداشت کرنے کی بھرپور اور مضبوط صلاحیت کا مظہر ہے۔

بینک کے اثاثہ جات دسمبر 2019ء کے 105 بلین روپے کے اختتامی حجم سے 34 فیصد کے اضافے کے ساتھ دسمبر 2020ء کے اختتام تک 141 بلین روپے پر جا پہنچے۔ بینک کی سرمائے کے بہترین استعمال اور اس کے ساتھ ساتھ اثاثہ جات کے معیار پر مرکوز حکمت عملی کی بدولت خالص اسلامی فنانسنگ اور سرمایہ کاری میں بالترتیب 65 فیصد اور 69 فیصد کی مضبوط نمو دیکھی گئی۔ خالص فنانسنگ دسمبر 2019ء کے 51.3 بلین روپے کے حجم کے مقابلے میں 84.9 بلین روپے رہی جبکہ سرمایہ کاری 31 دسمبر 2019ء کی 16.3 بلین روپے کی سطح کی نسبت 31 دسمبر 2020ء تک 27.6 بلین روپے پر درج کی گئی۔

منافع کی مد میں، بینک کپٹل مارکیٹ کی طیران پذیری اور معاشی صورتحال کی سست روی کے باوجود، گزشتہ سال کے نقصان کی نسبت منافع حاصل کرنے میں کامیاب رہا ہے۔ اوسط پیداواری اثاثہ جات میں مثبت مقدار نمو، جس کو صارفین کے بہتر ہوتے سپریڈز اور ری پروفائلنگ کے ذریعے موزوں مدتی انتظام کا تعاون بھی حاصل رہا، نے بینک کو سال 2019ء کے 10.2 بلین روپے کی نسبت سال 2020ء میں 10.4 بلین روپے کی کل آمدنی حاصل کرنے کے قابل کیا۔ پیداواری اثاثہ جات کی آمدنی 9.83 فیصد کی توانا سطح پر درج ہوئی جبکہ سرمائے کی لاگت کی شرح 4.88 فیصد پر رہی۔ جس کے نتیجے میں اس زیر نظر سال کے دوران 4.95 فیصد کا خالص سپریڈ حاصل ہوا۔ اس زیر تجزیہ عرصہ کے دوران افراط زر کے دباؤ کے باوجود کاروباری اخراجات کو منافع کی پائیدار سطح کے حصول کی خاطر، بہتر انتظام کے ساتھ، گزشتہ سال کی نسبت محض 4 فیصد کے اضافے پر محدود رکھا گیا۔

اس سال کے دوران بینک کا منافع قبل از پرویٹرز گزشتہ سال کے 166 بلین روپے کے نقصان قبل از پرویٹرز سے 346 فیصد کی غیر معمولی شرح کے اضافے کے ساتھ 408 بلین روپے پر درج کیا گیا۔ مزید یہ کہ گزشتہ سال کی 200 بلین کی پرویٹرز کی نسبت اس سال کے دوران پرویٹرز 15.3 بلین رہی، جو کہ بینک کی جانب سے بہتر ہوتی کپٹل مارکیٹ کے فوائد سے مستفید اور اپنے اثاثہ جات کے اعلیٰ معیار کو یقینی بناتے ہوئے سرمائے کے انصرام کے حوالے سے بینک کی موثر کارگزاری کا شاہد ہے۔

مندرجہ بالا عوامل اور مشکل معاشی صورتحال کے تناظر میں، بتدریج بہتر ہوتے میزانیہ کے سپریڈز کے باعث بینک کے نفع و نقصان میں خاصی بہتری آئی اور گزشتہ سال کے تقابلی عرصہ کے 244 بلین روپے کے نقصان کی نسبت اس زیر تجزیہ مدت کے لیے 208 بلین روپے کا منافع بعد ازنگس درج کیا گیا جو کہ 185 فیصد کی نہایت شاندار نمو کا مظہر ہے۔ بینک کے منافع میں بہتری، فی حصص آمدنی بعد ازنگس سے بھی ظاہر ہوتی ہے جو کہ گزشتہ سال کی 0.21 روپے فی حصص کے نقصان کی نسبت، اس زیر تجزیہ مدت میں، 0.18 روپے فی حصص پر درج کی گئی۔

### معاشی جائزہ :

عالمی معیشت، کرونا وائرس (کووڈ-19) کے پھیلاؤ کے باعث نہایت پستی کا شکار ہونے کے بعد، اب بحالی کے اشاریے ظاہر کر رہی ہے۔ عالمی مالیاتی فنڈ (آئی ایم ایف) نے سال 2020ء کے لیے عالمی نمو میں 3.5 فیصد کی منفی نمو کا تخمینہ لگایا ہے۔ جو کہ سال کی دوسری ششماہی کے دوران مضبوط معاشی بحالی کی توقع ظاہر کرتی ہے۔ اس غیر معمولی غیر یقینی صورتحال کے درمیان، عالمی معیشت میں سال کے آخر میں ویکسین پر منحصر سرگرمیوں اور اس کے ساتھ چند بڑی معیشتوں کے لیے اضافی پالیسی سپورٹ کی توقع کے باعث، اگلے سال 5.5 فیصد کی نمو کا اندازہ لگایا گیا ہے۔



## ممبران کے لیے ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے میں انتہائی مسرت کے ساتھ ایم سی بی اسلامک بینک لمیٹڈ (بینک) کی 31 دسمبر 2020 کو اختتام پذیر سال کی رپورٹ آپ کے سامنے پیش کر رہا ہوں۔

ملین روپے			
مالیاتی اٹیٹمنٹس کی حیثیت (پوزیشن)	2020	2019	نمو (%)
ڈیپازٹس	99,253	81,854	21%
کل اثاثہ جات	141,171	105,022	34%
سرمایہ کاری۔ خالص	27,618	16,310	69%
اسلامی فنانسنگ۔ (خالص)	84,896	51,310	65%
حصص یافتگان کی اکیویٹی (سرمایہ) بشمول تحفہ نو	10,728	10,467	2%
نفع و نقصان کا اکاؤنٹ	2020	2019	نمو (%)
آپریٹنگ (کاروباری) آمدنی	5,074	4,337	17%
آپریٹنگ (کاروباری) و دیگر اخراجات	4,666	4,503	4%
نفع / (نقصان) قبل از پروویژنز	408	(166)	346%
فنانسنگ اور سرمایہ کاری کے لیے پروویژنز	15.3	199.8	-92%
نفع / (نقصان) قبل از ٹیکس	393	(366)	207%
نفع / (نقصان) بعد از ٹیکس	208	(244)	185%
بنیادی/تحلیل شدہ نفع / (نقصان) فی شیئر (حصص) روپے	0.18	(0.21)	185%

### بینک کی کارکردگی :

سال 2020ء کے دوران پاکستان کی بینکنگ کی صنعت کو کثیر مشکلات درپیش رہیں جن میں بینچ مارک پالیسی ریٹ میں تیزی سے کمی کے دباؤ کو محدود رکھنے کیلئے اپنی حکمت عملی کی تبدیلی، کام کی جگہ کو محفوظ رکھنے کی روایت کا نفاذ، خلل کا باعث بننے والی ٹیکنالوجی کی ترقی اور اس سے جڑے صارفین کے تجربات کے خدوخال کے ارتقاء، ضوابطی مطلوبات میں جدت اور کووڈ-19 کی عالمگیر وباء کے باعث قرض کی نمو اور معیار میں تنزلی شامل تھے۔

ان درپیش خدشات کے ادراک کے مدنظر بینک نے ڈیپازٹ کی اساس اور اعلیٰ معیار کے اثاثہ جات کی پائیدار نمو کیلئے اپنے معاشی سرمائے کے خطا انتظام پر ارتکاز کو جاری رکھا۔ پالیسی ریٹ کی تطہیر کے رجحان اور اس کے ساتھ کاروبار جاری رکھنے کی لاگت بشمول ضوابطی اور تعمیلی لاگت میں اضافہ کی وجہ سے منافع میں سکڑاؤ برقرار رہا۔

## BUSINESS BANKING LARGE RANGE OF BUSINESS PRODUCTS





## COMMERCIAL BANKING

### FINANCING SERVICES FOR THE DIVERSIFIED INDUSTRIES

## FINANCIAL SUMMARY

### FINANCIAL SUMMARY

#### FINANCIAL DATA

##### STATEMENT OF FINANCIAL POSITION

	2020	2019	2018	2017	2016	2015
	Rupees in thousands					
Total assets - net	141,170,886	105,017,261	94,894,435	51,745,997	28,564,193	26,887,541
Cash and balances with treasury banks	9,872,197	10,252,547	6,990,369	3,390,753	1,509,804	698,123
Balances with other banks	4,996,602	8,822,985	1,422,701	2,703,251	2,750,998	6,347,459
Due from financial institutions	828,790	5,851,664	4,675,000	1,400,000	-	-
Investments - net	27,617,997	16,309,800	12,713,954	9,186,213	5,769,675	5,995,470
Islamic financing and related assets - net	84,896,191	51,309,967	62,907,204	31,472,935	16,172,727	12,473,797
Operating fixed assets and others	12,959,109	12,470,298	6,185,207	3,752,376	2,404,803	1,372,692
Total liabilities - net	130,443,114	94,550,460	84,824,921	42,115,218	18,298,320	16,904,789
Bills payable	2,470,821	973,627	1,303,992	314,210	447,776	89,864
Due to financial institutions	20,596,773	4,127,526	7,800,628	7,926,790	2,785,650	631,520
Deposits and other accounts	99,253,161	81,853,511	73,307,185	32,690,808	14,279,436	9,450,072
Other liabilities	8,122,359	7,595,796	2,413,116	1,183,410	744,934	6,733,333
Net assets	10,727,772	10,466,801	10,069,514	9,630,779	10,265,873	9,982,752
Share capital	11,550,000	11,550,000	11,200,000	10,000,000	10,000,000	10,000,000
Shareholders' equity	10,254,456	10,044,475	9,937,242	9,832,379	10,094,531	10,014,614

##### PROFIT AND LOSS ACCOUNT

Profit / return earned	9,676,435	9,848,819	4,208,875	2,060,927	1,526,778	376,295
Profit / return expensed	5,280,989	5,855,061	2,304,950	1,005,671	576,544	101,057
Net spread earned	4,395,446	3,993,758	1,903,925	1,055,256	950,234	275,238
Fee and commission income	316,426	294,491	162,245	46,325	34,678	9,874
Dividend income and gain / (loss) on sale of securities - net	61,977	(34,600)	75,769	352,356	196,172	10,439
Income from dealing in foreign currencies	209,888	63,685	148,228	29,846	17,322	3,968
Other income	89,862	19,743	13,020	10,483	10,992	787
Total income	5,073,599	4,337,077	2,303,187	1,494,266	1,209,398	300,306
Operating and other expenses	4,665,250	4,503,022	3,087,754	1,845,247	1,189,562	202,774
Profit / (loss) before provisions	408,349	(165,945)	(784,567)	(350,981)	19,836	97,532
Provision / (reversal of provision)	15,270	199,814	895,646	(54)	(94,137)	39,901
Profit / (loss) before taxation	393,079	(365,759)	(1,680,213)	(350,927)	113,973	57,631
Taxation	(184,763)	122,147	584,231	87,930	(34,056)	(5,324)
Profit / (loss) after taxation	208,316	(243,612)	(1,095,982)	(262,997)	79,917	52,307

##### OTHERS

Imports	42,267,418	37,916,224	46,289,721	23,416,703	13,259,000	2,018,706
Exports	16,037,417	15,517,775	5,762,144	1,971,928	1,807,700	100,169

##### KEY RATIOS

Capital adequacy ratio	12.01%	13.82%	13.19%	23.81%	39.74%	46.50%
Profit / (loss) before tax ratio	4.06%	-3.71%	-39.92%	-17.03%	7.46%	15.32%
Profit / (loss) after tax ratio	2.15%	-2.47%	-26.04%	-12.76%	5.23%	13.90%
Income / expense ratio	103.95%	96.54%	73.28%	87.69%	106.82%	116.77%
Return of average equity (ROE)	2.05%	-2.44%	-11.09%	-2.64%	0.79%	0.52%
Return of average assets (ROA)	0.17%	-0.24%	-1.49%	-0.65%	0.45%	0.77%
Return of average earning assets	9.83%	11.55%	6.70%	6.99%	6.79%	6.34%
Cost of deposit	4.82%	6.28%	3.37%	3.15%	3.34%	3.17%
Cost of fund	4.88%	6.39%	3.87%	3.60%	3.54%	3.26%
Gross Financing to Deposit ratio	85.60%	62.73%	85.83%	96.28%	113.27%	133.01%
Infection ratio	0.89%	0.74%	0.02%	0.00%	0.01%	0.01%
CASA to Deposit ratio	78.37%	76.86%	86.06%	79.19%	58.67%	60.68%
Book value per share including revaluation surplus	9.29	9.06	8.99	9.63	10.27	9.98
Basic / diluted earnings / (loss) per share after tax - Rupees	0.180	(0.211)	(0.987)	(0.263)	0.080	0.052

##### NON-FINANCIAL DATA

No. of employees (excluding outsourced)	1,633	1,619	1,493	795	601	328
No. of financing customers (excluding staff)	5,746	5,351	1,953	179	71	31
No. of deposit accounts	290,535	281,307	280,977	48,492	31,250	22,498



## FAIR TREATMENT TO CUSTOMERS PROVIDING OUR CUSTOMERS WITH THE HIGHEST LEVEL OF SATISFACTION



## SERVICE QUALITY

We at MCB Islamic Bank are Shariah driven and conduct our activity in a fair, ethical and responsible manner. Our Bank's vision and mission statement revolves around providing quality services and superior value to our customers.

Service Quality Control Committee, chaired by the President & CEO and comprising senior level representation from key support and business functions meets regularly to review service delivery performance of the Bank and provides supervision, direction and leadership to service management activities in the Bank.

Service Quality function, which is part of Compliance and Controls Group, is responsible for capturing customer experience through various service techniques and improve bank's processes/policies in conjunction with industry norms and SBP requirements. We listen to our customers through a number of different interactions like surveys, social media and complaints as well. By amassing and analysing all this information, we attempt to periodically improve our customer services.

A dedicated specialized Complaint Management Unit is in place to resolve grievances of our valued consumers. All our customers have the option of registering their complaints at any of our branches across the country, via 24/7 phone banking center, website, letter/fax and email. We focus heavily on staff training and emphasize the importance of recording complaints through all available mediums in the Bank, mainly (but not limited to) ATM screens, website & through awareness SMS and emails; along with brochures available in our branches.

Our Bank also has a complaint escalation mechanism whereby all complaints are escalated to the senior management if not resolved within the stipulated timeline. A total of 4,613 complaints were received by the Bank in 2020 out of which 4,604 complaints were resolved as of 31 December 2020 and the average time taken to resolve these complaints was 3 working days.



## COVID-19

KEEP SOCIAL DISTANCE, STAY SAFE

## OUTSOURCING ARRANGEMENTS

To meet new & complex challenges like innovation in technology, increasing competition, economies of scale and improvement in quality of service to its customers, MCB Islamic Bank has outsourced following activities/functions.

- **SWIFT Connectivity from EastNets**  
(GWCP-Gateway Connectivity Pack with DR)
- **Statement Rendition & Dispatch of Customers Intimation Letters**  
(Printing, Stuffing, Distribution of Account Statements, Customer Intimation Letters {Dormancy & CNIC expiry} & Other Correspondence)
- **Staff Hiring**  
(Tea Boys/Office boys/Business Development Services)
- **Guarding/Monitoring/Patrolling Services**  
(Provision of Security Guards/Electronic Monitoring with response for all & Patrolling Services for Guard less Branches)
- **IT Support & Services**  
(Hardware/Software Support for Branches & Regional Offices)

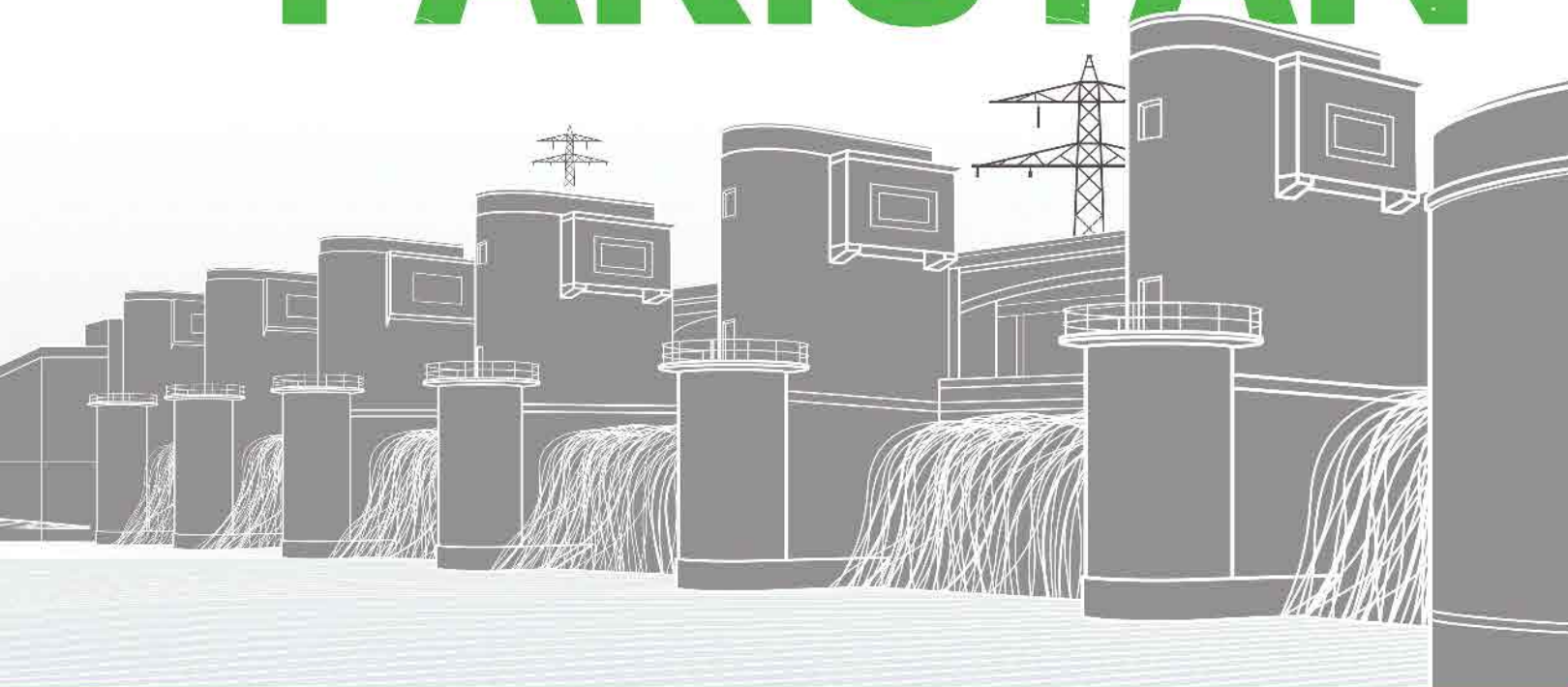
Material Outsourcing Arrangement - MCB Islamic Bank Ltd.

Sr No.	Nature of Service System/Process/ Activity Name	System Description	Name of Service Provider	Country of 3 <sup>rd</sup> Party Service Provider	Estimated Cost	
					One-Time	Annual Recurring (2020)
1	SWIFT Connectivity through EastNets (GWCP-Gateway Connectivity Pack with DR)	SAG, HSM, SNL & VPN	EastNets FZ-LLC	UAE - Dubai	USD 17,045.00	USD 12,631.00
2	Statement Rendition & Dispatch of Customers Intimation Letters (CNIC Expiry & Dormancy etc.)	N/A	TCS Private Limited	Pakistan	N/A	PKR 3,400,324.00
			Leopards Courier Services (Pvt.) Ltd.	Pakistan	N/A	PKR 0.00



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AND HELP BUILD OUR DAMS

# SAVE PAKISTAN



## GREEN BANKING INITIATIVES

In the light of SBP guidelines on Green Banking, MCB Islamic Bank (the Bank) has taken various measures that contribute towards environmental wellbeing within its domain. As a first step, a senior resource from HR Group and one resource from each Group were designated as the Bank's "Chief Green Banking Officer" and "Green Liaison Officers" respectively, so that the Bank's quest to pursue its Green Banking agenda is kept alive and coordinated at all levels. During this period the Bank also initiated installation of energy efficient Air Conditioners, based on DC Inverter technology at various branches and offices; in addition to this measure, some solar powered electricity backup systems have also been installed at selected office premises to encourage the use of renewable energy in the Bank.

Risk Management Group has issued Policy and procedural guidelines for understanding and managing of environmental risk in the Bank's financing portfolio. All financing cases go through the process of environmental due diligence and are subsequently allocated a rating, underlining the environmental risk characterization. The Chief Risk Officer serves as the Environmental Risk Manager for financing cases as part of Management Financing Committee.

Further, in order to ensure environmental awareness amongst the workforce, Green Banking Training has been made part of the "Banking Certification Program" for new hires, along with regular instructions being disseminated to avoid excessive use of printers and more frequent use of soft copy in the Bank.



## MCB ISLAMIC FOREIGN EXCHANGE PORTAL END TO END DIGITALIZATION

## REMUNERATION POLICY

The Remuneration Policy of the Bank has been prepared in the light of SBP's "Revised Guidelines on Remuneration Practices of Banking Companies - 2017" and International best practices to promote a sound culture of risk aligned compensation in a transparent manner for acquisition and retention of talent, while attaining economic viability as per stakeholder's expectations. The stipulations of the Remuneration Policy apply to all staff. This Policy strengthen the bank's compensation practices and formalize a system in order to promote a culture of pay for performance. The developed framework is meant to be objective & transparent in spirit as well as in its implementation in order to encourage not only performance & motivation but employee's engagement & retention as well. The policy also covers identification of Material Risk Takers (MRT), Material Risk Controllers (MRC), performance assessment through balanced score cards, compensation structure and deferral mechanism.

The responsibility of approving the Remuneration Policy rests with the Board of Directors. The Board has constituted the Human Resource and Remuneration Committee (HRRC) for recommending to the Board, the structure of the remuneration policy, including the remuneration setting structure, mechanism, composition of remuneration and other related matters. At management level, HR function leads the overall remuneration policy.

Total compensation of staff is composed of fixed remuneration and variable remuneration. Fixed remuneration is the guaranteed pay and is paid to the staff for the services that they rendered to the bank. Fixed remuneration consists of Basic Salary, allowances, perks and other benefits and is determined by factors such as qualification, experience, criticality of position, organizational need, functional title and market compensation structure for similar positions. Variable remuneration is the part of total compensation which is linked with pre-determined factors of performance both qualitative and quantitative, including but not limited to; Bank's strategy, Business Growth, Financial Targets, Profitability, Annual Performance Ratings and Cost Minimization etc. Variable compensation is linked with individual performance and comprises of Performance Bonus, commissions, incentives and allowances. Currently bank is not considering Stock Bonuses or Stock Options as a remuneration tool.

The bank has identified functions and designations as MRTs and MRCs, which include President/CEO, Key Executives and direct reports of the President/CEO, some relevant Business / Division Heads, General Managers and those having credit limit/expense limit of Rs.50 million or above.

MRC functions within the bank play a role in identification and mitigation of the risks being undertaken by the bank. MRCs have suitable autonomy and authority to perform their tasks independently, having clear line of responsibility and without influence from the functions they are assigned to review. In order to ensure their independence, the performance appraisal of MRCs' staff is not carried out by those business or risk taking MRT functions whose risk taking activity is reviewed by these MRCs.

Balanced Score Cards are defined for all MRTs & MRCs for carrying out an objective and transparent performance assessment. These Score Card includes Goals, Key Performance Indicators (KPI) and all financial & non-financial targets. The progress against KPIs are reviewed and discussed between the President and his direct reports. Merit based increase in fixed salary is determined through a matrix formula for that performance year while the variable compensation is derived through the performance score of individual, their respective department and the overall bank. As part of remuneration mechanism an appropriate proportion of the amount of variable pay is deferred for MRTs and MRCs and kept in a special account maintained within the bank.



## REPORT OF SHARI'AH BOARD

(FOR THE YEAR ENDED DECEMBER 31, 2020)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ وَالصَّلَاةُ وَالسَّلَامُ عَلَى خَاتَمِ الْأَنْبِيَاءِ وَالْمُرْسَلِينَ  
وَعَلَى آلِهِ وَصَحْبِهِ أَجْمَعِينَ أَمَّا بَعْدُ

The Shari'ah Board hereby present its annual report on the affairs of MCB Islamic Bank Ltd.

The Shari'ah Board (SB) of MCB Islamic Bank Ltd. was constituted in September, 2015. Currently Shari'ah Board comprises of respected Professor Mufti Munib-ur-Rehman as Chairman Shari'ah Board, Mufti Syed Sabir Hussain as Resident Shari'ah Board Member (RSBM) and Mufti Nadeem Iqbal as Member Shari'ah Board. Despite tough conditions of COVID – 19 all Shari'ah Board Members remain available throughout the year and many meetings were held through audio and video conferencing. In addition to that formal meeting of Shari'ah Board were held four times during the year 2020 on the following dates to review various matters which apart from other matters, include new products and services, product modifications, concepts, transactions, structures, processes and Shari'ah issues, referred to them:

- First Shari'ah Board Meeting – March 20, 2020
- Second Shari'ah Board Meeting – June 25, 2020
- Third Shari'ah Board Meeting – September 14, 2020
- Fourth Shari'ah Board Meeting – December 29, 2020

In order to assist the SB to supervise all these matters throughout the year, the Shari'ah Compliance Department ensured that, apart from the SB meetings, it closely coordinate with SB. This result in continuous involvement of SB on Shari'ah affairs of the Bank as well as enabled them to approve, by way of circulation, different matters in a timely manner.

