



بابرکتے بینکارے،
ہمارے ذمہ داری

An MCB Bank Organization

59-T, Phase II, DHA, Lahore

042-111-222-642 | www.mcbislamicbank.com



ANNUAL REPORT 2022

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MCB Islamic Bank Ltd.

بابرکتے بینکارے، ہمارے ذمہ داری





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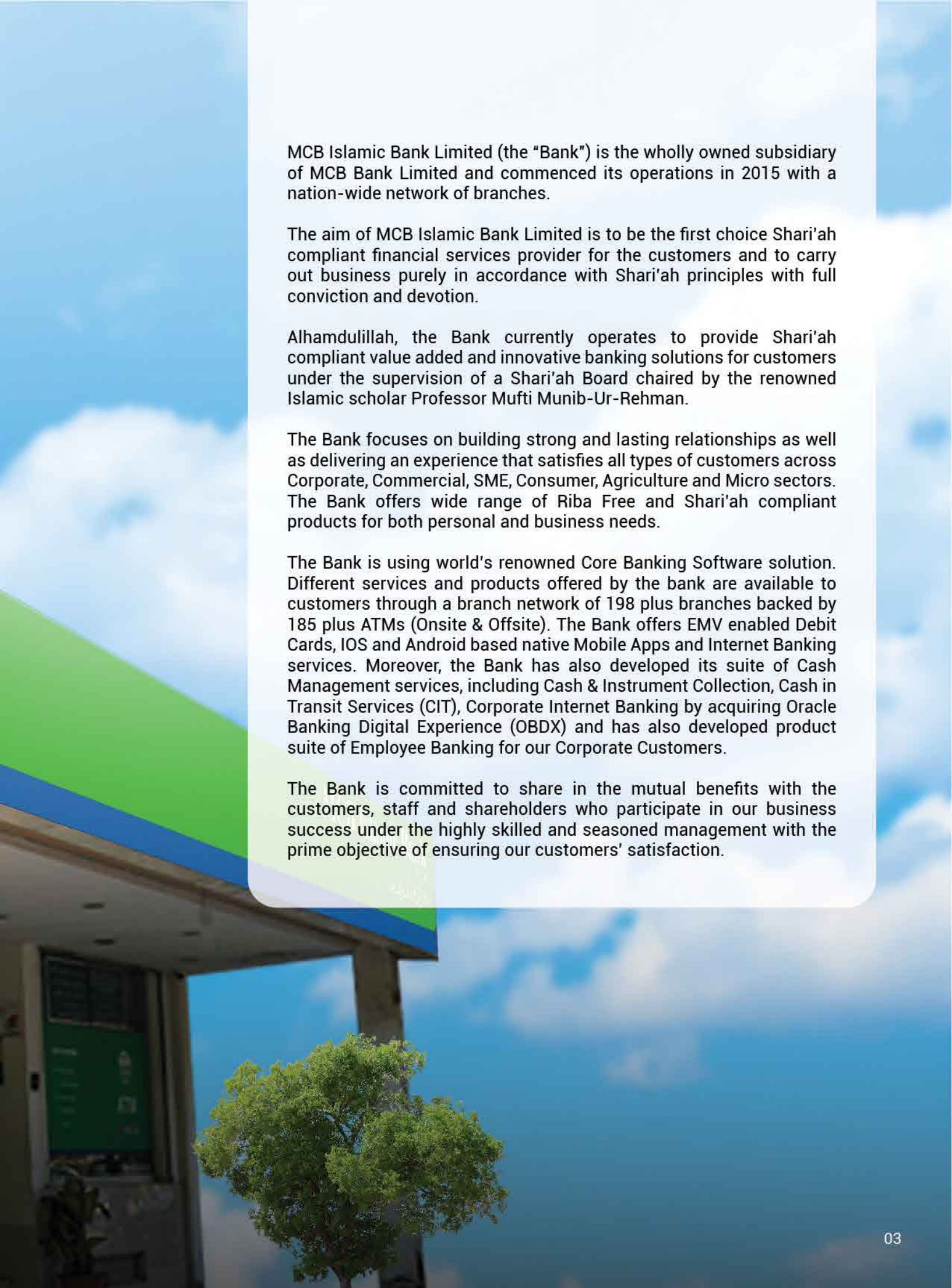
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MCB Islamic Bank
Limited
ایم سی بی اسلامک بینک لمیٹڈ

ایم سی بی اسلامک بینک لمیٹڈ





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 198 plus branches backed by 185 plus ATMs (Onsite & Offsite). 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 Cash & Instrument Collection, Cash in Transit Services (CIT), Corporate Internet Banking by acquiring Oracle Banking Digital Experience (OBDX) and has also developed product suite of Employee Banking for our Corporate Customers.

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.

The background of the page is a photograph of a wooden wall. On the left side, there is a vertical wooden plank with a rough, textured surface. To the right of this plank is a decorative wooden screen or lattice. This screen features a repeating geometric pattern of interlocking hexagons and stars, creating a complex, crystalline design. Light is filtering through the screen, creating a warm, golden-brown glow. The overall composition is split vertically between the rough wood and the intricate geometric pattern.

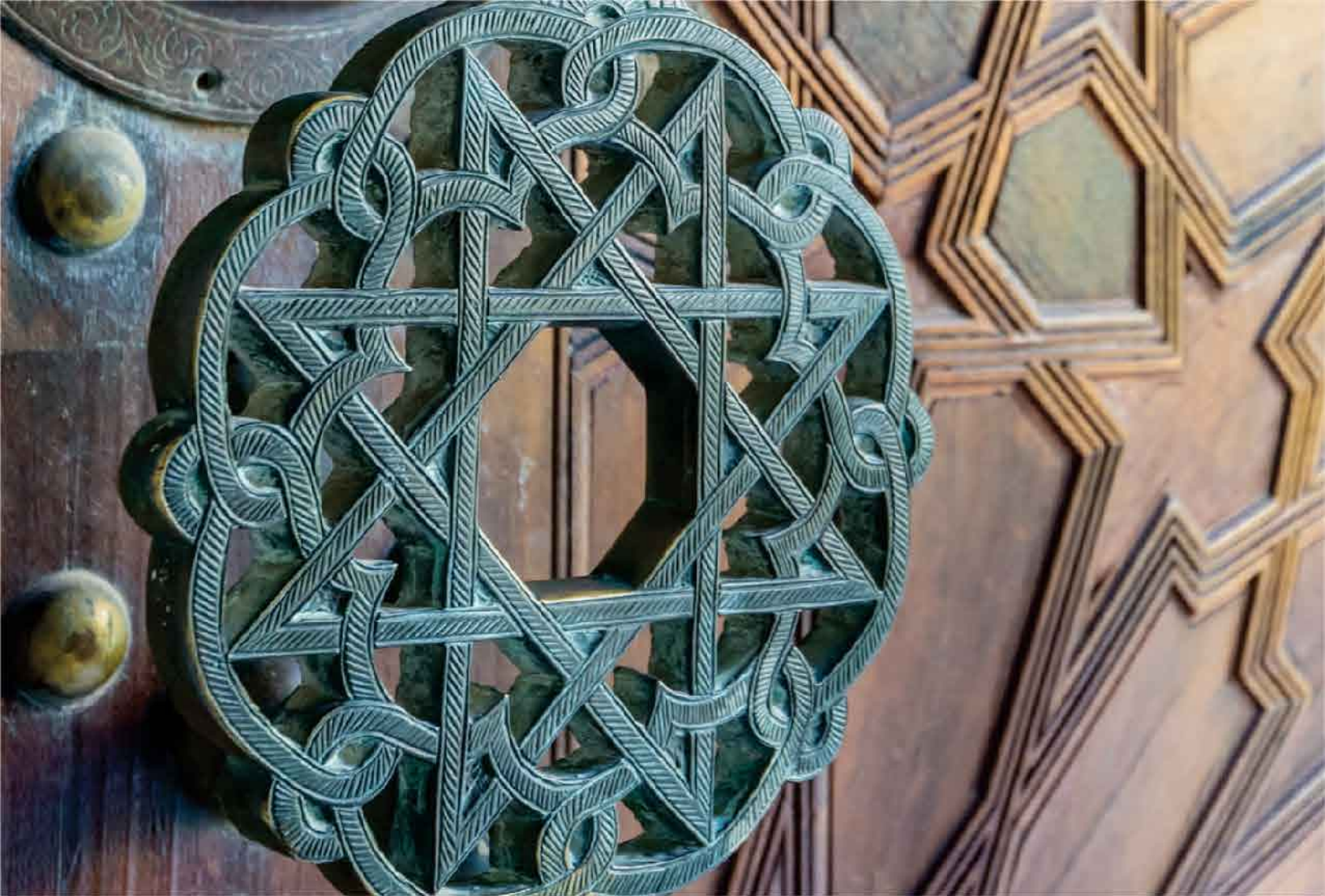
WHAT IS **ISLAMIC** **BANKING**



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 returns in Halal manners for our shareholders.
- To nurture an internal environment of qualified professionals and cutting-edge technology.

VISION STATEMENT

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

OUR VALUES

- **We are Shari'ah driven**

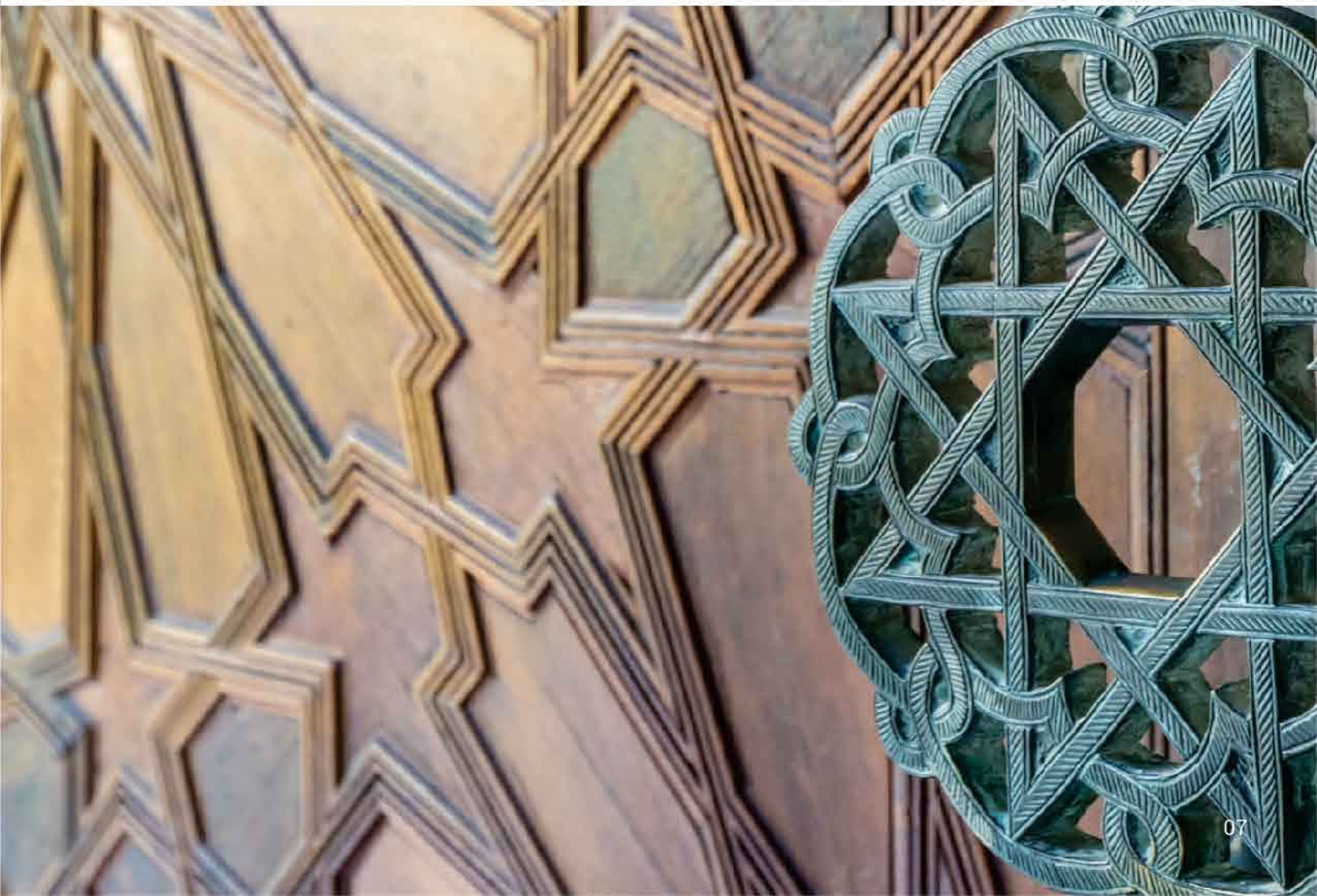
Following the Shari'ah, we will conduct our activity in a fair, ethical and socially responsible manner.

- **Dedicated and Dependable**

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

- **Aspirational**

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



CORPORATE STRATEGY

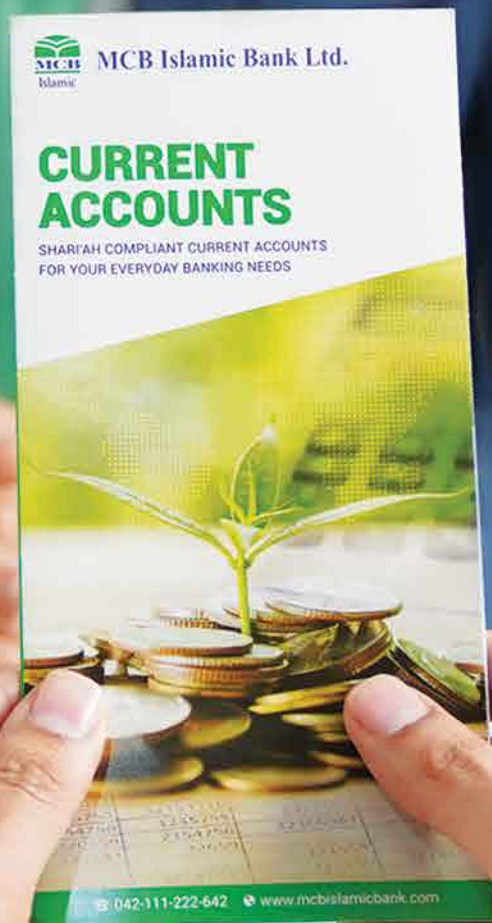
MCB Islamic Bank's corporate strategy consists of the following multi-dimensional elements, which are being pursued concurrently:

- 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.



CURRENT ACCOUNTS

SHARI'AH COMPLIANT CURRENT ACCOUNTS
FOR YOUR EVERYDAY BANKING NEEDS



CORPORATE INFORMATION

■ Board of Directors

Mr. Raza Mansha (Chairman)	Non-Executive Director
Mr. Jawaaid Iqbal	Independent Director
Ms. Seema Aziz	Independent Director
Mr. Ahmed Ebrahim Hasham	Non-Executive Director
Mr. Ibrahim Shamsi	Non-Executive Director
Mr. Hammad Khalid	Non-Executive Director
Mr. Omair Safdar	Non-Executive Director
Mr. Zargham Khan Durrani	President / CEO

■ Board Audit Committee

Mr. Jawaaid Iqbal	Chairman
Ms. Seema Aziz	Member
Mr. Ibrahim Shamsi	Member
Mr. Omair Safdar	Member
Mr. Hammad Khalid	Member

■ Human Resource & Remuneration Committee

Mr. Jawaaid Iqbal	Chairman
Ms. Seema Aziz	Member
Mr. Raza Mansha	Member
Mr. Omair Safdar	Member

■ Risk Management & Portfolio Review Committee

Mr. Omair Safdar	Chairman
Mr. Ahmed Ebrahim Hasham	Member
Mr. Ibrahim Shamsi	Member
Mr. Jawaaid Iqbal	Member
Mr. Muhammad Afaq Khan (Since resigned)	Member

■ Board Evaluation Committee

Ms. Seema Aziz	Chairman
Mr. Hammad Khalid	Member

■ Business Strategy & Service Quality Review Committee

Mr. Ahmed Ebrahim Hasham	Chairman
Mr. Hammad Khalid	Member
Mr. Omair Safdar	Member
Mr. Muhammad Afaq Khan (Since resigned)	Member

■ Board I.T. Committee

Mr. Ibrahim Shamsi	Chairman
Mr. Jawaaid Iqbal	Member
Mr. Hammad Khalid	Member
Mr. Muhammad Afaq Khan (Since resigned)	Member

■ Shari'ah Board

Prof. Mufti Munib-ur-Rehman	Chairman
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 Imran Siddiqui
(Acting)

■ Legal Advisor

M/s Imtiaz Siddiqui & Associates,
Advocates & Solicitor

■ Auditors

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

■ Registered Office

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

■ Website

www.mcbislamicbank.com

CREDIT **RATING**

Long Term

A

Short Term

A-1

PRODUCTS AND 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.

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
MCB Islamic Hidayat Current Account	MCB Islamic Imaan Saving Account	MCB Islamic Na'mat Term Deposit
MCB Islamic Basic Banking Account	MCB Islamic Barkat Saving Account	MCB Islamic Na'mat Plus Term Deposit
MCB Islamic Asaan Current Account	MCB Islamic Barkat Saving Plus Account	MCB Islamic Na'mat Premium Plus Term Deposit
MCB Islamic Asaan Remittance Current Account	MCB Islamic Barkat Saving Premium Account	MCB Islamic Aasoodgi Term Deposit
MCB Islamic Asaan Digital Current Account*	MCB Islamic Barkat Super Saving Account	MCB Islamic Financial Institutions Term Deposit
MCB Islamic Asaan Digital Remittance Current Account*	MCB Islamic Asaan Saving Account	MCB Islamic Na'mat Plus Foreign Currency Term Deposit
MCB Islamic Niswaan Current Account	MCB Islamic Asaan Remittance Saving Account	
MCB Islamic Freelancer Digital Current Account*	MCB Islamic Asaan Digital Saving Account*	
MCB Islamic Hidayat Foreign Currency Current Account	MCB Islamic Asaan Digital Remittance Saving Account*	
MCB Islamic Freelancer Digital Foreign Currency Current Account*	MCB Islamic Shandaar Account	
	MCB Islamic Rozana Bachat Saving Account	
	MCB Islamic Rozana Bachat Saving Plus Account	
	MCB Islamic Rozana Bachat Saving Premium Account	
	MCB Islamic Rozana Bachat Super Saving Account	
	MCB Islamic Atfaal Saving Account	
	MCB Islamic Niswaan Saving Account	
	MCB Islamic Freelancer Digital Saving Account*	
	MCB Islamic Financial Institution Saving Account	
	MCB Islamic Imaan Foreign Currency Saving Account	
	MCB Islamic Freelancer Digital Foreign Currency Saving Account*	

*These accounts are available for Resident Pakistani Individuals only and can only be opened through the Bank's available customer digital on-boarding platform(s)

DIGITAL BANKING:

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

- MCB Islamic UPI Qadar Debit Cards
- MCB Islamic Internet Banking
- SMS Notification Service
- Discount & Promotions
- MCB Islamic PayPak Debit Cards
- Bill Payments
- MCB Islamic Phone Banking
- MCB Islamic Mobile App
- MCB Islamic ATMs network
- NIFT EPay (E-Commerce)
- RAAST Instant Funds Transfer
- POS as Service

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.



SME FINANCING

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.

The 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 (PMKJ-YES)' 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.

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 for import and export (funded & non-funded);
- Cash Management & Remittance services;
- Financing under SBP's refinance schemes;
- Working capital financing;
- Medium & Long Term financing;
- Guarantees;
- Trade services without involving bank's exposure.