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of MCB Islamic Bank 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 MCB Islamic Bank. During the year 2020 Shari'ah Board's held meetings with Board of Directors on the following dates:
  - First Shari'ah Board – Board of Directors' Meeting – April 21, 2020
  - Second Shari'ah Board – Board of Directors' Meeting – December 29, 2020
2. To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of MCB Islamic Bank carried out reviews of each type of transactions, products, process flows/modus operandi and concepts under the supervision of RSBM/Head Shari'ah Compliance. SCD informed Shari'ah board regarding Shari'ah compliance review activities of Front and Back Offices of MCB Islamic Bank during tough conditions of COVID-19 in the country. In 3rd Shari'ah Board meeting FTY – 2020 Shari'ah Board and CEO approved one-third (33%) waiver in assigned tasks of Shari'ah Compliance program – 2020 due to COVID-19 in the country, a list of such branch and non-branch entities were approved by Shari'ah Board. In this regard, 122 branches have been inspected for Shari'ah compliance with strict compliance of COVID-19 related SOPs and as far as Shari'ah compliance review of non-branch is concerned, it has been ensured to comply with approved list of Shari'ah Board with one-third (33%) waiver. In order to enhance the Islamic Banking and Finance knowledge and expertise of branch & non-branch entities' staff members; Shari'ah trainings were made mandatory for all staff of MCB Islamic Bank with the coordination of Learning & Development Department (L&D – HRG).
3. Four (4) Instructions & Guidelines and Four (4) Fatawa by the Shari'ah Board of the MCB Islamic Bank are in vogue without any changes. All Fatawas & Instructions and Guidelines issued by Shari'ah Board of the MCB Islamic Bank are being implemented in the MCB Islamic Bank in true letter and spirit.
4. SCD with the coordination of management and under the supervision of RSBM/Head Shari'ah Compliance has reviewed various Product documents and SB reviewed and approved 77 modus operandi out of which 28 for Corporate Banking, 29 for Commercial Banking, 04 for SME Banking and there were 16 Standard process flows. As far as Products are concerned, SB issued 57 Shari'ah Vetting Certificates related to products, 19 for



Consumer Car Finance, Housing Finance and Murabaha Microfinance which also includes Mera Pakistan-Mera Ghar Housing Finance Scheme & Review of Prime Minister's Kamyab Jawan Scheme has been completed and hopefully it will be launched in January, 2021, 29 for Corporate/Commercial/SME Banking, 5 for Liability Products and there were 2 each for Staff Financing and Banca Takaful products in the year 2020.

5. SCD has also facilitated Islamic Banking training sessions for the front and back offices staff of MCB Islamic. For compliance with regulatory instructions L&D not only arranged class room sessions but also uploaded Online Islamic Banking training modules at Learning Management Systems (LMS) for the easy access of Islamic Banking & Finance knowledge to staff. Despite the difficult conditions due to COVID-19, L&D was determined to adhere to cover the Islamic Banking & Finance trainings of its staff. Therefore, this year L&D has started Virtual classroom session with facilitation of SCD for the safety of staff and it allows learning for all by overcoming geographical obstacles.

Moreover, in view of COVID-19 conditions L&D-HRG has taken initiatives to establish an effective and comprehensive Islamic Banking training mechanism in compliance with IBD Circular No. 02 of 2018, Dated: Jun 29, 2018, "Enhanced Training & Capacity Building Measures for Islamic Banking Institutions (IBIs)" issued by Islamic Banking Department, State Bank of Pakistan, for MIB front and back offices staff at all levels. SCD's staff facilitated as internal trainers on the Shari'ah related training initiatives during the year. Furthermore, alongside regulatory requirements of executive management Shari'ah trainings, L&D and SCD have jointly developed Islamic Banking & Finance Module and AAOIFI Shari'ah Standards Module for capacity building of Executive Management, which will be launched during 2021.

6. Shari'ah Board praises and encourages the continuous, comprehensive & profound efforts and commitment of MIB's Board of Directors and the Management regarding implementation of all instructions and guidelines issued by Shari'ah Board especially under the tough conditions of COVID-19.

#### Recommendations:

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

- i. In future, there shall be more Shari'ah Trainings in compliance with regulatory requirements. There should be a comprehensive mechanism to cater situations like COVID-19 to ensure continuity and compliance of Shari'ah Trainings.
- ii. More focus is needed on Product & Shari'ah trainings of Corporate, Commercial & SME banking and it is strongly recommended to ensure mandatory Product & Shari'ah trainings of the staff members before launching new products. Further there must be additional focus on training of Products which require complex calculations particularly in Musharakah Running Finance, as some issues were found in its transactional calculation during the Shari'ah Compliance review.
- iii. It is recommended to arrange general public awareness programs like, Seminars, Workshops and Question & Answer Sessions from MIB platform for building up the true image of Islamic Banking & Finance as well as creating awareness/removing misconception about Islamic banking.
- iv. Shari'ah trainings of MIB higher management is strongly recommended.
- v. It is recommended and emphasized to continue with Microfinance activities and MIB should encourage the Islamic Microfinance due to its requirement in the country. Through Islamic Microfinance, Islamic Banking Industry can penetrate at grass-root level to facilitate micro level traders.
- vi. The newly deployed Pool Management System is currently facing challenges towards fulfillment of unique customers' requirements that results in some adjustments at the time of profit distribution. It is recommended to get these improvements in Pool Management System to avoid any regulatory non-compliance.
- vii. Usage of Islamic Banking terminologies must be ensured during MIB's activities. As far as internal environment of the bank is concerned, all staff members of front and back offices are strongly recommended to follow the proper dress code strictly, which should be in line with MIB Dress code policy, cultural norms, and reflect due modesty as required by the dictates of Shari'ah.

#### Conclusion:

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

- i. MCB Islamic has complied with Shari'ah rules and principles in the light of Fatawa, Instructions and Guidelines issued by Shari'ah Board.

- ii. MCB Islamic has complied with SBP Inspection report in true letter and spirit.
- iii. MCB Islamic 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 Advisory Committee.
- iv. MCB Islamic has a comprehensive mechanism in place to ensure Shari'ah Compliance in their overall operations.
- v. As far as Charity fund is concerned, separate liability account (non-chequing) is opened in separate General Ledgers for each type of Charity Fund Collection
  - a. Charity due to late payment,
  - b. Charity due to void transactions and
  - c. Amount due to non-purification of dividend.

Funds cumulated in above mentioned each type of "Charity Collection Fund Account" is maintained in Shari'ah Compliant remunerative account at the discretion of Shari'ah Board/Resident Shari'ah Board Member.

Charity Fund is utilized for charitable, social welfare, religious, educational or any other purposes approved by Charity Committee /Shari'ah Board.

In the year 2020 the addition in the amount of Charity was PKR 45.333 million from different heads which was instructed to transfer to the Charity account.

Additions in Charity account during the year	Rupees in thousands
Received from customers against late payment	42,477
Dividend purification amount	771
Profit on Charity saving account	2,085
Charity due to void transactions	Nil
<b>Total additions in Charity account during the year</b>	<b>45,333</b>

The bank has disbursed the Charity amount to Shari'ah approved charitable organizations as per MCB Islamic bank charity policy and SBP's guidelines. Details of Charity account are available in the note # 19.2. Further it is note able that during the year, there was no addition in Charity account due to any non-Shari'ah compliant transaction of the bank. It shows the strict compliance and control of SB's instructions and guideline, SBP's regulations and internal policies of the Bank. Shari'ah Board would like to praise Shari'ah Compliance Department/RSBM for such efforts made by SCD during tough times of COVID-19.

- vi. MCB Islamic has complied with the SBP instructions on profit and loss distribution and pool management.
- vii. 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 to enhance 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 have made sincere efforts and appreciate the importance of Shari'ah compliance in overall operations of MCB Islamic bank.
- viii. The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.

Shari'ah Board praises and acknowledged the efforts of Shari'ah Compliance Department/RSBM of MCB Islamic Bank Ltd. that besides Shari'ah Compliance environment of the bank in regulatory inspection there was no instance regarding Non-compliance of regulatory requirements as far as Shari'ah Governance Framework is concerned.

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

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

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

  
**Mufti Nadeem Iqbal**  
 Member Shari'ah Board

Date: January 21, 2021



شرعیہ بورڈ اس موقع کا فائدہ اٹھاتے ہوئے اللہ تعالیٰ کی بارگاہ میں حمد و ثناء پیش کرتا ہے اور اُس کے ہدایات و توفیق کا خواہاں ہے اور سینئر منتظمین اور اسلامی بینکاری انڈسٹری کی مخلصانہ کوششوں سے اسلامی بینکاری نظام کی مزید پیشرفت، ترقی اور خوشحالی کا متنی ہے۔

وَاللّٰهُ سُبْحَانَهُ وَتَعَالٰی اَعْلَمُ

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

پروفیسر مفتی منیب الرحمن

چیئرمین شرعیہ بورڈ

مفتی سید صابر حسین

ریزیڈنٹ شرعیہ بورڈ ممبر

مفتی ندیم اقبال

شرعیہ بورڈ ممبر

تاریخ اجراء: ۲۱ جنوری ۲۰۲۱ء

وضع قطع کے حوالے سے منظور شدہ قواعد و ضوابط کی سختی سے پیروی کرنے کی تاکید کی جاتی ہے تاکہ اسٹاف کا پیرہن ایم آئی بی ڈریس کوڈ پالیسی، ثقافتی اصولوں اور شرعی تقاضوں کے مطابق شائستہ مزاج کی عکاسی کرتا ہو۔

خلاصہ کلام:

شرعیہ بورڈ نے ایس بی پی معائنہ رپورٹ، بیرونی اور داخلی شرعیہ آڈٹ اور شرعیہ کمپلائنس کی رپورٹس کو دیکھنے کے بعد اصلاحی اقدامات کے لئے ہدایات دیں، لہذا شرعیہ بورڈ کے مطابق:

- ایم آئی بی نے شرعیہ بورڈ کے جاری کردہ فتاویٰ جات اور ہدایات و لائحہ عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔
- ایم آئی بی نے حقیقی معنوں میں اصل روح کو مد نظر رکھتے ہوئے ایس بی پی انسپیکشن رپورٹ پر عملدرآمد کیا ہے۔
- ایم آئی بی، اسٹیٹ بینک آف پاکستان کے احکامات، قوانین و ہدایات اور لائحہ عمل (جو اسٹیٹ بینک آف پاکستان کے شرعیہ بورڈ کے احکام کے مطابق ہیں) سے ہم آہنگ ہے۔
- شرعیہ کمپلائنس کو یقینی بنانے کے لئے ایم آئی بی کے پاس ایک جامع طریقہ کار موجود ہے۔
- جہاں تک چیریٹی فنڈ کا تعلق ہے، ہر طرح کے چیریٹی فنڈ جمع کرنے کے لئے علیحدہ نان بینکنگ، لائسنسڈ اکاؤنٹ کھولے جاتے ہیں۔
  - ادائیگی میں تاخیر کی وجہ سے چیریٹی،
  - باطل معاملات کی وجہ سے چیریٹی، اور
  - منافع سے غیر شرعی منافع منہا کرنے کی وجہ سے چیریٹی۔

عام طور پر مذکورہ بالا تمام مذاات میں جمع کی گئی رقم اپنے اپنے "شرعیہ کمپلائنس نفع بخش چیریٹی فنانسنگ فنڈ اکاؤنٹ" میں شرعیہ بورڈ ریزیڈنٹ شرعیہ بورڈ ممبر کی صوابدید پر جمع کی جاتی ہیں، چیریٹی فنڈ، چیریٹی کمیٹی شرعیہ بورڈ کی منظوری شدہ کسی خیراتی، معاشرتی، بہبود، مذہبی یا تعلیمی مقاصد کے لئے استعمال ہوتا ہے۔

سال ۲۰۲۰ء میں چیریٹی فنڈ کی مختلف مذاات میں جمع کی گئی رقم کل اضافہ ۲۵.۳۳ ملین رہا، جس کو چیریٹی اکاؤنٹ میں منتقل کرنے کی ہدایت کی گئی۔

آئس سال چیریٹی فنڈ میں اضافہ	روپے (000) میں
صارف کی طرف سے ادائیگی میں تاخیر کی وجہ سے	۴۲,۴۷۷
منافع میں سے غیر شرعی منافع منہا کرنے کی وجہ سے	۷۷۱
چیریٹی سیونگ اکاؤنٹ پر منافع	۲,۰۸۵
باطل معاملات کی وجہ سے	کوئی نہیں
آئس سال چیریٹی فنڈ میں کل اضافہ	۲۵,۳۳۳

بینک نے چیریٹی کی رقم شرعیہ سے منظور شدہ خیراتی تنظیموں کو ایم آئی بی کی چیریٹی پالیسی اور اسٹیٹ بینک کی ہدایات و لائحہ عمل کے مطابق فراہم کی ہے۔ چیریٹی اکاؤنٹ کی تفصیلات نوٹ #۲-۱۹ پر دستیاب ہیں۔ یہاں یہ امر بھی قابل ذکر ہے کہ آئس سال بینک کے چیریٹی اکاؤنٹ میں کوئی اضافہ باطل و ناجائز معاملات کی وجہ سے نہیں ہوا، جو اسٹیٹ بینک کی ہدایات، قواعد و ضوابط اور بینک کی داخلی پالیسیوں کی تعمیل اور کنٹرول کو ظاہر کرتا ہے۔ شرعیہ بورڈ، شرعیہ کمپلائنس ڈیپارٹمنٹ کی کووڈ-19 کے مشکل ترین حالات میں کی جانے والی کوششوں کی تعریف کرتا ہے۔

- ایم آئی بی کے نفع و نقصان کی تقسیم اور پول کی انتظام کاری اسٹیٹ بینک آف پاکستان کی ہدایات کے عین مطابق ہے۔
- اگرچہ بینک فعال طریقے سے اپنے افراد کو اسلامی بینکاری اور مالیاتی نظام کے بارے میں تربیت دے رہا ہے، تاہم افراد کار، انتظامیہ اور بورڈ آف ڈائریکٹرز میں آگہی پیدا کرنے کی غرض سے اسلامی بینکاری کی تربیت میں مزید اضافے کی ضرورت ہے۔ انتظامیہ اور بورڈ آف ڈائریکٹرز نے اخلاص پڑی کوششیں کی ہیں اور انہوں نے ایم آئی بی میں شرعیہ کمپلائنس کی اہمیت کو تسلیم کیا ہے۔
- شرعیہ بورڈ کو اپنی ذمہ داریوں سے عہدہ برآں ہونے کے لئے خاطر خواہ وسائل فراہم کئے گئے ہیں۔

شرعیہ بورڈ، ایم سی بی اسلامی بینک لمیٹڈ کے شرعیہ کمپلائنس ڈیپارٹمنٹ ریزیڈنٹ شرعیہ بورڈ ممبر کی کاوشوں کا اعتراف کرتے ہوئے اس قابل ذکر امر کی تعریف کرتا ہے کہ شرعیہ کمپلائنس ڈیپارٹمنٹ ریزیڈنٹ شرعیہ بورڈ ممبر نے بینک کے شرعیہ کمپلائنس ماحول کو برقرار رکھتے ہوئے شرعیہ گورننس فریم ورک کی تعمیل کو یقینی بنایا، جس کی تصدیق ریگولیٹری معائنہ نے بھی کی اور شرعیہ گورننس فریم ورک کی کوئی خلاف ورزی رپورٹ نہیں کی گئی۔



## شریعی بورڈ

### رپورٹ

(مالی سال اختتام پزیر ۳۱ دسمبر ۲۰۲۰ء)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

شریعی بورڈ ایم سی بی اسلامک بینک لمیٹڈ کے امور سے متعلق اپنی سالانہ رپورٹ پیش کرتا ہے۔

ایم سی بی اسلامک بینک (ایم آئی بی) کا شریعی بورڈ ستمبر ۲۰۱۵ء کو تشکیل پایا، موجودہ شریعی بورڈ پروفیسر مفتی منیب الرحمن چیئرمین شریعی بورڈ، مفتی سید صابر حسین ریزنڈنٹ شریعی بورڈ ممبر اور مفتی ندیم اقبال ممبر شریعی بورڈ پر مشتمل ہے۔ ۲۰۲۰ء میں پورا سال کووڈ-19 کی وجہ سے پیش آنے والے سخت ترین حالات کے باوجود شریعی بورڈ کی خدمات ادارے کو حاصل رہیں، بینک کے معاملات کے حوالے سے شریعی بورڈ نے ٹیلی فون اور ویڈیو کانفرنس کالز کے ذریعے بھی کئی غیر رسمی ملاقاتیں کیں۔ علاوہ ازیں ۲۰۲۰ء میں شریعی بورڈ کے ۴ رکی اجلاس درج ذیل تاریخوں میں منعقد ہوئے، جس میں دیگر امور کے علاوہ نئی پراڈکٹس اور خدمات کے ساتھ ساتھ موجودہ پراڈکٹس اور خدمات میں ترامیم کا شرعی جائزہ بھی لیا گیا۔

■	شریعی بورڈ کا پہلا اجلاس	۲۰ مارچ ۲۰۲۰ء
■	شریعی بورڈ کا دوسرا اجلاس	۲۵ جون ۲۰۲۰ء
■	شریعی بورڈ کا تیسرا اجلاس	۱۴ ستمبر ۲۰۲۰ء
■	شریعی بورڈ کا چوتھا اجلاس	۲۹ دسمبر ۲۰۲۰ء

مندرجہ بالا شریعی بورڈ کی مجالس کے علاوہ بھی سال بھر تمام امور کی شریعی بورڈ کی جانب سے نگرانی میں شریعی کمپلائنس ڈیپارٹمنٹ نے شریعی بورڈ کے ساتھ ہم آہنگی کو یقینی بنایا، جس کے نتیجے میں شریعی بورڈ کی بینک کے شرعی امور میں مستقل شمولیت اور بروقت منظوری کو یقینی بنایا گیا۔

(۱) بورڈ آف ڈائریکٹرز اور ایگزیکٹو منتظمین اس امر کے ذمہ دار ہیں کہ ایم آئی بی کے جملہ معاملات شریعت مطہرہ کے اصولوں کے عین مطابق ہوں، لہذا ہم (شریعی بورڈ) ایم آئی بی کے شریعی کمپلائنس کی مجموعی صورت حال کے بارے میں ایک رپورٹ جمع کرانے کے ذمہ دار ہیں۔ ۲۰۲۰ء میں شریعی بورڈ کے بورڈ آف ڈائریکٹرز کے ساتھ رکی اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

■	شریعی بورڈ- بورڈ آف ڈائریکٹرز کا پہلا اجلاس،	۲۱ اپریل ۲۰۲۰ء
■	شریعی بورڈ- بورڈ آف ڈائریکٹرز کا دوسرا اجلاس،	۲۹ دسمبر ۲۰۲۰ء

(۲) رپورٹ میں ظاہر کردہ امور کے مطابق اپنی رائے دیتے ہوئے عرض یہ ہے کہ ایم آئی بی کے شریعی کمپلائنس ڈیپارٹمنٹ نے ریزنڈنٹ شریعی بورڈ ممبر ہبذ شریعی کمپلائنس ڈیپارٹمنٹ کی زیر نگرانی تمام قسم کے مالی معاملات، پروڈکٹس، معاملات کے مراحل اور نظریات کا جائزہ لیا ہے۔ شریعی کمپلائنس ڈیپارٹمنٹ نے شریعی بورڈ کو فرنٹ اور بیک آفسز کے شریعی کمپلائنس جائزے کی سرگرمیوں کے حوالے سے کووڈ-19 میں پیش آنے والے سخت ترین حالات سے آگاہ کیا۔ ۲۰۲۰ء میں شریعی بورڈ کے تیسرے اجلاس میں شریعی بورڈ اور بینک کے پریزینڈنٹ نے شریعی کمپلائنس پروگرام کے مختص کردہ کاموں میں ایک تہائی (۳۳%) کی کمی کی منظوری ملک میں موجود کووڈ-19 کے پیش نظر دی، شریعی بورڈ نے باقی رہ جانے والی برانچوں اور گروپس رڈ ویزنرز ڈیپارٹمنٹس کے شریعی کمپلائنس جائزے کی فہرست کی باقاعدہ منظوری دی۔ اس حوالے سے کووڈ-19 سے متعلقہ ایس او پیز کی سخت تعمیل کے ساتھ ایم آئی بی کی ۱۲۲ برانچوں کا شرعی اعتبار سے جائزہ لیا گیا اور گروپس رڈ ویزنرز ڈیپارٹمنٹس کے شریعی کمپلائنس جائزے کو شریعی بورڈ کی منظوری کردہ فہرست کے مطابق ایک تہائی (۳۳%) کی کمی کے ساتھ یقینی بنایا گیا۔ اسلامی بینکاری کے بارے میں تمام برانچوں اور گروپس رڈ ویزنرز ڈیپارٹمنٹس کی ان کے کام کی نوعیت کے اعتبار سے معلومات اور مہارت کو بڑھانے کی غرض سے شریعی کی تربیت ہیومن ریسورس ڈیپارٹمنٹ کے تعاون سے تمام اسٹاف کے لئے لازم قرار دی گئی۔

(۳) ایم آئی بی کے شریعی بورڈ کی جاری کردہ ہدایات والا عمل اور فتاویٰ جات بغیر کسی تبدیلی کے موجود ہیں۔ ایم آئی بی میں شریعی بورڈ کی جاری کردہ تمام ہدایات والا عمل اور فتاویٰ جات پر عملدرآمد کو ان کی اصل روح کے مطابق یقینی بنایا گیا۔

(۴) بینک کے منتظمین کے تعاون سے شریعی کمپلائنس ڈیپارٹمنٹ نے ریزنڈنٹ شریعی بورڈ ممبر ہبذ شریعی کمپلائنس ڈیپارٹمنٹ کی زیر نگرانی ۲۰۲۰ء میں ان تمام پراڈکٹس کی دستاویزات کا جائزہ لیا اور شریعی بورڈ نے ۷۷ فنانسنگ کے لائحہ عمل کی دستاویزات جن میں سے ۲۸ کارپوریٹ بینکاری، ۲۹ کمرشل بینکاری، ۰۴ ایس ایم ای بینکاری اور ۱۶ اتمام صارفین کے لئے استعمال کئے جاسکتے والے فنانسنگ کے لائحہ عمل کا جائزہ لیا اور ان کی منظوری بھی دی۔ جہاں تک پراڈکٹس کا تعلق ہے، شریعی بورڈ نے ۷۷ شرعی منظوری کے شریعتیٹ جاری کئے، جن میں سے ۱۹ کنزیومر کار فنانسنگ، ہاؤس فنانسنگ، مرابحہ مانگیر و فنانس شامل ہیں، اس میں میرا پاکستان میرا گھر ہاؤسنگ فنانس اسکیم بھی شامل ہے اور پرائم منسٹر کامیاب جوان اسکیم کا شرعی جائزہ بھی مکمل کیا جا چکا ہے، جو کہ جنوری ۲۰۲۱ء میں جاری کردی جائے گی۔ ۲۹ شرعی معائنہ شریعتیٹ کا تعلق کارپوریٹ، کمرشل اور ایس ایم ای بینکاری سے ہے، جبکہ ۵ لائیکلیٹی پراڈکٹس، ۲ اسٹاف فنانسنگ اور ۲۰ تعلق بینکار کا قفل سے ہے۔

(۵) شریعی کمپلائنس ڈیپارٹمنٹ نے بینک کے فرنٹ اور بیک آفس اسٹاف کے لئے اسلامی بینکاری کی ٹریننگ کے کئی پروگرام منعقد کئے ہیں۔ مزید برآں اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ ہدایات پر عملدرآمد کو یقینی بنانے کے لئے کلاس روم سیشنز کا انعقاد کیا گیا، اس کے علاوہ رننگ مینجمنٹ سسٹم کے ذریعے آن لائن کورسز کرائے گئے، جس نے اسٹاف کے لئے اسلامی بینکاری کی معلومات تک رسائی کو آسان بنایا۔ کووڈ-19 کی وجہ سے مشکل حالات کے باوجود L&D نے اپنے اسٹاف کی اسلامی بینکاری اور مالیات کی تربیت کا عزم کیا۔ لہذا اس سال L&D نے عملے کی کووڈ-19 سے حفاظت کو مد نظر رکھتے ہوئے شریعی کمپلائنس ڈیپارٹمنٹ کے تعاون سے ورچوئل کلاس روم سیشنز کا آغاز کیا گیا، جس کی وجہ سے جغرافیائی رکاوٹوں سے نکل کر اسٹاف کے لئے سیکھنے کے مواقع میسر آئے۔

مزید یہ کہ کووڈ-19 کے حالات کو پیش نظر رکھتے ہوئے اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ سرکلر (نمبر ۲۰۱۸/۲ بتاریخ ۲۹ جون ۲۰۱۸ء) پر عملدرآمد کو یقینی بنانے کے لئے مؤثر اور جامع اقدامات کئے گئے۔ لہذا ایک پراثر اور جامع پروگرام L&D-HRG کی طرف سے ترتیب دیا گیا، جس کے تحت بینک کے ہر درجہ کے فرنٹ اور بیک آفس اسٹاف کو اسلامی بینکاری کی ٹریننگ دی گئی۔ شریعی کمپلائنس ڈیپارٹمنٹ کے اسٹاف ممبر نے شریعی ٹریننگ کے لئے پورا سال اپنی خدمات دیں۔ مزید برآں، ایگزیکٹو مینجمنٹ کی شریعی ٹریننگ کی ریگولیٹری ضروریات کے ساتھ ساتھ، L&D اور شریعی کمپلائنس ڈیپارٹمنٹ نے مل کر ایگزیکٹو مینجمنٹ کی مہارت کو مزید بڑھانے کی غرض سے اسلامی بینکاری اور AAOIFI کے جاری کردہ شرعی معیارات کے کورسز تیار کئے ہیں، جو ۲۰۲۱ء کے دوران شروع کر دیئے جائیں گے۔

(۶) شریعی بورڈ اپنی جاری کردہ ہدایات والا عمل پر عملدرآمد کے اعتبار سے خاص طور پر کووڈ-19 کے مشکل حالات میں بینک کے منتظمین کی مسلسل اور جامع کوششوں کی تعریف اور بہت افزائی کرتا ہے۔

### سفارشات:

شریعی بورڈ شرعی اعتبار سے کئے گئے جائزوں کی جانچ پڑتال کے بعد درج ذیل سفارشات پیش کرتا ہے:

- الف - مستقبل میں، ریگولیٹری تقاضوں کی تعمیل میں مزید شریعی ٹریننگز ہونی چاہئیں۔ شریعی ٹریننگز کے تسلسل اور تعمیل کو یقینی بنانے کے لئے کووڈ-19 جیسے حالات کے لئے ایک جامع طریقہ کار ہونا چاہئے۔
- ب - کارپوریٹ، کمرشل اور ایس ایم ای بینکاری کی پروڈکٹس اور شریعی ٹریننگز پر زیادہ توجہ دینے کی ضرورت ہے اور نئی پروڈکٹس کو شروع کرنے سے قبل اسٹاف کی لازمی پروڈکٹ اور شریعی ٹریننگز کو یقینی بنانے کی بھرپور سفارش کی جاتی ہے۔ اس کے علاوہ ایسی پروڈکٹس کی ٹریننگ پر بھی زیادہ توجہ دینی ہوگی، جن کے لئے خاص طور پر پیچیدہ حساب و کتاب کی ضرورت ہوتی ہے جیسا کہ مشارکہ رنگ فنانس، کیونکہ شرعی تعمیل کے جائزے کے دوران مشارکہ رنگ فنانس کے حساب و کتاب میں کچھ مسائل پائے گئے۔
- ج - اسلامی بینکاری اور مالیات کی اصل روح کی تشہیر اور عام لوگوں کو آگاہی دینے کے ساتھ ساتھ اسلامی بینکاری کے بارے میں شعور پیدا کرنے اور غلط فہمیوں کو دور کرنے کے لئے، ایم آئی بی کے پلیٹ فارم سے سیمینارز، ورکشاپس اور سوال و جواب کے سیشنز کا اہتمام کرنے کی سفارش بھی کی جاتی ہے۔
- د - ایم آئی بی کے اعلیٰ منتظمین کی شریعی ٹریننگ کو بھرپور سفارش کی جاتی ہے۔
- ه - مانیٹر و فنانس سرگرمیوں کو جاری رکھنے کی پرواز سفارش کی جاتی ہے۔ ایم آئی بی کو ملک میں مانیٹر و فنانس کی ضرورت کے سبب اسلامی مانیٹر و فنانس کی حوصلہ افزائی کرنی چاہئے۔ اسلامی مانیٹر و فنانس کے ذریعے، اسلامی بینکاری انڈسٹری کم سرمایہ کے ساتھ کام کرنے والے تاجروں کی سہولت کے لئے ابتدائی درجہ پر کام کر سکتی ہے۔
- و - موجودہ نئے پول مینجمنٹ سسٹم کے ذریعے فی الحال منفرد صارفین کی ضروریات کی تکمیل مشکلات کا سامنا کر رہی ہے، جس کے نتیجے میں منافع کی تقسیم کے وقت کچھ مسائل کا سامنا کرنا پڑتا ہے۔ کسی بھی ریگولیٹری مدد تعمیل سے بچنے کے لئے نئے پول مینجمنٹ سسٹم میں بہتری لانے کی سفارش کی جاتی ہے۔
- ز - ایم آئی بی کی سرگرمیوں کے دوران اسلامی بینکاری اصطلاحات کے استعمال کو یقینی بنانا ہوگا۔ جہاں تک بینک کے داخلی ماحول کا تعلق ہے تمام عملے کے فرنٹ اور بیک آفسز کے اسٹاف کو لباس و



## INTERNET BANKING DIGITALIZING – YOUR WAY OF BANKING



## NOTICE OF 7<sup>th</sup> ANNUAL GENERAL MEETING OF

MCB ISLAMIC BANK LIMITED

Notice is hereby given that the 7<sup>th</sup> Annual General Meeting of MCB Islamic Bank Limited (the 'Bank') shall be held on Friday, March 26, 2021 at 04:30 PM at 14-A, Jail Road Lahore and through Video Conferencing to transact the following businesses:

### Ordinary Business:

- To confirm the minutes of the 6th Annual General Meeting held on March 18, 2020.
- To receive, consider and adopt the Annual Audited Financial Statements of the Bank for the year ended December 31, 2020 together with Directors' and Auditors' Reports thereon and Chairman's Review Report.
- To appoint auditors of the Bank for the year ending December 31, 2021 and to fix their remuneration. The notice is hereby given to members that the Audit Committee and the Board of Directors have recommended the name of M/s. A.F. Ferguson & Company, Chartered Accountants, as auditors of the Bank in place of retiring auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants.