CORPORATE BANKING

MCB Islamic Bank's Corporate Banking team is focused on providing a range of diverse financial services (including tailor made customer's specific 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, Faisalabad and Multan. 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 includes 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:

Export Services

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

Import Services

- Letter of Credit – Sight / Usance
- Advance Payment against Import
- Shipping Guarantee
- Open Account Payment

Bank Guarantees

FI & HOME REMITTANCE

■ Home Remittance

We are geared and equipped to provide the most accurate, timely and efficient distribution of remittances to the beneficiaries in Pakistan. With a network of more than One Hundred & Ninety Four plus (194+) branches across Pakistan, accessibility to customers is more convenient. The remittance may be collected on behalf of various multinational agents such as Western Union, RIA, Remitly, World Remit, Pay Pal and Mastercard Transaction Services (as sub-agent of MCB Bank), who are one of the world's largest money transfer operators. We have a dedicated team, responsible to cater the customer related queries and to provide swift resolution for remittances issues to ensure utmost customer satisfaction.

■ Financial Institution Division (FID)

Our Financial Institutions Division has established correspondent banking relationship with the domestic as well as major international banks to facilitate Import, Export, Guarantees and Remittance business of our bank. Furthermore, we have Nostro accounts in various foreign currencies for smooth processing of our trade and remittance payments and issuance of Foreign Demand Draft (FDD). The team offers the highest service standards, optimizing of key financial institutions and correspondent banking relationships, liaising these activities with the bank's main business lines: Treasury, Corporate, Trade Finance, Commercial and Retail Banking.

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 Refinance and Credit Guarantee Scheme for Women Entrepreneurs (IRCGS-WE)

LIQUIDITY MANAGEMENT / TREASURY PRODUCTS

■ Mudarabah-based Acceptance / Placement

Under Mudarabah based acceptance and placement, special pool is created on the basis of Mudarabah in which the partner (placement) will invest. Based on the expected return, a profit sharing ratio will be agreed beforehand for distribution of profit. The risk and rewards are shared as per the rules of Mudarabah. Financial Institution(s) / investor(s) / customers will invest (place funds) in the Musharakah based as sleeping partner(s) whereas MCB Islamic Bank (which accept investment) will act as a working partner (and vice versa).

■ Musharakah-based Acceptance / Placement

Under Musharakah based acceptance and placement, special pool is created on the basis of Musharakah in which both the partners will invest. Based on the expected return, a profit sharing ratio will be agreed beforehand for distribution of profit. The risk and rewards are shared as per the rules of Musharakah. Financial Institution(s) / investor(s) / customers will invest (place funds) in the Musharakah based as sleeping partner(s) whereas MCB Islamic Bank (which accept investment) will act as a working partner (and vice versa).

■ Wakalah-based Acceptance / Placement

Under Wakalah based acceptance and placement, special pool is created on the basis of Wakalah in which the Principal (placement) will invest, whereas the Agent (acceptance) will invest / manage the funds and is entitled to Agency Fee as per terms of Wakalah Agreement. The risk and rewards will be borne by the Principal.

■ Foreign Currency Transaction – Ready & Forward

Islamic Banks are also involved in foreign currency transactions whereby they either buy foreign currency in exchange of local currency or vice versa. These transactions are necessary to both accommodate the exporters' and importers' businesses as well as to secure the risk of the bank against foreign exchange (FX) rate fluctuations. There are two type of foreign currency transaction:

1) **Ready Transaction – Deal Date and Maturity Date are same.**

2) **Forward Transaction – based on Wa'ad (unilateral Promise)**

If the Deal Date & Maturity Date are different, then the transaction will be considered as forward as per the rules of Shari'ah. Wa'ad is an alternative to conventional banking forward cover transactions. Under the arrangement of Wa'ad, one party gives an undertaking or promises to purchase foreign currency at an agreed rate at a specified date. As per Shari'ah guidelines, this has to be a unilateral promise from one party instead of bilateral promise from both the counterparties.

■ Bai Muajjal

In case, Bank is not be able to place funds with any Islamic Financial Institutions (IFI), Bai Muajjal of Sukuk can be used to enter into a transaction with conventional banks in a Shari'ah compliant manner for placement of excess funds. MCB Islamic Bank purchases Sukuk (if not already held) from market on spot and sell to conventional bank on deferred basis. The conventional bank sells those Sukuk in market on spot to get the required liquidity. MCB Islamic Bank also offering this transaction to customers other than financial institutions.

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. Additionally, we are offering CIT services to customers for Cash and Cheques/Instruments. MCB Islamic Bank is in agreement with to facilitate customer through MCB Bank counters for the convenience of collection of Cash and Cheques.

■ Corporate Internet Banking (Payment Portal)

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.

BANCATAKAFUL PRODUCTS

■ Life 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.

■ Health Takaful Products

Health takaful Plans have been developed to fulfill the needs of MCB Islamic Bank's clientele & their families to have accessible health care in case of an illness or accident that may lead to hospitalization. A quality health coverage product with simple and convenient cashless process along with added accidental limits, increased benefits, and a vast network of hospitals & avail lucrative discounts on pharmacies & labs.

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
- Investor Portfolio Services

A large, empty conference room with rows of chairs and a single chair at the front.

BOARD OF **DIRECTORS**

RAZA MANSHA

Chairman



JAWAID IQBAL

Director



SEEMA AZIZ

Director



**AHMED EBRAHIM
HASHAM**

Director



IBRAHIM SHAMSI

Director



HAMMAD KHALID

Director



OMAIR SAFDAR

Director



**ZARGHAM KHAN
DURRANI**

President & CEO



RAZA MANSHA

Chairman

Mr. Raza Mansha has more than 25 years diversified professional experience in various business sectors including Banking, Textile, Power, Cement, Insurance, Hotels, Properties, Natural Gas, Agriculture, Dairy etc. He received his Bachelor degree from the University of Pennsylvania, USA. Currently he is on the Board of MCB Islamic Bank Limited, Nishat Hotels & Properties Limited, Sui Northern Gas Pipeline Limited, Adamjee Life Assurance Company Limited, MNET Services (Pvt.) Limited & Nishat (Raiwind) Hotels and Properties Ltd.







Jawaid Iqbal

Director

Mr. Jawaid Iqbal has completed his graduation from University of Pennsylvania, Philadelphia, USA. He is also a certified Director from the Institute of Chartered Accountants of Pakistan. He has more than 20 years of experience in the Textile, corporate finance and Food and Allied Industries.

He is currently Director on the Board of Fauji Cement Company Limited, Lalpir Power Limited, Metro Power Company Limited, Metro Wind Power Limited, Metro Solar Power Limited and Swift Textile Mills (Pvt) Limited. Mr. Iqbal's affiliations are extensive, such as he is also the Chief Executive Officer of Metro Storage & Services (Pvt) Limited (Formerly Metro Estates (Pvt.) Limited). He has been actively involved in improving managerial competence, operational efficiency, internal control memorandum on accounting control, examining external auditors and other audit findings. Furthermore, Mr. Iqbal has previously served on the Board of Directors of Gul Ahmed Textile Mills Ltd., National Foods Limited & Mybank Limited.



Seema Aziz

Director

Ms. Seema Aziz has been a Director of MCB Islamic Bank Limited since February 2019. 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.) Limited.

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.



Ahmed Ebrahim Hasham

Director

Mr. Ahmed Ebrahim Hasham is the Chief Executive Officer of Mehran Sugar Mills Limited. He is a member of the Executive Committee of the Pakistan Sugar Mills Association and a member of Young President Organization Pakistan (YPO- Pakistan).

He is an active contributor towards social and academic services and serves on the board of Hasham Foundation and Usman Memorial Foundation which manages the UIT University and Usman Memorial Hospital. He is a graduate in International Relations (IR) and Economics from Tufts University, USA.

Other Directorships:

- Mehran Sugar Mills Limited.
- Pakistan Molasses Company Pvt. Limited.
- Hasham (Pvt.) Limited.
- Unicol Limited.
- UniFood Industries Limited.
- Hasham Foundation
- Hashamabad Coop Housing
- Usman Memorial Hospital Foundation.



Ibrahim Shamsi

Director

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



HAMMAD KHALID

Director

Mr. Hammad Khalid is a member of the Institute of Chartered Accountants of Pakistan ("ICAP") and carries quantifiable experience in the financial control environment. He carries over 15 years of experience with MCB Bank with Financial Reporting, Taxation, Budgeting & Strategy and Investor Relations falling under his purview. He has represented MCB Bank Limited at various national and global forums and has played an instrumental role in the growth of the institution. Before joining MCB Bank, he has worked with M/s A.F. Ferguson & Company, Chartered Accountants. Mr. Khalid has joined MCB Islamic Bank in June 2022 as a non-executive director.



Omair Safdar

Director

Omair Safdar has more than 18 years of experience in the banking industry. He has been associated with MCB Bank for the past decade, and currently heads the Capital Markets Division of the Bank. Omair holds a Bachelor's Degree in Economics from LUMS and is also a CFA Charter holder. He has thorough understanding of business, risk and investment dynamics, having been involved in Retail, Corporate, Investment Banking and Capital Markets transactions across industrial sectors and national boundaries. He currently serves on a number of Management Committees in MCB Bank including Credit, Investment and Write-Off. On behalf of MCB Bank, Omair also serves, as a Director, on the Board of MCB Islamic Bank and MCB NBCO, CJSC, Azerbaijan.



ZARGHAM KHAN DURRANI

President/CEO

Mr. Zargham Khan Durrani has an extensive banking career spanning over 27 years. Prior to joining MCB Islamic Bank, Mr. Durrani was Group Head Retail Banking (SEVP) in MCB Bank.

Mr. Durrani has an impressive and successful track record of realizing visions into realities. He is an experienced banking professional having hands-on experience in branch banking, digital banking, SME / Commercial lending and building & managing highly successful large teams through coaching, motivation and leading from the front. Transformation of MCB Bank's retail franchise over the last 15 years is a testament to his success.

Apart from MCB Bank, he has worked with Standard Chartered Bank, Union Bank and other financial institutions both locally and internationally. He has also served as Director of MNET Service (PVT), a wholly owned subsidiary of MCB Bank (now merged into MCB Bank). MNET was the first company in Pakistan to provide a secure electronic inter-bank connectivity platform for online financial transactions.

DEBIT CARDS

One Card Multiple Benefits



TRANSFER
FUNDS



24/7 ACCESS
TO YOUR ACCOUNT



PAY
UTILITY BILLS



AVAIL DISCOUNTS
& PROMOTIONS



GLOBAL
ACCEPTABILITY*



*Only for UnionPay International Cards

CORPORATE GOVERNANCE

Corporate Governance at MCB Islamic Bank Limited ("the Bank") refers to the 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

Category	Name of Directors
Independent Directors	Ms. Seema Aziz Mr. Jawaid Iqbal
Non-Executive Directors	Mr. Raza Mansha Mr. Ahmed Ebrahim Hasham Mr. Omair Safdar Mr. Ibrahim Shamsi Mr. Hammad Khalid
Director (President & CEO)	Mr. Muhammad Afaq Khan (Since resigned)
Female Director	Ms. Seema Aziz

CHANGE IN DIRECTORS

Mr. Usman Hassan resigned from the Board of Directors w.e.f. 22-04-2022 to fill the casual vacancy, Mr. Hammad Khalid was appointed as new director on the Board of Directors on 15-06-2022.

DIRECTORS' PROFILE

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

BOARD COMMITTEE

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 04

Composition

1. Mr. Jawaid Iqbal – Chairman
2. Ms. Seema Aziz
3. Mr. Ibrahim Shamsi
4. Mr. Omair Safdar
5. Mr. Hammad Khalid

Terms of Reference

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, comprehensive policies, procedures, 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, regulatory requirements and 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 for the appointment of external auditors including External Shari'ah Auditor(s), their removal, audit fees, the provision by the external auditors of any permissible service to the bank in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations.
10. Reviewing of the scope and extent of internal audit/Shari'ah audit, reporting framework and procedures 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 requirements of CCG regulations 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.
25. Approve the appointment/re-hiring/renewal of contract and removal of Group Head Audit & RAR; and approve his/her remuneration, allied benefits, promotion/demotion and other terms of employment.
26. Approve key performance indicators of GH Audit including but not limited to adherence to annual budget, completion of annual audit plan, reporting to BAC, training & capacity building of audit staff, and formulation and review of policies & procedures etc.
27. Review and approve appraisal of GH-Audit in line with bank's policies and procedures

HUMAN RESOURCE & REMUNERATION COMMITTEE

Meetings held 04

Composition

1. Mr. Jawaid Iqbal - Chairman
2. Ms. Seema Aziz
3. Mr. Raza Mansha
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 MCB Islamic Bank'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 04

Composition

1. Mr. Omair Safdar - Chairman
2. Mr. Ahmed Ebrahim Hasham
3. Mr. Ibrahim Shamsi
4. Mr. Jawaid Iqbal
5. Mr. Muhammad Afaq Khan (*Since resigned*)

Terms of Reference

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 05

Composition

1. Mr. Ahmed Ebrahim Hasham - Chairman
2. Mr. Hammad Khalid
3. Mr. Omair Safdar
4. Mr. Muhammad Afaq Khan (*Since resigned*)

Terms of Reference

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;
 - Statistic on and analysis of customer complaints;
 - Measurement of key service indicators and key processes; and
 - Summary of customer feedback received through surveys.

BOARD IT COMMITTEE

Meetings held **02**

Composition

1. Mr. Ibrahim Shamsi - Chairman
2. Mr. Jawaid Iqbal
3. Mr. Hammad Khalid
5. Mr. Muhammad Afaq Khan (*Since resigned*)

Terms of Reference

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 Nil

Composition

1. Ms. Seema Aziz - Chairman
2. Mr. Hammad Khalid

Terms of Reference

The Board Evaluation Committee shall undertake the following tasks:

1. 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.
2. Carrying out performance evaluation of the overall Board, its Committees, Independent Directors, Individual Directors, Chairperson and the President.
3. Identifying weak areas required to improve Board's and Board Committee effectiveness.
4. 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).
5. Reviewing (as and when required), the composition of the existing Board and its Sub-Committees and recommending amendment to the composition.
6. Assisting the Board of Directors by helping to identify individuals qualified to become members of the Board and its Committees.
7. 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.
8. 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.
9. The Committee will review candidate qualifications in light of the needs of the Board and the Bank, considering the current mix of director attributes and other pertinent factors (specific qualities, skills and professional experience required will vary depending on the Bank's specific needs at any point in time).
10. 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.
11. Any nominee shall duly meet the requirements set forth by the State Bank of Pakistan for directorship.
12. 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.
13. 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.
14. Any nominee should possess substantial and significant experience which would be of value to MCB Islamic Bank in the performance of the duties of a director.
15. Any nominee should have sufficient time available to devote to the affairs of MCB Islamic Bank 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
Raza Mansha	Non-Executive	Male	-	Yes	-	-	-	-
Ibrahim Shamsi	Non-Executive	Male	Yes	-	Yes	Yes	-	-
Omair Safdar	Non-Executive	Male	Yes	Yes	Yes	-	-	Yes
Ahmed Ebrahim Hasham	Non-Executive	Male	-	-	Yes	-	-	Yes
Jawaid Iqbal	Independent	Male	Yes	Yes	Yes	Yes	-	-
Seema Aziz	Independent	Female	Yes	Yes	-	-	Yes	-
Hammad Khalid	Non-Executive	Male	Yes	-	-	Yes	Yes	Yes
Muhammad Afaq Khan	President & CEO	Male	-	-	Yes	Yes	-	Yes

Directors' Participation/Attendance in Board and Committee Meetings Held During 2022

Details for the meetings of the BOD and sub-committees held during the Year 2022 along with attendance are as below:

Directors	Attendance						
	BOD*	BAC	HR & RC	RM & PRC	BITC	BEC	BSSQRC
Raza Mansha	5/5	-	4/4	-	-	-	-
Ibrahim Shamsi	3/5	4/4	-	4/4	2/2	-	-
Omair Safdar	5/5	4/4	4/4	4/4	-	-	5/5
Ahmed Ebrahim Hasham	4/5	-	-	4/4	-	-	5/5
Seema Aziz	2/5	2/4	2/4	-	-	-	-
Jawaid Iqbal	5/5	4/4	4/4	4/4	2/2	-	-
Hammad Khalid	3/5	1/4	-	-	1/2	-	3/5
Muhammad Afaq Khan***	4/5	3/4**	3/4**	3/4	2/2	-	4/5

* Total 05 meetings of BOD were held during the year 2022.

** As special invitee

*** Mr. Muhammad Afaq Khan joined as President & CEO on March 31, 2022. Prior to this date, one meeting of BOD, BAC, HR&RC, RM&PRC and BS&SQRC was attended by Mr. Azfar Alam Nomani.

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 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).

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 2022 was undertaken by the Board Evaluation Committee, appointed by the Board for the purpose.

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, 2022, the following directors have attended the Directors Training Program from SECP approved institutions:

1. Mr. Jawaid Iqbal
2. Mr. Ahmed Ebrahim Hasham
3. Mr. Omair Safdar
4. Ms. Seema Aziz

ACCESSIBILITY OF ANNUAL REPORT 2022

Annual Report – 2022 and other information of the Bank are accessible on Bank's website:
www.mcbislamicbank.com



MANAGEMENT



**ZARGHAM KHAN
DURRANI**

President & CEO



**KHAWAJA
KHALIL SHAH**

Chief Risk Officer



**OMER KHALID
LASHARIE**

Group Head
Corporate, Investment Banking & FI



**MUHAMMAD
HAMID YASIN**

Group Head
Consumer Finance



**SYED IFTIKHAR
HUSSAIN RIZVI**

Chief Financial Officer



SALMAN QUTB

Group Head - HRMG



AZHAR NAZIR

Chief Information Officer



**MUHAMMAD
TARIQ GONDAL**

Group Head
Compliance & Controls



**MUHAMMAD
SAEED RAJA**

Group Head - Operations



ZUBAIR AZIZ

Group Head
Treasury & Foreign Exchange



**MUHAMMAD
IMRAN SIDDIQUE**

Group Head
Audit & RAR (Acting)



SHAHID IQBAL

Head of Institutional Sales



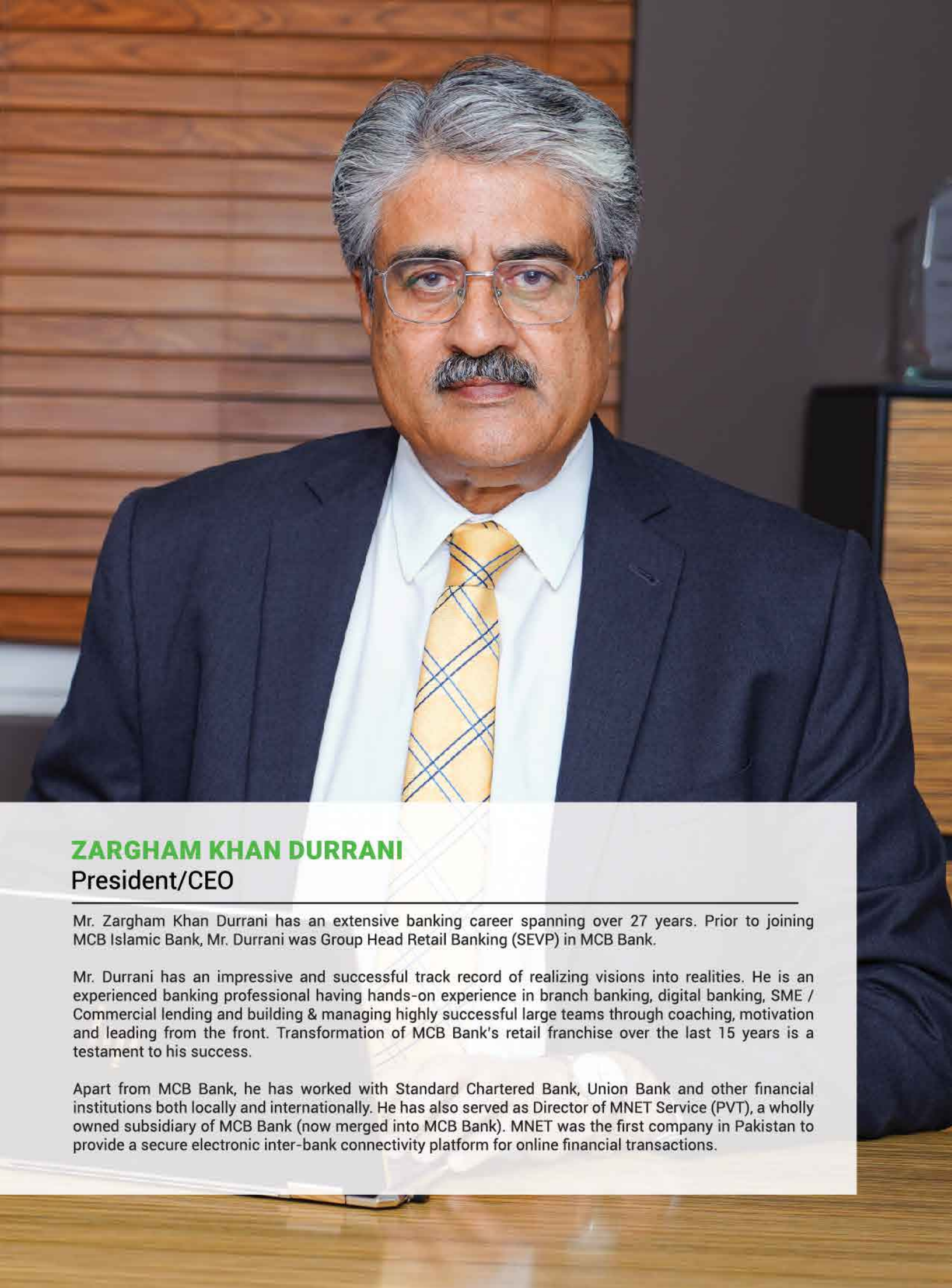
**MUFTI SYED
SABIR HUSSAIN**

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



**MAIMOONA
CHEEMA**

*Company Secretary
& Head of Legal*



ZARGHAM KHAN DURRANI

President/CEO

Mr. Zargham Khan Durrani has an extensive banking career spanning over 27 years. Prior to joining MCB Islamic Bank, Mr. Durrani was Group Head Retail Banking (SEVP) in MCB Bank.