By Order of the Board

March 04, 2021  
Lahore

Ms. Maimoona Cheema  
Company Secretary

### Notes:

- Members whose names appear in the register of members on March 26, 2020 shall be entitled to attend the proceedings of the meeting.
- 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. Corporate entities can appoint a person who is not a member in terms of Section 138 of the Companies Act, 2017.
- 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.
- The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, shall 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.
- 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.
- The Bank has placed its audited financial statements for the year ended 31 December, 2020 on its website: [www.mcbislamicbank.com](http://www.mcbislamicbank.com)



# STATEMENT ON INTERNAL CONTROLS

YEAR 2020

The Management of MCB Islamic Bank (the "Bank"), under the guidance of the Board of Directors, acknowledges its responsibility for establishing and maintaining an adequate and effective Internal Controls System with the main objectives of ensuring effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Internal Control System is a set of processes designed to identify, evaluate and mitigate the risk of failures and to help achieve overall business objectives of the Bank. All significant policies and procedural manuals are in place, which are reviewed, revised, and improved to keep them current with latest activities and challenges. As a part of effective Internal Control System, the Board has established a formalized organizational structure within the Bank that provides clear demarcation of reporting and responsibility for ensuring proper assignment of authorities, segregation of duties and accountability towards the Bank. Defined authority limits have been established for each level within the Bank to approve acquisition and disposal of assets, approval of credit limits, writing-off items as well as approving expenses.

The Internal Control System evolves continuously and hence its evaluation is an ongoing process. This statement on internal controls is based on the management's assessment towards various aspects of the same. The said system of the Bank is designed to minimize and manage risks rather than eliminate the risk of failure to achieve the desired objectives; hence it can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

Implementing State Bank of Pakistan (the "SBP") Guidelines on Internal Controls has been the Bank's top priority, with concerted efforts made by every Group to improve the control environment at grass root level by regularly reviewing and streamlining procedures, as well as imparting training. The Bank has completed all stages of Internal Controls over Financial Reporting (ICFR) roadmap. External Auditor's Long Form Reports (LFR) on the assessment of Bank's ICFR for the years 2017, 2018, and 2019 have already been submitted to SBP. During the year under review, SBP has granted the Bank exemption from the requirement of ICFR assessment by External Auditor for the Year 2020 and onwards. We have followed the said SBP guidelines for management of significant risks and will continue further improvements.

Board's Audit Committee (BAC) has the authority and is empowered by the Board of Directors to review the adequacy and effectiveness of the Internal Controls System implemented by the Bank. In the context of above said exemption granted to the Bank by SBP, BAC is now responsible for submission of annual assessment report on efficacy of the ICFR to SBP as per regulatory instructions. Further, all significant and material findings of the internal and external auditors as well as observations of the regulators are addressed on priority by the management and their status periodically reported to the BAC.

The BAC is supported by the Audit & RAR Group, independent from management, which forms an integral part of the governance processes. The Audit & RAR Group provides reasonable assurance through a systematic and disciplined approach along with value-added recommendations on the adequacy and effectiveness of the Internal Controls System, and compliance with internal policies, procedures and applicable regulatory laws and regulations. Periodic updates on its activities and significant issues are submitted by the Audit & RAR Group to the BAC.

Operations Group is entrusted with the responsibility to maintain the internal control documentation of significant areas, covering financial, operational, and compliance risks along with their mitigating controls, in coordination with all stakeholders.

Compliance & Controls Group (CCG) of the Bank through its specialized teams and centralized automated solutions, also oversees adherence to the regulatory requirements, with specific emphasis on Anti-Money Laundering (AML) / Combating Financing of Terrorism (CFT) / Countering Proliferation Financing (CPF). Further, CCG has implemented various dimensions of Compliance Risk Management Guidelines issued by the regulator including automated system to manage Compliance Risk of the Bank. In addition, "Compliance Committee of Management" oversees the handling of Compliance Risks of the Bank and facilitate in implementing policies, processes and procedures to manage this risk. Furthermore, based on the observations and weaknesses identified by the Internal and External Auditors, CCG and Shari'ah Compliance teams, remediation of the control deficiencies are brought about by the management.

Bank's Risk Management function also plays its role in ongoing strengthening of the Bank's Internal Controls System, through operational risk data collection and conducting Risk and Control Self-Assessment exercise on bank wide basis. The Bank has adopted top down approach for Risk Assessment. Further, the Bank has also adopted the Integrated Framework on Internal Controls issued by the Committee on Sponsoring Organization of the Treadway Commission (COSO) for implementation in light of the SBP's Internal Control Guidelines. 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.

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 further strengthening its control environment on an ongoing basis.

Based on the above, the Board of Directors has duly endorsed management's evaluation of internal controls including ICFR in the Directors' report.



**Muhammad Saeed Raja**  
Group Head – Operations



**Mr. Kashif Ahmed**  
Group Head – Compliance & Controls



**Mr. Khawaja Khalil Shah**  
Chief Risk Officer



**Mr. Muhammad Tariq Gondal**  
Group Head – Internal Audit & Risk Asset Review



**Syed Iftikhar Hussain Rizvi**  
Chief Financial Officer

Date: **January 25, 2021**



## BILLS PAYMENT

### 24/7 BILLS PAYMENT FACILITY



Telcos



Utility



Water



Shopping



Educational



Insurance



Taxes



Airlines



Gas



Electricity



Internet

## REPORT OF THE AUDIT COMMITTEE

The Board Audit Committee comprises of experienced and qualified directors. The directors have diversified experience of banking and industry. The Chairman of Board Audit Committee is an independent director.

The Head of Internal Audit has direct access to the Board Audit Committee. The Board Audit 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.

Board 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 Board Audit Committee, duly approved by the Board of Directors. Board Audit Committee held five meetings, during the year 2020. Significant agenda items of the meetings were:

- 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 approval of the Bank's revised Internal Audit Charter and Internal Audit Manual.
- Review and recommendation of the Bank's revised Whistle Blowing program for BOD approval.
- Review, approval and oversight of Annual Audit Plan and along with resource requirements of Audit & RAR Group.
- Performance Appraisal of Head of Internal Audit & RAR.
- Review of Management Letter issued by External Auditors along with management response.
- Recommendation of scope and appointment of external auditors, including finalization of audit and consultancy fee.
- Review of Statement on Internal Controls, prior to endorsement by the BOD.

Lahore

Date: February 09, 2021

  
Chairman Board Audit Committee  
MCB Islamic Bank Limited



8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The following Board Members have attained Directors' Training Program:
- Mr. Omair Safdar (Non-Executive Director)
  - Mr. Ahmed Ebrahim Hasham (Non-Executive Director)
  - Ms. Seema Aziz (Independent Director)
  - Mr. Muhammad Azfar Alam Nomani (President/CEO)
10. During the year, there was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The board has formed following committees comprising of members given below:

A Board Audit Committee		
	Dr. Khalid Zaheer	Chairman
	Ms. Seema Aziz	Member
	Mr. Omair Safdar	Member
	Mr. Ibrahim Shamsi	Member
B Human Resource & Remuneration Committee		
	Dr. Khalid Zaheer	Chairman
	Mr. Raza Mansha	Member
	Mr. Usman Hassan	Member
	Mr. Omair Safdar	Member
C Business Strategy & Service Quality Control Committee		
	Mr. Raza Mansha	Chairman
	Ms. Seema Aziz	Member
	Mr. Usman Hassan	Member
	Mr. Ahmed Ebrahim Hasham	Member
	Mr. Muhammad Azfar Alam Nomani	Member
D Risk Management & Portfolio Review Committee		
	Mr. Omair Safdar	Chairman
	Mr. Ibrahim Shamsi	Member

	Mr. Ahmed Ebrahim Hasham	Member
	Mr. Muhammad Azfar Alam Nomani	Member
E Board I.T. Committee		
	Mr. Raza Mansha	Chairman
	Dr. Khalid Zaheer	Member
	Mr. Ibrahim Shamsi	Member
	Mr. Muhammad Azfar Alam Nomani	Member
F Board Evaluation Committee		
	Dr. Khalid Zaheer	Chairman
	Mr. Omair Safdar	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of Committees meetings has been given in the Directors' Report.
15. 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 of the Bank.
16. The statutory auditors of the bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all of their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Bank.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 have been complied with.



**Muhammad Azfar Alam Nomani**  
President / CEO  
MCB Islamic Bank Limited

February 09, 2021



**Raza Mansha**  
Chairman  
MCB Islamic Bank Limited

February 09, 2021



## NA'MAT PREMIUM PLUS TERM DEPOSIT

TERM DEPOSIT RANGING FROM ONE YEAR TO 3 YEARS



INDEPENDENT

## AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF MCB ISLAMIC BANK LIMITED  
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN  
LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of MCB Islamic Bank Limited ("the Bank") for the year ended 31 December 2020, in accordance with the requirement of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2020.

Lahore

Date: February 25, 2021



KPMG Taseer Hadi & Co.

Chartered Accountants



## NA'MAT PLUS FOREIGN CURRENCY TERM DEPOSIT

### FOR INDIVIDUALS AND ENTITIES SEEKING INVESTMENT OPPORTUNITIES IN FOREIGN CURRENCIES



## INDEPENDENT

# AUDITOR'S REPORT

TO THE MEMBERS OF MCB ISLAMIC BANK LIMITED  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the annexed financial statements of MCB Islamic Bank Limited ("the Bank"), which comprise the statement of financial position as at 31<sup>st</sup> December, 2020, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, along with unaudited certified returns received from the branches except for 20 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the Bank's annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Banks's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and power of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is M. Rehan Chughtai.

Lahore

Date: February 24, 2021

  
KPMG Taseer Hadi & Co.  
Chartered Accountants



## WEALTH MANAGEMENT CUSTOMIZED TAKAFUL SOLUTIONS



## FINANCIAL STATEMENTS



## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	Note	2020	2019
Rupees in thousands			
<b>ASSETS</b>			
Cash and balances with treasury banks	6	9,872,197	10,252,547
Balances with other banks	7	4,996,602	8,822,985
Due from financial institutions	8	828,790	5,851,664
Investments - net	9	27,617,997	16,309,800
Islamic financing and related assets - net	10	84,896,191	51,309,967
Fixed assets	11	5,548,894	5,779,772
Intangible assets	12	639,428	719,723
Deferred tax assets - net	13	874,878	921,017
Other assets - net	14	5,895,909	5,054,870
		141,170,886	105,022,345
<b>LIABILITIES</b>			
Bills payable	16	2,470,821	973,627
Due to financial institutions	17	20,596,773	4,127,526
Deposits and other accounts	18	99,253,161	81,853,511
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities - net		-	-
Other liabilities	19	8,122,359	7,600,880
		130,443,114	94,555,544
<b>NET ASSETS</b>		<b>10,727,772</b>	<b>10,466,801</b>
<b>REPRESENTED BY</b>			
Share capital	20	11,550,000	11,550,000
Reserves	21	68,107	26,444
Surplus on revaluation of assets - net of tax	22	473,316	422,326
Accumulated loss		(1,363,651)	(1,531,969)
		10,727,772	10,466,801
<b>CONTINGENCIES AND COMMITMENTS</b>	23		

The annexed notes 1 to 45 form an integral part of these financial statements.

  
**SYED IFTIKHAR HUSSAIN RIZVI**  
 Chief Financial Officer

  
**MUHAMMAD AZFAR ALAM NOMANI**  
 President/Chief Executive

  
**RAZA MANSHA**  
 Director

  
**SEEMA AZIZ**  
 Director

  
**OMAIR SAFDAR**  
 Director

## PROFIT AND LOSS ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
Rupees in thousands			
Profit / return earned	24	9,676,435	9,848,819
Profit / return expensed	25	5,280,989	5,855,061
Net spread earned		4,395,446	3,993,758
<b>OTHER INCOME</b>			
Fee and commission income	26	316,426	294,491
Dividend income		47,703	75,383
Foreign exchange income		209,888	63,685
Gain / (loss) on securities	27	14,274	(109,983)
Other income	28	89,862	19,743
Total other income		678,153	343,319
Total income		5,073,599	4,337,077
<b>OTHER EXPENSES</b>			
Operating expenses	29	4,654,830	4,478,636
Workers welfare fund		9,830	-
Other charges	30	590	24,386
Total other expenses		4,665,250	4,503,022
Profit / (loss) before provisions		408,349	(165,945)
Provisions and write offs - net	31	15,270	199,814
Extra ordinary / unusual items		-	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>393,079</b>	<b>(365,759)</b>
Taxation	32	184,763	(122,147)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>208,316</b>	<b>(243,612)</b>
Rupee			
Basic and diluted earning / (loss) per share - after tax	33	0.180	(0.211)

The annexed notes 1 to 45 form an integral part of these financial statements.

  
**SYED IFTIKHAR HUSSAIN RIZVI**  
 Chief Financial Officer

  
**MUHAMMAD AZFAR ALAM NOMANI**  
 President/Chief Executive

  
**RAZA MANSHA**  
 Director

  
**SEEMA AZIZ**  
 Director

  
**OMAIR SAFDAR**  
 Director



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	Rupees in thousands	
Profit / (loss) after taxation for the year	208,316	(243,612)
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Movement in surplus on revaluation of investments	81,008	247,001
Related deferred tax liability	(28,353)	(86,450)
	52,655	160,551
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Movement in surplus on revaluation of operating fixed assets	-	148,977
Related deferred tax liability	-	(18,629)
	-	130,348
<b>Total comprehensive income</b>	<b>260,971</b>	<b>47,287</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

  
**SYED IFTIKHAR HUSSAIN RIZVI**  
 Chief Financial Officer

  
**MUHAMMAD AZFAR ALAM NOMANI**  
 President/Chief Executive

  
**RAZA MANSHA**  
 Director

  
**SEEMA AZIZ**  
 Director

  
**OMAIR SAFDAR**  
 Director

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Share Capital	Statutory Reserve	Surplus / (deficit) on revaluation of		Accumulated Loss	Total
			Investments	Fixed Assets		
	Rupees in thousands					
<b>Balance as at December 31, 2018</b>	11,200,000	26,444	(52,047)	184,319	(1,289,202)	10,069,514
Loss after taxation for the year ended December 31, 2019	-	-	-	-	(243,612)	(243,612)
Other comprehensive income - net of tax	-	-	160,551	130,348	-	290,899
	-	-	160,551	130,348	(243,612)	47,287
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(845)	845	-
<b>Transactions with owners, recorded directly in equity</b>						
Issue of right shares	350,000	-	-	-	-	350,000
<b>Balance as at December 31, 2019</b>	11,550,000	26,444	108,504	313,822	(1,531,969)	10,466,801
Profit after taxation for the year ended December 31, 2020	-	-	-	-	208,316	208,316
Other comprehensive income - net of tax	-	-	52,655	-	-	52,655
	-	-	52,655	-	208,316	260,971
Transfer to statutory reserve	-	41,663	-	-	(41,663)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(1,665)	1,665	-
<b>Balance as at December 31, 2020</b>	<b>11,550,000</b>	<b>68,107</b>	<b>161,159</b>	<b>312,157</b>	<b>(1,363,651)</b>	<b>10,727,772</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

  
**SYED IFTIKHAR HUSSAIN RIZVI**  
 Chief Financial Officer

  
**MUHAMMAD AZFAR ALAM NOMANI**  
 President/Chief Executive

  
**RAZA MANSHA**  
 Director

  
**SEEMA AZIZ**  
 Director

  
**OMAIR SAFDAR**  
 Director



## CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
Rupees in thousands			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		393,079	(365,759)
Less: Dividend income		47,703	75,383
		345,376	(441,142)
<b>Adjustments</b>			
Depreciation - Owned assets	11.2	358,707	286,448
Depreciation - Right of use of assets	29	474,029	442,016
Depreciation - Ijarah assets	10.4.1	952,793	992,687
Amortization	12.1	140,918	111,650
Unwinding of liability against right of use assets	25	388,790	374,201
Provision and write offs - net	31	15,270	199,814
Unrealized loss on forward exchange contracts - net		117,267	22,812
Gain on sale of fixed assets - net	28	(562)	(161)
Gain on closure of branches on IFRS 16		(25,652)	-
Gain / (loss) on sale of securities - net	27	(14,274)	109,983
		2,407,286	2,539,450
		2,752,662	2,098,308
<b>(Increase) / decrease in operating assets</b>			
Due from financial institutions		5,022,874	(1,176,664)
Islamic financing and related assets		(34,574,023)	10,582,005
Other assets		(808,828)	(2,915,763)
		(30,359,977)	6,489,578
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		1,497,194	(330,365)
Due to financial institutions		16,469,247	(3,591,233)
Deposits and other accounts		17,399,650	8,546,326
Other liabilities		263,253	2,120,700
		35,629,344	6,745,428
		8,022,029	15,333,314
Income tax paid		(161,023)	(139,375)
<b>Net cash generated from operating activities</b>		7,861,006	15,193,939
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in available-for-sale securities		(16,626,152)	(9,934,368)
Net investments in held-to-maturity securities		230,000	(1,310,891)
Dividend received		46,157	75,383
Proceeds from sale of securities		5,202,973	7,609,162
Investments in fixed assets		(241,480)	(476,164)
Proceeds from sale of fixed assets		593	518
Investments in intangible assets		(60,623)	(239,202)
<b>Net cash used in investing activities</b>		(11,448,532)	(4,275,562)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital	20	-	350,000
Payment against ROU asset		(619,207)	(524,046)
<b>Net cash used in financing activities</b>		(619,207)	(174,046)
<b>(Decrease) / increase in cash and cash equivalents during the year</b>		(4,206,733)	10,744,331
Cash and cash equivalents at the beginning of the year		19,075,532	8,331,201
<b>Cash and cash equivalents at the end of the year</b>	34	14,868,799	19,075,532

The annexed notes 1 to 45 form an integral part of these financial statements.

  
**SYED IFTIKHAR HUSSAIN RIZVI**  
 Chief Financial Officer

  
**MUHAMMAD AZFAR ALAM NOMANI**  
 President/Chief Executive

  
**RAZA MANSHA**  
 Director

  
**SEEMA AZIZ**  
 Director

  
**OMAIR SAFDAR**  
 Director

## NOTE TO AND FORMING PART OF THESE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

### 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 (repealed after the enactment of the Companies Act, 2017) 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, micro finance, investment and retail banking activities.

1.3 The Bank is operating through 187 branches in Pakistan (December 31, 2019: 185 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.

1.4 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 positive outlook.

### 2 BASIS OF PRESENTATION

2.1 The Bank provides financing through Shari'ah compliant financing products mainly through Murabaha, Istisna, Salam, 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.

2.3 These financial statements have been prepared in accordance with the format as prescribed by State Bank of Pakistan through BPRD Circular No.2 dated January 25, 2018.

### 3 STATEMENT OF COMPLIANCE

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

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

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

The State Bank of Pakistan has deferred the applicability of IFAS 3 'Profit and Loss Sharing on Deposits', through BPRD Circular No.04 dated February 25, 2015, International Financial Reporting Standard 9, 'Financial Instruments' through BPRD Circular No. 04 of 2019 dated October 23, 2019 and International Accounting Standards 40, 'Investment Property' for Banking Companies through 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.



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

There are certain new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2020. These are considered either to not be relevant or not to have any significant impact on the Bank's 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 periods beginning on or after January 1, 2021:

	Effective date (annual periods beginning on or after)
IAS 16, Property, plant and equipment (Amendments)	January 1, 2022
IAS 37, Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2022

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, as per BPRD Circular No. 04 of 2019 dated October 23, 2019 of SBP, effective date of IFRS 9 implementation is January 01, 2021.

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard and implementation guidelines are awaited from SBP.

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

### 3.4 Effects of COVID-19 on Financial Statements

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points during the year. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of financing to SMEs to Rs. 180 million;
- Relaxing the debt burden ratio for consumer financing from 50% to 60%;
- Allowing banks to defer customers' principal loan payments by one year and or restructure / reschedule financing for customers who require relief of principal repayment exceeding one year and / or profit with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 has impacted banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the financing portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of customers were also encouraged to use digital channels.

### 3.4.1 Credit Risk Management

The Risk Management function of the Bank during the year was vigilant in conducting assessments of the financing portfolio to identify customers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its financing review procedures in the light of COVID-19. The Bank continuously reviewed the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

In light of SBP's COVID-19 relief schemes, the Bank provided relief to those customers who were impacted by this pandemic. The Risk Management function of the Bank regularly monitored the conduct of the borrowers who were provided relief under SBP's COVID-19 related relief measures and ever since there were visible signs of improvement in our borrowers financial health and conduct of their relationship with the bank. Accordingly, the management believes on its best estimate that no general provision is required against the outstanding exposures.

### 3.4.2 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and profit and rescheduling of financing the impact on the maturity profile of the Bank was effectively managed by Asset and Liability Committee (ALCO) of the Bank who monitored and managed the liquidity position optimally.

### 3.4.3 Equity Risk Management

During the year, the Pakistan Stock Exchange exhibited significant volatility and improved market sentiments resulted in upward revision in the prices of securities which sustained any further deterioration in the impairment loss earlier booked as per SBP Guidelines. Being more prudent the Bank has abstained from taking any fresh positions.

### 3.4.4 Operational Risk Management

The Bank closely monitored the situation and invoked required actions to ensure the safety and security of Bank staff and uninterrupted service to customers. The senior management of the Bank continuously monitored the situation and took timely decisions to resolve any concerns.

Business Continuity Plans (BCP) for respective areas were in place and tested. The Bank has significantly enhanced monitoring of cybersecurity risk during these times. Remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank communicated with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels as well as enhancing customer awareness pertaining to online fraud risks. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Bank continues to meet the expectations of its employees and customers.

### 3.4.5 Capital Adequacy Ratio (CAR)

In order to encourage Banks to continue financing despite anticipated pressure on profits and credit risk, the SBP reduced the Capital Conversion Buffer (CCB) requirement by 1.00%.

## 4 BASIS OF MEASUREMENT

4.1 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 38.

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



#### 4.3 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 / profit 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.

##### 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 5.5.2.

##### 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 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.

##### f) Lease term

The Bank applies judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

##### 5.1 Business acquisition

Business acquisition from Group companies are recognized at carrying values.

##### 5.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current (net of overdrawn Nostro balances) and deposit accounts.

##### 5.3 Funds due to / from financial institutions

###### Bai Mu'ajjal

In Bai Mu'ajjal, 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 and ILTFF

Under IERS and ILTFF, 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.

##### 5.4 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) 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 included in statement of comprehensive income and is shown in the statement of financial position as part of equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account.

###### c) 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-Mu'ajjal receivables from Government of Pakistan are stated at cost. Investments classified as 'held to maturity' are carried at amortized cost less accumulated impairment losses, if any.

##### 5.4.1 Provision / impairment

Provision for diminution in the value of Sukuk certificates is made as per the applicable International Financial Reporting Standards and the directives issued by the SBP from time to time. In case of impairment of equity quoted securities classified as available for sale securities, the cumulative gain or loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position 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.



## 5.5 Islamic financing and related assets

**5.5.1** 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 remained unsold at the statement of financial position date are recorded as inventories. Deferred income on Murabaha financing is adjusted against Murabaha receivable.

The Bank values its inventories at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as the agent of the Bank for subsequent sale.

### 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 by the customer on behalf of the Bank and the amount hence financed along with profit is paid back to the Bank.

### Salam

In Salam financing, the Bank pays full in advance to its customer for buying specified goods / commodities 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 along with profit.

### 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.

## 5.5.2 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, Small Enterprise (SEs) and Micro financings made in accordance with the requirements of the Prudential Regulations issued by SBP. Islamic financing and related assets are written off when there is no realistic prospect of recovery.

## 5.6 Fixed and Intangible assets

### 5.6.1 Fixed assets

#### 5.6.1.1 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.

#### 5.6.1.2 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 fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 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 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.

### 5.6.2 Intangible assets

#### 5.6.2.1 Advance against purchase of software

Advance against purchase of software is stated at cost less accumulated impairment losses, if any. These are transferred to computer software as and when the related asset is received.

#### 5.6.2.2 Computer software

Computer software 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.

### 5.6.3 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 fair value 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.

## 5.7 Leases

The liability in respect of Ijarahs (leases) of Musta'jir (lessee) are initially measured at the present value of the remaining Ijarah payments, discounted using the Banks's incremental borrowing rate. The Bank (being an Islamic bank) may acquire funds, if required, from other financial institution(s) under Shari'ah compliant modes. The Ijarah liability is subsequently measured at amortised cost using the effective borrowing rate and charged to profit and loss account. The carrying amount is remeasured/adjusted if there are changes in the future cash flows or the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the Ijarah liability, adjusted for, as applicable, any Ujrah (lease) payments made at or before the commencement date. On subsequent measurement, right-of-use assets are stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of the Ijarah liability.



Right-of-use assets are depreciated on a straight line basis over the Ijarah term as this method closely reflects the expected pattern of consumption of future economic benefits and charged to profit and loss account. Carrying amount of the Ijarah liability is derecognised upon termination of the Ijarah contract with corresponding adjustment to right-of-use asset. Gain or loss on termination of Ijarah contract is recognised in the profit and loss account.

The Bank has elected not to recognize a right-of-use asset and the corresponding Ijarah liability for short-term Ijarahs with terms of 12 months or less and Ijarahs of low-value assets. Payments associated with these Ijarahs are recognized as an expense in the profit or loss account on a straight-line basis.

However, accounting for Ijarah of Muj'ir (lessors) remains the same as required under IFAS 02 i.e. Muj'ir continue to present assets subject to Ijarah according to the nature of the asset, distinguished from the assets in own use.

### 5.8 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba. Deposits are recorded at the proceeds received. The cost of deposits is recognized as an expense in the period in which this is incurred.

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.

### 5.9 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 Shari'ah 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.

### 5.10 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'.

### 5.11 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 15% 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.

### 5.12 Acceptances

Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. Acceptances are recognized as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset.

### 5.13 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.

### 5.14 Foreign currencies

#### 5.14.1 Transactions and balance

Transactions in foreign currencies (other than the results of operations of foreign operations) are translated to Rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts (unilateral wa'ad) other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities. Translational gains / losses and any change in fair value of forward exchanges contracts are credited / charged to profit and loss account.

#### 5.14.2 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.

### 5.15 Revenue recognition

- Profit on investments in Sukuks is recognised on time proportion 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 Musharaka placements with financial institutions is recognised on time proportion basis.
- Profit from Bai-Mu'ajjal is recognised on accrual basis.
- Profit from Murabaha financing is accounted for on culmination of the Murabaha transaction. Profit on Murabaha is recognised on time proportion 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 time proportion basis.
- Profit on Salam financing is recognised on time proportion 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 to which it arises.

### 5.16 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.



**5.17 Financial instruments**
**5.17.1 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 (excluding inventories), other assets (excluding balances related to tax), bills payables, due to financial institutions, deposits and other liabilities (excluding balances related to tax). The particular recognition methods adopted for significant financial assets and liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

**5.17.2 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.

**5.18 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 recorded in the financial statements. However, a separate disclosure of the fact is made in the financial statements.

**5.19 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.

**5.20 Segment reporting**

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure. The Bank's operations have been broken into following different business segments:

**5.20.1 Business segments**
**- Business Distribution**

It includes commercial and SME financing, deposits, trade business and other banking services.

**- Corporate Banking**

It includes financing to large and medium sized public and private sector entities, investment banking, corporate advisory, cash management, trade finance, guarantees and transaction with financial institutions.

**- Consumer Banking**

It includes financing and other banking services to individual customers other than those classified under Micro Banking.

**- Micro Banking**

It represents financing operations to low income individuals including agriculture sector financing.

**- Treasury Operations**

It includes inter-bank placements / acceptances, capital market operations and foreign exchange transactions and reserves management.

**5.20.2 Geographical segments**

The Bank operates only in Pakistan.

	Note	2020	2019
Rupees in thousands			
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
- local currency		2,945,064	2,095,419
- foreign currencies		904,472	600,249
		3,849,536	2,695,668
With the State Bank of Pakistan (SBP) in			
- local currency current account	6.1	4,663,509	5,647,262
- foreign currency current accounts			
cash reserve account	6.2	271,559	253,486
special cash reserve account	6.3	316,792	297,462
US\$ clearing account		33,465	68,772
		621,816	619,720
With National Bank of Pakistan in			
- local currency current account		634,866	1,276,497
Prize Bonds		102,470	13,400
		9,872,197	10,252,547

**6.1** The local currency current account is maintained with SBP under the Cash Reserve Requirement of section 22 of Banking Companies Ordinance, 1962. 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 prescribed by the SBP from time to time.

**6.2** 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.

**6.3** 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	2020	2019
Rupees in thousands			
<b>7 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- deposit account	7.1	1,554	4,378,142
Outside Pakistan			
- current account		4,995,048	4,444,843
		4,996,602	8,822,985

**7.1** This represents saving accounts carrying profit at expected rates ranging from 2.13% to 6.00% per annum (2019: 3.00% to 12.54% per annum).

	Note	2020	2019
Rupees in thousands			
<b>8 DUE FROM FINANCIAL INSTITUTIONS</b>			
<b>Secured</b>			
Bai Muajjal receivable - with State Bank of Pakistan	8.1	828,790	3,371,664
<b>Unsecured</b>			
Musharaka arrangements		-	2,480,000
		828,790	5,851,664

**8.1** This represents Bai Muajjal with State Bank of Pakistan carrying profit of 9.14% per annum (2019: average rate of 10.34%) and having maturity till January 29, 2021.

		2020	2019
Rupees in thousands			
<b>8.2 Particulars of due from financial institutions</b>			
- local currency		828,790	5,851,664
- foreign currencies		-	-
		828,790	5,851,664



9 INVESTMENTS

9.1 Investments by type:

2020			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value

Rupees in thousands

Available-for-sale securities

Federal Government securities	22,503,692	-	(59,578)	22,444,114
Shares	1,815,977	1,039,436	292,987	1,069,528
Non Government securities	1,044,000	-	14,528	1,058,528
	25,363,669	1,039,436	247,937	24,572,170

Held-to-maturity securities

Federal Government securities	2,700,827	-	-	2,700,827
Non Government securities	345,000	-	-	345,000
	3,045,827	-	-	3,045,827

<b>Total Investments</b>	<b>28,409,496</b>	<b>1,039,436</b>	<b>247,937</b>	<b>27,617,997</b>
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2019			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value

Rupees in thousands

Available-for-sale securities

Federal Government securities	10,899,070	-	(7,384)	10,891,686
Shares	1,908,146	1,059,172	175,625	1,024,599
Non Government securities	1,119,000	-	(1,312)	1,117,688
	13,926,216	1,059,172	166,929	13,033,973

Held-to-maturity securities

Federal Government securities	2,700,827	-	-	2,700,827
Non Government securities	575,000	-	-	575,000
	3,275,827	-	-	3,275,827

<b>Total Investments</b>	<b>17,202,043</b>	<b>1,059,172</b>	<b>166,929</b>	<b>16,309,800</b>
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9.2 Investments by segments:

2020			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value

Rupees in thousands

Federal Government securities

GOP Ijarah Sukuks	22,475,798	-	(58,797)	22,417,001
WAPDA Sukuks	27,894	-	(781)	27,113
Bai Mu'ajjal	2,700,827	-	-	2,700,827

Shares

Listed companies	1,815,977	1,039,436	292,987	1,069,528
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Non Government securities

Listed	549,000	-	4,119	553,119
Un listed	840,000	-	10,409	850,409

<b>Total Investments</b>	<b>28,409,496</b>	<b>1,039,436</b>	<b>247,937</b>	<b>27,617,997</b>
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2019			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value

Rupees in thousands

Federal Government securities

GOP Ijarah Sukuks	10,842,666	-	(8,095)	10,834,571
WAPDA Sukuks	56,404	-	711	57,115
Bai Mu'ajjal	2,700,827	-	-	2,700,827

Shares

Listed companies	1,908,146	1,059,172	175,625	1,024,599
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Non Government securities

Listed	854,000	-	1,309	855,309
Un listed	840,000	-	(2,621)	837,379

<b>Total Investments</b>	<b>17,202,043</b>	<b>1,059,172</b>	<b>166,929</b>	<b>16,309,800</b>
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9.2.1 There were no investment given as collateral as at December 31, 2020 (2019: Nil).

9.3 Provision for diminution in value of investments

	2020	2019
Opening balance	1,059,172	881,903
Charge for the year	36,975	177,269
Reversal on disposals	(56,711)	-
Closing balance	1,039,436	1,059,172

9.4 Quality of Available for Sale Securities

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

	2020	2019
<b>Cost</b>		
<b>Rupees in thousands</b>		
<b>Federal Government Securities - Government guaranteed</b>		
GOP Ijarah Sukuks	22,475,798	10,842,666
WAPDA Sukuks	27,894	56,404
Unlisted - AAA (2019: AAA)	22,503,692	10,899,070
<b>Shares</b>		
Listed		
Automobile Assembler	154,313	154,313
Cable & Electric Goods	136,403	136,403
Engineering	266,165	266,165
Fertilizer	171,055	171,055
Oil & Gas Marketing Companies	308,072	308,072
Paper & Board	308,108	308,108
Pharmaceuticals	161,271	161,716
Power Generation & Distribution	99,803	99,803
Refinery	94,081	94,081
Textile Composite	-	91,354
Oil & Gas Exploration Companies	116,706	116,706
Chemical	-	370
	1,815,977	1,908,146
<b>Non Government Securities</b>		
Listed		
AA-	129,000	129,000
AA-	75,000	150,000
	204,000	279,000
Un listed		
AA	740,000	740,000
A	100,000	100,000
	840,000	840,000
	25,363,669	13,926,216



	Note	2020	2019
		Cost	
		Rupees in thousands	
<b>9.5 Particulars relating to Held to Maturity securities are as follows:</b>			
<b>Federal Government Securities - Government guaranteed</b>			
Bai Mu'ajjal	9.5.1	2,700,827	2,700,827
<b>Non Government Securities</b>			
Listed			
AA+	9.5.2	345,000	575,000
		3,045,827	3,275,827
<b>9.5.1 Bai Muajjal receivable</b>	9.5.1.1	3,768,188	3,768,188
Less: Deferred Income		1,067,361	1,067,361
Bai Muajjal at cost		2,700,827	2,700,827

**9.5.1.1** This represents receivable from Government of Pakistan against sale of GoP Ijarah Sukuk certificates (GIS - 16 & GIS - 18). The credit price will be recovered at the time of maturity.

**9.5.2** The market value of non Government securities classified as held-to-maturity as at December 31, 2020 amounted to Rs.348,484 million (2019: Rs.578.98 million).

**10 ISLAMIC FINANCING AND RELATED ASSETS - NET**

	Note	Performing		Non performing		Total	
		2020	2019	2020	2019	2020	2019
		Rupees in thousands					
Murabaha	10.1	11,816,034	7,605,280	239,786	4,550	12,055,820	7,609,830
Musawamah	10.2	-	2,000	-	-	-	2,000
Istisna	10.3	3,455,789	2,603,493	-	-	3,455,789	2,603,493
Salam		-	111,287	-	-	-	111,287
Ijarah	10.4	2,808,272	4,878,702	7,096	2,698	2,815,368	4,881,400
Running Musharaka	10.5	40,757,574	16,669,096	-	-	40,757,574	16,669,096
Diminishing Musharaka	10.6	24,183,982	17,802,303	509,589	374,179	24,693,571	18,176,482
Staff finance	10.7	1,184,311	1,293,082	-	-	1,184,311	1,293,082
<b>Islamic financing and related assets - gross</b>		84,205,962	50,965,243	756,471	381,427	84,962,433	51,346,670
Less: Provision against non-performing							
Islamic financing and related assets							
- Specific		-	-	(25,395)	(3,340)	(25,395)	(3,340)
- General		(40,847)	(33,363)	-	-	(40,847)	(33,363)
	10.10	(40,847)	(33,363)	(25,395)	(3,340)	(66,242)	(36,703)
<b>Islamic financing and related assets - net of provisions</b>		84,165,115	50,931,880	731,076	378,087	84,896,191	51,309,967

	Note	2020	2019
		Rupees in thousands	
<b>10.1 Murabaha</b>			
- Murabaha financing	10.1.1	4,998,262	4,671,163
- Murabaha inventory		6,494,165	2,649,423
- Murabaha inventory- SBP's IRSPWS		27,939	-
- Advances against Murabaha financing		510,454	239,244
- Murabaha financing under Islamic export refinance scheme	10.1.5	5,000	-
- Advances against Murabaha financing under Islamic export refinance scheme		20,000	50,000
		12,055,820	7,609,830
<b>10.1.1 Murabaha receivable - gross</b>	10.1.2	5,232,085	5,005,449
Less: Deferred Murabaha income	10.1.4	233,823	334,286
Murabaha financing		4,998,262	4,671,163

	Note	2020	2019
		Rupees in thousands	
<b>10.1.2 Movement in Murabaha receivable during the year:</b>			
Opening balance		5,005,449	7,674,572
Sales during the year		20,865,558	25,845,273
Adjusted during the year		(20,638,922)	(28,514,396)
		5,232,085	5,005,449
<b>10.1.3 Murabaha sale price during the year</b>		20,865,558	25,845,273
Murabaha purchase price during the year		(19,838,369)	(24,447,190)
		1,027,189	1,398,083
<b>10.1.4 Deferred Murabaha income</b>			
Opening balance		334,286	340,551
Arising during the year		1,027,189	1,398,083
Recognised during the year		(1,127,652)	(1,404,348)
		233,823	334,286
<b>10.1.5 Murabaha receivable under Islamic export refinance scheme - gross</b>	10.1.6	5,074	-
Less: Deferred income	10.1.8	74	-
Murabaha financing under Islamic export refinance scheme		5,000	-
<b>10.1.6 Movement in Murabaha receivable under IERS during the year:</b>			
Opening balance		-	-
Sales during the year		5,074	-
Adjusted during the year		-	-
		5,074	-
<b>10.1.7 Murabaha sale price under Islamic export refinance scheme during the year</b>		5,074	-
Murabaha purchase price under Islamic export refinance scheme during the year		(5,000)	-
		74	-
<b>10.1.8 Deferred Murabaha income under Islamic export refinance scheme</b>			
Opening balance		-	-
Arising during the year		74	-
Recognised during the year		-	-
		74	-
<b>10.2 Musawamah</b>			
- Musawamah inventory		-	2,000
		-	2,000
<b>10.3 Istisna</b>			
- Istisna financing		480,693	60,146
- Istisna inventory		389,306	616,127
- Advances against Istisna financing		1,611,226	1,052,399
- Istisna financing under Islamic export refinance scheme		123,667	56,929
- Advances against Istisna financing under Islamic export refinance scheme		775,897	817,892
- Advances against Istisna financing under SBP's IRSPWS		75,000	-
		3,455,789	2,603,493
<b>10.4 Ijarah financing and related assets</b>			
- Net book value of assets in Ijarah under IFAS 2	10.4.1	2,783,440	4,190,369
- Advances against Ijarah		31,928	691,031
		2,815,368	4,881,400

**10.4.1 Net book value of assets in Ijarah under IFAS 2**

	2020						Book Value as at December 31, 2020
	Cost			Depreciation			
	As at January 1, 2020	Additions / (Disposal)	As at December 31, 2020	As at January 1, 2020	Charge / (Disposal)	As at December 31, 2020	
	Rupees in thousands						
Vehicles	3,999,646	250,956	2,970,391	1,039,780	603,062	1,051,097	1,919,294
		(1,280,211)			(591,745)		
Equipment and Plant and Machinery	1,689,096	798,286	1,186,171	458,593	349,730	322,025	864,146
		(1,301,211)			(486,298)		
Total	5,688,742	1,049,242	4,156,562	1,498,373	952,792	1,373,122	2,783,440
		(2,581,422)			(1,078,043)		



2019						
Cost			Depreciation			Book Value as at December 31, 2019
As at January 1, 2019	Additions / (Disposal)	As at December 31, 2019	As at January 1, 2019	Charge / (Disposal)	As at December 31, 2019	
Rupees in thousands						
2,882,357	1,501,816	3,999,646	654,281	629,680	1,039,780	2,959,866
	(384,527)			(244,181)		
1,203,656	970,541	1,689,096	483,657	363,007	458,593	1,230,503
	(485,101)			(388,071)		
4,086,013	2,472,357	5,688,742	1,137,938	992,687	1,498,373	4,190,369
	(869,628)			(632,252)		

#### 10.4.2 Future Ijarah payments receivable

2020			
Not later than 1 year	Later than 1 year and not later than 5 years	Over Five years	Total
Rupees in thousands			

Ijarah rental receivables	1,100,022	1,782,989	3,456	2,886,467
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2019			
Not later than 1 year	Later than 1 year and not later than 5 years	Over Five years	Total
Rupees in thousands			

Ijarah rental receivables	3,094,930	3,085,206	72,420	6,252,556
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2020	2019
Rupees in thousands	

<b>10.5 Running Musharaka</b>		
- Running Musharaka financing	38,592,574	14,854,096
- Running Musharaka financing under Islamic export refinance scheme	2,165,000	1,815,000
	40,757,574	16,669,096

<b>10.6 Diminishing Musharaka</b>		
- Diminishing Musharaka financing	18,977,083	17,511,215
- Diminishing Musharaka financing - SBP's IRSPWS	1,612,874	-
- Advances against Diminishing Musharaka financing	2,153,276	665,267
- Advances against Diminishing Musharaka under SBP's ILTFF	541,151	-
- Advances against Diminishing Musharaka under SBP's IRFCC	27,518	-
- Advances against Diminishing Musharaka under SBP's ITERF	1,381,669	-
	24,693,571	18,176,482

<b>10.7 Staff finance</b>		
- Staff vehicle finance under Diminishing Musharaka	245,136	230,096
- Staff housing finance under Diminishing Musharaka	939,175	1,062,986
	1,184,311	1,293,082

<b>10.8 Particulars of Islamic financing and related assets - gross</b>		
In local currency	84,918,786	51,346,670
In foreign currency	43,647	-
	84,962,433	51,346,670

10.9 Islamic financing and related assets include Rs. 756.471 million (2019: Rs. 381.427 million) which have been placed under non-performing status as detailed below:

Category of Classification	2020		2019	
	Non-performing Islamic financing and related assets	Provision	Non-performing Islamic financing and related assets	Provision
Rupees in thousands				
Domestic				
Other Assets Especially Mentioned	18,104	-	14,754	-
Substandard	97,291	8,226	7,703	1,797
Doubtful	194,294	4,961	358,105	678
Loss	446,782	12,208	865	865
	756,471	25,395	381,427	3,340

#### 10.10 Particulars of provision against Islamic financing and related assets

	2020			2019		
	Specific	General	Total	Specific	General	Total
Rupees in thousands						
Opening balance	3,340	33,363	36,703	758	14,102	14,860
Charge for the year	27,522	7,484	35,006	3,383	19,261	22,644
Reversals	-	-	-	(99)	-	(99)
	27,522	7,484	35,006	3,284	19,261	22,545
Amounts written off	(5,467)	-	(5,467)	(702)	-	(702)
Closing balance	25,395	40,847	66,242	3,340	33,363	36,703

10.11 As allowed by the SBP, the Bank has availed benefit of forced sale value (FSV) in determining the provisioning against non-performing Islamic financing and related assets as at December 31, 2020. Had the benefit not been taken by the bank, the specific provision against non-performing Islamic financing and related assets would have been higher by Rs.543.151 million (December 31, 2019 : Rs.178.374 million). The additional benefit on the Bank's statement of profit and loss arising from availing the FSV benefit - net of tax amounts to Rs 353.048 million as at December 31, 2020 (December 31, 2019: Rs 115.943 million). However, the additional impact on profitability arising from availing the benefit of forced sales value is not available for payment of cash or stock dividends to shareholders.

10.12 The Bank has maintained general provision at an amount equal to 1% and 1.5% of the fully secured performing portfolio of consumer auto finance, small enterprise and unsecured performing portfolio of micro financing as required by the Prudential Regulations issued by the SBP. Further, general provision on consumer house finance is maintained as per the criteria defined in relevant Prudential Regulations issued by SBP.

#### 10.13 Particulars of provision against Islamic financing and related assets

	2020			2019		
	Specific	General	Total	Specific	General	Total
Rupees in thousands						
In local currency	25,395	40,847	66,242	3,340	33,363	36,703
In foreign currency	-	-	-	-	-	-
	25,395	40,847	66,242	3,340	33,363	36,703

#### 10.14 PARTICULARS OF WRITE OFFS:

	Note	2020	2019
		Rupees in thousands	
Against Provisions		5,467	702
Directly charged to Profit & Loss account		-	-
		5,467	702

#### 11 FIXED ASSETS

Capital work-in-progress	11.1	88,308	112,863
Property and equipment	11.2	2,685,370	2,778,073
Right of use of assets	11.4	2,775,216	2,888,836
		5,548,894	5,779,772

#### 11.1 Capital work-in-progress

Civil works		54,127	25,610
Advance to suppliers and contractors		33,427	83,351
Others		754	3,902
		88,308	112,863



## 11.2 Property and Equipment

	2020						
	Freehold land	Building on freehold land	Lease hold Improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
Rupees in thousands							
<b>At January 1, 2020</b>							
Cost / Revalued amount	828,000	502,206	452,410	160,470	1,387,986	90,889	3,421,961
Accumulated depreciation	-	(236)	(157,112)	(36,792)	(421,520)	(28,228)	(643,888)
Net book value	828,000	501,970	295,298	123,678	966,466	62,661	2,778,073
<b>Year ended December 2020</b>							
Opening net book value	828,000	501,970	295,298	123,678	966,466	62,661	2,778,073
Additions / Adjustments	-	1,129	72,838	11,510	176,707	3,851	266,035
Disposals	-	-	-	(5)	(26)	-	(31)
Depreciation charge	-	(11,504)	(94,332)	(18,645)	(219,835)	(14,391)	(358,707)
Closing net book value	828,000	491,595	273,804	116,538	923,312	52,121	2,685,370
<b>At December 31, 2020</b>							
Cost / Revalued amount	828,000	503,335	525,248	171,950	1,564,145	94,740	3,687,418
Accumulated depreciation	-	(11,740)	(251,444)	(55,412)	(640,833)	(42,619)	(1,002,048)
Net book value	828,000	491,595	273,804	116,538	923,312	52,121	2,685,370
Rate of depreciation (%)	0	Upto 50 years	20	10	10 to 25	20	
	2019						
	Freehold land	Building on freehold land	Lease hold Improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
Rupees in thousands							
<b>At January 1, 2019</b>							
Cost / Revalued amount	730,867	463,354	270,543	112,985	1,081,665	70,369	2,729,783
Accumulated depreciation	-	(15,648)	(95,298)	(21,004)	(237,210)	(14,892)	(384,052)
Net book value	730,867	447,706	175,245	91,981	844,455	55,477	2,345,731
<b>Year ended December 2019</b>							
Opening net book value	730,867	447,706	175,245	91,981	844,455	55,477	2,345,731
Additions	1,381	11,212	181,867	47,608	307,582	20,520	570,170
Movement in surplus on assets revalued during the year	95,752	53,225	-	-	-	-	148,977
Disposals	-	-	-	(54)	(303)	-	(357)
Depreciation charge	-	(10,173)	(61,814)	(15,857)	(185,268)	(13,336)	(286,448)
Closing net book value	828,000	501,970	295,298	123,678	966,466	62,661	2,778,073
<b>At December 31, 2019</b>							
Cost / Revalued amount	828,000	502,206	452,410	160,470	1,387,986	90,889	3,421,961
Accumulated depreciation	-	(236)	(157,112)	(36,792)	(421,520)	(28,228)	(643,888)
Net book value	828,000	501,970	295,298	123,678	966,466	62,661	2,778,073
Rate of depreciation (%)	0	Upto 50 years	20	10	10 to 25	20	

**11.2.1** The land and buildings of the Bank were revalued in December 2019 by independent valuers (Tristar International Consultant (Private) Limited and Sardar Enterprises, valuation and engineering consultants) on the basis of market value. Surplus against revaluation of fixed assets net off deferred tax as at December 31, 2020 amounts to Rs.312.157 million.

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2020 would have been as follows:

	Rupees in thousands
Land	595,875
Building	368,468

**11.3** The gross carrying amount (cost) of fully depreciated / amortized assets that are in use as at December 31, 2020 are as follows:

	Rupees in thousands
Lease hold Improvements	35,697
Electrical, office and computer equipment	95,989
Furniture and fixtures	4,178
Vehicles	13,946

11.4 Ijarah of Musta'jir meeting the criteria prescribed by IFRS 16 "Leases" are presented as on-balance sheet item. Movement in right-of-use of assets is as follows:

Note	2020	2019
	Rupees in thousands	
Balance as 01 January	2,888,836	-
Effect of initial application of IFRS 16 as at 01 January 2019	-	2,937,162
Addition during the year	516,360	393,690
Disposed off during the year	(180,351)	-
Depreciation charge for the year	(474,029)	(442,016)
Other adjustments	24,400	-
Balance as at 31 December 2020	2,775,216	2,888,836

## 12 INTANGIBLE ASSETS

Advance against purchase of software		40,688	155,595
Computer software	12.1	598,740	564,128
		639,428	719,723

## 12.1 Computer software

<b>At January 1</b>		
Cost	819,378	664,711
Accumulated amortisation	(255,250)	(143,600)
Net book value	564,128	521,111

<b>Year ended December 31</b>		
Opening net book value	564,128	521,111
Additions:		
- directly purchased	175,530	154,667
Amortisation charge	(140,918)	(111,650)
Closing net book value	598,740	564,128

<b>At December 31</b>		
Cost	994,908	819,378
Accumulated amortisation	(396,168)	(255,250)
Net book value	12.1.1 598,740	564,128

Rate of amortisation	14.28% -33.33%	14.28% -33.33%
Useful life	3 -7 Yrs	3 -7 Yrs

**12.1.1** This includes Core banking system of the Bank at carrying value of Rs. 176.182 million (2019: Rs. 220.973 million) and having remaining useful life of 4 years (2019: 5 years).



13 DEFERRED TAX ASSETS / (LIABILITY) - NET

2020				
	At Jan 01, 2020	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2020
Rupees in thousands				
<b>Deductible temporary difference</b>				
Tax losses carried forward	942,766	(171,747)	-	771,019
Minimum tax	241,735	120,574	-	362,309
Provision against Islamic financing and related assets	863	3,463	-	4,326
Workers welfare fund	797	3,441	-	4,238
	1,186,161	(44,269)	-	1,141,892
<b>Taxable temporary difference</b>				
Surplus on revaluation of fixed assets	(43,992)	897	-	(43,095)
Surplus on revaluation of investments	(58,425)	-	(28,353)	(86,778)
Accelerated tax depreciation	(162,727)	25,586	-	(137,141)
	(265,144)	26,483	(28,353)	(267,014)
	921,017	(17,786)	(28,353)	874,878
2019				
	At Jan 01, 2019	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2019
Rupees in thousands				
<b>Deductible temporary difference</b>				
Tax losses carried forward	806,991	135,775	-	942,766
Minimum tax	88,851	152,884	-	241,735
Deficit on revaluation of investments - net	28,025	-	(28,025)	-
Provision against Islamic financing and related assets	21	842	-	863
Workers welfare fund	797	-	-	797
	924,685	289,501	(28,025)	1,186,161
<b>Taxable temporary difference</b>				
Surplus on revaluation of fixed assets	(25,818)	455	(18,629)	(43,992)
Surplus on revaluation of investments	-	-	(58,425)	(58,425)
Accelerated tax depreciation	(147,802)	(14,925)	-	(162,727)
	(173,620)	(14,470)	(77,054)	(265,144)
	751,065	275,031	(105,079)	921,017

The management, based on their internal projections / assessment of future taxable profits, believes that the Bank will be able to achieve sufficient taxable profits and tax liability in future to adjust unused tax losses and minimum tax before their expiry and accordingly has recorded the deferred tax asset on such basis. Tax losses and minimum tax have expiry dates between 2023 to 2025.