Mr. Durrani has an impressive and successful track record of realizing visions into realities. He is an experienced banking professional having hands-on experience in branch banking, digital banking, SME / Commercial lending and building & managing highly successful large teams through coaching, motivation and leading from the front. Transformation of MCB Bank's retail franchise over the last 15 years is a testament to his success.

Apart from MCB Bank, he has worked with Standard Chartered Bank, Union Bank and other financial institutions both locally and internationally. He has also served as Director of MNET Service (PVT), a wholly owned subsidiary of MCB Bank (now merged into MCB Bank). MNET was the first company in Pakistan to provide a secure electronic inter-bank connectivity platform for online financial transactions.



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 and fraud risk management as these are layers of operations risk. His department also performs regulatory reporting pertaining to financing and Basel ratios.

Mr. Khwaja Khalil Shah has around 31 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.



OMER KHALID LASHARIE

Group Head – Corporate, Investment Banking & FI

Mr. Omer Khalid's experience spans over 29 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).



MUHAMMAD HAMID YASIN

Group Head – Consumer Finance

Mr. Hamid is a business graduate from the Institute of Business Administration (IBA), Karachi and has over 28 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.



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 26 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.



SALMAN QUTB

Group Head – Human Resource Management

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-three 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.



AZHAR NAZIR

Chief Information Officer

Mr. Azhar Nazir is leading Information Technology Group. He has been associated with MCB Group for the last 22 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).



MUHAMMAD TARIQ GONDAL

Group Head – Compliance & Controls

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 26 years in areas of audit & inspection, risk, compliance and operations both in Central and Commercial 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 32 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).



ZUBAIR AZIZ

Group Head – Treasury & Foreign Exchange

Mr. Zubair Aziz is positioned as Group Head Treasury & Foreign Exchange at MCB Islamic Bank Ltd. He has proven banking track record of over 27 years of work experience in financial markets of Pakistan. Prior to joining, He was associated with Summit Bank Ltd. as Head of Treasury and valued as one of the core team member of the senior management. He also remained with Atlas Bank and successfully steered the bank with various milestones.

Mr. Zubair Aziz is capable of working under pressure and capable of producing results. Having extensive, thorough and strong professional expertise in the areas of Treasury, Money Market, Foreign Exchange, Equities, Financial Brokerage, Portfolio Management, Capital Market Operations and Islamic Banking, has skills required to qualify for any leadership cadre by which a number of diverse demands come together to result in a successful campaign. He is business graduate and a certified Islamic banker from National Institute of Banking & Finance (NIBAF).



MUHAMMAD IMRAN SIDDIQUE

Group Head – Audit & RAR (Acting)

Mr. Imran has an extensive experience spanning over 25 years in the fields of risk management processes, operations, and compliance with highly esteemed banks such as SBP, HBL, RBS, and ABL. He possesses notable professional certifications, including Certified Internal Control Auditor (CICA), Certification in Risk Management Assurance (CRMA), and Certified in Risk & IS Control (CRISC), alongside academic qualifications such as an M.Com and ACMA-Inter. Additionally, Mr. Imran has obtained certification in Islamic Banking from NIBAF, further enriching his expertise in the banking sector.



SHAHID IQBAL

Head of Institutional Sales

Mr. Shahid Iqbal has over 26 years of experience in the Banking industry. He has hands on experience in branch management, business development, operations and credit portfolios for leading banks.

Prior to joining MCB Islamic Bank he has worked at key positions at MCB Bank, HBL Bank and Meezan Bank.



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 23 years of teaching, 16 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 34 books on Islamic economics & banking and other social issues; He is also delivering lectures in different Dar-ul-Ulooms and Universities.



MS. 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. Maimoona 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.

PLATINUM DEBIT CARD

**NOW ENJOY ENHANCED
ATM WITHDRAWAL LIMIT**

200,000
PKR/DAY



KEY EXECUTIVE

MR. ZARGHAM KHAN DURRANI

President

MR. KHAWAJA KHALIL SHAH

Chief Risk Officer

MR. OMER KHALID LASHARIE

Group Head – Corporate, Investment Banking & FI

SYED IFTIKHAR HUSSAIN RIZVI

Chief Financial Officer

MR. MUHAMMAD HAMID YASIN

Group Head – Consumer Finance

MR. MUHAMMAD SAEED RAJA

Group Head – Operations

MR. SALMAN QUTB

Group Head – Human Resource Management

MR. AZHAR NAZIR

Chief Information Officer

MR. MUHAMMAD TARIQ GONDAL

Group Head – Compliance & Controls

MR. ZUBAIR AZIZ

Group Head – Treasury & Foreign Exchange

MR. SHAHID IQBAL

Head of Institutional Sales

MR. MUHAMMAD IMRAN SIDDIQUE

Group Head – Audit & RAR (Acting)

MUFTI SYED SABIR HUSSAIN

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

MS. MAIMOONA CHEEMA

Company Secretary & Head of Legal



MCB ISLAMIC BANK SHARI'AH BOARD



PROF. MUFTI MUNIB-UR-REHMAN

Chairman Shari'ah Board



MUFTI SYED SABIR HUSSAIN

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



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 50 years' teaching and 35 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 23 years of teaching, 16 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhasus-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 34 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 31 years' experience of teaching Islamic Jurisprudence and 19 years' experience of issuing Fatawa (Shari'ah Opinions). He has 17 years' experience in Islamic Banking. He holds Master's Degree in Islamic Studies from University of Karachi, Takhasus-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 13 years. He has served as 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. on all Shari'ah related matters. All the SB's Decisions/Rulings/Fatawas shall be binding on the MCB Islamic Bank Ltd. 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 MCB Islamic Bank Ltd. and shall approve all products/services to be offered and/or launched by the MCB Islamic Bank Ltd.
- The SB shall ensure that all the MCB Islamic Bank's 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 Bank's 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 2022:

Sr. No	Quarter	Date of Meeting	Meeting Attend (Yes / No)		
			Chairman	Member	RSBM
1	Q1	16 Mar 2022	Yes	Yes	Yes
2	Q2	27 Jun 2022	Yes	Yes	Yes
3	Q3	30 Sep 2022	Yes	Yes	Yes
4	Q4	14 Dec 2022	Yes	Yes	Yes

MEETINGS OF SHARI'AH BOARD-BOARD OF DIRECTORS HELD IN 2022:

Sr. No	Half Year	Date of Meeting	Meeting Attend (Yes / No)		
			Chairman	Member	RSBM
1	1st	26 Apr 2022	Yes	Yes	Yes
2	2nd	15 Dec 2022	Yes	Yes	Yes

MEMBERSHIP ON SHARI'AH BOARD OF OTHER COMPANIES:

Sr. No	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 2015	Chairman	1) Chairman Shari'ah Supervisory Board ■ Dawood Family Takaful
2	Mufti Syed Sabir Hussain	16 Sep 2015	Resident Member	1) Shari'ah Supervisory Board Member /Consultancy ■ Dawood Family Takaful
3	Mufti Nadeem Iqbal	15 Oct 2018	Non Resident Member	No other engagement

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500,000

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CHAIRMAN'S MESSAGE

It gives me immense pleasure to present the Annual Report of MCB Islamic Bank Limited (the Bank) for 2022 on the effectiveness of the role played by the Board of Directors (the Board) in achieving the Bank's strategic objectives. The bank's management team feels proud on overcoming challenges and showing resilience in facing the economic adverse threats. During the year the Bank posted its highest ever profit before tax of Rs.3.2 billion, Alhamdulillah.

The Board sets the Bank's strategic aims to maintain our vision, mission and core values. It aspires to uphold and strengthen the high standards of Corporate Governance as a critical component for the long term success of the Bank and provides guidance to the management through policy framework and strategic oversight with focus on new challenges and opportunities.

The Board endeavours to maintain and strengthen high level of governance and best practices in the Bank as custodian of depositors' money. As a part of this effort, the Board has constituted various sub-committees with a comprehensive oversight framework for governance across risk management, audit, information technology and other key functions necessary for achieving the Bank's strategic objectives. The performance of each individual director, the entire Board, and its committees is being evaluated critically using a fair process. In my capacity as Chairman, I continue to make sure that the Board successfully sets priorities and assigns tasks to deliver the Bank's strategic direction.

Banking sector faced challenges of asset quality and demand pressures. Under the Board's strategic advice and direction, the Bank's management followed a practical approach to steer the Bank through uncertainty to continue to play its

constructive role towards the growth of Islamic financial system in Pakistan.

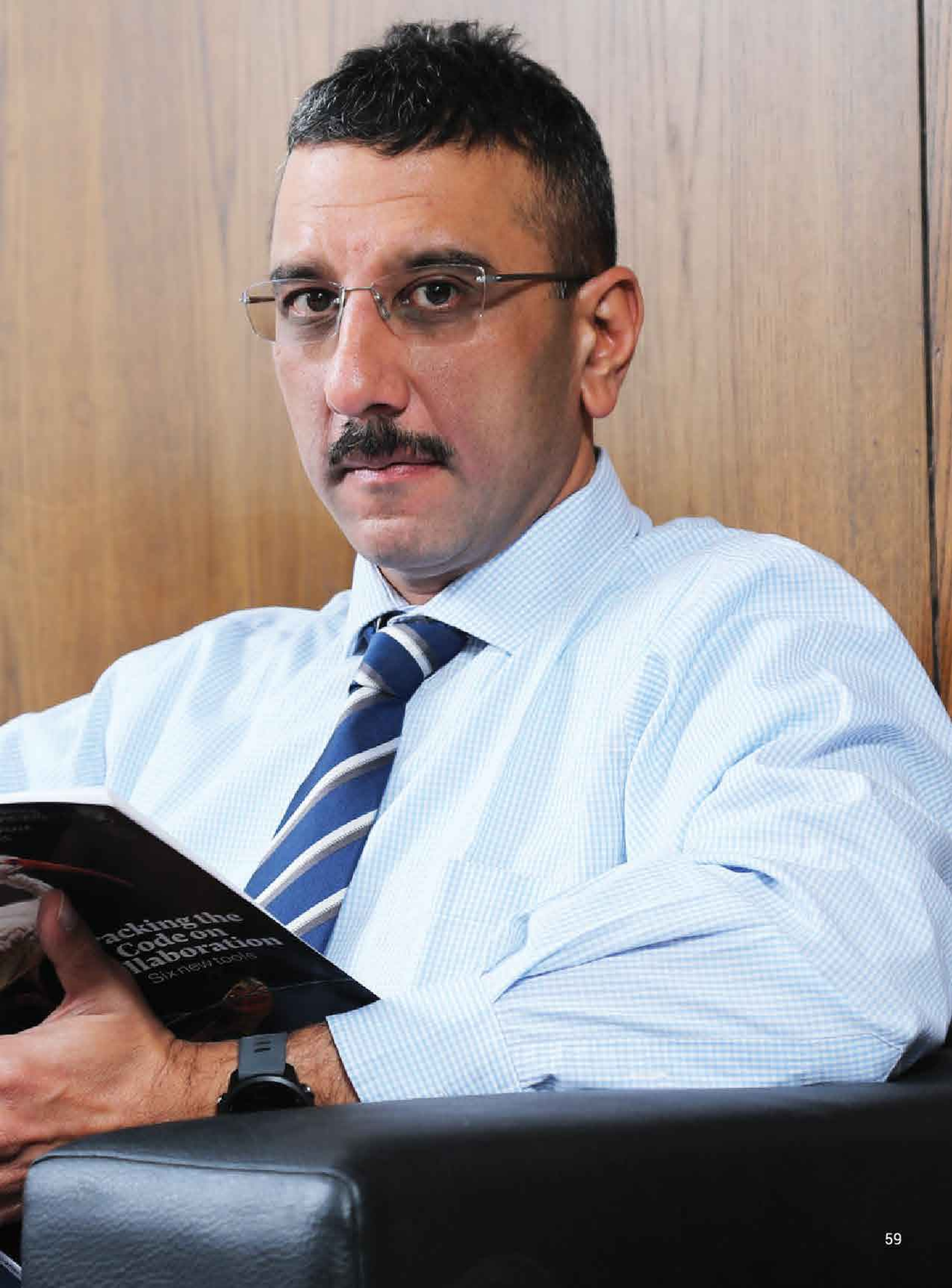
Pakistan's economy is struggling with persistent inflationary and external sector pressures coupled with economic and ongoing political uncertainty. Catastrophic floods have also had a negative impact on the country's economic outlook and prospects. A long term revival strategy is essential concentrating on optimizing inflows through exports and remittances, rationalizing outflows primarily via import substitution and broad based reforms across all industries.

Despite the economy's challenges, the Bank is establishing a solid financial standing in line with its strategy by strengthening core deposits, balance sheet spreads and optimum funds deployment while constantly focusing on innovative and long lasting customer support services. I am delighted to share that the bank has received award for "The Most Improved Islamic Retail Bank in Pakistan 2022" at the 8th Islamic Retail Banking Awards (IRBA) held at Jakarta, Indonesia.

Visualizing 2023, I am confident that the Bank remains well positioned to sustainable enhancement in the shareholders' value. On behalf of the Board, 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 assistance and co-operation. I would also like to appreciate our valued shareholders for having their confidence in long-term strategic goals.

In the end, I would like to thank our customers for their continued trust and confidence upon MCB Islamic Bank and to the cause of Islamic banking in Pakistan. I would also like to express my gratitude to all the fellow Board members for their valuable contribution.

RAZA MANSHA
Chairman



PRESIDENT'S MESSAGE

The world economy is suffering from multiple and complex challenges. The sustained impact of Russian-Ukraine conflict, rising interest rates, lingering pandemic effects such as China's lockdown and interruptions in supply chains that have adversely impacted commodity prices are just a few of the numerous and complicated problems that the global economy is currently facing. As we close out this year, we are proud of the determination with which our Bank overcame the challenges while maintaining the customers-centric approach for all our stakeholders.

Domestically, despite the country's challenging macroeconomic environment, MCB Islamic Bank (the Bank) has remarkably recorded its highest ever profit before tax of Rs. 3.2 billion with a 13.2 times increase over the previous year. The healthy growth in financial position has been made possible by skillful execution of our strategic plans to meet high expectations of our shareholders.

During the year 2022, our parent bank (MCB Bank Limited) continued its support and injected an additional capital of Rs. 4.0 billion. The Bank's deposits increased by 25%, with a healthy CASA mix of 72% of the total deposits. On the asset side, investments surged by 117% in 2022, showing that the Bank has re-adjusted its strategy in anticipation of the available liquidity and profitability without compromising its capital adequacy. The capital adequacy ratio (CAR) rose by 8.32% to close at 20.41%. The management continuously focuses on effective capital management, improved asset quality and high yields assets. The Pakistan Credit Rating Agency (PACRA), maintained the Bank's medium to long-term rating of "A" and the short-term rating of "A-1" with stable outlook, reaffirming the Bank's strong financial position. During the year the bank has received award for "The Most Improved Islamic Retail Bank in Pakistan 2022" at the 8th Islamic Retail Banking Awards (IRBA) held at Jakarta, Indonesia.

For our future outlook, the management of the bank is aspiring to take the bank to much higher standing among Islamic banks in the country with greater focus on digital banking, customer driven products & services, greater outreach to customers through expansion of branch network and most importantly through recruiting & retaining high potential human resource talent.

The Bank views its human resource as its most important asset. I applaud the professionalism, dedication and diligence of our professional staff in consistently producing value for our stakeholders. We understand the importance of attracting and retaining the talent with requisite skills, experience and business acumen and to keep them abreast with the new emerging skill sets, therefore, the Bank's prime focus has been to keep investing in staff development and engagement programs and to make the Bank an "Employer of Choice" in the Pakistani market. We are already witnessing greater interest in MCB Islamic in the job market.

Lastly, I would like to express my sincere gratitude to the Chairman and the Board of Directors for their leadership and continued guidance. I would also like to acknowledge the commitment of our team members for realizing the Bank's vision and positioning it for rapid growth in the months & years to come. The dedication and hard work of our team members strengthens our resolve to serve the Bank's valued customers with enhanced diligence, interest and passion. With our dedication, team work, and unity of purpose I am certain 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.

ZARGHAM KHAN DURRANI

President / CEO



LOOKING TO BUY YOUR DREAM CAR?

SHARI'AH COMPLIANT



COMPETITIVE RATES



COMPREHENSIVE
TAKAFUL COVERAGE



DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors of MCB Islamic Bank Limited (the Bank), we are pleased to present the Annual Report for the year ended December 31, 2022

Rupees in Million

Statement of Financial Position	Dec 31, 2022	Dec 31, 2021	Growth
Deposits	154,001	122,748	25%
Total Assets	199,040	161,267	23%
Investments – net	72,669	33,476	117%
Islamic Financing – net	90,302	96,309	-6%
Shareholders' Equity (including revaluations)	16,347	10,605	54%
Profit & Loss Account	YTD Dec 2022	YTD Dec 2021	Growth
Operating income	9,390	4,393	114%
Operating and other expenses	6,046	4,815	26%
(Provisions) / reversal against financing & investments	(141)	647	-1.22 Times
Profit before taxation	3,203	225	13.2 Times
Profit after taxation	1,548	100	14.48 Times
Basic / diluted earnings per share - Rs.	1.125	0.073	14.41 Times

PERFORMANCE REVIEW

Banking industry remains encouraging and performed well despite the downward economic growth, soaring inflation, recent floods disaster and external pressures.