14 OTHER ASSETS

	2020	2019
Rupees in thousands		
Profit / return accrued in local currency	2,368,681	2,434,000
Dividend receivable	1,546	-
Advances, deposits, advance rent and other prepayments	204,050	164,697
Advance taxation (payments less provisions)	5,143	11,097
Branch adjustment account	145,102	40,206
Receivable against ATM transactions	344,879	156,474
Receivable under home remittances	11,562	11,851
Mark to market gain on forward foreign exchange contracts	41,704	5,083
Acceptance	2,716,615	2,194,173
Others	56,627	37,289
	5,895,909	5,054,870

15 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2020 (2019: Nil).

	Note	2020	2019
Rupees in thousands			
<b>16 BILLS PAYABLE</b>			
In Pakistan		2,470,821	973,627
Outside Pakistan		-	-
		2,470,821	973,627
<b>17 DUE TO FINANCIAL INSTITUTIONS</b>			
In Pakistan		20,596,773	4,127,526
Outside Pakistan		-	-
		20,596,773	4,127,526
<b>17.1 Particulars of due to financial institutions with respect to currencies</b>			
In local currency		20,596,773	4,127,526
In foreign currencies		-	-
		20,596,773	4,127,526
<b>17.2 Details of due to financial institutions - Secured / Unsecured</b>			
<b>Secured</b>			
Musharaka with the State Bank of Pakistan under Islamic Export Refinance Scheme	17.2.1	2,845,918	2,650,821
Musharaka with the State Bank of Pakistan under Islamic Long Term Financing Facility	17.2.2	445,848	-
Musharaka with the State Bank of Pakistan under Islamic Temporary Economic Refinancing Facility for Plant and Machinery	17.2.3	1,183,828	-
Musharaka with the State Bank of Pakistan under Islamic Refinancing Scheme for payment of Wages and Salaries	17.2.4	1,715,813	-
<b>Unsecured</b>			
Musharaka arrangements	17.2.5	14,222,000	1,380,853
Musharaka arrangements with other institution		183,366	95,853
Overdrawn nostro		-	-
		20,596,773	4,127,527

17.2.1 These Musharaka arrangements are on a profit and loss sharing basis maturing between January 31, 2021 to June 29, 2021 (2019: January 01, 2020 to June 29, 2020) and are secured against demand promissory notes executed in favour of the SBP. A limit of Rs. 3,884 million has been allocated to the Bank by SBP under Islamic Export Refinance Scheme.

17.2.2 These Musharaka arrangements are on a profit and loss sharing basis maturing between June 30, 2030 to November 30, 2030 (2019: NIL)

17.2.3 These Musharaka arrangements are on a profit and loss sharing basis maturing between November 01, 2030 to December 05, 2030 (2019: NIL)

17.2.4 These Musharaka arrangements are on a profit and loss sharing basis maturing between April 13, 2021 to April 12, 2023 (2019: NIL)

17.2.5 This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 6.7% to 7.2% per annum (2019: 8.5% to 9.0% per annum) and having maturity till March 05, 2021.

18 DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
Rupees in thousands						
<b>Customers</b>						
Current deposits	28,501,991	2,175,509	30,677,500	20,470,659	1,721,169	22,191,828
Savings deposits	39,831,137	1,971,071	41,802,208	31,630,709	2,085,896	33,716,605
Term deposits	17,861,765	79,103	17,940,868	15,049,977	72,099	15,122,076
Others	2,693,912	-	2,693,912	4,918,750	-	4,918,750
	88,888,805	4,225,683	93,114,488	72,070,095	3,879,164	75,949,259
<b>Financial Institutions</b>						
Current deposits	148,391	138	148,529	98,729	1,605	100,334
Savings deposits	2,462,010	1,634	2,463,644	1,986,733	1,554	1,988,287
Term deposits	3,526,500	-	3,526,500	3,815,631	-	3,815,631
	6,136,901	1,772	6,138,673	5,901,093	3,159	5,904,252
	95,025,706	4,227,455	99,253,161	77,971,188	3,882,323	81,853,511



	2020	2019
	Rupees in thousands	
<b>18.1</b> Composition of deposits		
Individuals	43,739,410	35,007,567
Government (Federal and Provincial)	4,253,371	7,692,691
Public Sector Entities	4,861,494	268,859
Banking Companies	2,075	1,037,961
Non-Banking Financial Institutions	6,136,598	4,866,288
Private Sector	40,260,213	32,980,145
	99,253,161	81,853,511

**18.2** This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 61,239.189 million (2019: Rs. 51,165.607 million).

	Note	2020	2019
		Rupees in thousands	
<b>19</b> OTHER LIABILITIES			
Profit / return payable in local currency	19.1	611,605	679,292
Profit / return payable in foreign currencies		3,874	9,437
Accrued expenses		349,687	333,136
Income received in advance		39,975	71,091
Acceptance		2,716,615	2,194,173
Payable under inter-bank fund transfer		-	3,805
Advance receipt against Islamic financing and related assets		16,206	6,154
Charity fund balance	19.2	46,615	57,782
Security deposits against Ijarah financing		784,910	1,005,930
Withholding tax, Federal excise duty and other payable		14,150	21,685
Mark to market loss on forward foreign exchange contracts		181,783	27,896
Liability against ROU asset	19.3	3,143,507	3,039,168
Others		213,432	151,331
		8,122,359	7,600,880

**19.1** It includes Rs. 17.550 million (2019: Rs. 10.086 million) in respect of profit / return accrued on Musharaka with SBP under Islamic Export Refinance Scheme.

	Note	2020	2019
		Rupees in thousands	
<b>19.2</b> Reconciliation of charity fund balance			
Opening balance		57,782	25,402
Additions during the year			
- Received from customers against late payment		42,477	45,958
- Dividend purification amount		771	7,383
- Profit on charity saving account		2,085	1,539
		45,333	54,880
Charity paid during the year	19.2.1	(56,500)	(22,500)
Closing balance		46,615	57,782

	2020	2019
	Rupees in thousands	
<b>19.2.1</b> Charity was paid to the following institutions:		
The Patients' Bahbood Society for AKUH	1,000	1,000
Al-Khidmat Foundation	2,000	-
Arthritis Care	2,000	1,000
Aziz Jehan Begum Trust for the Blind	3,000	1,000
Chiniot Anjuman Islamia	1,000	-
Chiniot Blood Bank and Dialysis Centre	1,000	-
Family Welfare Society	3,000	1,000
Fatmid Foundation	3,000	1,000
Indus Hospital	5,000	2,000
Infaq Memorial Trust	3,000	1,000
Layton Rehmatullah Benevolent Trust	4,000	2,000
Mind Organization	2,000	1,000
Pink Ribbon	2,000	5,000
Saleem Memorial Trust Hospital	6,000	-
Saylani Welfare	2,000	-
Shaukat Khanam Memorial Cancer Hospital	3,000	2,000
Sindh Institute of Urology & Transplantation (SIUT)	3,000	2,000
The Citizens Foundation	4,000	2,000
Jahandad Society for Community Development	1,500	-
The Lahore Hospital Welfare Society	2,000	500
Al - Mustafa Welfare Society	500	-
Frontier Foundation blood transfusion Centre	500	-
Zubaida Medical Center	1,000	-
Mofad e Amma Chiniot Sheikh Association	1,000	-
	56,500	22,500

**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.

**19.3** Ijarah of Musta'jir meeting the criteria prescribed by IFRS 16 "Leases" are presented as on-balance sheet item.

## 20 SHARE CAPITAL

### Authorised capital

	2020	2019
	Rupees in thousands	
<b>Number of shares</b>		
1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10/- each
	15,000,000	15,000,000

### Issued, subscribed and paid up capital

	2020	2019
	Rupees in thousands	
<b>Number of shares</b>		
	Fully paid in cash	
1,155,000,000	1,120,000,000	Balance at beginning of the year
-	35,000,000	Issued during the year - right shares
1,155,000,000	1,155,000,000	Balance at end of the year

**20.1** The Bank's shares are 100 percent held by MCB Bank Limited (MCB) - the parent company and its nominee directors.

## 21 RESERVES

	2020	2019
	Rupees in thousands	
Statutory Reserves	68,107	26,444
<b>21.1</b> Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.		



	Note	2020	2019
		Rupees in thousands	
<b>22 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus / (deficit) arising on revaluation of:			
- Fixed assets	22.1	355,252	357,814
- Available for sale securities	22.2	247,937	166,929
		603,189	524,743
Deferred tax on surplus / (deficit) on revaluation of:			
- Fixed assets	22.1	(43,095)	(43,992)
- Available for sale securities	22.2	(86,778)	(58,425)
		(129,873)	(102,417)
		473,316	422,326
<b>22.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as January 1		357,814	210,137
Recognised during the year		-	148,977
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,665)	(845)
Related deferred tax liability on incremental depreciation charged during the year		(897)	(455)
Surplus on revaluation of fixed assets as at December 31		355,252	357,814
Less: Related deferred tax liability on:			
revaluation as at January 1		43,992	25,818
revaluation recognised during the year		-	18,629
incremental depreciation charged during the year		(897)	(455)
		43,095	43,992
		312,157	313,822
<b>22.2 Surplus / (deficit) on revaluation of available for sale securities - net of tax</b>			
Available for sale securities			
Listed shares		292,987	175,625
Sukuks		(45,050)	(8,696)
		247,937	166,929
Related deferred tax asset		(86,778)	(58,425)
		161,159	108,504
<b>23 CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	23.1	8,000,674	6,467,046
Commitments	23.2	20,583,025	11,498,973
Other contingent liabilities	23.3	437,433	431,439
		29,021,132	18,397,458
<b>23.1 Guarantees:</b>			
Performance guarantees		3,935,124	3,431,726
Other guarantees		4,065,550	3,035,320
		8,000,674	6,467,046
<b>23.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
Letters of credit		7,654,971	7,818,321
Commitments in respect of:			
Forward foreign exchange contracts	23.2.1	11,909,879	3,363,957
Commitments for acquisition of:			
Intangible assets		10,724	8,940
Other commitments	23.2.2	1,007,451	307,755
		20,583,025	11,498,973

	Note	2020	2019
		Rupees in thousands	
<b>23.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		5,046,837	882,210
Sale		6,863,042	2,481,747
		11,909,879	3,363,957
<b>23.2.2 Other Commitments</b>			
Commitments to extend credit	23.2.2.1	1,007,451	307,755
<b>23.2.2.1</b> Other than those stated above, 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.			
<b>23.3 Other contingent liabilities</b>			
Claims against the Bank not acknowledged as debt		437,433	431,439
This includes claim by a third party against the Bank, amounting to Rs.425.820 million which is being contested in the Court of law. The suit has been disposed off by the Court vide Order dated May 10, 2019 wherein the status quo has been ordered to be maintained with respect to bank guarantee and the matter has been referred to arbitration with the consent of the parties. However the Bank has not received any official notice to attend the arbitration proceedings till date.			
In addition to the above, this includes claim by different parties against the bank amounting to Rs.11.6 million which is pending before the court.			
<b>23.4</b> The Sindh Revenue Board (SRB) has issued order under "Sindh Sales Tax on Services Act, 2011", for the year 2016 thereby raising demand of Rs.0.642 million. The Bank has filed appeal before Commissioner of Inland Revenue Appeals which is pending adjudication. The management of the Bank, in consultation with its tax advisor, is confident that the decision in respect of the above matter would be in the Bank's favor and accordingly no provision has been made in these financial statements with respect thereto.			
<b>24 PROFIT / RETURN EARNED</b>			
Financings		7,044,066	7,288,776
Investments in			
- available for sale securities		1,853,889	1,411,649
- held to maturity securities		411,594	400,202
		2,265,483	1,811,851
Musharaka arrangements with financial institutions		215,060	555,462
Deposits with financial institutions		151,826	192,730
		9,676,435	9,848,819
<b>25 PROFIT / RETURN EXPENSED</b>			
Deposits and other accounts		4,340,687	4,936,521
Musharaka arrangements with the State Bank of Pakistan under IERS		66,345	45,860
Musharaka arrangements with other financial institutions		468,267	490,506
Musharaka arrangements with other institution		16,900	7,973
Unwinding of liability against right-of-use of asset	25.1	388,790	374,201
		5,280,989	5,855,061
<b>25.1</b> Ijarah of Musta'jir meeting the criteria prescribed by IFRS 16 "Leases" are presented as on-balance sheet item.			
<b>26 FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		10,752	12,407
Consumer finance related fees		11,250	19,584
Card related fees		75,249	67,794
Credit related fees		13,202	4,755
Digital banking fees		17,055	12,429
Commission on trade		76,259	71,407
Commission on guarantees		46,375	23,475
Commission on cash management		704	134
Commission on remittances including home remittances		10,214	9,439
Commission on banca takaful		54,125	70,021
Others		1,241	3,046
		316,426	294,491



	Note	2020	2019
		Rupees in thousands	
<b>27 GAIN / (LOSS) ON SECURITIES</b>			
Realised	27.1	14,274	(109,983)
<b>27.1 Realised gain / (loss) on:</b>			
Federal Government Securities - Sukuk certificates		276	(78,014)
Shares		13,998	(31,969)
		14,274	(109,983)
<b>28 OTHER INCOME</b>			
Rental income		10,715	9,741
Locker rent		14,576	9,250
Gain on sale of fixed assets - net		562	161
Fees and charges recovered		719	591
Gain on conversion of Ijarah agreements		63,290	-
		89,862	19,743
<b>29 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	29.1	2,099,691	2,064,081
<b>Property expense</b>			
Rent and taxes		1,274	72,448
Takaful expenses		43,040	35,998
Utilities cost		126,703	131,317
Security (including guards)		202,304	205,897
Repair and maintenance (including janitorial charges)		105,236	112,505
Depreciation on right-of-use assets	29.3	474,029	442,016
Depreciation	11.2	204,090	155,773
		1,156,676	1,155,954
<b>Information technology expenses</b>			
Software maintenance		156,130	91,106
Hardware maintenance		130,011	73,910
Takaful expenses		2,444	2,069
Depreciation	11.2	140,225	117,339
Amortisation	12.1	140,918	111,650
Network charges		107,418	109,407
		677,146	505,481
<b>Other operating expenses</b>			
Directors' fees and allowances		830	850
Remuneration to Shariah Board members		9,417	9,147
Legal and professional charges		32,121	43,551
Takaful expenses		84,294	68,457
Fee and subscription		3,542	1,409
Outsourced services costs	35.1	201,023	201,492
Travelling and conveyance		60,301	88,076
Repair and maintenance vehicles		1,843	1,557
NIFT clearing charges		20,305	18,655
Brokerage, commission and bank charges		33,418	15,781
Depreciation	11.2	14,392	13,336
Training and development		6,271	15,964
Postage and courier charges		52,657	52,044
Communication		26,102	16,351
Stationery and printing		57,445	66,113
Marketing, advertisement and publicity		18,188	57,711
Auditors remuneration	29.2	7,001	8,841
Entertainment		39,963	41,288
Others		52,204	32,497
		721,317	753,120
		4,654,830	4,478,636

Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs.5.331 million (2019: Rs. 10.285 million). Out of this cost, Rs.3.400 million (2019: Rs.8.499 million) pertains to companies incorporated in Pakistan and Rs.1.931 million (2019: Rs.1.786 million) pertains to companies incorporated outside Pakistan. This includes expenses of outsourced services costs, which are disclosed above.

		2020	2019
		Rupees in thousands	
<b>29.1 Total compensation expense</b>			
Managerial Remuneration			
i) Fixed		814,940	799,104
ii) Variable			
a) Cash awards		228	80
b) Accrual for staff bonus		209,100	199,000
Contribution to defined contribution plan		60,414	55,152
Rent and house maintenance		361,230	347,802
Utilities		79,985	77,000
Medical		33,008	32,339
Conveyance and fuel		262,210	254,734
Special allowances		229,928	233,933
Sales commission		2,170	10,293
Staff takaful		46,460	54,102
Others		18	542
		2,099,691	2,064,081
<b>29.2 Auditors' remuneration</b>			
Audit fee		2,205	2,100
Fee for interim review		866	825
Other certifications and services		2,846	4,110
Sales tax on services		296	1,024
Out-of-pocket expenses		788	782
		7,001	8,841
<b>29.3</b>	Ijarah of Musta'jir meeting the criteria prescribed by IFRS 16 "Leases" are presented as on-balance sheet item.		
	Note	2020	2019
		Rupees in thousands	
<b>30 OTHER CHARGES</b>			
Penalties imposed by the State Bank of Pakistan		590	24,386
		590	24,386
<b>31 PROVISIONS &amp; WRITE OFFS - NET</b>			
(Reversal) / provision for diminution in value of investments	9.3	(19,736)	177,269
Provision against Islamic financing and related assets	10.10	35,006	22,545
		15,270	199,814
<b>32 TAXATION</b>			
Current		174,980	152,884
Prior years		(8,003)	-
Deferred	13	17,786	(275,031)
		184,763	(122,147)
<b>32.1 Relationship between tax charge and accounting profit</b>			
Loss before taxation		393,079	(365,759)
Tax at the applicable rate		35%	35%
Tax on profit / (loss)		137,578	(128,016)
Effect of:			
- permanent differences		207	8,535
- others		46,978	(2,666)
		47,185	5,869
Tax charge / (reversal) for the year		184,763	(122,147)



	2020	2019
	Rupees in thousands	
<b>33 BASIC AND DILUTED EARNING / (LOSS) PER SHARE - AFTER TAX</b>		
Profit / (loss) after taxation	208,316	(243,612)
	Number of shares	
Weighted average number of ordinary shares	1,155,000,000	1,155,000,000

	Rupee	
Basic and diluted earning / (loss) per share - after tax	0.180	(0.211)

	2020	2019
	Rupees in thousands	
<b>34 CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	9,872,197	10,252,547
Balances with other banks	4,996,602	8,822,985
	14,868,799	19,075,532

	2020	2019
	Numbers	
<b>35 STAFF STRENGTH</b>		
Permanent	1,615	1,593
On Bank contract	18	26
Bank's own staff strength at end of the year	1,633	1,619

**35.1** In addition to the above, 500 (2019: 571) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. All of these employees were working with the Bank domestically in current and prior years.

**36 DEFINED CONTRIBUTION PLAN**

The Bank operates an approved contributory provident fund for 1,384 (2019: 1,304) 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 15% but the Bank will still contribute 8.33% of the employee's basic salary.

	2020	2019
	Rupees in thousands	
Contribution made by the Bank	60,591	55,315
Contribution made by the employees	63,412	57,611
	124,003	112,926

**37 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL**

**37.1 Total Compensation Expense**

2020							
Items	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	Rupees in thousands						
Fees and Allowances etc.	130	-	700	-	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	5,681	16,339	53,862	56,077
ii) Variable of which:							
a) Cash bonus / awards	-	-	-	900	18,000	27,360	19,209
Contribution to defined contribution plan	-	-	-	177	1,291	4,488	4,633
Rent and house maintenance	-	-	-	957	7,353	24,238	25,235
Utilities	-	-	-	213	1,634	5,386	5,608
Medical	-	-	-	-	-	-	494
Conveyance	-	-	-	1,020	-	23,631	26,082
Rental Subsidy ( Rent Paid Residence)	-	-	-	-	-	-	646
Special Pay	-	-	-	241	-	6,680	6,443
Charge allowance	-	-	-	-	-	-	2,172
Fuel Allowance	-	-	-	228	-	4,840	6,638
Ex-Gratia	-	-	-	-	-	-	-
LFA	-	-	-	-	1,213	9,990	1,689
Sales Commission	-	-	-	-	-	-	553
Dealing Allowance	-	-	-	-	-	-	138
Others	-	-	-	-	-	-	122
Total	130	-	700	9,417	45,830	160,475	155,739
Number of Persons	1	-	6	3	2	13	31

Items	2019						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
Rupees in thousands							
Fees and Allowances etc.	180	-	780	-	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	5,319	18,328	58,144	74,799
ii) Variable of which:							
a) Cash bonus / awards	-	-	-	1,000	21,000	26,334	21,166
Contribution to defined contribution plan	-	-	-	163	1,483	4,344	6,038
Rent and house maintenance	-	-	-	879	8,248	23,458	33,455
Utilities	-	-	-	195	1,833	5,212	7,318
Medical	-	-	-	-	-	-	756
Conveyance	-	-	-	1,122	-	24,648	38,022
Rental Subsidy ( Rent Paid Residence)	-	-	-	-	-	-	-
Special Pay	-	-	-	241	-	6,692	8,898
Charge allowance	-	-	-	-	-	-	2,100
Fuel Allowance	-	-	-	228	-	4,937	8,996
Ex-Gratia	-	-	-	-	-	1,500	-
LFA	-	-	-	-	4,290	11,000	880
Sales Commission	-	-	-	-	-	-	-
Dealing Allowance	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	512
Total	180	-	780	9,147	55,182	166,269	202,940
Number of Persons	-	1	6	3	2	16	46



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

2020									
Sr. No.	Name of Director	For Board Meetings	Meeting Fees and Allowances Paid						
			For Board Committees						
			AC	HR & RC	RM & PRC	BS & SQRC	BIT	BEC	Total Amount Paid
Rupees in thousands									
1	Raza Mansha	50	-	30	-	50	-	-	130
2	Ahmed Ebrahim Hasham	50	-	-	40	40	-	-	130
3	Omair Safdar	50	50	30	40	10	-	10	190
4	Aftab Ahmad Khan	10	10	10	-	10	-	-	40
5	Seema Aziz	30	10	-	-	10	-	-	50
6	Dr.Khalid Zaheer	50	50	30	-	-	10	10	150
7	Ibrahim Shamsi	40	20	-	30	-	10	-	100
8	Usman Hassan	20	-	-	-	20	-	-	40
Total Amount Paid		300	140	100	110	140	20	20	830

2019									
Sr. No.	Name of Director	For Board Meetings	Meeting Fees and Allowances Paid						
			For Board Committees						
			AC	HR & RC	RM & PRC	BS & SQRC	BIT	BEC	Total Amount Paid
Rupees in thousands									
1	Raza Mansha	70	-	30	-	50	30	-	180
2	Ahmed Ebrahim Hasham	40	-	10	20	50	10	10	140
3	Omair Safdar	50	30	30	40	30	-	10	190
4	Aftab Ahmad Khan	50	20	20	-	30	-	-	120
5	Seema Aziz	30	20	-	-	10	-	-	60
6	Dr.Khalid Zaheer	50	40	30	-	-	10	-	130
7	Ibrahim Shamsi	50	10	-	30	20	30	-	140
	Total Amount Paid	340	120	120	90	190	80	20	960

37.3 Remuneration paid to Shariah Board Members

Items	2020			2019		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
Rupees in thousands						
a. Meeting Fees and Allowances	-	-	-	-	-	-
b. Other Heads						
Basic salary	2,263	2,128	1,290	2,166	1,953	1,200
House rent	-	957	-	-	879	-
Utilities	-	213	-	-	195	-
Conveyance	-	1,020	-	-	1,122	-
Fuel	-	228	-	-	228	-
Special pay	-	241	-	-	241	-
Bonus	-	900	-	-	1,000	-
PF Employer	-	177	-	-	163	-
Medical	-	-	-	-	-	-
Total Amount	2,263	5,864	1,290	2,166	5,781	1,200
Total Number of Persons	1	1	1	1	1	1

37.4 Deferred cash bonus / remuneration for MRT's and MRC's for the year 2019 is Rs.5.46 million as against the actual cash bonus declared amounting to Rs.54.6 million for employees whose cash bonus is deferred in year 2020 for 2019.

37.5 The Chief Executive, the key management personnel and certain material risk takers / controllers have been provided with free use of the Bank's cars.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted securities, placements, Islamic financing and related assets, other assets, other liabilities, fixed term deposits and acceptances cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

The repricing profile with effective rates and maturity are stated in notes 42.2.5 and 42.4.1 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.

38.1 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 Sukuk 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.

2020				
Fair Value				
Carrying value	Level 1	Level 2	Level 3	Total
Rupees in thousands				

On-balance sheet financial instruments  
Financial assets measured at fair value

Investments					
Federal Government Securities	22,444,114	-	22,444,114	-	22,444,114
Shares	1,069,528	1,069,528	-	-	1,069,528
Non-Government Securities	1,058,528	-	1,058,528	-	1,058,528
	24,572,170	1,069,528	23,502,642	-	24,572,170

Financial assets - disclosed  
but not measured at fair value

Investments (held to maturity)	3,045,827	-	-	-	-
Cash and balances					
with treasury banks	9,872,197	-	-	-	-
Balances with other banks	4,996,602	-	-	-	-
Due from financial institutions	828,790	-	-	-	-
Islamic financing					
and related assets - net	68,073,221	-	-	-	-
Other assets	5,686,716	-	-	-	-

Fair value of non-financial assets

Operating fixed assets (land and building)	1,319,595	-	1,319,595	-	1,319,595
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Off-balance sheet  
financial instruments

Foreign exchange					
contracts purchase	5,046,837	-	(148,819)	-	(148,819)
Foreign exchange contracts sale	6,863,042	-	8,740	-	8,740

2019				
Fair Value				
Carrying value	Level 1	Level 2	Level 3	Total
Rupees in thousands				

On-balance sheet financial instruments  
Financial assets measured at fair value

Investments					
Federal Government Securities	10,891,686	-	10,891,686	-	10,891,686
Shares	1,024,599	1,024,599	-	-	1,024,599
Non-Government Securities	1,117,688	-	1,117,688	-	1,117,688
	13,033,973	1,024,599	12,009,374	-	13,033,973

Financial assets - disclosed  
but not measured at fair value

Investments (held to maturity)	3,275,827	-	-	-	-
Cash and balances					
with treasury banks	10,252,547	-	-	-	-
Balances with other banks	8,822,985	-	-	-	-
Due from financial institutions	5,851,664	-	-	-	-
Islamic financing					
and related assets - net	40,336,214	-	-	-	-
Other assets	4,873,992	-	-	-	-

Fair value of non-financial assets

Operating fixed assets (land and building)	1,329,970	-	1,329,970	-	1,329,970
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Off-balance sheet financial instruments

Foreign exchange contracts purchase	882,210	-	(24,137)	-	(24,137)
Foreign exchange contracts sale	2,481,747	-	1,324	-	1,324

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, 2 and 3 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.

## 39 SEGMENT INFORMATION

### 39.1 Segment Details with respect to Business Activities

	2020							
	Business Distribution	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Total
Rupees in thousands								
<b>Profit and Loss</b>								
Net spread earned	(4,290,604)	5,952,291	502,217	51,778	2,117,637	62,127	4,395,446	4,395,446
Inter segment revenue - net	6,789,776	(5,007,389)	(312,326)	(15,243)	(1,850,630)	395,812	-	-
Other income	280,355	127,410	27,405	1,438	265,476	(23,931)	678,153	678,153
Total Income	2,779,527	1,072,312	217,296	37,973	532,483	434,008	5,073,599	5,073,599
Segment direct expenses	(2,024,432)	(89,743)	(76,409)	(34,985)	(24,041)	(2,415,640)	(4,665,250)	(4,665,250)
Inter segment expense allocation	(937,013)	(10,252)	(37,827)	(16,686)	(2,211)	1,003,989	-	-
Total expenses	(2,961,445)	(99,995)	(114,236)	(51,671)	(26,252)	(1,411,651)	(4,665,250)	(4,665,250)
Provisions / write off	-	(442)	(26,171)	(8,393)	19,736	-	(15,270)	(15,270)
Profit / (loss) before tax	(181,918)	971,875	76,889	(22,091)	525,967	(977,643)	393,079	393,079
<b>Balance Sheet</b>								
Cash and bank balances	5,178,069	-	-	-	9,690,730	-	14,868,799	14,868,799
Investments	-	-	-	-	27,617,997	-	27,617,997	27,617,997
Net inter segment placements	91,518,432	-	-	-	-	3,770,519	95,288,951	(95,288,951)
Due from financial institutions	-	-	-	-	828,790	-	828,790	828,790
Financing - performing	6,831,774	71,356,291	4,706,361	86,376	-	1,184,313	84,165,115	84,165,115
- non-performing	64,955	618,492	36,091	11,538	-	-	731,076	731,076
Others	634,578	3,194,322	191,877	882	946,459	7,990,991	12,959,109	12,959,109
Total Assets	104,227,808	75,169,105	4,934,329	98,796	39,083,976	12,945,823	236,459,837	(95,288,951) 141,170,886
Bills payable	2,470,821	-	-	-	-	-	2,470,821	2,470,821
Due to financial institutions	1,835,575	4,539,198	-	-	14,222,000	-	20,596,773	20,596,773
Deposits & other accounts	99,123,960	129,201	-	-	-	-	99,253,161	99,253,161
Net inter segment acceptances	-	66,735,255	4,325,454	120,825	24,107,417	-	95,288,951	(95,288,951) -
Others	979,370	2,793,576	531,986	62	67,433	3,749,932	8,122,359	8,122,359
Total liabilities	104,409,726	74,197,230	4,857,440	120,887	38,396,850	3,749,932	225,732,065	(95,288,951) 130,443,114
Equity	(181,918)	971,875	76,889	(22,091)	687,126	9,195,891	10,727,772	- 10,727,772
Total Equity & liabilities	104,227,808	75,169,105	4,934,329	98,796	39,083,976	12,945,823	236,459,837	- 141,170,886
<b>Contingencies &amp; Commitments</b>	6,297,981	10,700,593	51,955	-	11,959,879	10,724	29,021,132	- 29,021,132

	2019							
	Business Distribution	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Total
Rupees in thousands								
<b>Profit &amp; Loss</b>								
Net spread earned	(4,732,206)	6,376,666	347,769	55,744	1,900,068	45,717	3,993,758	3,993,758
Inter segment revenue - net	7,718,421	(5,824,387)	(271,752)	(17,220)	(2,129,500)	524,438	-	-
Other income	234,930	49,731	11,953	7,593	29,088	10,024	343,319	343,319
Total Income	3,221,145	602,010	87,970	46,117	(200,344)	580,179	4,337,077	4,337,077
Segment direct expenses	(2,081,126)	(97,629)	(80,731)	(37,024)	(21,634)	(2,184,878)	(4,503,022)	(4,503,022)
Inter segment expense allocation	(767,438)	(9,146)	(31,621)	(16,255)	(2,275)	828,735	-	-
Total expenses	(2,848,564)	(106,775)	(112,352)	(53,279)	(23,909)	(1,358,143)	(4,503,022)	(4,503,022)
Reversal of provisions / (write off)	50	-	(19,284)	(3,311)	(177,269)	-	(199,814)	(199,814)
(Loss) / profit before tax	372,631	495,235	(43,666)	(10,473)	(401,522)	(777,964)	(365,759)	(365,759)

Business Distribution	2019						
	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination

Rupees in thousands

### Balance Sheet

Cash & Bank balances	4,435,470	-	-	-	14,640,062	-	19,075,532	-	19,075,532
Investments	-	825,000	-	-	15,484,800	-	16,309,800	-	16,309,800
Net inter segment placements	75,590,970	-	-	-	-	4,029,719	79,620,689	(79,620,689)	-
Due from financial institutions	-	-	-	-	5,851,664	-	5,851,664	-	5,851,664
Financing - performing	4,417,685	41,448,076	3,551,548	221,490	-	1,293,082	50,931,880	-	50,931,880
- non-performing	649	356,099	18,481	2,857	-	-	378,087	-	378,087
Others	3,327,291	2,741,874	157,006	6,873	1,193,604	5,048,734	12,475,382	-	12,475,382
Total Assets	87,772,065	45,371,049	3,727,035	231,220	37,170,130	10,371,535	184,643,034	(79,620,689)	105,022,345
Bills payable	973,627	-	-	-	-	-	973,627	-	973,627
Due to financial institutions	859,993	1,886,681	-	-	1,380,852	-	4,127,526	-	4,127,526
Deposits & other accounts	81,535,009	318,502	-	-	-	-	81,853,511	-	81,853,511
Net inter segment acceptances	-	40,218,683	3,193,648	241,454	35,966,904	-	79,620,689	(79,620,689)	-
Others	4,030,805	2,451,948	577,053	239	29,017	511,818	7,600,880	-	7,600,880
Total liabilities	87,399,434	44,875,814	3,770,701	241,693	37,376,773	511,818	174,176,233	(79,620,689)	94,555,544
Equity	372,631	495,235	(43,666)	(10,473)	(206,643)	9,859,717	10,466,801	-	10,466,801
Total Equity & liabilities	87,772,065	45,371,049	3,727,035	231,220	37,170,130	10,371,535	184,643,034	-	105,022,345
Contingencies & Commitments	4,748,692	10,223,226	2,643	-	3,413,957	8,940	18,397,458	-	18,397,458

### 39.2 Segment details with respect to geographical locations

The Bank operates in Pakistan only.

## 40 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its parent company, associates, 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.



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

	2020				2019			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	Rupees in thousands				Rupees in thousands			
<b>Balances with other banks</b>								
In current accounts	28,393	-	-	-	6,844	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-
	28,393	-	-	-	6,844	-	-	-
<b>Islamic financing and related assets</b>								
Opening balance	-	-	79,634	761,937	-	12,263	92,318	490,514
Addition during the year	-	8,290	23,499	2,945,709	-	-	8,236	2,633,058
Repaid during the year	-	-	(18,223)	(3,062,080)	-	(12,263)	(16,642)	(2,361,635)
Transfer in / (out) - net	-	-	(3,207)	465,282	-	-	(4,278)	-
Closing balance	-	8,290	81,703	1,110,848	-	-	79,634	761,937
<b>Fixed assets - Capital work in progress</b>								
Advance paid against purchase of property	20,000	-	-	-	20,000	-	-	-
<b>Other assets</b>								
Profit receivable	-	158	1,927	23,500	-	-	1,746	16,436
Commission receivable	-	-	-	4,451	-	-	-	-
Prepaid expenses	-	202	2,191	22,958	-	220	367	22,254
Receivable under scheme of merger	11,282	-	-	-	11,282	-	-	-
Receivable under home remittance	11,568	-	-	-	11,852	-	-	-
Other receivables	-	-	-	-	-	-	-	-
	22,850	360	4,118	50,909	23,134	220	2,113	38,690
<b>Due to financial institutions</b>								
Opening balance	880,853	-	-	-	631,351	-	-	-
Addition during the year	23,703,928	-	-	-	22,355,349	-	-	-
Repaid during the year	(24,584,781)	-	-	-	(22,105,847)	-	-	-
Closing balance	-	-	-	-	880,853	-	-	-
<b>Deposits</b>								
Opening balance	-	25,190	22,043	1,301,009	-	5,488	21,626	389,094
Addition during the year	-	2,446,392	215,941	22,627,429	-	99,236	186,023	16,583,485
Withdrawn during the year	-	(1,877,149)	(216,041)	(22,263,816)	-	(72,234)	(182,995)	(15,876,040)
Transfer in / (out) - net	-	(17,906)	(288)	(116,585)	-	(7,300)	(2,611)	204,470
Closing balance	-	576,527	21,655	1,548,037	-	25,190	22,043	1,301,009
<b>Other liabilities</b>								
Profit payable	-	3,059	31	5,350	26,932	207	55	8,212
Accrued expenses	-	-	-	14,559	-	-	2,640	5,996
Other liabilities	592,965	-	-	1,786	-	-	-	1,583
	592,965	3,059	31	21,695	26,932	207	2,695	15,791
<b>Contingencies and Commitments</b>								
Letter of Credit	-	-	-	211,033	-	-	-	922,170
Letter of Guarantee	102,102	-	-	892,358	-	-	-	776,734
Commitment to extend credit	-	-	-	-	-	-	-	-
Forward exchange contract								
Purchase	1,093,262	-	-	-	803,640	-	-	-
Sale	241,168	-	-	-	1,240,454	-	-	-
Unrealized gain on forward exchange contract - net	(39,415)	-	-	-	(27,493)	-	-	-
<b>Transactions during the year</b>								
<b>Income</b>								
Profit return earned	-	158	3,622	114,286	-	94	3,839	66,278
Commission earned	-	-	-	49,882	-	-	-	49,094
Rental income	10,715	-	-	-	9,741	-	-	-
Other income	-	-	18	-	-	14	13	-
	10,715	158	3,640	164,168	9,741	108	3,852	115,372
<b>Expense</b>								
Profit return expensed	120,310	15,181	383	73,528	176,229	841	281	30,536
Rental expense	37,648	-	-	-	34,453	-	-	-
Takaful expense	-	-	-	94,180	-	-	-	91,332
Security expense	-	-	-	52,151	-	-	-	54,987
Other expense	120	830	-	18	1,019	850	-	620
	158,078	16,011	383	219,877	211,701	1,691	281	177,475
<b>Other transactions during the year</b>								
Fee paid	-	830	-	-	-	960	-	-
Managerial remuneration including bonus paid	-	27,830	169,893	-	-	55,182	175,416	-
Contribution paid to provident fund	-	-	-	124,002	-	-	-	112,926
Re-imbursement under home remittance payments	3,898,911	-	-	-	2,982,952	-	-	-
Proceeds from issue of Share Capital	-	-	-	-	350,000	-	-	-
Proceeds from sale of fixed assets	-	-	18	-	-	66	53	-
Purchase of fixed assets	-	-	-	438	-	-	-	-
Disbursement made against advance salary	-	1,304	300	-	-	-	800	-
Repayment made against advance salary	-	1,304	300	-	-	-	950	-
Payment made against expenses	26,513	-	-	140,489	23,636	-	-	142,230
Foreign currency purchase	45,415,215	-	-	-	35,648,100	-	-	-
Foreign currency sale	35,201,731	-	-	-	25,846,588	-	-	-
Letter of Credit issued	-	-	-	1,875,722	-	-	-	1,835,927
Letter of Guarantee issued	3,494	-	-	225,205	-	-	-	362,480

## 41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

### Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	10,186,349	10,044,475
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### Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	8,405,040	8,140,251
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	8,405,040	8,140,251
Eligible Tier 2 Capital	514,163	455,689
Total Eligible Capital (Tier 1 + Tier 2)	8,919,203	8,595,940
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	63,293,992	54,303,062
Market Risk	3,571,575	2,931,724
Operational Risk	7,369,896	4,974,383
Total	74,235,463	62,209,169
Common Equity Tier 1 Capital Adequacy ratio	11.32%	13.09%
Tier 1 Capital Adequacy Ratio	11.32%	13.09%
Total Capital Adequacy Ratio	12.01%	13.82%

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

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 were 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
CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
<b>Total Capital</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
*CCB	0%	0%	0.25%	0.65%	1.275%	1.90%	2.50%
<b>Total Capital plus CCB</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.25%</b>	<b>10.65%</b>	<b>11.275%</b>	<b>11.90%</b>	<b>12.50%</b>

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

SBP vide its BPRD Circular Letter No. 12 of 2020 dated March 26, 2020 has reduced the Capital Conservation Buffer (CCB) from 2.50% to 1.50%. The Minimum Capital Requirement of the Bank stands at Rs.10 Billion and is in compliance with the required capital adequacy ratio including CCB (11.50% 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 has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-III requirements. The Bank measures and manages Market Risk by using conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Beside conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its Treasury and FX Group. 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. Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA).

#### Leverage Ratio (LR):

In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, monitoring of Leverage Ratio is in place as per SBP directives with the following objectives:

- constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- reinforce the risk based requirements with an easy to understand and a non-risk based measure.

A minimum Tier 1 leverage ratio of 3% has been prescribed both at solo and consolidated level.

	2020	2019
	Rupees in thousands	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	8,405,040	8,140,251
Total Exposures	153,424,840	122,793,297
Leverage Ratio	5.48%	6.63%

#### 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. LCR should be kept above 100% as per SBP guidelines.

	2020	2019
	Rupees in thousands	
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	27,536,984	20,622,000
Total Net Cash Outflow	22,556,206	16,912,917
Liquidity Coverage Ratio	122.08%	121.93%

#### 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.

	2020	2019
	Rupees in thousands	
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	90,442,043	70,542,798
Total Required Stable Funding	76,614,255	38,070,615
Net Stable Funding Ratio	118.05%	185.29%

**41.1** The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time are available at <https://www.mcbislamicbank.com/investor-relations/financial-reports/financial-reports-2020/>

## 42 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 and Annual Risk Appetite and Strategy document. 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. 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, Chief Risk Officer 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 (including Credit Risk Review & Control)
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management
- Cyber Security Risk Management

### 42.1 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;
- Credit facility or material change to the credit facility is allowed 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, small entities and micro financings made in accordance with the requirements of the Prudential Regulations issued by SBP on financings.

In compliance to State Bank of Pakistan instructions, the bank has developed an indigenous model to calculate score of an obligor based on trade based money laundering risk during the year. The model covers various risk parameters to assess risk.

#### 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.

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

#### 42.1.1 Due from financial institutions

##### Credit risk by public / private sector

	Gross Placements		Non-performing		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in thousands					
Public / Government	828,790	3,371,664	-	-	-	-
Private	-	2,480,000	-	-	-	-
	828,790	5,851,664	-	-	-	-

#### 42.1.2 Investment in debt securities

##### Credit risk by industry sector

	Gross Placements		Non-performing		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in thousands					
Power (electricity), Gas, Water, Sanitary	372,503	632,115	-	-	-	-
Financial including government securities	26,100,454	14,501,905	-	-	-	-
Chemicals	75,512	151,181	-	-	-	-
	26,548,469	15,285,201	-	-	-	-

##### Credit risk by public / private sector

	Gross Placements		Non-performing		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in thousands					
Public/ Government	25,144,940	13,592,512	-	-	-	-
Private	1,403,529	1,692,689	-	-	-	-
	26,548,469	15,285,201	-	-	-	-

#### 42.1.3 Islamic financing and related assets

##### Credit risk by industry sector

	Gross Financing		Non-performing		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in thousands					
Agriculture, Forestry, Hunting and Fishing	1,090,386	1,372,806	524,325	262,500	-	-
Textile	9,262,295	8,421,621	-	-	-	-
Chemical and Pharmaceuticals	2,039,538	2,992,436	-	-	-	-
Cement	2,361,423	1,751,603	-	-	-	-
Sugar	5,612,687	3,333,916	-	-	-	-
Footwear and Leather garments	194,000	209,238	-	-	-	-
Automobile and transportation equipment	423,592	735,686	-	-	-	-
Electronics and electrical appliances	293,190	437,865	-	-	-	-
Construction	2,173,999	1,902,332	-	-	-	-
Power (electricity), Gas, Water, Sanitary	3,399,570	1,149,412	-	-	-	-
Wholesale and Retail Trade	1,055,745	843,110	649	649	649	649
Transport, Storage and Communication	30,590,307	8,452,160	-	-	-	-
Financial	357,058	398,849	-	-	-	-
Insurance	25,691	37,871	-	-	-	-
Services	4,848,941	2,994,554	16,843	-	5,297	-
Food, Beverages, Tobacco and personal products	6,988,290	4,844,496	158,554	-	-	-
Paper	1,359,172	1,243,697	-	-	-	-
Steel	3,267,345	2,574,610	-	-	-	-
Shipbreaking	1,186,766	875,177	-	-	-	-
Oil Refinery	600,000	1,000,000	-	-	-	-
Plastic	528,091	356,202	-	-	-	-
Individuals	5,985,688	4,904,893	55,099	20,129	19,007	1,648
Others	1,318,659	514,136	1,001	98,149	442	1,043
	84,962,433	51,346,670	756,471	381,427	25,395	3,340

##### Credit risk by public / private sector

	Gross Financing		Non-performing		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in thousands					
Public/ Government	31,045,421	9,152,506	-	-	-	-
Private	53,917,012	42,194,164	756,471	381,427	25,395	3,340
	84,962,433	51,346,670	756,471	381,427	25,395	3,340



#### 42.1.4 Contingencies and Commitments

##### Credit risk by industry sector

	2020	2019
	Rupees in thousands	
Agriculture, Forestry, Hunting and Fishing	13,545	84,550
Textile	3,784,542	3,849,030
Chemical and Pharmaceuticals	1,040,375	934,381
Cement	68,778	466,920
Sugar	684,799	149,986
Footwear and Leather garments	-	42,251
Automobile and transportation equipment	78,011	34,962
Electronics and electrical appliances	1,859,200	1,429,902
Construction	2,065,985	1,407,178
Power (electricity), Gas, Water, Sanitary	372,591	238,858
Wholesale and Retail Trade	1,079,203	798,562
Transport, Storage and Communication	5,523	682,020
Financial	121,991	75,794
Glassware	253,236	-
Insurance	14,036	2,558
Services	1,174,420	493,193
Food, Beverages and Tobacco	1,037,165	1,305,254
Paper	253,545	1,965
Steel	2,409,236	1,884,386
Shipbreaking	143,645	152,976
Oil Refinery	200,000	151,751
Plastic	84,160	121,832
Individuals	53,284	-
Others	303,259	716,252
	17,100,529	15,024,561
<b>Credit risk by public / private sector</b>		
Public/ Government	479,503	-
Private	16,621,026	15,024,561
	17,100,529	15,024,561

#### 42.1.5 Concentration of Islamic financing and related assets

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 42,335 million (2019: Rs.19,993 million) are as following:

	2020	2019
	Rupees in thousands	
Funded	36,396,601	14,863,350
Non Funded	5,938,178	5,129,468
Total Exposure	42,334,779	19,992,818

The sanctioned limits against these top 10 exposures aggregated to Rs. 45,977 million (2019: Rs. 24,617 million).

##### Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
	Rupees in thousands			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	-	-	-	-

#### 42.1.6 Islamic financing and related assets - Province / Region - wise Disbursement & Utilization

Province / Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in thousands						
Punjab	311,784,911	309,320,752	2,258,135	21,248	807	183,969	-
Sindh	143,527,981	11,647	143,498,270	-	16,377	1,687	-
KPK including FATA	151,802	21,038	-	122,445	-	8,319	-
Balochistan	52,012	-	10,145	-	41,867	-	-
Islamabad	16,599,173	1,378,323	2,246	5,441	-	15,213,163	-
AJK including Gilgit-Baltistan	59,796	6,016	-	-	-	27,915	25,865
Total	472,175,675	310,737,776	145,768,796	149,134	59,051	15,435,053	25,865

Province / Region	2019						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in thousands						
Punjab	181,096,698	177,959,728	3,121,144	14,711	1,115	-	-
Sindh	111,038,060	9,863	111,007,288	-	20,909	-	-
KPK including FATA	39,559	5,895	-	33,664	-	-	-
Balochistan	35,363	-	9,294	-	26,069	-	-
Islamabad	10,804,413	1,538,628	1,440	6,985	-	9,257,227	133
AJK including Gilgit-Baltistan	51,420	29,313	-	-	-	-	22,107
Total	303,065,513	179,543,427	114,139,166	55,360	48,093	9,257,227	22,240

#### 42.2 Market Risk

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 Treasury and FX 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. There is an 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 do 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.

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.

#### 42.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in thousands						
Cash and balances with treasury banks	9,872,197	-	9,872,197	10,252,547	-	10,252,547
Balances with other banks	4,996,602	-	4,996,602	8,822,985	-	8,822,985
Due from financial institutions	828,790	-	828,790	5,851,664	-	5,851,664
Investments	3,045,827	24,572,170	27,617,997	3,275,827	13,033,973	16,309,800
Islamic financing and related assets	84,896,191	-	84,896,191	51,309,967	-	51,309,967
Fixed assets	5,548,894	-	5,548,894	5,779,772	-	5,779,772
Intangible assets	639,428	-	639,428	719,723	-	719,723
Deferred tax assets	874,878	-	874,878	921,017	-	921,017
Other assets	5,895,909	-	5,895,909	5,054,870	-	5,054,870
	116,598,716	24,572,170	141,170,886	91,988,372	13,033,973	105,022,345

#### 42.2.2 Foreign Exchange Risk

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 remains 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.

	2020			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in thousands				
United States Dollar	5,775,308	3,112,441	(2,445,521)	217,346
Great Britain Pound Sterling	305,745	674,474	379,017	10,288
Euro	412,569	440,400	51,112	23,281
Japanese Yen	12,421	140	-	12,281
Other currencies	60,986	-	-	60,986
	6,567,026	4,227,454	(2,015,392)	324,181

	2019			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in thousands				
United States Dollar	4,508,438	2,839,643	1,515,005	153,790
Great Britain Pound Sterling	668,797	656,646	-	12,151
Euro	434,947	385,905	-	49,042
Japanese Yen	19,750	129	-	19,621
Other currencies	33,506	-	-	33,506
	5,665,438	3,882,323	1,515,005	268,110

2020		2019	
Banking book	Trading book	Banking book	Trading book

Rupees in thousands

Impact of 1% change in foreign exchange rates on

- Profit and loss account	3,242	-	2,681	-
- Other comprehensive income	-	-	-	-

#### 42.2.3 Equity position 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. The stress test for equity price risk assesses the impact of the fall in the stock market index using internal based assumptions.

2020		2019	
Banking book	Trading book	Banking book	Trading book

Rupees in thousands

Impact of 5% change in equity prices on

- Profit and loss account	-	22,815	-	34,701
- Other comprehensive income	-	30,662	-	16,529

#### 42.2.4 Yield / Profit Rate Risk in the Banking Book (IRRBB)-Basel II Specific

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. Yield risk occurs when there is a mismatch between positions, which are subject to profit rate alterations within a particular time period. The Bank's financing, placement and investment activities give rise to profit rate risk. The effect of changes in profit rate is on the Bank's income, and resultant impact is on the Bank's net worth.

Profit rate risk is primarily managed by monitoring the rate sensitive gaps and by having the pre-approved limits for repricing buckets. ALCO is the supervising body for adherence with these, complemented by the monitoring of sensitivity of the Bank's financial assets and liabilities to various scenarios.

2020		2019	
Banking book	Trading book	Banking book	Trading book

Rupees in thousands

Impact of 1% change in profit rates on

- Profit and loss account	117,173	54,817	136,338	24,844
- Other comprehensive income	-	-	-	-



### 42.2.5 Mismatch of Profit Rate Sensitive Assets and Liabilities

		2020										
Effective Yield / Profit rate %	Total	Exposed to Yield / Interest risk								Non-profit bearing financial instruments		
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years	
Rupees in thousands												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		9,872,197	-	-	-	-	-	-	-	-	-	9,872,197
Balances with other banks	2.13 to 6.00	4,996,602	1,554	-	-	-	-	-	-	-	-	4,995,048
Due from financial institutions	9.14	828,790	828,790	-	-	-	-	-	-	-	-	-
Investments	5.68 to 12.81	27,617,997	3,370,008	10,945,409	9,532,225	1,159,936	1,540,892	-	-	-	-	1,069,527
Islamic financing and related assets	2.00 to 25.00	68,073,221	332,641	48,898,056	2,420,392	10,826,987	-	-	-	-	-	5,595,145
Other assets		5,686,716	-	-	-	-	-	-	-	-	-	5,686,716
		117,075,523	4,532,993	59,843,465	11,952,617	11,988,923	1,540,892	-	-	-	-	27,218,633
Liabilities												
Bills payable		2,470,821	-	-	-	-	-	-	-	-	-	2,470,821
Due to financial institutions	1.00 to 7.20	20,596,773	5,490,619	11,010,548	753,733	86,089	433,543	1,192,565	-	445,847	1,183,829	-
Deposits and other accounts	0.03 to 7.01	99,253,161	65,733,220	-	-	-	-	-	-	-	-	33,519,941
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		8,108,209	29,119	41,615	41,566	158,595	351,978	397,541	826,037	1,297,056	-	4,964,702
		130,428,964	71,252,958	11,052,163	795,299	244,684	785,521	1,590,106	826,037	1,742,903	1,183,829	40,955,484
On-balance sheet gap		(13,353,441)	(66,719,965)	48,791,302	11,157,318	11,742,239	755,371	(1,590,106)	(826,037)	(1,742,903)	(1,183,829)	(13,736,831)
Off-balance sheet financial instruments												
- forward foreign exchange contracts		(1,816,206)	(6,379,959)	3,406,243	1,157,510	-	-	-	-	-	-	-
Off-balance sheet gap		(1,816,206)	(6,379,959)	3,406,243	1,157,510	-	-	-	-	-	-	-
Total Yield / Profit Risk Sensitivity Gap			(73,099,924)	52,197,545	12,314,828	11,742,239	755,371	(1,590,106)	(826,037)	(1,742,903)	(1,183,829)	
Cumulative Yield / Profit Risk Sensitivity Gap			(73,099,924)	(20,902,379)	(8,587,551)	3,154,688	3,910,059	2,319,953	1,493,916	(248,987)	(1,432,816)	

Effective Yield / Profit rate %	Total	2019									Non-profit bearing financial instruments	
		Exposed to Yield/ Interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in thousands												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		10,252,547	-	-	-	-	-	-	-	-	-	10,252,547
Balances with other banks	3.0 to 12.54	8,822,985	4,378,142	-	-	-	-	-	-	-	-	4,444,843
Due from financial institutions	10.27 to 11.0	5,851,664	2,480,000	3,371,664	-	-	-	-	-	-	-	-
Investments	5.24 to 15.09	16,309,800	379,129	11,162,379	208,296	834,570	1,159,936	1,540,891	-	-	-	1,024,599
Islamic financing and related assets	2.00 to 25.00	40,336,214	18,970,684	15,291,933	3,896,306	2,177,291	-	-	-	-	-	-
Other assets		4,873,992	-	-	-	-	-	-	-	-	-	4,873,992
		86,447,202	26,207,955	29,825,976	4,104,602	3,011,861	1,159,936	1,540,891	-	-	-	20,595,981
Liabilities												
Bills payable		973,627	-	-	-	-	-	-	-	-	-	973,627
Due to financial institutions	2.00 to 9.00	4,127,526	1,576,705	1,301,124	1,209,697	40,000	-	-	-	-	-	-
Deposits and other accounts	0.05 to 12.50	81,853,511	54,642,599	-	-	-	-	-	-	-	-	27,210,912
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		7,574,112	-	-	-	-	-	-	-	-	-	7,574,112
		94,528,776	56,219,304	1,301,124	1,209,697	40,000	-	-	-	-	-	35,758,651
On-balance sheet gap		(8,081,574)	(30,011,349)	28,524,852	2,894,905	2,971,861	1,159,936	1,540,891	-	-	-	(15,162,670)
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts		(1,599,537)	(1,599,502)	(78,605)	78,570	-	-	-	-	-	-	-
Off-balance sheet gap		(1,599,537)	(1,599,502)	(78,605)	78,570	-	-	-	-	-	-	-
Total Yield / Profit Risk Sensitivity Gap			(31,610,851)	28,446,247	2,973,475	2,971,861	1,159,936	1,540,891	-	-	-	-
Cumulative Yield / Profit Risk Sensitivity Gap			(31,610,851)	(3,184,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	

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

	2020		2019	
	Rupees in thousands		Rupees in thousands	
Total financial assets as per note 42.2.5	117,075,523	86,447,202	117,075,523	86,447,202
Add: Non financial assets				
Islamic financing and related assets	16,822,970	10,973,753	16,822,970	10,973,753
Fixed assets	5,548,894	5,779,772	5,548,894	5,779,772
Intangible assets	639,428	719,723	639,428	719,723
Deferred tax assets	874,878	921,017	874,878	921,017
Other assets	209,193	180,878	209,193	180,878
Total assets as per Statement of Financial Position	141,170,886	105,022,345	141,170,886	105,022,345
Total financial liabilities as per note 42.2.5	130,428,964	94,528,776	130,428,964	94,528,776
Add: Non financial liabilities				
Deferred tax liability	-	-	-	-
Other liability	14,150	26,768	14,150	26,768
Total liabilities as per Statement of Financial Position	130,443,114	94,555,544	130,443,114	94,555,544

### 42.3 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 are taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

An independent Operational Risk Management Function has also been established within the Risk Management Group, as per the requirements of SBP Basel Framework and in line with the international best practice. This function is responsible to ensure that management of operational risk in the Bank is carried out in accordance with the bank's approved policies and frameworks.