Despite these challenges our Bank remained fully aware of the high downside risks to the economic and operating environment and pursued its strategy of consistent growth through low cost deposit mobilization and prudent financing practices, supported by an optimal organizational structure, robust risk management framework and effective compliance with regulatory instructions, helping the Bank to attain **a profit before tax of Rs.3.203 billion for the year ended December 31, 2022, Alhamdulillah.**

The Bank's Deposits reached at Rs. 154 billion as of December 31, 2022 as compared to Rs. 122.75 billion as at December 31, 2021, registering an excellent growth of 25% while accumulation of no and low-cost deposits remained a key objective of the Bank during the period under review. The Bank's Current and Saving Account (CASA) mix stands at a healthy rate of 72% with non-remunerative Deposits constituting 32% of total deposit mix of the Bank as of December 31, 2022. The Bank achieved a significant growth in Current Accounts by Rs. 7.51 billion (18%) during the year. The Bank continues to emphasize on promoting Islamic Banking amongst potential non-banked customers through offering a variety of Islamic Banking products and ensuring service excellence.

Total assets of the Bank increased by 23% to reach at Rs. 199.04 billion as of December 31, 2022 as compared to Rs. 161.27 billion as at December 31, 2021. The net Financing was closed at Rs. 90.30 billion against the December 31, 2021 position of Rs. 96.31 billion whereas the investments were at Rs. 72.67 billion against Rs. 33.48 billion at December 31, 2021, showing management's prudent approach to gear up the banks' profitability without compromising its Capital Adequacy which increase by 8.32% points to close at 20.41%. The management has its continuous focus on efficient capital management, better asset quality and high yielding portfolio.

During the year under review, the Bank earned operating income of Rs. 9.39 billion, while return on earning assets stood at 11.62% with the cost of funds at 6.24% resulting in a net spread of 5.38% for the year under review. Due to exorbitant rise in the general price level and the Rupee devaluation, the operating and other expenses increased by 26% as compared to last year. However, expenses are being monitored closely through effective management controls in order to sustain profitability levels.

In view of the above developments, gradually increasing Balance Sheet spreads through effective portfolio mix management enabled the Bank's to post after-tax profit of Rs.1.548 billion for the year against Rs.100 million for the last year, **Alhamdulillah**. The improvement in the Bank's profitability is also evident from earnings per share after tax of Rs. 1.125 for the year under review, against Rs. 0.073 for the last 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 stable outlook.

ECONOMIC REVIEW

The global economy is going through a number of chaotic challenges. Constantly mounting inflation has increased the cost of living across the globe especially for the lower income segments. The successive shocks combined to keep uncertainty raised from Brexit and US-China trade tensions to the Covid-19 outbreak and Russia Ukraine war issues resulting in supply chain issues, rising commodity prices, unexpectedly rapid and synchronous monetary policy tightening measures. International Monetary Fund (IMF) estimates global inflation of 8.8% in year 2022 against 4.7% in 2021, whereas the global growth of 3.4% in year 2022 against 6.2% in 2021.

During 2022, Pakistan witnessed significant economic headwinds. The rising inflation, increasing fuel prices, depleting foreign exchange reserves, massive devaluation of the Pakistani rupee, political instability, increasing policy rates, and high budget deficit made the year more challenging. Resultantly Fitch, Moody's and S&P Global dropped the country's sovereign credit rating. In June 2022, Pakistan was hit with a natural catastrophe in the shape of worst ever floods in the history of the country which badly affected the economic outlook and its prospects especially for agriculture sector. Macroeconomic risks have further widened due to market sentiment deterioration. The external sector remains under stress due to delay in realization of financial inflows and debt repayments. IMF's growth estimation for Fiscal Year (FY) 2022 is 6.0% against 5.7% of 2021.

National Consumer Price Index (CPI) was recorded at 24.5% on year-on-year basis in December 2022 against the same level of 12.3% during the last year. Headline inflation remained on higher side, however, decline of 2.10% is observed from 26.6% in October 2022. State Bank of Pakistan (SBP) increased the policy rate by a cumulative 625 basis point to 16% during the year 2022 which has further enhanced to 17% in January 2023. This steep rise is aimed at reducing aggregate demand in the economy and also to counter high inflation. This led to a steep uptick in domestic food prices.

Large Scale Manufacturing (LSM), during Jul-Oct FY 2023, witnessed contraction of 2.9% against 7.6% growth in same period of last year, mainly driven by food, beverages, tobacco, textile, coke & petroleum products, pharmaceuticals, wood products, paper & paperboard, rubber products, non-metallic mineral products, fabricated metal, electrical equipment, machinery & equipment, automobiles and other transport equipment.

On the external front, the Current Account posted a deficit of USD 3.7 billion for the period July-December of FY 2023 as against deficit of USD 9.1 billion during the same period last year. The substantial reduction is due to the tightening the import policy and other related administrative measures.

Exports declined by 6.8% during the period July-December of FY 2023 to reach at USD 14.2 billion (USD 15.2 billion last year). Imports declined by 18.2% during the period July-December of FY 2023 to reach at USD 29.5 billion (USD 36.1 billion last year). Resultantly, the trade deficit reached USD 15.3 billion as against USD 20.8 billion last year. The workers' remittances stood at USD 14.1 billion in the July-December FY 2023 against the USD 15.8 billion during the corresponding period of last year, registering a downward shift of 11.1%. FX reserves stood at USD 10.8 billion as at December 2022 closing, with exchange rate depreciated by more than 27% year-on-year basis.

On the fiscal front, the overall deficit widened during the period July-October of FY 2023 which is recorded at 1.5% of GDP (Rs. 1,266 billion) against 0.9% of GDP (Rs.587 billion) in the same period of last year.

The KSE-100 Index closed at 40,420.45 points on December 31, 2022 a downward shift by 4,176 points from December 31, 2021, mainly attributable to uncertainty on both the economic and political fronts.

Assets and Deposit of Islamic banking industry grew by Rs. 1,325 billion and Rs. 810 billion respectively during period January-September of 2022. The total assets and deposits increased by 24% and 19% to closed at Rs. 6,902 billion (market share of 20%) and Rs. 5,021 billion (market share of 21.1%) respectively, whereas the Branch network closed at 4,191 branches by the end of September 2022.

RISK MANAGEMENT

Risk Management Framework comprises governance and organizational structure, policies & procedures, risk assessment techniques, systems, early warning indicators, reporting and escalation mechanism aligned with the Bank's strategy set by the Board of Directors. It commensurate with size and scope of the Bank to ensure the independence of Risk Management Function in measuring, analysing, controlling and monitoring the risks from the frontline business soliciting groups, in line with the international best practices and the guidelines of SBP.

Risk Management & Portfolio Review Committee (RM&PRC), a subcommittee of Board, provides guidance and directions on credit, market, operational and fraud risks based on the quarterly updates. Whereas at management level, the Management Finance Committee is another platform to regularly evaluate the key risks of the portfolio. The Bank is confident that it has more than sufficient risk bearing capacity to with stand the challenging business environment where the borrowers are most likely to be affected.

Market risk management function is responsible for management of Basel ratios, annual Internal Capital Adequacy Assessment, annual behavioural study and quarterly stress testing for various risks as part of regulatory regime. Value at Risk is being calculated for various market risk parameters assessment. Further, the Bank is actively engaged to ensure the compliance with smooth transition towards SBP's instructions for implementation of International Financial Reporting Standard 9, "Financial Instruments" (IFRS-9). The Bank has been timely submitting the impact of Expected Credit Loss under IFRS-9 to SBP.

Asset Liability Management Framework, Liquidity Strategy and 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 through in-house system, 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. Business continuity and disaster recovery planning is in place and being reviewed on regular basis. Trainings are conducted to create risk awareness among the staff on various aspects of associated risks.

Fraud risk is managed by a dedicated department and serves as a focal point. Fraud risk department also operates a '24x7 fraud detection unit', to proactively track fraudulent usage of digital banking transactions.

Information Technology (IT) security risks are being mitigated through various means like automated solutions, risk assessment, access review (privilege users), employee awareness along with the annual internal and external vulnerability assessment and penetration testing. The Bank has now in place a 24x7 Security Operations Centre for continuous monitoring. The Bank aims to further strengthen the related risk mitigating measures in the coming year under the guidelines by SBP.

The Bank is fully acquainted with Shari'ah Non-Compliance Risk and its potential implications on business and reputational risks for which adequate measures are being taken to ensure conformity of its operations with Shari'ah principles. The Shari'ah Board, Shari'ah Compliance Department, Shari'ah Audit Department and the Shari'ah Non-Compliance Risk Management Committee are exclusively overseeing and monitoring the associated risks.

STATEMENT ON INTERNAL CONTROL

The Board of Directors 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 fairly present its state of affairs, 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.309.6 million has been transferred to Statutory Reserve for the year 2022.
- The System of Internal Control is sound in design and has been effectively implemented and monitored.
- As of December 31, 2022, MCB Bank Limited (parent company) holds 1,554,999,993 shares of the Bank, non-executive directors hold 05 shares one each and others hold 02 shares one each. The Pattern of Shareholding has been separately disclosed in Annual Report.
- Statement of Compliance with Code of Corporate Governance is included in the Annual Report.
- Composition of the Board is given in the Corporate Governance Section of the Annual Report.
- The Committees of Board of Directors along with their Terms of Reference (TORs) 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.
- The names of the persons who, at any time during the financial year, were directors of the Bank have been separately disclosed in the Corporate Governance Section of the Annual Report.
- Detail of remuneration of Chairman, President / Chief Executive Officer (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 resolution 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 December 31, 2022 amounted to Rs. 469.9 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 dis-incentivise misuse of the system, customers have to contribute towards a charity account in case of late payment. Also, if during a Shari'ah audit, a transaction is identified where the process defined to ensure Shari'ah compliance is not followed, income of such a transaction is transferred to charity account. During 2022, a total of Rs. 17.5 million was paid from the charity account on behalf of the customers to purify the Shari'ah non-compliant income to different charitable organizations as detailed in Note 19.2 to the Financial Statements.

TRADING OF SHARES OF THE BANK

The Bank is currently a non-listed entity; 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 2022.

AUDITORS

The retiring auditors M/s. A. F. Ferguson & Co., Chartered Accountants, being eligible for the next term have offered themselves for reappointment. Upon suggestions of the Audit Committee, the Board of Directors recommends M/s. A. F. Ferguson & Co., Chartered Accountants, as the statutory auditors for the year ending December 31, 2023.

FUTURE OUTLOOK

World economic outlook will continue to face downside risks and uncertainties. The aggressive monetary measures to fight inflation and Russia's war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China reduced growth in 2022, but the recent reopening has cleared the way for a faster than anticipated recovery. IMF expects the global inflation to fall from 8.8% of 2022 to 6.6% and 4.3% in 2023 and 2024 respectively, still above pre-pandemic (2017-19) levels of about 3.5%. These implications translate in growth projected by IMF to 2.9% and 3.1% in 2023 and 2024 respectively and World Bank of 1.7% in 2023 and 2.75% in 2024. This could be the third weakest pace in latest three decades or even global recession in 2023.

On the Domestic front, headline inflation will continue to be dominated by supply shocks, Pak-rupee devaluation and hike in commodity and petroleum prices in the near future. However, if the continued and broad based inflationary pressures remains the same then they could lead into higher inflation expectations over a longer than anticipated period. SBP expects slowdown in the overall economic activity and reduction in imports which can reflect the downside risk of achieving the tax collection target also. The IMF's 9th review is in process for extended funding facility which is critical to reduce uncertainty and survival, given the scale of the other external financing needs which are majorly linked to IMF endorsement. IMF projects the country's GDP growth down to 2.0% in 2023 and 4.4% in 2024, whereas, World Bank forecasts 2.0% in 2023 and 3.2% in 2024.

The Banking industry will continue to be critically challenged by credit, operation and information security risks in coming days. Now is the time to shift the business models strategically from traditional banking service provider towards technology driven dynamic banks.

The Bank is determined to continue with its strategy of long-term sustainable growth especially after the fresh capital injection during the year which will pave ways for new business avenues and boost the future profitability in line with its objective to become the Most Relevant Player in the Islamic industry. The key focus will be on generating no and low-cost deposits, high earning assets and containment of operating costs along with the investment in automation of processes, building new product platforms and digitization.

ACKNOWLEDGMENT

On behalf of the Board of Directors and management, we wish to express our sincere gratitude to our customers, business partners and shareholders for their continued patronage and trust. We would also like to thank the State Bank of Pakistan, Securities & 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 for the growth of this franchise under challenging business conditions.

For and on behalf of the Board of Directors



RAZA MANSHA
Chairman

Date: February 06, 2023



KHWAJA KHALIL SHAH
Acting President / CEO

مستقبل کی پیش بینی:

دنیا کی معاشی پیش بینی کو تطہیری خدشات اور غیر یقینی کی صورت حال کا مسلسل سامنا ہے۔ افراط زر سے نبھنے کے جارحانہ مالیاتی اقدامات اور یوکرین سے روس کی جنگ معاشی سرگرمی پر اپنے اثرات جاری رکھے ہوئے ہے۔ چین میں کووڈ-19 کے تیز رفتار پھیلاؤ نے سال 2022ء میں متوقع نمو میں تخفیف کی ہے تاہم، معیشت کے دوبارہ کھلنے سے توقع سے زیادہ تیز بحالی کے امکانات روشن کر دیئے ہیں۔ آئی ایم ایف، کوامید ہے کہ عالمی افراط زر کی شرح سال 2022ء میں 8.8 فیصد کی سطح سے کم ہو کر سال 2023ء اور 2024ء میں بالترتیب 6.6 فیصد اور 4.3 فیصد پر رہے گی۔ جو کہ عالمگیر وباء سے قبل کے عرصے (سال 2017 سے 2019) کی تقریباً 3.5 فیصد کی شرح سے اب بھی بلند ہے۔ ان عوامل کے مضمرات آئی ایم ایف کے عالمی نمو کے تخمینے پر بھی اثر انداز ہوئے جس کی شرح سال 2023ء اور 2024ء کے لیے بالترتیب 2.9 فیصد اور 3.1 فیصد پر اندازہ کی گئی ہے اور عالمی بینک کے مطابق یہ شرح سال 2023ء اور 2024ء کے لیے بالترتیب 1.7 فیصد اور 2.75 فیصد رہنے کی توقع ہے۔ یہ گزشتہ تین دہائیوں میں ترقی کی سب سے کمزور ترین رفتار ہے یا سال 2023ء میں عالمی کساد بازاری کا پیش خیمہ بھی ہو سکتی ہے۔

داخلی محاذ پر، رسد کی رکاوٹیں، روپے کی قدر میں فرسودگی، مستقبل قریب میں اجناس اور پٹرولیم کی مصنوعات کی قیمتوں کا اضافہ سرخیلی افراط زر پر اپنا دباؤ برقرار رکھے ہوئے ہے۔ تاہم، اگر وسیع البیناد افراط زر کے دباؤ کا تسلسل برقرار رہا تو اس سے افراط زر کی بڑھوتی کارحجان توقع سے کہیں زیادہ طویل مدت تک رہنے کا امکان ہے۔ اسٹیٹ بینک آف پاکستان کو مجموعی معاشی سرگرمی میں سست روی اور درآمدات میں کمی کی توقع ہے۔ جو کہ ٹیکس وصولیوں کے اہداف کے حصول میں منفی خدشات کا مظہر ہو سکتا ہے۔ قرضہ جات میں توسیع کی سہولت کے لیے آئی ایم ایف 9 واں جائزہ تکمیلی مراحل میں ہے جو کہ دیگر بیرونی قرضہ جات پیمانے اور ضرورت، جن کی وصولیوں کا انحصار بنیادی طور پر آئی ایم ایف کی توثیق سے منسلک ہے، کے پس منظر میں غیر یقینی کی صورت حال میں کمی اور معیشت کی بقاء کے لیے ناگزیر ہے۔ آئی ایم ایف نے ملک کے جی ڈی پی کی نمو کی شرح سال 2023ء کے لیے کمی کے ساتھ 2 فیصد اور سال 2024ء کے لیے 4.4 فیصد پر تخمینہ کی ہے۔ جبکہ، عالمی بینک نے سال 2023ء کیلئے اس نمو کی شرح 2.0 فیصد اور سال 2024ء کیلئے 3.2 فیصد پر توقع کی ہے۔

بینکنگ کی صنعت کو آنے والے دنوں میں کریڈٹ، کاروباری اور انفارمیشن سیکورٹی سے جڑے خدشات کے باعث شدید مشکلات سے دوچار رہنے کی توقع ہے۔ یہی وقت ہے کہ بینک اپنے روایتی طریقہ کار اور کاروباری ماڈلز کو جدید ٹیکنالوجی سے مزین اور متحرک بینکاری کے نظام کی طرف منتقل کریں۔

بینک طویل المدت پائیداری کے حصول کی حکمت عملی کو جاری رکھنے کے لیے پر عزم ہے خاص طور پر، اس سال کے دوران نئے سرمائے کے حصول کی شکل میں ہونے والی سرمایہ کاری جو کہ ناصرف نئے کاروباری مواقع سے مستفید ہونے اور منافع کو بڑھانے میں مددگار ثابت ہوگی بلکہ اسلامی بینکاری کی صنعت سب سے اہم کردار کے حامل ادارے بننے کے بینک کے مقصد کو پورا کرنے میں معاون ہوگی۔ اس امر میں نمایاں توجہ کم لاگت کے ڈیپازٹس کے حصول، پیداواری اثاثہ جات میں اضافے اور کاروباری لاگت کو محدود رکھنے اور اس کے ساتھ اپنے طریقہ کار کی خود کاریت میں سرمایہ کاری، نئی پراڈکٹس کے پلیٹ فارمز کی تشکیل اور ڈیجیٹلائزیشن پر ہوگی۔

تسلیم و تحسین:

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

منجانب و برائے بورڈ آف ڈائریکٹرز:


خواجہ خلیل شاہ

قائم مقام پریزیڈنٹ / سی ای او

6 فروری 2023



رضاء انشاء
چیئرمین

- بورڈ آف ڈائریکٹرز کی کمیٹیوں اور ان کے 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۔
- ایسے اشخاص جو مالی سال کے دوران کسی بھی مدت کے لیے بینک کے ڈائریکٹر رہے ہیں، ان کی تفصیل کو سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں علیحدہ طور پر تحریر کیا گیا ہے۔
- چیئرمین، پریزیڈنٹ / چیف ایگزیکٹو آفیسر (سی ای او) اور نان ایگزیکٹو ڈائریکٹرز بشمول آزاد ڈائریکٹرز کے مشاہروں کی تفصیل مالیاتی گوشواروں کے نوٹ 37 میں مہیا کی گئی ہے۔ تمام نان ایگزیکٹو ڈائریکٹرز کو بورڈ اور / یا اس کی ذیلی کمیٹیوں کے اجلاسوں میں شرکت کے عوض نہایت معقول اور مناسب معاوضہ دیا جاتا ہے۔ یہ معاوضے اس درجہ کے نہیں ہوتے کہ کسی کی آزاد حیثیت کے بارے میں کسی مفہمت یا سمجھوتے کا تاثر بھی مل سکے۔ اجلاس میں شرکت نہ کرنے والے ڈائریکٹر کو کوئی فیس ادا نہیں کی جاتی۔ اسی طرح کسی تجویز کی سرکولیشن کے ذریعے منظوری کی بھی کوئی ادائیگی نہیں کی جاتی۔
- ڈائریکٹرز کے ٹریننگ پروگرام کی تفصیل کو بورڈ آف کارپوریٹ گورننس کی تعلیمات کے بیانہ میں درج ہے۔
- گزشتہ 5 سال کا نمایاں کاروباری اور مالیاتی ڈیٹا سالانہ رپورٹ میں پیش کیا گیا ہے۔
- 31 دسمبر 2022ء تک پروویڈنٹ فنڈ کی سرمایہ کاری کی قدر بمطابق غیر آڈیٹڈ اکاؤنٹس 469.9 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 کے کوئی چار جز نہیں لیے جاتے تاہم، نظام کے غلط استعمال کو روکنے کے لیے صارفین کو تاخیری ادائیگی کی 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 کر دی جاتی ہے۔ سال 2022ء میں صارفین کی جانب سے اور غیر تعلیمی شریعہ آمدنی کو پاک کرنے کے لیے کل 17.5 ملین روپے کی رقم مختلف خیراتی اداروں کو ادا کی گئی جس کی تفصیل مالیاتی اسٹیٹمنٹس کے نوٹ 19.2 میں واضح کی گئی ہے۔