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.

The key elements in the operational risk management process are:

- Risk Identification & Assessment
- Risk Monitoring & Reporting
- Risk Control & Mitigation

Operational Risk identification at MIB is based on utilization of diversified tools including but not limited to internal and external loss / control breach / near miss incidents data collection , process reviews, internal / external audit / regulatory inspection observations, expert judgment and self-assessment etc. Since scope of operational risk spreads across different functions of the bank , roles and responsibilities regarding operational risk management also spread across all the groups in the bank. Governance structure involved in management of operational risk is as follows:

- Board of Directors
- Risk Management and Portfolio Review Committee (RM&PRC)
- President
- Risk Management Group (RMG)
- All Business & Support Groups

Based on the analysis of operational risks through maintenance of operational risk database, a periodic reporting of operational losses and significant risk events is being done for review of RM&PRC on quarterly basis. The strong control environment encompasses documented policies / procedures and systems in all key areas as effective risk mitigation tools.

MIB is focusing on the following risk mitigation tools:

- Business Continuity Management / Disaster Recovery Planning
- Takaful
- Outsourcing

Continuous monitoring of the effectiveness of mitigants has been ensured through regular compliance reviews and independent validation by Internal / External Audit inspections.

Operational risk covers a broad range of risks and is useful to sub-divide operational risk into two main categories i.e. Internal Risks & External Risks.

Operational risk event types are further divided into seven types which are as under;

- Internal Fraud
- External Fraud
- Damage to Physical Assets



- Execution, delivery and process management
- Business disruption and system failure
- Employment practices and workplace safety
- Clients, products and business practices

#### Operational Risk-Disclosures Basel II Specific

Since MIB currently being at infancy stage, is using Basic Indicator Approach (BIA) for allocation of capital charge for operational risk as the corner stone of capital allocation under advanced approaches of Basel II is the historical time series of operational loss data.

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.

#### Business Continuity Planning & Health, Safety & Environment:

A comprehensive Business Continuity Plan is in place whereby all Branches & Head Office functions have developed their Alternate Sites which will be operational in case of emergency.

We have establish minimum safety standards that all businesses, offices and branches of the Bank must adhere to and encourages all employees to promote the safety of their fellow employees and customers.

#### Fraud Risk Management:

Fraud Risk Management Unit has been formed under Risk management group to ensure appropriate protection of financial and reputational interest of the bank and core responsibilities are:

- Compliance on SBP directives for policies, procedures and internal / external reporting.
- 24/7 Monitoring of Digital Banking & ADC transactions.
- Fraud training awareness.
- Handling frauds related complaints & their resolutions as per SBP directives.

#### Information Technology Security:

A dedicated IT Security Division working independently under Risk Management Group is now in place. The main objectives of this division are to ensure:

- Risk Assessment of all Information systems is carried out so that all vulnerabilities are identified and mitigated proactively.
- IT security compliance initiatives are led and completed.
- Creation and review of all frameworks, such as Information Security Policy, Risk Management Framework covering Cyber Security Action Plan, Payment Card Security Framework and Internet Banking guidelines. Information Security Office further ensures adherence to these frameworks by ITG.

#### 42.4 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 risking 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. There is an Asset Liability Management Framework in place for focused handling of Liquidity. This framework also incorporates early warning indicators.

##### 42.4.1 Maturities of assets and liabilities

##### 42.4.1.1 Maturities of Assets and Liabilities - based on contractual maturity

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 5 years
<b>Assets</b>														
Cash and balances with treasury banks	9,872,197	2,468,049	2,468,049	2,468,049	2,468,050	-	-	-	-	-	-	-	-	-
Balances with other banks	4,996,602	1,249,151	1,249,150	1,249,150	1,249,150	-	-	-	-	-	-	-	-	-
Due from financial institutions	828,790	-	-	-	828,790	-	-	-	-	-	-	-	-	-
Investments - net	27,617,997	1,069,529	-	-	-	-	57,500	109,007	57,500	1,268,943	1,655,891	-	9,516,274	13,883,353
Islamic financing and related assets - net	84,896,191	1,980,737	2,540,393	1,607,640	1,234,615	10,295,094	3,059,298	6,275,062	5,347,431	10,070,796	7,348,654	11,952,311	13,430,380	9,745,180
Fixed assets	5,548,894	1,339	8,032	9,370	55,027	70,645	70,673	211,320	209,447	204,605	759,870	695,314	1,038,276	2,214,976
Intangible assets	639,428	-	-	-	12,414	12,645	12,764	38,378	38,415	38,363	146,618	137,498	159,143	43,190
Deferred tax assets	1,141,892	-	-	-	-	-	-	-	4,326	-	631,898	505,668	-	-
Other assets - net	5,895,909	404,069	606,677	453,760	637,699	510,035	417,300	401,195	333,911	317,929	-	1,535,211	278,103	-
	141,437,900	7,172,874	6,880,302	5,787,969	6,485,745	10,889,019	3,617,535	7,034,962	5,991,030	11,900,636	10,542,931	14,826,002	24,422,176	25,886,699
<b>Liabilities</b>														
Bills payable	2,470,821	617,705	617,705	617,705	617,706	-	-	-	-	-	-	-	-	-
Due to financial institutions	20,596,773	-	1,790,000	-	3,700,619	8,918,636	2,091,912	753,733	86,089	-	433,543	1,192,565	-	1,629,676
Deposits and other accounts	99,253,161	77,805,793	2,813,859	1,505,600	8,214,664	4,734,143	1,168,338	1,523,627	499,831	740,259	195,160	42,986	8,900	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	267,014	78	547	547	7,326	8,498	8,498	13,190	13,190	16,308	43,786	43,786	51,101	60,159
Deferred tax liabilities	8,122,359	573,189	780,649	628,723	821,377	201,288	131,804	124,832	89,352	85,276	351,978	1,932,752	1,104,140	1,297,050
Other liabilities	130,710,128	78,996,765	6,002,780	2,752,575	13,361,892	13,862,564	3,400,552	2,415,382	688,462	841,793	1,024,467	3,212,089	1,164,141	2,985,885
	10,727,772	(71,823,891)	877,542	3,035,414	(6,875,947)	(2,973,545)	216,983	4,619,580	5,302,568	11,058,843	9,518,464	11,613,913	23,258,035	22,892,814
<b>Net assets</b>														
Share capital	11,550,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	68,107	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	473,316	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated loss	(1,363,651)	-	-	-	-	-	-	-	-	-	-	-	-	-
	10,727,772	-	-	-	-	-	-	-	-	-	-	-	-	-

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 5 years
<b>Assets</b>														
Cash and balances with treasury banks	10,252,547	2,563,137	2,563,137	2,563,137	2,563,137	-	-	-	-	-	-	-	-	-
Balances with other banks	8,822,965	1,111,966	1,111,966	1,111,966	1,111,966	-	-	-	-	-	-	-	-	-
Due from financial institutions	5,851,664	-	-	-	1,980,000	3,371,664	-	-	-	-	-	-	-	-
Investments - net	16,309,800	1,024,599	-	-	-	57,500	109,574	109,574	57,500	944,144	1,494,084	1,655,891	100,000	10,866,508
Islamic financing and related assets - net	51,309,967	3,698,512	1,188,880	174,809	1,433,230	4,258,637	7,101,251	10,224,961	2,175,521	222,090	3,744,110	5,040,382	6,713,499	5,334,085
Fixed assets	5,779,772	1,278	7,669	8,947	50,294	67,520	67,753	201,258	199,975	195,783	757,831	675,602	1,137,504	2,408,358
Intangible assets	719,723	-	-	-	11,090	11,225	11,677	35,150	35,388	35,395	141,504	134,288	232,269	71,737
Deferred tax assets	1,186,161	-	-	-	-	-	-	-	863	-	210,356	974,942	-	-
Other assets - net	5,054,870	356,953	390,349	408,701	539,756	472,937	359,496	478,242	290,644	285,561	-	-	1,473,231	-
	105,287,489	8,756,475	7,762,031	5,267,500	9,064,503	8,181,983	7,596,677	11,049,185	2,759,891	1,682,973	6,347,885	8,481,105	9,656,503	18,680,688
<b>Liabilities</b>														
Bills payable	973,627	243,407	243,407	243,407	243,406	-	-	-	-	-	-	-	-	-
Due to financial institutions	4,127,526	100,000	500,000	-	880,850	350,000	951,124	1,305,552	40,000	-	-	-	-	-
Deposits and other accounts	81,853,511	63,978,667	1,955,876	643,002	3,760,520	3,997,697	1,747,366	1,061,440	1,085,963	3,480,398	23,357	135,705	3,500	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	265,144	45	316	316	4,364	5,040	5,040	7,744	4,911	9,588	26,261	25,569	41,823	134,087
Deferred tax liabilities	7,600,880	591,146	627,201	646,085	781,925	193,370	106,172	216,365	1,540,107	56,597	269,204	332,925	787,754	1,452,029
Other liabilities	94,820,688	64,913,265	3,326,800	1,532,810	5,671,065	4,546,107	2,809,702	2,591,101	2,671,001	3,526,583	318,822	494,229	833,077	1,566,126
	10,466,801	(56,156,790)	4,439,231	3,734,780	3,393,438	3,635,876	4,786,975	8,458,084	88,890	(1,843,610)	6,020,063	7,986,876	8,823,426	17,094,562
<b>Net assets</b>														
Share capital	11,550,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	26,444	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	422,326	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated loss	(1,531,969)	-	-	-	-	-	-	-	-	-	-	-	-	-
	10,466,801	-	-	-	-	-	-	-	-	-	-	-	-	-



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

	2020									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in thousands									
<b>Assets</b>										
Cash and balances with treasury banks	9,872,197	9,872,197	-	-	-	-	-	-	-	-
Balances with other banks	4,996,602	4,996,602	-	-	-	-	-	-	-	-
Due from financial institutions	828,790	828,790	-	-	-	-	-	-	-	-
Investments - net	27,617,997	64,173	185,843	173,179	1,486,872	1,818,994	163,103	9,679,377	13,714,904	331,552
Islamic financing and related assets - net	84,896,191	7,371,385	13,354,992	6,275,062	15,418,227	7,348,654	11,952,311	13,430,380	7,998,443	1,746,737
Fixed assets	5,548,894	73,768	141,318	211,320	414,052	759,870	695,314	1,038,276	2,214,976	-
Intangible assets	639,428	12,414	25,409	38,378	76,778	146,618	137,498	159,143	43,190	-
Deferred tax assets	1,141,892	-	-	-	4,326	631,898	505,668	-	-	-
Other assets	5,895,909	2,102,225	927,335	401,195	651,841	-	1,535,210	278,103	-	-
	141,437,900	25,321,554	14,634,897	7,099,134	18,052,096	10,706,034	14,989,104	24,585,279	23,971,513	2,078,289
<b>Liabilities</b>										
Bills payable	2,470,821	2,470,821	-	-	-	-	-	-	-	-
Due to financial institutions	20,596,773	5,490,619	11,010,548	753,733	86,089	433,543	1,192,565	-	445,847	1,183,829
Deposits and other accounts	99,253,161	19,298,152	11,666,408	1,632,528	1,240,090	16,487,395	16,335,220	16,301,134	16,292,234	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liability	267,014	8,498	16,996	13,190	29,498	43,786	43,786	51,101	60,159	-
Other liabilities	8,122,359	2,803,938	333,092	124,832	174,578	351,978	1,932,752	1,104,140	648,528	648,522
	130,710,129	30,072,028	23,027,044	2,524,283	1,530,255	17,316,702	19,504,323	17,456,375	17,446,768	1,832,351
<b>Net assets</b>	10,727,772	(4,750,474)	(8,392,146)	4,574,852	16,521,841	(6,610,668)	(4,515,219)	7,128,904	6,524,745	245,938
Share capital	11,550,000									
Reserves	68,107									
Surplus on revaluation of assets - net of tax	473,316									
Accumulated loss	(1,363,651)									
	10,727,772									

	2019									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in thousands									
<b>Assets</b>										
Cash and balances with treasury banks	10,252,547	10,252,547	-	-	-	-	-	-	-	-
Balances with other banks	8,822,985	8,822,985	-	-	-	-	-	-	-	-
Due from financial institutions	5,851,664	2,480,000	3,371,664	-	-	-	-	-	-	-
Investments - net	16,309,800	125,911	309,318	235,484	242,522	1,814,104	1,975,912	420,021	10,776,518	410,010
Islamic financing and related assets - net	51,309,967	6,495,432	11,359,887	10,224,961	2,397,611	3,744,110	5,040,382	6,713,499	3,152,401	2,181,684
Fixed assets	5,779,772	68,188	135,273	201,258	395,758	757,831	675,602	1,137,504	-	2,408,358
Intangible assets	719,723	11,090	22,902	35,150	70,783	141,504	134,288	232,269	71,737	-
Deferred tax assets	1,186,161	-	-	-	863	210,356	974,942	-	-	-
Other assets	5,054,870	1,695,759	831,433	478,242	576,205	-	-	1,473,231	-	-
	105,287,489	29,951,912	16,030,477	11,175,095	3,683,742	6,667,905	8,801,126	9,976,524	14,000,656	5,000,052
<b>Liabilities</b>										
Bills payable	973,627	973,627	-	-	-	-	-	-	-	-
Due to financial institutions	4,127,526	1,576,705	1,301,124	1,209,697	40,000	-	-	-	-	-
Deposits and other accounts	81,853,511	12,877,061	6,040,767	1,061,440	4,546,381	14,314,682	14,427,030	14,294,825	14,291,325	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liability	265,144	5,041	10,080	7,744	14,499	26,261	25,599	41,823	134,097	-
Other liabilities	7,600,880	2,646,357	299,542	216,365	1,596,704	269,204	332,925	787,754	1,452,029	-
	94,820,688	18,078,791	7,651,513	2,495,246	6,197,584	14,610,147	14,785,554	15,124,402	15,877,451	-
<b>Net assets</b>	10,466,801	11,873,121	8,378,964	8,679,849	(2,513,842)	(7,942,242)	(5,984,428)	(5,147,878)	(1,876,795)	5,000,052
Share capital	11,550,000									
Reserves	26,444									
Surplus on revaluation of assets - net of tax	422,326									
Accumulated loss	(1,531,969)									
	10,466,801									

#### Liquidity Gap Reporting

Regarding behavior of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioral study using value at risk methodology. On the basis of its findings 16.2% of current accounts and saving accounts are bucketed into Upto 1- year maturity while 83.8% of current accounts saving accounts are bucketed in over 1 year maturity.

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

43.1 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) Special Musharaka Pool
- 5) 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 Shari'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) Special Musharaka Pool

The Bank under Musharaka agreement accepts funds from institution(s) (other than banks). The comingled funds under this arrangement are deployed in remunerative assets as per the terms of agreement. The revenue generated from these assets are then shared as per pre-agreed profit sharing ratio.

#### 5) 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.

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

2020							
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	10.84	50.00	3,558,858	6.53	20.30	722,410
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) Pool	Monthly	6.90			2.00		
Treasury Musharaka/ Mudaraba Pool	As required	9.60			7.25		
Special Musharakh Pool	Monthly	10.48			9.21		
Equity Pool	Monthly	5.33					

2019							
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	13.36	50.00	3,710,740	8.82	31.84	1,181,467
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) Pool	Monthly	7.92			2.00		
Treasury Musharaka/ Mudaraba Pool	As required	11.51			9.88		
Special Musharakh Pool	Monthly	8.69			8.08		
Equity Pool	Monthly	1.58					

#### 44 GENERAL

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

#### 45 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 09, 2021 by the Board of Directors of the Bank.

 <b>SYED IFTIKHAR HUSSAIN RIZVI</b> Chief Financial Officer	 <b>MUHAMMAD AZFAR ALAM NOMANI</b> President/Chief Executive	 <b>RAZA MANSHA</b> Director	 <b>SEEMA AZIZ</b> Director	 <b>OMAIR SAFDAR</b> Director
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## BRANCH NETWORK

# MCB ISLAMIC BANK

**180+**  
BRANCHES  
ACROSS PAKISTAN



## BRANCH NETWORK ISLAMABAD

Sr. #	Branches	Address	City	Phone No.
1	Jinnah Avenue, Blue Area Branch	52 East, Dodhy Plaza, Jinnah Avenue Islamabad	Islamabad	+92-51-2875091
2	F-10 Markaz Branch	1-G Souk-UI-Hashir Plaza, Double Road, F-10 Markaz, Islamabad	Islamabad	+92-51-2114307
3	G-11 Markaz Branch	Shop No. 7,8,25,26, Plot No. 33, G-11 Markaz, Islamabad	Islamabad	+92-51-2360067
4	Bahria Town Phase IV Branch	Shop No G-9-10, Bahria Heights II, Ext Bahria Town, Phase- IV, Islamabad	Islamabad	+92-51-5146025
5	DHA Phase II - Tulip Road Branch	DHA Phase-II Branch, Plaza # 8, Street# A/62, Tulip Road, Sector A, DHA Phase-II, Islamabad	Islamabad	+92-51-5147159   +92-51-5147164
6	F-7 Markaz, Post Mall Branch	Plot # 3, F-7 Markaz, Post Office, Mall Building, Islamabad	Islamabad	+92-51-2608003   +92-51-2608018
7	F-8 Markaz Branch	Shop # 12 & 13, Al-Babar Center, F-8 Markaz, Islamabad	Islamabad	+92-51-2852653
8	F-11 Markaz Branch	Plot # 18, Trade Centre, Main Double Road, F-11 Markaz, Islamabad	Islamabad	+92-51-2107862
9	E-11/3 Branch	Commercial Plot No. 2, Sector E-11/3, Islamabad Garden, Islamabad	Islamabad	+92-51-2375345-6
10	I-8 Markaz Branch	MB City Mall, Plot No. 34, I-8 Markaz, Islamabad	Islamabad	+92-51-4862278-79
11	PWD Employees Society Branch	40-B, Block-B, Commercial Area (Extension), PWD Employees Housing Society, Lohi Bhair, Islamabad Highway, Islamabad	Islamabad	+92-51-5957660-62



## BRANCH NETWORK

### PUNJAB

Sr. #	Branches	Address	City	Phone No.
1	Attock Branch	Shop # B-III/37, C-152, Dr. Ghulam Gillani Burq Road, Attock City	Attock	+92-57-5700903
2	Bahawalpur Branch	30 - Model Town-B, Block A Bahawalpur	Bahawalpur	+92-62-2888768
3	Buerwala Branch	Plot No.98 Block-A, Arabia Islamia Road, Burewala	Burewala	+92-67-3351281-85
4	Chakwal Branch	B1-1/1634/1, B-1-1635, Talagang Road, Chakwal	Chakwal	+92-54-3602050-51
5	Chiniot Branch	Cha Yaraywala, Moza Chiniot 2 Jhang Road, Adjacent Shaukat Khanam Laboratory, Chiniot	Chiniot	-
6	Dera Ghazi Khan Branch	Ashraf Palaza, Block # 2, Kachehri Road, D. G. Khan	Dera Ghazi Khan	+92-64-2460258
7	Peoples Colony Branch	668-1, Block A, Peoples Colony No. 1, Faisalabad	Faisalabad	+92-41-8556601-05
8	Millat Chowk Branch	156-B, Millat Chowk, Gulistan Colony, Faisalabad	Faisalabad	+92-41-8782963-66   +92-41-8782968
9	Canal Road Branch	204 RB East, Canal Road Faisalabad	Faisalabad	+92-41-2601805
10	Kotwali Road Branch	P-64 Taj Plaza, Kotwali Road, Faisalabad	Faisalabad	+92-41-2604935
11	Ghakhar Branch	Khewat # 2414, Khatooni # 3600, Khasra # 3359, GT Road, Ghakkar	Ghakhar	+92-55-3886662   +92-55-3886665
12	Gojra Branch	Tehsil Office Road, Gojra	Gojra	+92-46-3515426-28
13	Gujar Khan Branch	Commercial Property # BIII 379 & BIII 377, G.T. Road (Near MCB), Gujar Khan	Gujar Khan	+92-51-3510156
14	Sharifpura Chowk, G.T. Road Branch	Sharifpura Chowk G.T Road Gujranwala	Gujranwala	+92-55-3251915-17
15	Satellite Town Branch	Satellite Town Branch, 529-C Satellite Town, Gujranwala	Gujranwala	+92-55-3825781
16	Bhimber Road Branch	Khewat # 143, Khatooni # 341, Bhimber Road, Gujrat, Tehsil & District Gujrat	Gujrat	+92-53-3601781-83

## BRANCH NETWORK

### PUNJAB

Sr. #	Branches	Address	City	Phone No.
17	Hussain Plaza, G.T Road Branch	Khasra No. 625, Hussain Plaza, Chowk GTS, G.T Road, Gujrat	Gujrat	+92-53-3571542   +92-53-3530287
18	Jhang Branch	Khewat # 698, Khatoon.i # 203, Yousuf Shah Road, District Jhang (Opposite District Courts Jhang)	Jhang	+92-47-7629591-94
19	Jhelum Branch	Model Colony, Shandar Chowk, Jhelum	Jhelum	+92-544-627128   +92-544-628677
20	Kamra Branch	Shop No. 75, Mini Plaza, PAC Chowk, G.T Road, Kamra Cantt, District Attock	Kamra	+92-57-2642521
21	Adda Khaliqabad Tulamba Branch	Adda Khaliqabad Tulamba, District Khanewal	Khanewal	-
22	Kharian Branch	Bilal Plaza, G.T.Road, Kharian	Kharian	+92-53-7601325   +92-53-7601358
23	Khushab Branch	Salam Khata Qitat 13, Khatta Chowk, Main Sargodha Road, Khushab	Khushab	+92-45-4710497
24	Gulberg, Liberty Market Branch	9-C, Commercial Liberty Market, Gulberg Lahore	Lahore	+92-42-35789831-34
25	DHA Phase III, Z Block Branch	339-Z (Commercial) Ground Floor, Phase III, Defence Housing Authority, Lahore	Lahore	+92-42-35692901   +92-42-35746675
26	Shahalam Market Branch	12-13-6 Block-A, Shah Alam Market, Lahore	Lahore	+92-42-37667813
27	Allama Iqbal Town Branch	132 Jahanzaib Block, Main Boulevard, Allama Iqbal Town, Lahore	Lahore	+92-42-37813681-84
28	Johar Town, Maulana Shaukat Ali Road Branch	87-E, Madina Heights, Maulana Shaukat Ali Road, Johar Town, Lahore	Lahore	+92-42-35222674-79
29	Gulberg, Main Boulevard Branch	58 Main Boulevard Gulberg Lahore	Lahore	+92-42-35760954-58
30	New Garden Town Branch	Shop No 12, 13, 14, Shan Arcade, Civic Centre, Garden Town, Lahore	Lahore	+92-42-35941840-41
31	Cavalry Ground Branch	Plot No 7, Cavalry Ground Commercial Area, Walton Lahore Cantt	Lahore	+92-42-36672180   +92-42-36672183
32	Dream Gardens Branch	Shop No.08 & 09, Block C, Dream Garden Housing Society, 1.5 KM Defence Road, Off Raiwind Road, Lahore	Lahore	+92-42-35469652
33	Johar Town, Opposite Expo Center Branch	Plot No. 587, Block H-III, Expo Centre, Johar Town, Lahore	Lahore	+92-42-35468495-96
34	PIA Housing Society Branch	Plot No. 8, Block D, Phase I, PIA Housing Scheme, Wapda Town, Lahore	Lahore	+92-42-35463995-96



## BRANCH NETWORK

### PUNJAB

Sr. #	Branches	Address	City	Phone No.
35	Dharampura Branch	SE-6R-226/1, Dharampura, Allama Iqbal Road, Lahore	Lahore	+92-42-37173833   +92-42-37173838
36	Faisal Town Branch	35-A, Main Boulevard, Faisal Town, Lahore.	Lahore	+92-42-35202200   +92-42-35202203   +92-42-35303304
37	DHA Rahbar Branch	Defence Road, DHA Rahbar, Lahore	Lahore	+92-42-34501000 Ext. 1979
38	Bedian Road Branch	Khasra No.2512, Abadi Dahi Hadbust, Muaza Lidhar, Bedian Road, Lahore	Lahore	+92-42-37162813
39	Sarwar Road Cantt. Branch	Plot No. 05, Survey No.52/C-5, Sarwar Road Cantt. Lahore	Lahore	+92-42-37177096
40	Samanabad Branch	Property 22-7-17/1 & 22-S-17/2, Main Samanabad, Lahore	Lahore	-
41	Gulshan-e-Ravi Branch	159-A, Main Boulevard, Gulshan Ravi, Lahore	Lahore	+92-42-37401870-74   +92-42-37401890
42	Nila Gumbad Branch	Plot # 12, McLagan Road, Nila Gumbad, Lahore	Lahore	+92-42-37210102
43	Shahrah-e-Aiwan-e-Tijarat, China Chowk Branch	14-A (Ground Floor), Shahrah-e-Aiwan-e-Tijarat, Old Race Course Road, Lahore	Lahore	+92-42-36282790-95
44	Davis Road Branch	Aftab Centre, 30-Davis Road, Lahore	Lahore	+92-42-36287029   +92-42-36286965
45	Model Town Branch	Shop No.10 and 11, Commercial Market, C-Block, Model Town, Lahore	Lahore	+92-42-35915403-6
46	Urdu Bazar Branch	S-III-13-S-20 & S-III-2-S-26/RH Majahid Street, Behind Urdu Bazaar, Paisha Akhbar, Lahore	Lahore	+92-42-37361216
47	DHA Phase II, Commercial Area Branch	Commercial Plot # 12, Block CCA, D.H.A. Phase II, Lahore	Lahore	+92-42-35749481   +92-42-35707033
48	Bahria Town Sector C Branch	65-A, Sector-C, Bahria Town, Lahore	Lahore	+92-42-37861591-93
49	Thokar Niaz Baig Branch	171-A Ali Town, Main Raiwind Road, Lahore	Lahore	+92-42-35963291
50	Ichra Branch	Shop # 158, Mohalla Rasool Pura, Ichra, Main Ferozepura Road, Lahore.	Lahore	+92-42-37426801-05
51	Multan Road Branch	9-A Industrial Block, Scheme More, Allama Iqbal Town, Multan Road, Lahore	Lahore	+92-42-37803449

## BRANCH NETWORK

### PUNJAB

Sr. #	Branches	Address	City	Phone No.
52	Shahdara Branch	Shahdara, Main Sheikhpura Road, Jiya Musa, Lahore	Lahore	+92-42-37919160
53	Baghbanpura Branch	266, G.T. Road, Baghbanpura, Lahore	Lahore	+92-42-36844011-12   +92-42-36844015
54	Ravi Road, Timber Market Branch	NWIII.R.78/5/A, Timber Market, Lahore	Lahore	+92-42-37722338-9
55	Circular Road Branch	Babar Center, 51-Circular Road, Outside Akbari Gate, Lahore	Lahore	+92-42-37379250
56	Badami Bagh Branch	93-Grain Market Badami Bagh, Lahore	Lahore	+92-42-37706366   +92-42-37706086
57	Azam Cloth Market Branch	1753-Nawab Bazar, Azam Cloth Market, Lahore	Lahore	+92-42-37658134
58	DHA Phase VI Branch	Plot No. 12, Main Boulevard Phase VI, DHA Lahore	Lahore	-
59	DHA EME Sector Branch	Plot# 408, Block-J, Commercial Area, DHA, EME Sector, Multan Road, Lahore	Lahore	-
60	Mandi Bahauddin Branch	Plot # 7/211, Ward # 7, Ghalla Mandi, Mandi Bahauddin	Mandi Bahauddin	+92-546-509551   +92-546-509553
61	JK Sugar Mills Branch	JK Sugar Mills, Chak No. 84/15L Mian Channu	Mian Channu	+92-42-34501000 Ext. 1972
62	Shah Rukn-e-Alam Colony Branch	17-F Chowk Shah Rukn e Alam Colony, Multan	Multan	+92-61-6560451-57
63	Nawan Shehar Branch	Plot No. 741-F, Ward No.9, Muslim Mouza Ismail, Chowk Nawan Shehar, Multan	Multan	+92-61-4573032
64	Okara Branch	Khewat No. 1519, Khatooni No. 1537, Khasra No. 4207/6-5-4 M.A. Jinnah Road, Okara	Okara	+92-44-2510124
65	Rahim Yar Khan Branch	29-Model Town, City Centre, City Park Chowk, Rahim Yar Khan	Rahim Yar Khan	+92-68-5876049
66	Bank Road, Saddar Branch	Shahbaz Plaza, Bank Road, Saddar, Rawalpindi	Rawalpindi	+92-51-5525277   +92-51-5700342   +92-51-5523474
67	Chaklala Scheme III Branch	Plot No. 16, Commercial Area, Chaklala Scheme III. Rawalpindi Cantt.	Rawalpindi	+92-51-5766233



## BRANCH NETWORK

### PUNJAB

Sr. #	Branches	Address	City	Phone No.
68	Murree Road Branch	North Star Plaza, 20-B, Murree Road, Satellite Town, Rawalpindi	Rawalpindi	+92-51-4426972-76
69	Bahria Town Phase VII Branch	Plot No.6, Mini River View Commercial Mall Extension - II, Bahria Town Phase VII, Rawalpindi	Rawalpindi	+92-51-5400184
70	Kallar Sayedan Branch	Mouza kallar Sagwal, Tehsil Kallar Sayedan, District Rawalpindi	Rawalpindi	-
71	Bahria Town Phase VIII Branch	Plot No. 43/C, Business Junction, Circulation Strip, Bahria Town, Phase VIII, Rawalpindi	Rawalpindi	-
72	Sadiqabad Branch	19/20-D, Tehsil Bazar, Sadiqabad	Sadiqabad	+92-68-5802242-43
73	Sahiwal Branch	Plot # 23, Khewat # 7854, Khatooni # 7907, Khasra No. 776-23-j, Farid Town, Sahiwal, Tehsil & District Sahiwal	Sahiwal	+92-40-4270713-15
74	Sarai Alamgir Branch	Shop # B-1 and B-2, Alamgir Plaza, adjacent to Military College, Jhelum, Main GT Road, Sarai Alamgir	Sarai Alamgir	+92-54-4654932
75	Club Road Branch	73, Club Road, Civil Line, Sargodha	Sargodha	+92-48-3768633
76	Raza Garden Branch	Main Sillanwali Road, Raza Garden Sargodha	Sargodha	+92-48-3250682
77	Mian Khan Road Branch	110 Mian Khan Road, Block 5, Sargodha	Sargodha	+92-48-3726609   +92-48-3729623
78	Halalpur Branch	Chowk Halalpur Noon, Tehsil Kot Momin, District Sargodha	Sargodha	-
79	Lahore-Sheikhupura Road Branch	Property # 4584, Khan colony, Lahore Road Sheikhupura, Tehsil & District Sheikhupura	Sheikhupura	+92-56-3501189
80	Sargodha Road Branch	Shop No.1, Ground Floor, Al-Hamd Plaza, Batti Chowk, Lahore Road, Sheikhupura	Sheikhupura	+92-56-3545724
81	Kashmir Road Branch	155/A, BIII-12S, Sublime Chowk, Kashmir Road, Sialkot	Sialkot	+92-523-241491   +92-523-241292
82	Toba Tek Singh Branch	Plot No. 359, Mall Godam Road, Toba Tek Singh	Toba Tek Singh	+92-46-2514427   +92-46-2515427   +92-46-2517327
83	Wah Cantt Branch	Shop # 1/37, Commercial Area, Civic Centre, Aslam Market, Wah Cantt	Wah Cantt	+92-51-4902231

## BRANCH NETWORK

### SINDH

Sr. #	Branches	Address	City	Phone No.
1	Thandi Sarak Branch	Ground Floor, Shop No.6 &7, River View Apartments, Thandi Sarak, Hyderabad	Hyderabad	+92-22-2785486   +92-22-2785632
2	Saddar Branch	Qasr-e-Fatima 90-1-2, Main Saddar Bazar, Hyderabad	Hyderabad	+92-22-2731545   +92-22-27315646
3	Latifabad Branch	Shop No. 1, 2 & 3, United Plaza, Opposite American Hospital, Main Road, Unit # 7, Taluka Latifabad, District Hyderabad	Hyderabad	+92-22-3821861-65
4	Qasimabad Branch	Shop No. 6 & 7, Raheel Heights, 267/2, Deh Sari, Wadhu Wah Road, Qasimabad, Hyderabad	Hyderabad	+92-22-2675334
5	Market Area Branch	Commercial Plot No. 1272/1, Sheet No. 2, Ward 'A' City Survey, Market Area, Hyderabad	Hyderabad	+92-22-2635071-72
6	Hala Naka Branch	Shop No. 34/10 & 94/6 Situated at Main National Highway Hala Naka, Hyderabad	Hyderabad	-
7	Shahrah-e-Faisal Branch	Ground Floor, Nice Trade Orbit, Main Shahrah-e-Faisal Nursery, Karachi	Karachi	+92-21-34328469   +92-21-34328477
8	Rashid Minhas Road Branch	Plot# LM-10, Block-10-A, Near Pizza Hut, main Rashid Minhas Road, Karachi	Karachi	+92-21-34817643   +92-21-34838077
9	DHA Phase V, Khayaban-e-Shamsheer Branch	Plot No. 10 C, Showroom No. 101, Khayaban-e-Shamsheer, Phase V DHA, Karachi	Karachi	+92-21-35248768   +92-21-35248771
10	New Challi Branch	Shop No G-2, Muhammadi Trade tower, Altaf Hussani road, New Challi, Karachi	Karachi	+92-21-32371192
11	S.I.T.E Branch	C 18-A, East Avenue, S.I.T.E, Karachi	Karachi	+92-21-32552192   +92-21-32552193
12	Khalid-Bin-Waleed Road Branch	Show Room No.9-11, Plot No.167-A, Block-3, Khalid Bin Waleed Road, Karachi	Karachi	+92-21-34323051-52
13	Korangi Industrial Area Sector 23 Branch	Plot # 1-A, Sector 23, Korangi Industrial Area, Karachi	Karachi	+92-21-35122311-12
14	North Nazimabad Branch	Shop # 1 & 2 Jasmine Heights Plot # SC-21-A Block H North Nazimabad, Karachi	Karachi	+92-21-36641762   +92-21-36641764
15	Dhoraji Branch	Shop No 3 & 4 Selani Centre, Plot # 442, Kathiawar Co-operative Housing Society ,Dhoraji, Karachi	Karachi	+92-21-34940153   +92-21-34940156
16	F.B. Industrial Area Branch	Sector no 22, KDA Scheme 16, FB Industrial Area Karachi	Karachi	+92-21-36834440   +92-21-36834448



## BRANCH NETWORK

### SINDH

Sr. #	Branches	Address	City	Phone No.
17	Gulshan-e-Iqbal Branch	Shop No. 1&2, Al- Sammad Tower 13- Gulshan-e-Iqbal, Main University Road, Karachi	Karachi	+92-21-34971515
18	Abdullah Haroon Road, Saddar Branch	PB No. 272-1, Ground Floor State Life Building No.11, Abdullah Haroon Road, Saddar Karachi	Karachi	+92-21-35681851-60
19	Muhammad Ali Society Branch	12-C/B Muhammad Ali Society, Karachi	Karachi	+92-21-34320831-35
20	Safoora Chowk Branch	Plot No. SB-15, Block 7, Gulistan E Johar, Scheme 33, Karachi	Karachi	+92-21-34115092
21	Model Colony Branch	H.No. 4/95, Affandi House, Liaquat Ali Khan Road, Model Colony, Karachi	Karachi	+92-21-34110334
22	Ghafoor Chamber, Saddar Branch	Shop # 5/8, Ghafoor Chamber Off Abdullah Haroon Road, Saddar Karachi	Karachi	+92-21-32750001-07
23	Madras Chowk Branch	Shop # S-8, S-9 & S-10, Pioneer Tower Survey No. 22 & 24, Deh Songal Gujro, Sector 16-A, Scheme, Karachi	Karachi	+92-21-34645755
24	MATCO Food Branch	MATCO Food Ltd. B/1-A, Site Phase 1 Super Highway, North Karachi Industrial Area, Karachi	Karachi	+92-42-34501000 Ext. 1986
25	Haroonabad SITE Branch	Portion No. 23-A/P.U.D179, SITE, Karachi	Karachi	+92-21-32556601-02
26	Faizan-e-Madina Branch	Shop No. 22, Alami Madani Markaz, Faizan-e-Madina, Mohalla Saudagran Old Sabzi Mandi Karachi	Karachi	+92-21-34942626
27	Korangi Industrial Area Sector 7-A Branch	Plot No. 251, Sector 7-A, Korangi Industrial Area, Karachi	Karachi	+92-21-35151191-96
28	Malir Cantt Branch	Shop No. 75, 4 Dots Shopping Complex C/O HQ 4 Air Defence Division, 31 Bostan Lines, Malir Cantonment, Karachi	Karachi	+92-21-34901140
29	Medicine Market Branch	Marium Manzil, Plot # 161, Survey Sheet # MR-1, Market Quarters, North Napier Road, Karachi	Karachi	+92-21-32430488-89
30	Gul Tower Branch	Gul Tower, Main I.I Chundrigar Road, Karachi	Karachi	+92-21-32426413
31	Cloth Market Branch	Plot # 21/1, Puri Building, Cloth Market, Karachi	Karachi	+92-21-32472148-49   +92-21-32471727
32	Jodia Bazar Branch	MR 6/2, Market Quarters, Virjee Street, Jodia Bazar, Karachi	Karachi	+92-21-32443758   +92-21-32432849

## BRANCH NETWORK

### SINDH

Sr. #	Branches	Address	City	Phone No.
33	Zaibunnisa Street, Saddar Branch	State Life Building # 5, Zaibunnisa Street, Saddar, Karachi	Karachi	+92-21-35212102   +92-21-35219710
34	Javed Arcade Branch	Javed Arcade, Plot # SB-1, Block # 17, KDA Scheme # 36, Gulistan-e-Jauhar, Karachi	Karachi	+92-21-34636746
35	Shershah Branch	Plot # M-II-E-606, Shershah, Karachi	Karachi	+92-21-32587581-83
36	Darakhshan Street Branch	Plot # 2-A/423, Situated at Drakhshan Society, Malir Halt, Karachi	Karachi	+92-21-34115090-91
37	Shaheed-e-Millat Road Branch	Bismillah Blessings, Plot No. 7-A/228, SS No. 35-P/1, Block-3, DMCHS, Main Shaheed-e-Millat Road, Karachi	Karachi	+92-21-34943666
38	Business Arcade Branch	Plot # 27-A, Business Arcade, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi	Karachi	+92-21-34326570-73
39	EOBI House Branch	Plot No. ST-1/A-1, KDA Commercial Complex, Scheme 1, Shop No. G-01/B, Ground Floor, EOBI House, Shahrah-e-Faisal, Karachi	Karachi	+92-21-34330172   +92-21-34536732
40	Allama Iqbal Road Branch	Plot No.683-C Ground Floor & Mezzanine Floor, Block-2, PECHS, Allama Iqbal Road, Karachi	Karachi	+92-21-34301817
41	Beach Bleasing, Bilawal Chowk Branch	Sands Apartments, Shop No. 8, Ground Floor, Block No.2, KDA Scheme No.5, Khayaban-e-Saadi Road, Kehkashan Clifton, Karachi	Karachi	+92-21-35375013
42	DHA Phase V Ext., Saba Avenue Branch	Saba Avenue, Plot # 8-C, Badar Commercial, Street # 6, Phase V Ext, DHA, Karachi	Karachi	+92-21-35341673
43	DHA Phase I Branch	19/C & 21/C, 21st East Street, Phase 1, Pakistan Defence Officers Housing Authority, Karachi	Karachi	+92-21-35386881-83
44	DHA Phase V, Zamzama Lane Branch	18-C, 5th Zamzama Lane, DHA Phase-V, Karachi	Karachi	+92-21-3810788
45	Kulsoom Court Branch	Kulsoom Court, Shop # 2, 3, 5A & 6, Plot DC-3, KDA Scheme # 5, Block-9, Clifton, Karachi	Karachi	+92-21-38798971-77
46	DHA Phase IV Branch	Ground Floor, Plot # 99-E, 9th Commercial Street, Phase-IV, DHA, Karachi	Karachi	+92-21-35885718
47	DHA Phase II Branch	106/C, Phase-II, National Highway, D.H.A., Karachi.	Karachi	+92-21-35348772
48	Paper Market Branch	Plot # 11/2, Sheet SR-9, Seraj Quarters, Anjarwala Bakery Sharah-e-Liaquat Karachi	Karachi	+92-21-32212610   +92-21-32212356



## BRANCH NETWORK

### SINDH

Sr. #	Branches	Address	City	Phone No.
49	Nishtar Road Branch	Plot No. LR-19/10 Sweet Apartment, Mama Dhobi Compound, Shoe Market, Nishtar Road, Karachi	Karachi	+92-21-32231338
50	West Wharf Road Branch	4/22, Puri House, West Wharf Road, Karachi	Karachi	+92-21-32205422   +92-21-32205488
51	U.P. More Branch	Shop no. 1&2, Ground Floor, Plot Bearing No. A976, Sector 11-B, U.P More, North Karachi	Karachi	-
52	DHA Phase 2 Ext. Branch	Plot No. 47-E, 21st Commercial Street, Phase II-Extension. D.H.A, Karachi	Karachi	-
53	SMCHS Branch	Plot # 21-22, Sub Block D, Block A, Sindhi Muslim Cooperative Housing Society, Karachi	Karachi	+92-21-34300711-5
54	Bahria Town Branch	Dominion Business-1, Plot No: B-34, Jinnah Avenue Commercial, Bahria Town, Karachi	Karachi	-
55	Kunri Branch	Plot No. 9, Block No. 263/4 Deh Garaho City, Bank Road, Kunri	Kunri	+92-238-558013-14
56	Larkana Branch	PB No. 1641-1-3, Shop No. 1& 2 Ground Floor Ward "A" Gajan Pur Road, Anaj Mandi, Larkana	Larkana	+92-74-4040914-19
57	Mirpurkhas Branch	Survey No. 773, Ward - A, Mirpurkhas Taluka and District Mirpurkhas	Mirpurkhas	+92-23-3872821
58	Nawabshah Branch	Plot No. 80, Masjid Road Nawabshah	Nawabshah	+92-24-4360903-04
59	Shahdadpur Branch	Plot City Survey # 801 to 804 and 813, Station Road, Shahdadpur	Shahdadpur	+92-235-844901-02
60	Sukkur Branch	Shop/ Plot/ Khasra/ Khatooni/ Khewat # Plot # B-1623, Bunder Road, Sukkur	Sukkur	+92-71-5620756
61	Tando Adam Branch	Plot #. 543-9 Hyderabad Road, Tando Adam	Tando Adam	+92-23-5571261-64
62	Tando Allahyar Branch	Plot No.1, Survey No. 272-1 Deh Taluka Hyderabad Road, Tando Allah Yar	Tando Allahyar	+92-22-C573891600   +92-22-3891567

## BRANCH NETWORK

### KHYBER PAKHTUNKHWA

Sr. #	Branches	Address	City	Phone No.
1	Abbottabad Branch	GM Tower, near Sethi Masjid, Mansehra Road, Abbottabad	Abbottabad	+92-99-2408301-04
2	Bannu Branch	Plot# 376/A, Railway Road, Bannu City, Bannu	Bannu	-
3	Batkheela Branch	Shop No 1 to 6, Pak Haider Market, Near Zafar Park, next to Malakand CNG, GT Road, Batkhela District Malakand	Batkheela	+92-93-2410670-72
4	Chitral Branch	Ataliq Bazar Bypass Road Near Bus Adda, Chitral	Chitral	+92-943-414389   +92-943-414316
5	Dera Ismail Khan Branch	Plot # 3, Survey # 68, Circular Road, Dera Ismail Khan	Dera Ismail Khan	-
6	Shahkas, Jamrud Branch	Spinzer Market, Wazir Dhand, Main Jamrud Road, Shahkas Jamrud, District Khyber Agency	Jamrud	-
7	Kabal Branch	Khasra No. 2262, Khata No. 901, Khatooni No. 1176, Hassan Plaza, Kabal Chowk, Kabal, District Swat	Kabal	+92-94-6755592-95
8	Mardan Branch	RS Plaza Shamsi Road, Tehsil and District Mardan	Mardan	+92-937-870751   +92-937-870753
9	Matta Branch	Khatooni No. 28-50, Khasra No.2309, Mehran Khan Plaza, Main Matta Khareri, Matta Swat	Matta	+92-94-6790612-15
10	Mingora Branch	Opposite Bank Square Main Bazar Mingora Swat	Mingora	+92-946-725373-74
11	Saddar Road Branch	Tasneem Plaza, 6 Saddar Road, Peshawar Cantt	Peshawar	+92-91-5272180-83
12	Dalazak Road Branch	Dalzak Road Branch, Malik Sardar Plaza, Near Yousafabad Canal, Dalzak Road, Peshawar	Peshawar	+92-94-3414387
13	Hayatabad Branch	B-1, Phase V, Hayatabad, Peshawar	Peshawar	+92-91-5825305
14	Yadgar Chowk Branch	Shop No. 1,2,3,4,5, Ground & First Floor, Haroon Plaza, Chowk Yadgar, Peshawar	Peshawar	+92-91-2580718   +92-91-2590762
15	Timergara Branch	Zeb plaza main balambat Road Timergara District Lower Dir	Timargara	+92-945-825571-73



# BRANCH NETWORK

## BALUCHISTAN

Sr. #	Branches	Address	City	Phone No.
1	Chaman Branch	Taj Road Chaman, Balochistan	Chaman	+92-826-615429
2	Gwadar Branch	Main Airport Road, Gwadar, Balochistan	Gawadar	+92-86-4210290
3	Khuzdar Branch	Mir Chakar Khan Road, Khuzdar, Tehsil & District Khuzdar, Balochistan	Khuzdar	+92-848-550041-42
4	Loralai Branch	Shop # 372, House # 425, Tehsil Road Loralai, Balochistan	Loralai	+92-82-4660400
5	Muslim Bagh Branch	Station Road, Muslim Bagh, Balochistan	Muslim Bagh	+92-823-669214-5
6	Pishin Branch	Shop No. 630-634-640, Band Road, Pishin, Balochistan	Pishin	+92-82-6420875
7	M.A Jinnah Road Branch	M.A. Jinnah Road, Quetta, Balochistan	Quetta	+92-81-2824977
8	Hazara Town Branch	Lilak Shopping Centre, Barma Road, Aliabad, Hazara Town, Quetta, Balochistan	Quetta	+92-81-2853127
9	Sirki Road Branch	Plot No. 136-14-32, Akram Plaza, Sirki Road, Quetta, Balochistan	Quetta	+92-81-2836417
10	Choharmal Road Branch	Choharmal Road, Quetta, Balochistan	Quetta	+92-81-2843640
11	Mannan Chowk Branch	2-11/6-303, Mannan Chowk, M.A. Jinnah Road, Quetta, Balochistan	Quetta	+92-81-2836204-05
12	Turbat Branch	Main Road Turbat, Balochistan	Turbat	+92-85-2411153
13	Zhob Branch	Plot No. C-159, C-160, Tehsil Road, Zhob, Balochistan	Zhob	+92-82-2412257

# BRANCH NETWORK

## AZAD KASHMIR

Sr. #	Branches	Address	City	Phone No.
1	Mirpur AJK Branch	Bank Square, Allama Iqbal Road, Mirpur, Azad Kashmir	Mirpur A.K.	+92-5827-442840   +92-5827-447683
2	Muzaffarabad AJK Branch	Plot No. 26-1, Ghari Phan Chowk, Domel Syedan, Muzaffarabad, Azad Kashmir	Muzaffarabad	+92-5822-921137-38   +92-5822-920455

# BRANCH NETWORK

## GILGIT BALTISTAN

Sr. #	Branches	Address	City	Phone No.
1	Gilgit Branch	Shahrah-e-Quaid-e-Azam, Near NHA Office, Jutial Gilgit	Gilgit	+92-581-1450754



## SME BANKING

SHARI'AH COMPLIANT FINANCIAL SOLUTIONS  
FOR SMALL & MEDIUM ENTERPRISES



## FORM OF PROXY

THE COMPANY SECRETARY,  
MCB ISLAMIC BANK LIMITED,  
59-T BLOCK, PHASE-II, DHA, LAHORE

\_\_\_\_\_ Limited

I/We \_\_\_\_\_ s/w/d of \_\_\_\_\_ r/o

\_\_\_\_\_ being member(s) of MCB Islamic Bank Limited ("the

Company"), holding \_\_\_\_\_ Ordinary shares, do hereby appoint

\_\_\_\_\_ s/w/d of \_\_\_\_\_ r/o

\_\_\_\_\_ who is also a Member of the Company, as my / our proxy

to vote for me / us, and on my / our behalf at the 7th Annual General Meeting of the Company to be held on Friday, March 26, 2021 at 04:30 PM at 14-A, Jail Road, Lahore and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

Member's Signatures on a  
Revenue stamp of Rs. 5

Witness No. 1: \_\_\_\_\_

Name: \_\_\_\_\_

C.N.I.C. No./Passport No: \_\_\_\_\_

Address: \_\_\_\_\_

Witness No. 2: \_\_\_\_\_

Name: \_\_\_\_\_

C.N.I.C. No./Passport No: \_\_\_\_\_

Address: \_\_\_\_\_

### 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.



## پراکسی فارم

کمپنی سیکرٹری،  
ایم سی بی اسلامک بینک لمیٹڈ  
59-ٹی، بلاک فیر-11، ڈی ایچ اے،  
لاہور

لمیٹڈ

میں اہم \_\_\_\_\_ ولد ازوجہ ادختر \_\_\_\_\_  
ساکن \_\_\_\_\_  
بحیثیت رکن / ممبر ایم سی بی اسلامک بینک لمیٹڈ (کمپنی) اور \_\_\_\_\_ عام حصص کا / کے مالک کے طور  
پر مسمیٰ اسماء \_\_\_\_\_ ولد ازوجہ ادختر \_\_\_\_\_  
ساکن \_\_\_\_\_

جو کہ کمپنی کا رکن / ممبر بھی ہے، کو اپنا پراکسی مقرر کرتا کرتی کرتے ہوں / ہیں تاکہ وہ کمپنی کے ساتویں سالانہ عام  
اجلاس جو بروز جمعہ مورخہ 26 مارچ 2021ء کو شام 4:30 بجے 14-A، جیل روڈ، لاہور میں 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 میرے / ہمارے لیے یہ \_\_\_\_\_ 2021 کا دن ہے۔

ممبر کے دستخط

5 روپے کی رسیدی ٹکٹ پر

گواہ نمبر 1:

گواہ نمبر 2:

نام:

نام:

شناختی کارڈ / پاسپورٹ نمبر:

شناختی کارڈ / پاسپورٹ نمبر:

پتہ:

پتہ:

## نوٹ

A۔ جنرل / متفرق

1۔ 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۔

2۔ 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۔

3۔ 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، فیر-11، ڈی ایچ اے، لاہور، میں جمع کروائی جائیں گی۔

4۔ 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 عدم تصور ہوگی۔