بینک کے حصص کی ٹریڈنگ / کاروبار:

بینک فی الوقت ایک غیر لسٹڈ ادارہ ہے۔ لہذا اس کے ڈائریکٹرز، عہدہ داران اور ان کے شریک حیات اور نابالغ بچوں میں سے کسی نے بھی سال 2022ء میں بینک کے حصص کا کوئی کاروبار نہیں کیا۔

آڈیٹرز:

ریٹائرنگ آڈیٹرز میسرز ایف فرگوسن اینڈ کمپنی، (A.F. Fergusons & Co) چارٹرڈ اکاؤنٹنٹس، اگلی مدت کے لیے اہلیت کے باعث دوبارہ تقرری کے خواہشمند ہیں۔ آڈٹ کمیٹی کی مشورے کے مطابق بورڈ آف ڈائریکٹرز میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کو 31 دسمبر 2023ء پر اختتام پذیر سال کیلئے قانونی (Statutory) آڈیٹرز تجویز کرتے ہیں۔

انفارمیشن ٹیکنالوجی (آئی ٹی) سیکورٹی کے خدشات کا تدارک مختلف ذرائع جیسا کہ خود کار حل، خدشات کی جانچ، رسائی کا جائزہ (پریولج صارفین)، عملے کی آگاہی اور اس کے ساتھ اندرونی اور بیرونی حساسیت کا سالانہ جائزہ اور اس میں مداخلت کی ٹسٹنگ (Testing) بھی شامل ہے۔ بینک نے اب سیکورٹی آپریشن سینٹر کا قیام کیا ہے جو 24x7 اس کی نگرانی کرتا ہے۔ بینک اپنے خدشات کے تدارک کے اقدامات کو اسٹیٹ بینک آف پاکستان کی ہدایات کے تناظر میں مزید مستحکم کرنے کا عہدہ رکھتا ہے۔

بینک شریعت کے غیر تعمیلی خدشات (Shariah Non Compliance Risk) اور اپنے کاروبار اور ساکھ پر ان کے ممکنہ اثرات کا مکمل اور اک رکھتا ہے۔ جس سے بننے اور اپنے کاروبار کو شرعی اصولوں سے ہم آہنگ رکھنے کے لیے تمام ضروری اقدامات اٹھائے گئے ہیں۔ شریعہ بورڈ، شریعہ تعمیل (کمپلائنس) ڈیپارٹمنٹ، شریعہ آڈٹ ڈیپارٹمنٹ اور شریعہ نان کمپلائنس رسک مینجمنٹ کمیٹی (SNCRMC)، RM & PRC خاص طور پر ان متعلقہ خدشات پر کڑی نگاہ رکھتے ہیں۔

انٹر نل کنٹرول (اندرونی انضباط) کا بیانیہ:

بورڈ آف ڈائریکٹرز انتہائی مسرت سے اندرونی انضباط سے متعلق انتظامیہ کے بیانیہ بشمول انتظامیہ کے آئی سی ایف آر (ICFR) کے تخمینے کی توثیق کرتا ہے۔ انتظامیہ کا اندرونی انضباط کا 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 سیکورٹی اینڈ ایکیجنس 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 ڈائریکٹرز بخوشی بیان کرتے ہیں کہ:

- بینک کے مینیجمنٹ 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 اکاؤنٹنگ 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۔

■ 309.6 ملین روپے کا منافع سال 2022ء کے قانونی ریزرو میں منتقل کیا گیا ہے۔

■ اندرونی انضباط کا نظام مضبوط و خدوخال پر استوار کیا گیا ہے اور نہایت مؤثر انداز میں نافذ اور جانچا جاتا ہے۔

■ 31 دسمبر 2022ء تک ایم سی بی بینک لمیٹڈ (ملکییتی کمپنی) کے پاس 1,554,999,993 حصص، نان ایگزیکٹو ڈائریکٹرز کی ملکیت میں فی کس ایک حصص کے حساب سے 5 حصص، جبکہ دیگر ڈائریکٹرز کی ملکیت میں فی کس ایک حصص کے حساب سے 2 حصص رہے۔ حصص کی ملکیت کا نمونہ سالانہ رپورٹ میں علیحدہ طور پر پیش کیا گیا ہے۔

■ 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۔

خداشات کا انتظام (رئسک مئنجمنٹ فریم ورک)

خداشات کے تدارک کا نظام، گورننس اور ادارے کی انتظامی ہیئت، پالیسیوں اور طریقہ کار، خداشات کے تعین کے اسلوب، سسٹمز، خطرات کی پیچیدگی نشاندہی، رپورٹنگ اور متحرک میکنزم جو کہ بورڈ آف ڈائریکٹرز کی جانب سے طے کردہ بینک کی حکمت عملی پر مشتمل ہوتا ہے۔ یہ نظام عالمی طریقہ کار اور اسٹیٹ بینک آف پاکستان کے فراہم کردہ رہنمائی کے اصولوں کے مطابق متعین کاروباری اہداف اور بینک کے حجم اور گنجائش، جو کہ خداشات کے تدارک کے نظام کی آزادانہ حیثیت کو یقینی بناتے ہوئے انکو جانچنے، پرکھنے، قابو پانے اور ان خداشات کو اخذ کرنے والے اولین کردار، یعنی کاروبار فراہم کرنے والے گروپس، کی جانب سے ان کا احاطہ کرنے سے مکمل مطابقت رکھتا ہے۔

بورڈ کی ایک ذیلی کمیٹی "رئسک مئنجمنٹ اینڈ پورٹ فولیو ریویو کمیٹی" (RISK MANAGEMENT & PORTFOLIO REVIEW COMMITTEE) کریڈٹ، مارکیٹ، کاروباری اور فراڈ کے خداشات کے بارے میں سہ ماہی بنیاد پر ہدایات اور رہنمائی فراہم کرتی ہے۔ جبکہ انتظامی سطح پر مئنجمنٹ فننس کمیٹی (Management Finance Committee) پورٹ فولیو کو لاحق کلیدی خداشات کا جائزہ لینے کا ایک اضافی پلیٹ فارم ہے اس چیلنجنگ کاروباری ماحول میں جہاں قرض دہندگان سب سے زیادہ متاثر ہوتے ہیں، بینک کو اپنے خداشات کے تدارک اور برداشت کرنے کی قابلیت اور صلاحیت پر مکمل اعتماد ہے۔

بینک کا مارکیٹ رئسک مئنجمنٹ فنکشن انضباطی تقاضوں کو پورا کرتے ہوئے مارکیٹ اور سیال پذیری کے خداشات کے لیے باسل (BASEL) کے تناسب، سرمائے کی موزونیت کا سالانہ داخلی جائزہ، سالانہ کردار سازی کی تحقیق اور مختلف خداشات کے لیے سہ ماہی بنیاد پر سٹریس ٹیسٹنگ (STRESS TESTING) کے عمل کا ذمہ دار ہے۔ مختلف منڈیوں سے جڑے خداشات کے امور کے تجزیے کے لیے بینک ان کی قدر و قیمت کا تخمینہ بھی لگاتا ہے۔ مزید برآں، بینک، اسٹیٹ بینک آف پاکستان کی انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ (IFRS-9) "فنانشل انسٹرومنٹس" پر عمل درآمد کے لیے جاری کردہ ہدایات کی روشنی میں اس کے نفاذ اور تعمیل کے لیے عملی طور پر کوشاں ہے۔ بینک، آئی ایف آر ایس-9 (IFRS-9) کے تحت متوقع کریڈٹ نقصان کی تمام تفصیل اسٹیٹ بینک آف پاکستان کو بروقت فراہم کر رہا ہے۔

اثاثہ جات۔ واجبات کے انتظام کا فریم ورک، لیکویڈیٹی اسٹریٹجی اور کونٹینجنسی فنڈنگ پلان

(Asset-Liability Management Framework/ Liquidity Strategy and 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 ایسٹ لائیبلٹی کمیٹی (Asset Liability Committee) اثاثہ جات اور واجبات کے انتظام کے عمل کی نگرانی کی ذمہ دار ہے۔

بینک کے کاروباری خداشات کا تدارک متنوع ڈیٹا (DATA) کو اکٹھا کرنے کے ایک خود ساختہ (ان ہائوس) نظام کے ذریعہ کیا جاتا ہے۔ جس میں بشمول (مگر ان تک ہی محدود نہیں) کاروباری نقصانات کا ڈیٹا، خطا ہونے والے حالیہ واقعات، کنٹرول بریچ (CONTROL BREACH) ڈیٹا، داخلی/بیرونی/تعمیلی/انضباطی مشاہدوں اور خداشات پر قابو پانے اور خود تشخیصی مشقیں شامل ہیں۔

کاروبار کے تسلسل کو جاری رکھنے اور کسی بھی غیر یقینی صورتحال سے بحالی کی مکمل منصوبہ بندی موجود ہے اور اس کا باقاعدگی سے جائزہ لیا جاتا ہے۔ اپنے عملے کو خداشات اور ان سے متعلق دیگر پہلوؤں کے بارے میں آگاہی فراہم کرنے کے لیے ٹریننگ کا انعقاد کیا جاتا ہے۔

فراڈ (دھوکہ دہی) کے خداشات کی ایک مخصوص ڈیپارٹمنٹ کے ذریعے نگرانی کی جاتی ہے جو ایک 24 x 7 فراڈ ڈیٹیکشن یونٹ کو بھی چلاتا ہے تاکہ ڈیجیٹل بینکاری کے لین دین کے استعمال کا کھوج لگایا جاسکے۔

صارف کی قیمتوں کے قومی جدول (نیشنل کنزیومر پرائس انڈیکس)۔ (سی پی آئی) دسمبر 2022ء میں سال بہ سال کی بنیاد پر، 24.5 فیصد کی شرح پر ریکارڈ ہوا۔ جبکہ گزشتہ سال اسکی مماثلہ سطح 12.3 فیصد تھی۔ سرخیلی افراط زر اپنی بلند روش برقرار رکھے ہوئے ہے تاہم، اکتوبر 2022ء میں اسکی 26.6 فیصد کی سطح میں 2.10 فیصد کی کمی دیکھی گئی، اسٹیٹ بینک آف پاکستان نے سال 2022ء کے دوران پالیسی ریٹ میں مجموعی طور پر 625 بیس پوائنٹس کا اضافہ کرتے ہوئے اس کی شرح کو 16 فیصد پر مقرر کیا۔ جبکہ جنوری 2023ء میں اس کی شرح میں مزید اضافہ کرتے ہوئے 17 فیصد کی سطح پر معین کیا۔ اس تیز ترین اضافے کا مقصد مجموعی طلب میں کمی اور افراط زر کے دباؤ کا مقابلہ اور اس کا تدارک کرنا بھی تھا۔ ان اقدامات سے گھریلو اجناس کی داخلی قیمتوں میں بے حد اضافہ ہوا۔

بڑے پیمانے کی پیداواری صنعت (ایل ایس ایم) مالی سال 2023ء کے جولائی تا اکتوبر کے عرصے کے دوران، گزشتہ سال کی مماثلہ مدت میں حاصل کردہ 7.6 فیصد کی نمو کے مقابلے میں 2.9 فیصد کا سکڑاؤ دیکھا گیا۔ جس میں خوراک، مشروبات، تمباکو، ٹیکسٹائل، کونسلہ اور پیپرولیم پراڈکٹس، فارماسوٹیکل، لکڑی کی مصنوعات، کاغذ اور پیپر بورڈ، ربڑ کی مصنوعات، غیر دھاتی معدنیات کی مصنوعات، تعمیراتی دھاتی اشیاء، برقی آلات، مشینری اور آلات، آلودہ موٹر گاڑیاں اور نقل و حمل کے دیگر آلات شامل ہیں۔

بیرونی محاذ پر، مالی سال 2023ء کے جولائی تا دسمبر کے عرصے کے دوران کرنٹ اکاؤنٹ کا خسارہ گزشتہ سال کے اسی عرصے کے دوران کے 9.1 بلین امریکی ڈالرز کے حجم کی نسبت 3.7 بلین امریکی ڈالر پر درج ہوا۔ یہ نمایاں کمی درآمدی پالیسی میں اختیار کی گئی سختی اور دیگر متعلقہ انتظامی اقدامات کی بناء پر دیکھی گئی۔

برآمدات، مالی سال 2023ء کے جولائی تا دسمبر کے عرصے کے دوران 6.8 فیصد کی کمی کا اندراج کرتے ہوئے 14.2 بلین امریکی ڈالر پر جانچیں (گزشتہ سال 15.2 بلین امریکی ڈالر) جبکہ، درآمدات مالی سال 2023ء کے جولائی تا دسمبر کے عرصے کے دوران 18.2 فیصد کی کمی درج کرتے ہوئے 29.5 بلین امریکی ڈالر پر پہنچ گئیں (گزشتہ سال 36.1 بلین امریکی ڈالر)۔ چنانچہ، تجارتی خسارہ گزشتہ سال کے 20.80 بلین امریکی ڈالر کی نسبت 15.3 بلین امریکی ڈالر کی سطح پر ریکارڈ ہوا۔ افرادی ترسیلات زر مالی سال 2023ء کے جولائی تا دسمبر کی مدت کے دوران گزشتہ سال کی مماثلہ مدت کی 15.8 بلین امریکی ڈالر کی سطح کی نسبت 11.1 فیصد کی کمی کے ساتھ 14.1 بلین امریکی ڈالر پر رہیں۔ غیر ملکی زرمبادلہ کے ذخائر دسمبر کے اختتام تک 10.8 بلین امریکی ڈالر پر پہنچ گئے اور شرح تبادلہ میں، سال بہ سال کی بنیاد پر، 27 فیصد سے زائد کی کمی واقع ہوئی۔

مالیاتی محاذ پر، مالی سال 2023ء کے جولائی تا اکتوبر کے عرصے کے دوران مجموعی خسارہ مزید وسیع ہوتے ہوئے گزشتہ سال کے مماثلہ عرصے کی جی ڈی پی کی 0.9 فیصد کی سطح (587 بلین روپے) کی نسبت جی ڈی پی کی 1.50 فیصد (1,266 بلین روپے) کی سطح پر ریکارڈ ہوا۔

کے ایس ای۔ 100 انڈیکس 31 دسمبر 2021ء کی سطح سے 4,176 پوائنٹس کی کمی کے اندراج کے ساتھ 31 دسمبر 2022ء تک 40,420.50 پوائنٹس پر بند ہوا جس کی بنیادی وجہ معاشی اور سیاسی دونوں محاذ پر غیر یقینی صورتحال کا تسلسل ہے۔

اسلامی بینکاری کی صنعت کے اثاثہ جات اور ڈیپازٹس میں سال 2022ء کے جنوری تا ستمبر کے عرصے کے دوران بالترتیب 1,325 بلین روپے اور 810 بلین روپے کا اضافہ دیکھا گیا۔ مجموعی اثاثہ جات اور ڈیپازٹس 24 فیصد اور 19 فیصد کے بالترتیب اضافے کے ساتھ 6,902 بلین روپے (20 فیصد مارکیٹ شیئر) اور 5,021 بلین روپے (21.1 فیصد مارکیٹ شیئر) پر درج ہوئے۔ جبکہ، ستمبر 2022ء کے اختتام پر برانچوں کی تعداد 4,191 پر پہنچ گئی۔

بینک کے کل اثاثہ جات 31 دسمبر 2021ء کی 161.27 بلین روپے کی سطح کی نسبت 31 دسمبر 2022ء تک 23 فیصد کے اضافے کے ساتھ 199.04 بلین روپے پر جانچے۔ خالص قرضہ جات کا حجم 31 دسمبر 2021ء کی 96.31 بلین روپے کی سطح کے مقابلے میں 90.30 بلین روپے پر درج ہوا۔ جبکہ سرمایہ کاری 31 دسمبر 2021ء کے 33.48 بلین روپے کے حجم کی نسبت 72.67 بلین روپے پر جانچتی۔ جو کہ بینک کی انتظامیہ کی جانب سے اپنے سرمائے کی معقولیت (کیپٹل ایڈیکویسی) جس کی شرح 8.32 فیصد کے اضافے کے ساتھ 20.41 فیصد پر پہنچ گئی، پر کوئی سمجھوتہ کیے بغیر اپنے منافع میں اضافہ کی دانشمندانہ حکمت عملی کا مظہر ہے۔ انتظامیہ اپنے سرمائے کے موزوں انصرام، اثاثہ جات کے بہتر معیار اور زیادہ آمدنی کے حامل پورٹ فولیو پر اپنی مسلسل توجہ مرکوز کیے ہوئے ہے۔

اس زیر نظر مدت کے دوران، بینک نے 9.39 بلین روپے کی کاروباری آمدنی حاصل کی جبکہ پیداواری اثاثہ جات کی آمدنی کی شرح 11.62 فیصد کی سطح پر رہی۔ جس کے ساتھ سرمائے کی لاگت کی شرح 6.24 فیصد پر درج ہوئی۔ جس کے نتیجے میں اس زیر جائزہ عرصہ میں 5.38 فیصد کا خالص سپرڈ حاصل ہوا۔ عمومی قیمتوں کی سطح میں بے پناہ اضافے اور روپے کی قدر میں فرسودگی کے باعث کاروباری اور دیگر اخراجات گزشتہ سال کے تقابلی عرصہ کی نسبت 26 فیصد تک بڑھ گئے۔ تاہم، منافع کی پائیدار سطح کے حصول کے لیے اخراجات کی موزوں انتظامی کنٹرول کے ذریعے بھرپور نگرانی کی جا رہی ہے۔

مندرجہ بالا عوامل کے تناظر میں، اپنی بیلنس شیٹ کے سپرڈز میں، پورٹ فولیو کی ترکیب کے موثر انتظام کے ذریعے بتدریج اضافے کی بدولت بینک، گزشتہ سال کے تقابلی عرصہ میں حاصل شدہ 100 بلین روپے کے مقابلے میں اس زیر تجزیہ مدت کے لیے 1.548 بلین روپے کا بعد از ٹیکس منافع حاصل کرنے کے قابل ہوا۔ بینک کے منافع میں بہتری اس کی فی حصص آمدنی بعد از ٹیکس سے بھی عیاں ہے جس کی سطح گزشتہ سال کی 0.073 روپے فی حصص کی نسبت 1.125 روپے فی حصص پر درج کی گئی۔

کریڈٹ ریٹنگ:

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

معاشی جائزہ:

عالمی معیشت بد نظمی کے کئی خدشات سے نبرد آزما ہے۔ افراط زر کے مسلسل بڑھتے ہوئے دنیا بھر میں، خاص طور پر کم آمدنی والے طبقوں کے لیے زندگی گزارنے کی لاگت میں بے حد اضافہ کیا ہے۔ بریگزٹ اور چین امریکہ تجارتی تنازعوں سے لے کر کووڈ-19 کے پھیلاؤ اور روس۔یوکرین کی جنگ کے متواتر جھٹکوں سے پیدا ہونے والی رسد کی رکاوٹوں، اشیاء کی بڑھتی قیمتوں اور غیر متوقع طور پر تیز رفتار اور ہم آہنگ مالیاتی پالیسی کے سخت اقدامات نے غیر یقینی کے سائے کو مزید مہیب کر دیا۔ عالمی مالیاتی فنڈ (آئی ایم ایف) نے عالمی افراط زر کی شرح کو سال 2021 کی 4.7 فیصد کی سطح کی نسبت 8.8 فیصد پر تخمینہ کیا ہے جبکہ عالمی نموسال 2021 کی 6.2 فیصد کی شرح کے مقابلے میں سال 2022 کے لیے 3.4 فیصد پر اندازہ کی گئی ہے،

سال 2022ء کے دوران پاکستان کو نمایاں معاشی دقتوں میں اضافے، غیر ملکی زرمبادلہ کے گرتے ذخائر، پاکستان روپے کی قدر میں بڑے پیمانے پر ہوتی تنزلی، سیاسی عدم استحکام، بڑھتے پالیسی ریٹس اور بلند ترین بجٹ خسارے نے سال کو مزید مشکل بنا دیا۔ جس کے نتیجے میں فچ (Fitch)، موڈیز (Moody's) اور ایس اینڈ پی گلوبل (S & P Global) نے ملک کی خود مختار ریٹنگ میں کمی کر دی۔ جون 2022ء کے دوران پاکستان کو تاریخ کے بدترین سیلاب کی صورت میں ایک سخت قدرتی آفت درپیش آئی۔ جس سے ملک کی معاشی پیش بینی خاص طور پر، زرعی شعبہ سے جڑی توقعات اور امکانات شدید متاثر ہوئے۔ مارکیٹ کے گرتے رجحان نے میکرو اکنامک (کلاں معاشی) خدشات کو مزید وسیع کر دیا۔ بیرونی شعبہ، مالی دباؤ کے حصول اور قرضوں کی ادائیگیوں میں ہونے والی تاخیر کے باعث مسلسل دباؤ کا شکار ہے۔ آئی ایم ایف کے مطابق مالی سال 2022ء کی شرح نمومالی سال 2021ء کی حاصل کردہ 5.7 فیصد کی شرح کی نسبت 6 فیصد کی سطح پر رہنے کی توقع ہے۔

ممبران کے لیے ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے ہم انتہائی مسرت کے ساتھ ایم سی بی اسلامک بینک لمیٹڈ (بینک) کی 31 دسمبر 2022 کو اختتام پذیر سال کی رپورٹ آپ کے سامنے پیش کر رہے ہیں۔

ملین روپے

مالیاتی اسٹیٹمنٹس کی حیثیت (پوزیشن)	2022	2021	نمو
ڈیپازٹس	154,001	122,748	25%
کل اثاثہ جات	199,040	161,267	23%
سرمایہ کاری۔ خالص	72,669	33,476	117%
اسلامی فنانسنگ۔ خالص	90,302	96,309	-6%
حصص یا شیئران کی ایکویٹی (سرمایہ) بشمول تخمینہ نو	16,347	10,605	54%
نفع و نقصان کا اکاؤنٹ	2022	2021	نمو
آپریٹنگ (کاروباری) آمدنی	9,390	4,393	114%
آپریٹنگ (کاروباری) ودیگر اخراجات	6,046	4,815	26%
(پرویشن) / کنٹری قرضہ جات اور سرمایہ کاری کے لیے اخراجات	(141)	647	-1.22 گنا
نفع / (نقصان) قبل از ٹیکس	3,203	225	13.2 گنا
نفع / (نقصان) بعد از ٹیکس	1,548	100	14.48 گنا
بنیادی / تحلیل شدہ نفع فی شیئر (حصص) روپے	1.125	0.073	14.41 گنا

کارکردگی کا جائزہ:

بینکاری کی صنعت منفی معاشی نمو، تیزی سے بڑھتے افراط زر، حالیہ سیلاب کی تباہ کاریوں اور بیرونی دباؤ کے باوجود حوصلہ مند اور بہترین کارکردگی کا مظاہرہ کر رہی ہے۔ ان چیلنجز کے باوجود ہمارا بینک، معیشت اور کاروباری ماحول کو لاحق تنزلی کے خدشات کا مکمل ادراک رکھتے ہوئے اپنے کم لاگت کے ڈیپازٹس کے فروغ اور قرضہ جات کے اجراء کے دانشمندانہ طریقہ کار اور اس کے ساتھ موزوں انتظامی ڈھانچے، خدشات کے تدارک کے مضبوط نظام اور ضوابط کی ہدایات کی مناسب تعمیل کی اپنی مسلسل اور پائیدار نمو کی حکمت عملی کی پاسداری کر رہا ہے۔ جس کی مدد سے بینک کو، الحمد للہ، 31 دسمبر 2022ء کو اختتام پذیر سال کے لیے، 3,203 ملین روپے کا منافع قبل از ٹیکس حاصل ہوا۔

بینک کے ڈیپازٹس 31 دسمبر 2021ء کے 122.75 بلین روپے کی سطح کی نسبت 25 فیصد کی نمو کے اندراج کے ساتھ 31 دسمبر 2022ء تک 154 بلین روپے تک پہنچ گئے۔ جبکہ اس زیر تجزیہ مدت کے دوران کم یا بغیر لاگت کے ڈیپازٹ کا حصول بینک کے کلیدی مقصد کے طور پر برقرار رہا۔ بینک کے کرنٹ اور سیونگ اکاؤنٹ (CASA) کی ترکیب 72 فیصد کی مضبوط شرح پر رہی جس کے ساتھ 31 دسمبر 2022ء کل ڈیپازٹس کی ترکیب میں غیر پیداواری ڈیپازٹس کی شرح کا حصہ 32 فیصد تک رہا۔ بینک نے سال کے دوران کرنٹ اکاؤنٹ میں 7.51 بلین کی نمایاں نمو (18 فیصد) حاصل کی۔ بینک اسلامی بینکاری کی نئی اور مختلف پراڈکٹس کے باقاعدگی کے ساتھ اجراء اور خدمات کے اعلیٰ معیار کو یقینی بناتے ہوئے بینکاری سے محروم صارفین کے حوالے سے موجود مواقع سے استفادہ حاصل کرنے کے لیے اسلامی بینکنگ کے فروغ پر اپنی توجہ مرکوز کیے ہوئے ہے۔

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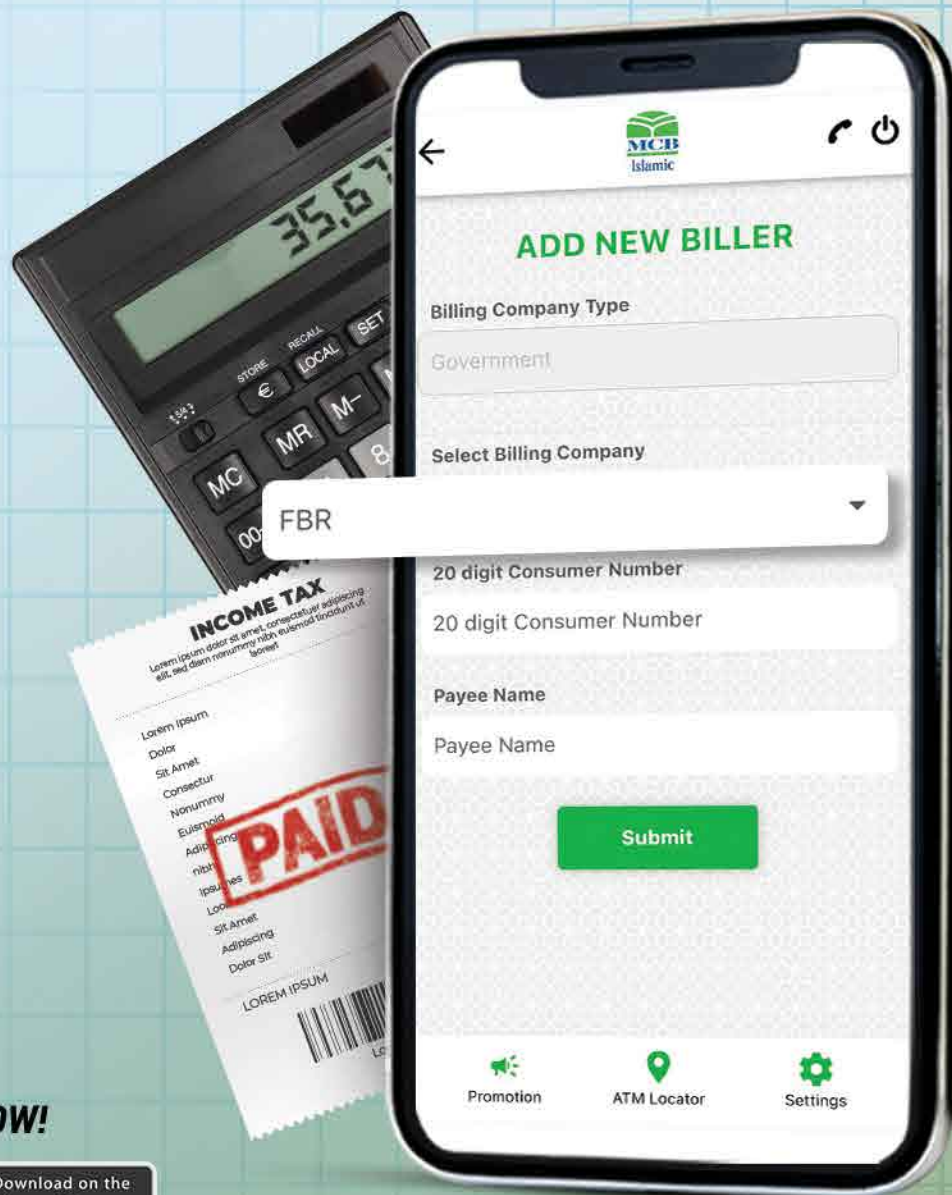


FINANCIAL SUMMARY

	2022	2021	2020	2019	2018	2017	2016
	Rupees in thousands						
FINANCIAL DATA							
STATEMENT OF FINANCIAL POSITION							
Total assets - net	199,039,573	161,267,393	141,170,886	105,017,261	94,894,435	51,745,997	28,564,193
Cash and balances with treasury banks	13,906,238	11,309,285	9,872,197	10,252,547	6,990,369	3,390,753	1,509,804
Balances with other banks	1,238,320	3,696,073	4,996,602	8,822,985	1,422,701	2,703,251	2,750,998
Due from financial institutions	6,170,000	1,650,000	828,790	5,851,664	4,675,000	1,400,000	-
Investments - net	72,668,657	33,475,816	27,617,997	16,309,800	12,713,954	9,186,213	5,769,675
Islamic financing and related assets - net	90,301,709	96,308,562	84,896,191	51,309,967	62,907,204	31,472,935	16,172,727
Operating fixed assets and others	14,754,649	14,827,657	12,959,109	12,470,298	6,185,207	3,752,376	2,404,803
Total liabilities - net	182,692,691	150,662,838	130,443,114	94,550,460	84,824,921	42,115,218	18,298,320
Bills payable	3,737,482	1,896,801	2,470,821	973,627	1,303,992	314,210	447,776
Due to financial institutions	14,670,759	16,472,906	20,596,773	4,127,526	7,800,628	7,926,790	2,785,650
Deposits and other accounts	154,001,460	122,747,778	99,253,161	81,853,511	73,307,185	32,690,808	14,279,436
Other liabilities	10,282,990	9,545,353	8,122,359	7,595,796	2,413,116	1,183,410	744,934
Net assets	16,346,882	10,604,555	10,727,772	10,466,801	10,069,514	9,630,779	10,265,873
Share capital	15,550,000	11,550,000	11,550,000	11,550,000	11,200,000	10,000,000	10,000,000
Shareholders' equity	15,946,052	10,356,191	10,254,456	10,044,475	9,937,242	9,832,379	10,094,531
PROFIT AND LOSS ACCOUNT							
Profit / return earned	18,553,458	9,202,716	9,616,051	9,848,819	4,208,875	2,060,927	1,526,778
Profit / return expensed	10,031,975	5,008,845	5,280,989	5,855,061	2,304,950	1,005,671	576,544
Net spread earned	8,521,483	4,193,871	4,335,062	3,993,758	1,903,925	1,055,256	950,234
Fee and commission income	508,147	408,113	331,002	294,491	162,245	46,325	34,678
Dividend income and gain / (loss) on sale of securities - net	28,946	71,199	47,703	(34,600)	75,769	352,356	196,172
Income from dealing in foreign currencies	429,289	113,571	209,888	63,685	148,228	29,846	17,322
Other income	153,235	200,473	161,322	19,743	13,020	10,483	10,992
Total income	9,389,904	4,393,291	5,099,251	4,337,077	2,303,187	1,494,266	1,209,398
Operating and other expenses	6,046,215	4,815,361	4,690,902	4,503,022	3,087,754	1,845,247	1,189,562
Profit / (loss) before provisions	3,343,689	(422,070)	408,349	(165,945)	(784,567)	(350,981)	19,836
Provision / (reversal of provision)	141,149	(647,121)	15,270	199,814	895,646	(54)	(94,137)
Profit / (loss) before taxation	3,202,540	225,051	393,079	(365,759)	(1,680,213)	(350,927)	113,973
Taxation	(1,654,411)	(124,619)	(184,763)	122,147	584,231	87,930	(34,056)
Profit / (loss) after taxation	1,548,129	100,432	208,316	(243,612)	(1,095,982)	(262,997)	79,917
OTHERS							
Imports	99,280,888	76,051,925	42,267,418	37,916,224	46,289,721	23,416,703	13,259,000
Exports	34,663,644	15,268,921	16,037,417	15,517,775	5,762,144	1,971,928	1,807,700
KEY RATIOS							
Capital adequacy ratio	20.41%	12.09%	12.01%	13.82%	13.19%	23.81%	39.74%
Profit / (loss) before tax ratio	17.26%	2.45%	4.09%	-3.71%	-39.92%	-17.03%	7.46%
Profit / (loss) after tax ratio	8.34%	1.09%	2.17%	-2.47%	-26.04%	-12.76%	5.23%
Income / expense ratio	121.29%	108.92%	103.79%	96.54%	73.28%	87.69%	106.82%
Return of average equity (ROE)	11.77%	0.97%	2.05%	-2.44%	-11.09%	-2.64%	0.79%
Return of average assets (ROA)	0.86%	0.07%	0.17%	-0.24%	-1.49%	-0.65%	0.45%
Return of average earning assets	11.62%	7.96%	9.83%	11.55%	6.70%	6.99%	6.79%
Cost of deposit	6.53%	3.70%	4.82%	6.28%	3.37%	3.15%	3.34%
Cost of fund	6.24%	3.84%	4.88%	6.39%	3.87%	3.60%	3.54%
Gross Financing to Deposit ratio	59.02%	78.61%	85.60%	62.73%	85.83%	96.28%	113.27%
Infection ratio	1.85%	0.73%	0.89%	0.74%	0.02%	0.00%	0.01%
CASA to Deposit ratio	72.47%	74.50%	78.37%	76.86%	86.06%	79.19%	58.67%
Book value per share including revaluation surplus	10.51	9.18	9.29	9.06	8.99	9.63	10.27
Basic / diluted earnings / (loss) per share after tax - Rupees	1.125	0.073 *	0.180	(0.211)	(0.987)	(0.263)	0.080
NON-FINANCIAL DATA							
No. of employees (excluding outsourced)	2,057	1,855	1,633	1,619	1,493	795	601
No. of financing customers (excluding staff)	7,318	7,147	5,746	5,351	1,953	179	71
No. of deposit accounts	334,933	313,446	290,535	281,307	280,977	48,492	31,250

*Restated

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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 Review 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.

Fair Treatment of Customer (FTC) is also core function of Service Quality. Through FTC, we ensure that our customers enjoy a great degree of trust and confidence while dealing with MCB Islamic Bank. Our struggle is to recognise as a fair, honest and ethical Shari'ah Compliant Financial Institution and to nurture a culture of practicing fair treatment towards our customers to enable them to improve their financial knowledge and skills to make the right financial decisions.

Service Quality is responsible for capturing customer experience through various service techniques and improve bank's processes/policies in conjunction with industry norms and SBP requirements. 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 and providing their feedback at any of our branches across the country, via 24/7 phone banking centre, website, letter/fax and email. Moreover, the newly added complaint lodgement/feedback channels are Social Media, Internet Banking and Mobile App. 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.

Complaint management process at the Bank is kept as transparent as possible through registration, acknowledgement, and interim response where applicable, resolution and root cause analysis of recurring complaints. Our Bank has a complaint escalation Mechanism as well whereby all complaints are escalated to the senior management if not resolved within the stipulated timeline. Further, a total of 10,543 complaints were received by the Bank in 2022 and total 10,381 complaints were resolved as of 31 December 2022 and the average time taken to resolve those complaints was 5 working days.

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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)
- **Co-Managed SOC L2,L3/CERT**
(L2/L3 Security Operation Centre/Cyber Emergency Response Threat)
- **RAAST Services**
(Instant Payment System for Electronic Payments to Facilitate and Promote Digital Payments)

Material Outsourcing Arrangement - MCB Islamic Bank Ltd						
Sr. No.	Nature of Services		Name of Service Provider	Country of 3rd Party Service Provider	Estimated Cost	
	System/Process/Activity Name	System Description			One-Time	Annual Recurring (2022)
1	SWIFT Connectivity through EastNets (GWCP-Gateway Connectivity Pack with DR)	SAG, HSM, SNL & VPN	EastNets FZ-LLC	UAE - Dubai	N/A	USD 13,262.50
2	Statement Rendition & Dispatch of Customers Intimation Letters (CNIC Expiry & Dormancy etc)	N/A	TCS Private Limited	Pakistan	N/A	PKR 9,529,347.00
			Leopards Courier Services (Pvt) Ltd	Pakistan	N/A	PKR 0.00
3	Co-Managed SOC L2,L3/CERT (L2/L3 Security Operation Centre-Cyber Emergency Response Threat)	N/A	Ebryx Pvt Ltd	Pakistan	PKR 1,150,000	PKR 3,603,200
4	RAAST Services (Instant Payment System for Electronic Payments to Facilitate and Promote Digital Payments)	N/A	Paysys Labs Pvt Ltd	Pakistan	N/A	PKR 9,399,453.00

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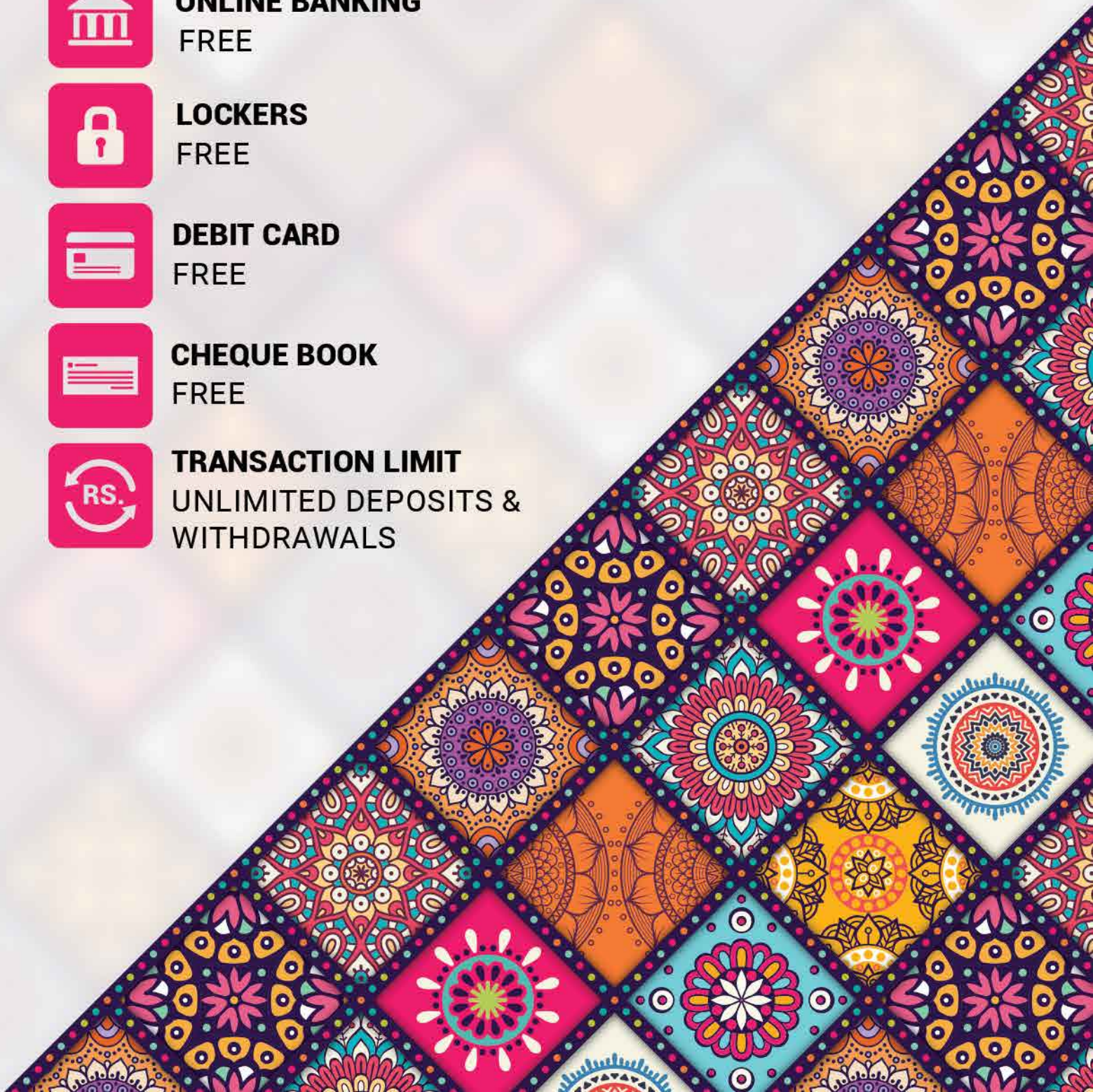
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GREEN BANKING INITIATIVES

MCB Islamic Bank incorporates ecofriendly practices in its policies and operations in accordance with its Corporate Social responsibility so as to ensure and encourage sustainability and environment-friendliness its financing portfolio and workplace.

MCB Islamic Bank took various initiatives through management and mitigation of environmental exposures of financing portfolios. These include Development of Environmental Risk Management Manual covering most of the areas and guidelines to evaluate environmental impact of bank's financed customers i.e. conducting due diligence of customers as well as of their suppliers in case their operations have a large carbon footprint and impact the environment in a detrimental manner.

The Bank also Developed Environmental Risk Rating of financing customers based on:

- **Policy and Standards:** (Initial Environmental Examination, Environmental Impact Assessment, National Environmental Quality Standards)
- **Environment and climate change:** (Evaluation of production vicinity, Evaluation of protected/ sensitive areas, impact on Bio-diversified area, Outcome of the project on eco-systems).
- **Client Business and its Periphery:** (Involvement of Management in environmental assessment and risk mitigation, budgeting of the company, Audit assessment, adverse effects of supply chain on environment).

MCB Islamic Bank actively took initiatives for development of "green" market through:

- Expansion of portfolio in IT sector and ecofriendly customers.
- Conducted customer awareness to meet power requirements through renewable energy (solar).
- Providing financing to various customers for installation of renewable energy/plants under SBP Islamic Financing Facility for renewable Energy (IFRE)

The Bank has been in follow up with the customers to avail financing for installation of solar plants and has successfully tapped few customers under this scheme.

MCB Islamic Bank Shahkas branch (KPK) has been developed as the first green branch with a 12.60 KW Solar Power system, which has reduced the carbon footprint that were being produced by the diesel generator due to non-availability of grid connection.

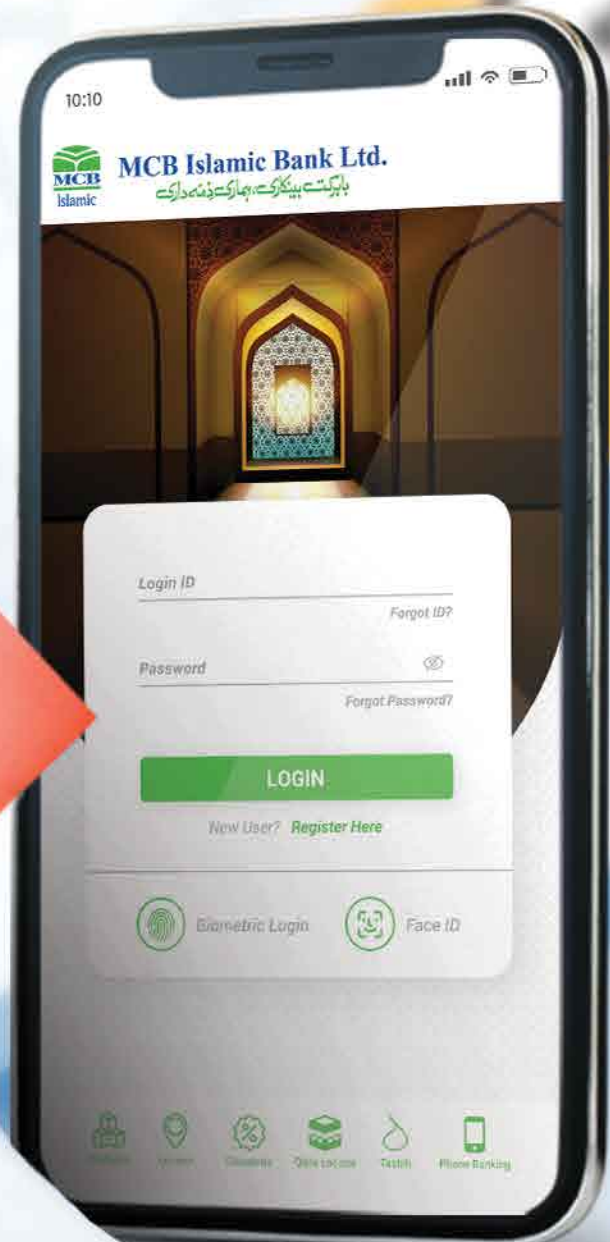
Diesel monitoring devices have been installed at 49 locations including 6 back offices and 43 branches.

MCB Islamic Bank has provided trainings on Green Banking to 1453 staff members during the year with the coverage of 71%; through 16 In-house/Online and 1 External training programs in 2022.

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REMUNERATION POLICY

MCB Islamic Bank believes in fair human resource and compensation strategies to support and enhance its strategic objectives as well as organizational compulsions and aspirations.

The Remuneration Policy of the Bank has been prepared 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 applies 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 in the light of SBP's "Revised Guidelines on Remuneration Practices of Banking Companies - 2017" and International best practices. 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.

The bank has identified functions and designations as MRTs and MRCs. Material Risk takers Functions 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.

Major factors considered for differentiating the variable pays across employees or group of employees are categories, positions or functional titles, roles and responsibilities and their performance (against financial and non-financial objectives including risk adjusting factors).

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 a part of the remuneration mechanism, an appropriate portion of the amount of variable pay shall be subject to mandatory deferrals for a period of two and three years, thus creating alignment between the employees' and stakeholders' interests and reinforcing that the compensation is appropriately linked to the longer term sustainable performance.

The background of the slide features a photograph of a mosque's interior. It shows a series of overlapping orange arches that create a sense of depth. A traditional hanging lantern with a metal cage and glass panels is visible in the upper right. The floor is covered in a patterned tile, and the overall color palette is warm, dominated by shades of orange and brown.

SHARI'AH BOARD REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2022

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. (the Bank) 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. All Shari'ah Board Members remain available throughout the year and many meetings were held through audio and video conferencing. In addition to that, four formal meetings of the Shari'ah Board were held during the year 2022 on the following dates to review various matters which apart from other matters, include new products and services, product modifications, transactions, structures, processes and Shari'ah issues, referred to them:

■ First Shari'ah Board Meeting	–	Mar 16, 2022
■ Second Shari'ah Board Meeting	–	Jun 27, 2022
■ Third Shari'ah Board Meeting	–	Sep 30, 2022
■ Fourth Shari'ah Board Meeting	–	Dec 14, 2022

In order to assist the SB to supervise all these matters throughout the year, the Shari'ah Compliance Department (SCD) ensured that, apart from the SB meetings, it closely coordinated with SB. This resulted in the 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 the 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 the Bank. During the year 2022, Shari'ah Board – Board of Directors' Meeting held on the following dates:

■ First Shari'ah Board	–	Board of Directors' Meeting	–	April 26, 2022
■ Second Shari'ah Board	–	Board of Directors' Meeting	–	December 15, 2022

2. To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of the Bank carried out reviews of each type of transactions on sample basis, product, process flow/ modus operandi and concepts under the supervision of RSBM/Head Shari'ah Compliance. SCD kept Shari'ah board informed regarding Shari'ah compliance review activities of branches and back offices of the Bank. A list of branches for Shari'ah compliance review was approved by the Shari'ah Board. In this regard, 118 branches have been reviewed for Shari'ah compliance and as far as Shari'ah compliance review of non-branch is concerned, it has been ensured to comply with the approved list of the Shari'ah Board. 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 the Bank with the coordination of Learning & Development Department (L&D – HRG). Further RSBM/Head-SCD made surprise visit to 12 branches of South and North regions to ensure compliance of regulatory and Shari'ah requirements.
3. Five (5) Instructions & Guidelines and Six (6) Fatawas by the Shari'ah Board of the Bank are in vogue without any changes. All Fatawas & Instructions and Guidelines issued by Shari'ah Board of the Bank are being implemented in the 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. SB has reviewed and approved 63 modus operandi out of which 22 for Corporate Banking, 15 for Commercial Banking, 9 for SME Banking, 13 Standard process flows and there were 4 regarding Staff Financing. As far as Products are concerned, SB issued 59 Shari'ah Vetting Certificates related to products, 8 for Liability products, 21 for Diminishing Musharakah, 3 for Murabahah, 2 for Ijarah and 1 each for Musawamah, Musharakah & Salam modes of financing and some other Product related documents which also includes Prime Minister's kamyab Jawan Youth Entrepreneurship Scheme in the year 2022.
5. SCD has also facilitated Islamic Banking training sessions for the front and back offices staff of the Bank 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. L&D was determined to adhere to cover the Islamic Banking & Finance trainings of its staff. Therefore, this year also L&D arranged sessions for the capacity enhancement of staff with the facilitation of SCD. Shari'ah training sessions were a combination of both Classroom & Virtual sessions; as it allows learning for all by overcoming geographical obstacles.

Moreover 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 the Bank's 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 were executed during 2022.

6. SCD has taken all necessary required actions in order to comply with the SBP-IBD Circular No. 01 of 2021, Dated: June 14, 2021, Shari'ah Non-Compliance Risk Management (SNCRM). SCD has ensured that SNCRM should be an essential element of Bank's overall Risk Management Framework. SCD shall report all Shari'ah Non-Compliance events and transactions to the Risk Management & Portfolio Review Committee of the Board & Shari'ah Non-Compliance Risk Management Committee as well as to the Shari'ah Board on a quarterly basis. As far as monitoring of SNCRM is concerned, a Management Committee with the title of Shari'ah Non-Compliance Risk Management Committee has been formed under Chair of President/CEO and representation from all Groups (Group Heads). This committee is responsible for close monitoring of Shari'ah Non-Compliance Risk at the operational/management level. Regular meetings of all committees are being conducted and SCD reports all Shari'ah Non-Compliance events and transactions to the said committees.
7. Shari'ah Board praises and encourages the continuous, comprehensive & profound efforts and commitment of the Bank's Board of Directors and the Management regarding implementation of all instructions and guidelines issued by the Shari'ah Board.

RECOMMENDATIONS

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

- i. In the future, there shall be more Shari'ah Training in compliance with regulatory requirements. Further, Shari'ah Board strongly recommends classroom Shari'ah training sessions. The arrangement of purpose built training locations should be ensured so that participants could get more & more benefits.
- ii. More focus is needed on Product & Shari'ah trainings of Treasury and Corporate, Commercial & SME banking and it is strongly recommended to ensure mandatory Product & Shari'ah trainings of the back office.
- iii. Arrange general public awareness programs like, Seminars, Workshops and Question & Answer Sessions from the Bank's platform for building up the true image of Islamic Banking & Finance as well as creating awareness/removing misconception about Islamic banking.
- iv. Shari'ah Board recommends the Bank's participation in national & international conferences which will be beneficial for the Bank's brand image and capacity enhancement of the Bank's staff.
- v. Continuity of Shari'ah trainings of the Bank's higher management.
- vi. Continue with Microfinance activities and the Bank 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.
- vii. Usage of Islamic Banking terminologies must be ensured during the Bank'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 the Bank 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 & Shari'ah Compliance Inspection reports and is of the view that:

- i. The Bank has complied with Shari'ah rules and principles in the light of Fatawas, Instructions and Guidelines issued by Shari'ah Board.
- ii. The Bank has complied with SBP Inspection report in true letter and spirit.

- iii. The Bank 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. The Bank 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 against other Non-Shari'ah compliant income &
 - c. Dividend purification amount.

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 2022 the addition in the amount of Charity was PKR 20.796 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	20,120
Dividend purification amount	351
Charity against other Non-Shari'ah compliant income	-
Profit on charity saving account	325
Total additions in Charity account during the year	20,796

The Bank has disbursed the Charity amount to Shari'ah approved charitable organizations as per Bank's charity policy and SBP's guidelines. Details of Charity account are available in the note # 19.3.1. Shari'ah Board appreciates the maintenance of a strong Shari'ah compliance environment by SCD, as there is zero amount of Charity of Non-Shari'ah compliant income. Shari'ah Board would like to praise Shari'ah Compliance Department/RSBM for efforts made by SCD during the year.

- vi. The Bank 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 high level management and the BOD have made sincere efforts and appreciate the importance of Shari'ah compliance in overall operations of the 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 the Bank 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, under the sincere efforts of senior management, and Islamic Banking industry in Pakistan as a whole.

وَاللَّهُ سُبْحَانَهُ وَتَعَالَى أَعْلَمُ



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 19, 2023

روپے (000) میں	آسٹل چیرٹی فنڈ میں اضافہ
20,120	صارف کی طرف سے ادائیگی میں تاخیر کی وجہ سے
351	منافع (ڈیویڈنڈ Dividend) میں سے غیر شرعی منافع منہا کرنے کی وجہ
-	باطل معاملات کی وجہ سے
325	چیریٹی سیونگ اکاؤنٹ پر منافع
20,796	آسٹل چیرٹی فنڈ میں کل اضافہ

بینک نے چیریٹی کی رقم شریعہ سے منظور شدہ خیراتی تنظیموں کو ایم سی بی اسلامک بینک کی چیریٹی پالیسی اور اسٹیٹ بینک کی ہدایات و لائحہ عمل کے مطابق فراہم کی ہے۔ چیریٹی اکاؤنٹ کی تفصیلات نوٹ نمبر 19.3.1 میں دستیاب ہیں۔ شریعہ بورڈ SCD کی طرف سے ایک مضبوط شریعہ کمپلائنس ماحول کو برقرار رکھنے کے عمل کو سراہتا ہے، جیسا کہ شریعہ نان کمپلائنس آمدنی پر کی جانے والی چیریٹی کی رقم صفر ہے۔ شریعہ بورڈ اس سال کے دوران شریعہ کمپلائنس ڈیپارٹمنٹ/RSBM کی طرف سے کی گئی کوششوں کی تعریف کرتا ہے۔

و۔ ایم سی بی اسلامک بینک کے نفع و نقصان کی تقسیم اور پول کی انتظام کاری اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق ہے۔

ز۔ اگرچہ بینک فعال طریقے سے اپنے افراد کار کو اسلامی بینکاری اور مالیاتی نظام کے بارے میں تربیت دے رہا ہے، تاہم افراد کار، اعلیٰ سطحی 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 پر مبنی کوششیں کی ہیں اور انہوں نے ایم سی بی اسلامک بینک میں شریعہ کمپلائنس کی اہمیت کو سراہا ہے۔

ح۔ شریعہ بورڈ کو اپنی ذمہ داریوں سے عہدہ برآ ہونے کے لئے خاطر خواہ وسائل فراہم کئے گئے ہیں۔

شریعیہ بورڈ، ایم سی بی اسلامی بینک لمیٹڈ کے شریعیہ کمپلائنس ڈیپارٹمنٹ/ریزیڈنٹ شریعیہ بورڈ ممبر کی کاوشوں کا اعتراف کرتے ہوئے اس قابل ذکر امر کی تعریف کرتا ہے کہ شریعیہ کمپلائنس ڈیپارٹمنٹ/ریزیڈنٹ شریعیہ بورڈ ممبر نے بینک کے شریعیہ کمپلائنس ماحول کو برقرار رکھتے ہوئے شریعیہ گورننس فریم ورک کی تعمیل کو یقینی بنایا۔

شریعیہ بورڈ اللہ تعالیٰ کی بارگاہ میں اُس کی تعریف پیش کرنے، اُس کی ہدایت و توفیق اور سینئر منتظمین و اسلامی بینکاری انڈسٹری کی مخلصانہ کوششوں سے اسلامی بینکاری نظام کی مزید پیشرفت، ترقی اور خوشحالی کا مستثنیٰ ہے۔

وَاللّٰهُ سُبْحَانَهُ وَتَعَالٰی اَعْلَمُ



مفتی ندیم اقبال
شریعیہ بورڈ ممبر



پروفیسر مفتی منیب الرحمن
چیریٹین شریعیہ بورڈ



مفتی سید صابر حسین
ریزیڈنٹ شریعیہ بورڈ ممبر

تاریخ اجراء: ۱۹ جنوری ۲۰۲۳ء

سفر شات

- شریعہ 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 شریعہ ٹریننگز ہونی چاہئیں۔ مزید برآں شریعہ بورڈ کلاس روم شریعہ ٹریننگز سیشنز کی بھرپور سفارش کرتا ہے۔ تربیتی مقصد کے تحت بنائے گئے مقامات کا انتظام یقینی بنایا جائے تاکہ شرکاء زیادہ سے زیادہ فوائد حاصل کر سکیں۔
- ب۔ کارپوریٹ، کمرشل اور ایس ایم ای بینکاری کی پروڈکٹس اور شریعہ کی ٹریننگز پر زیادہ توجہ دینے کی ضرورت ہے اور بھرپور سفارش کی جاتی ہے کہ عملے کی لازمی پروڈکٹ اور شرعی تربیت کو یقینی بنایا جائے۔
- ج۔ اسلامی بینکاری اور مالیات کی اصل روح کے مطابق 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 سی بی اسلامک بینک کے پلیٹ فارم سے سیمینارز، ورکشاپس اور سوال و جواب کے سیشنز کا اہتمام کرنے کی سفارش کی جاتی ہے۔
- د۔ شریعہ بورڈ قومی اور بین الاقوامی کانفرنسوں میں بینک کی شرکت کی سفارش کرتا ہے، جو بینک کے برانڈ امیج اور بینک کے عملے کی صلاحیت میں اضافے کے لیے فائدہ مند ثابت ہوگا۔
- ه۔ ایم سی بی اسلامک بینک کے اعلیٰ منتظمین کی شریعہ ٹریننگز کی بھرپور سفارش کی جاتی ہے۔
- و۔ مائیکروفنانس سرگرمیوں کو جاری رکھنے کی سفارش کی جاتی ہے۔ ایم سی بی اسلامک بینک کو ملک میں مائیکروفنانس کی ضرورت کے سبب اسلامی مائیکرو فنانس کی حوصلہ افزائی کرنی چاہئے۔ اسلامی مائیکروفنانس کے ذریعے، اسلامی بینکاری کی صنعت کم سرمایہ کے ساتھ کام کرنے والے تاجروں کی سہولت کے لئے ابتدائی درجہ پر کام کر سکتی ہے۔
- ز۔ ایم سی بی اسلامک بینک کی سرگرمیوں کے دوران اسلامی بینکاری اصطلاحات کے استعمال کو یقینی بنانا ہوگا۔ جہاں تک بینک کے داخلی ماحول کا تعلق ہے، تو فرنٹ اور بیک آفسز کے تمام عملے کو ڈریس کوڈ کی سختی سے پیروی کرنے کی بھرپور تاکید کی جاتی ہے۔ اسٹاف کا لباس ایم سی بی اسلامک بینک ڈریس کوڈ پالیسی، ثقافتی اصولوں اور شرعی تقاضوں کے مطابق شرم و حیا کی عکاسی کرتا ہو۔

خلاصہ کلام

- شریعہ بورڈ نے ایس بی پی معائنہ رپورٹ، بیرونی اور داخلی شریعہ آڈٹ اور شریعہ کمپلائنس کی رپورٹس کو دیکھنے کے بعد اصلاحی اقدامات کے لئے ہدایات دیں، لہذا شریعہ بورڈ کے مطابق:
- الف۔ ایم سی بی اسلامک بینک نے شریعہ بورڈ کے جاری کردہ فتاویٰ جات اور ہدایات ولائحہ عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔
- ب۔ ایم سی بی اسلامک بینک نے حقیقی معنوں میں اصل روح کو مد نظر رکھتے ہوئے ایس بی پی انیسپیکشن رپورٹ پر عملدرآمد کیا ہے۔
- ج۔ ایم سی بی اسلامک بینک، ایسٹ بینک آف پاکستان کے احکامات، قوانین و ہدایات اور ولائحہ عمل (جو ایسٹ بینک آف پاکستان کے شریعہ ایڈوائزر کی کمیٹی کے احکام کے مطابق ہیں) سے ہم آہنگ ہے۔
- د۔ بینک کے پاس اپنے مجموعی آپریشنز میں شریعہ کمپلائنس کو یقینی بنانے کے لیے ایک جامع طریقہ کار موجود ہے۔
- ه۔ جہاں تک چیریٹی فنڈ کا تعلق ہے، ہر طرح کے چیریٹی فنڈ جمع کرنے کے لئے علیحدہ نان چینیٹنگ، لائسنسڈ ایسٹ بینک اکاؤنٹ کھولے جاتے ہیں۔
- i. ادائیگی میں تاخیر کی وجہ سے چیریٹی،
- ii. باطل معاملات کی وجہ سے چیریٹی، اور
- iii. منافع (ڈیویڈنڈ، Dividend) میں سے غیر شرعی منافع منہا کرنے کی وجہ سے چیریٹی۔
- عام طور پر مذکورہ بالا تمام مدت میں جمع کی گئی رقم اپنے اپنے "شریعہ کمپلائنس نفع بخش چیریٹی کلکیشن فنڈ اکاؤنٹ" میں شریعہ بورڈ / ریزرو فنڈ شریعہ بورڈ ممبر کی صوابدید پر جمع کی جاتی ہیں، چیریٹی فنڈ، چیریٹی کمیٹی / شریعہ بورڈ کے منظور شدہ کسی خیراتی، معاشرتی بہبود، مذہبی یا تعلیمی مقاصد کے لئے استعمال ہوتا ہے۔
- سال 2202ء میں چیریٹی فنڈ کی مختلف مدت میں جمع کی گئی رقم میں کل اضافہ 20.796 ملین رہا، جس کو چیریٹی اکاؤنٹ میں منتقل کرنے کی ہدایت کی گئی۔

(۳) ایم سی بی اسلامک بینک کے شریعہ بورڈ کی جاری کردہ ہدایات و لائحہ عمل اور چھ فتاویٰ جات بغیر کسی تبدیلی کے ابھی بھی موجود ہیں۔ ایم سی بی اسلامک بینک میں شریعہ بورڈ کی جاری کردہ تمام ہدایات و لائحہ عمل اور فتاویٰ جات پر عملدرآمد کو ان کی اصل روح کے مطابق یقینی بنایا گیا۔

(۴) بینک کے منتظمین کے تعاون سے شریعہ کمپلائنس ڈیپارٹمنٹ نے ریزیڈنٹ شریعہ بورڈ ممبر/ایڈ شریعہ کمپلائنس ڈیپارٹمنٹ کی زیر نگرانی 2022ء میں ان تمام پراڈکٹس کی دستاویزات کا جائزہ لیا اور شریعہ بورڈ نے 63 فائنلنگ کے لائحہ عمل کی دستاویزات، جن میں سے 22 کارپوریٹ بینکاری، 15 کمرشل بینکاری، 9 ایس ایم ای بینکاری، 13 تمام صارفین کے لئے استعمال کئے جانے والے اور 4 اسٹاف فائنلنگ کے لائحہ عمل کا جائزہ لیا اور ان کی منظوری دی۔ جہاں تک پراڈکٹس کا تعلق ہے، شریعہ بورڈ نے 59 شرعی معائنہ سرٹیفکیٹ جاری کئے، جن میں سے 8 لائسنسنگ پراڈکٹس، 21 شرکت متناقصہ فائنلنگ، 3 مراجمہ، 2 اجارہ، اور 1 ہریک مساومہ، مشارکہ اور مسلم فائنلنگ کے لیے اور پراڈکٹس سے متعلق کچھ دیگر دستاویزات جن میں وزیراعظم کی کامیاب جوان یوتھ انٹرپرائیو شپ اسکیم بھی شامل ہے۔

(۵) شریعہ کمپلائنس ڈیپارٹمنٹ نے اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ ہدایات پر عملدرآمد کو یقینی بنانے کے لئے بینک کے فرنٹ اور بیک آفس اسٹاف کے لئے اسلامی بینکاری کی ٹریننگ کے کئی پروگرامز منعقد کئے۔ L&D نے اسٹاف کی اسلامی بینکاری اور مالیاتی نظام کی معلومات تک آسان رسائی کے لئے کلاس روم سیشنز کا انعقاد کیا، اس کے ساتھ ساتھ لرننگ مینیجمنٹ سسٹم (LMS) کے ذریعے آن لائن اسلامک بینکنگ ٹریننگ ماڈیولز بھی اپ لوڈ کیے۔ L&D نے اپنے اسٹاف کی اسلامی بینکاری اور مالیات کی تربیت کا عزم کیا۔ لہذا اس سال بھی L&D نے شریعہ کمپلائنس ڈیپارٹمنٹ کے تعاون سے عمل کی استعداد کار میں اضافے کے لیے سیشنز کا اہتمام کیا۔ شریعہ ٹریننگ سیشنز کلاس روم اور ورچوئل سیشنز دونوں کا مجموعہ تھے جس کی وجہ سے جغرافیائی رکاوٹوں سے نکل کر اسٹاف کے لئے سیکھنے کے مواقع میسر ہوئے۔

مزید یہ کہ کووڈ کے حالات کو پیش نظر رکھتے ہوئے اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ سرکلر (نمبر ۲/ ۲۰۱۸ بتاریخ ۲۹ جون ۲۰۱۸) پر عملدرآمد کو یقینی بنانے کے لئے مؤثر اور جامع اقدامات کئے گئے۔ لہذا ایک مؤثر 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۔ شریعہ کمپلائنس ڈیپارٹمنٹ کے اسٹاف ممبرز نے شریعہ ٹریننگز کے لئے پورا سال اپنی خدمات پیش کیں۔ مزید برآں، ایگزیکٹو مینجمنٹ کی شریعہ ٹریننگ کی ریگولیٹری ضروریات کے ساتھ ساتھ، شریعہ کمپلائنس ڈیپارٹمنٹ اور L&D نے ایگزیکٹو مینجمنٹ کی مہارت کو مزید بڑھانے کی غرض سے اسلامی بینکاری اور شرعی معیارات، اکاؤنٹنگ اینڈ آڈٹنگ آرگنائزیشن برائے اسلامی مالیاتی ادارے AAOIFI کے کورسز تیار کئے، جنہیں 2022ء کے دوران شروع کر دیا گیا۔

(۶) شریعہ کمپلائنس ڈیپارٹمنٹ نے اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ سرکلر (نمبر ۱/ ۲۰۲۱، بتاریخ ۱۳ جون ۲۰۲۱)، شریعہ نان کمپلائنس رسک مینجمنٹ SNCRM کی تعمیل کے لیے تمام ضروری اقدامات کئے ہیں۔ شریعہ کمپلائنس ڈیپارٹمنٹ نے یقینی بنایا ہے کہ SNCRM بینک کے مجموعی رسک مینجمنٹ فریم ورک کا ایک لازمی عنصر ہونا چاہیے۔ SCD تمام شرعی عدم تعمیل کے معاملات اور لین دین کی رپورٹ بورڈ کی رسک مینجمنٹ اور پورٹ فولیو ریویو کمیٹی اور شریعہ نان کمپلائنس رسک مینجمنٹ کمیٹی کے ساتھ ساتھ شریعہ بورڈ کو سہ ماہی بنیادوں پر کرے گا۔ جہاں تک SNCRM کی نگرانی کا تعلق ہے، اس کے ساتھ ایک انتظامی کمیٹی شریعہ نان کمپلائنس رسک مینجمنٹ کمیٹی کے عنوان سے پریزیڈنٹ/CEO کی سربراہی میں تشکیل دی گئی ہے جس میں تمام گروپس کے گروپ ہیڈز کی نمائندگی ہے۔ یہ کمیٹی آپریشنل/انتظامی سطح پر شرعی عدم تعمیل کے رسک کی کڑی نگرانی کے لیے ذمہ دار ہے۔ تمام کمیٹیوں کی باقاعدہ میٹنگز کا انعقاد کیا جا رہا ہے اور SCD تمام شرعی عدم تعمیل کے معاملات اور لین دین کی رپورٹ مذکورہ کمیٹیوں کو دیتا ہے۔

(۷) شریعہ بورڈ اپنی جاری کردہ ہدایات و لائحہ عمل پر عملدرآمد کے اعتبار سے بینک کے منتظمین کی مسلسل اور جامع کوششوں کی تعریف اور ہمت افزائی کرتا ہے۔

شریہ بورڈ رپورٹ (مالی سال اختتام پذیر ۳۱ دسمبر ۲۰۲۲ء)

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

اَلْحَمْدُ لِلّٰهِ رَبِّ الْعَالَمِیْنَ وَالصَّلَاةُ وَالسَّلَامُ عَلٰی حَائِمِ الْاَنْبِیَاءِ وَالْمُرْسَلِیْنَ وَعَلٰی اٰلِهِ وَصَحْبِهِ اَجْمَعِیْنَ اَمَّا بَعْدُ

شریہ بورڈ ایم سی بی اسلامک بینک لمیٹڈ کے امور سے متعلق اپنی سالانہ رپورٹ پیش کرتا ہے۔ ایم سی بی اسلامک بینک کا شریہ بورڈ ستمبر ۲۰۱۵ء کو تشکیل پایا، موجودہ شریہ بورڈ پروفیسر مفتی فیب الرحمن چیئرمین شریہ بورڈ، مفتی سید صابر حسین ریزیڈنٹ شریہ بورڈ ممبر اور مفتی ندیم اقبال، ممبر شریہ بورڈ پر مشتمل ہے۔ ۲۰۲۲ء میں پورا سال شریہ بورڈ کی خدمات ادارے کو حاصل رہیں، بینک کے معاملات کے حوالے سے شریہ بورڈ نے ٹیلی فون اور ویڈیو کانفرنس کالز کے ذریعے بھی کئی غیر رسمی ملاقاتیں کیں۔ علاوہ ازیں ۲۰۲۲ء میں شریہ بورڈ کے ۴ رسمی 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 لیا گیا۔

- شریہ بورڈ کا پہلا اجلاس، ۱۶ مارچ ۲۰۲۲ء
- شریہ بورڈ کا دوسرا اجلاس، ۲۷ جون ۲۰۲۲ء
- شریہ بورڈ کا تیسرا اجلاس، ۳۰ ستمبر ۲۰۲۲ء
- شریہ بورڈ کا چوتھا اجلاس، ۱۴ دسمبر ۲۰۲۲ء

مندرجہ بالا شریہ بورڈ کی مجالس کے علاوہ سال بھر تمام امور کی شریہ بورڈ کی جانب سے نگرانی میں شریہ کمپلائنس ڈیپارٹمنٹ نے شریہ بورڈ کے ساتھ ہم آہنگی کو یقینی بنایا، جس کے نتیجے میں شریہ بورڈ کی بینک کے شرعی امور میں مستقل شمولیت اور مواصلاتی طریقہ کار کو بروئے کار لاتے ہوئے بینک کے مختلف النوع معاملات کی بروقت منظوری کو یقینی بنایا گیا۔

(۱) چونکہ بورڈ آف ڈائریکٹرز اور ایگزیکٹو منتظمین اس امر کے ذمہ دار ہیں کہ ایم سی بی اسلامک بینک کے جملہ معاملات شریعت کے اصولوں کے عین مطابق ہوں، لہذا ہم (شریہ بورڈ) ایم سی بی اسلامک بینک کے شریہ کمپلائنس کی مجموعی صورت حال کے بارے میں ایک رپورٹ جمع کرانے کے ذمہ دار ہیں۔ ۲۰۲۲ء میں شریہ بورڈ کے بورڈ آف ڈائریکٹرز کے ساتھ رسمی اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

- شریہ بورڈ- بورڈ آف ڈائریکٹرز کا پہلا اجلاس، ۲۶ اپریل ۲۰۲۲ء
- شریہ بورڈ- بورڈ آف ڈائریکٹرز کا دوسرا اجلاس، ۱۵ دسمبر ۲۰۲۲ء

(۲) رپورٹ میں ظاہر کردہ امور کے مطابق اپنی رائے دیتے ہوئے عرض یہ ہے کہ ایم سی بی اسلامک بینک کے شریہ کمپلائنس ڈیپارٹمنٹ نے ریزیڈنٹ شریہ بورڈ ممبر/ہیڈ شریہ کمپلائنس ڈیپارٹمنٹ کی زیر نگرانی تمام قسم کے مالی معاملات، پروڈکٹس، معاملات کے مراحل اور نظریات کا نمونے کی بنیاد پر جائزہ لیا ہے۔ شریہ کمپلائنس ڈیپارٹمنٹ نے شریہ بورڈ کو بینک کے فرنٹ اور بیک آفسر کی شرعی تعمیل کا جائزہ لینے کے معاملات سے آگاہ رکھا۔ براچر کی فہرست شرعی تعمیل کے جائزے کے لیے شریہ بورڈ نے منظور کی تھی۔ اس سلسلے میں شرعی تعمیل کے جائزے کے لیے 118 برانچوں کا معائنہ کیا گیا ہے اور جہاں تک بیک آفسر کے شرعی تعمیل کے جائزے کا تعلق ہے، اس کے لیے شریہ بورڈ کی منظور شدہ فہرست کی تعمیل کو یقینی بنایا گیا ہے۔ لرننگ اینڈ ڈیولپمنٹ ڈیپارٹمنٹ (L&D – HRG) کے تعاون سے فرنٹ اور بیک آفسر کے عملے کے ارکان کی اسلامی بینکاری اور مالیاتی معلومات اور مہارت کو بڑھانے کی غرض سے بینک کے تمام عملے کے لیے شرعی تربیت کو لازمی قرار دیا گیا۔ مزید RSBM/Head-SCD نے ریگولیٹری اور شرعی تقاضوں کی تعمیل کو یقینی بنانے کے لیے جنوبی اور شمالی ریجن کی 12 شاخوں کا چانک دورہ کیا۔

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NOTICE OF 9TH ANNUAL GENERAL MEETING OF MCB ISLAMIC BANK LIMITED

Notice is hereby given that the 9th Annual General Meeting of MCB Islamic Bank Limited (the 'Bank') shall be held on Monday, March 27, 2023 at 12:00 PM at 14-A Jail Road Lahore and through Video Conferencing Facility to transact the following businesses:

ORDINARY BUSINESS:

- To confirm the minutes of the 8h Annual General Meeting held on March 24, 2022.
- To receive, consider and adopt the Annual Audited Financial Statements of the Bank for the year ended December 31, 2022 together with Directors' and Auditors' Reports thereon and Chairman's Review Report.
- To appoint auditors of the Bank and to fix their remuneration. The Audit Committee has suggested the appointment of M/s. A.F. Ferguson & Company, Chartered Accountants, as auditors of the Bank. The Board on the suggestion of the Audit Committee has recommended to the shareholders the appointment of M/s. A.F. Ferguson & Company, Chartered Accountants to act as statutory auditors of the Bank.

SPECIAL BUSINESS:

- To consider and if deemed fit, to pass an ordinary resolution, as proposed in the Statement of Material Facts annexed to this Notice to approve the scale of remuneration to be paid to the Board Members for attending the Board and its Committee(s) meetings of the Bank.

Annexed to this Notice being circulated to the members is the Statement of Material Facts under Section 134(3) of the Companies Act, 2017 ("Act") pertaining to the above-mentioned Special Business.

Date: March 03, 2023
Lahore

By Order of the Board

Ms. Maimoona Cheema
Company Secretary

NOTES:

- Members whose names appear in the register of members on March 27, 2023 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, 2022 on its website: www.mcbislamicbank.com

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 IN RESPECT OF SPECIAL BUSINESS

This statement sets out the material facts under Section 134(3) of the Companies Act, 2017 pertaining to the special business to be transacted at Annual General Meeting of MCB Islamic Bank Limited (the "Bank") scheduled to be held on March 27, 2023.

AGENDA ITEM NO. 4

THE SCALE OF REMUNERATION OF DIRECTORS:

The Board of Directors has determined the scale of remuneration to be paid to the Non-Executive and Independent Directors for attending the Board and its Committees meetings in accordance with the requirements of G-14 of Corporate Governance Regulatory Framework issued by the State Bank of Pakistan ("SBP").

In addition to the above, the expenses for travelling, boarding and lodging of Board Members for attending Board, its committees and general meetings shall be paid at actuals in terms of the Remuneration policy approved by the Board.

The remuneration as mentioned above are being presented to the members of the Bank for their approval.

The members are requested to consider and if thought fit, to approve, with or without any modification, the following resolutions as Ordinary Resolutions:

RESOLVED THAT, the scale of remuneration to be paid to Non-Executive Directors / Independent Directors for attending the Board, its Committees and general meetings, effective from August 16, 2022 as recommended by the Board of Directors of the Bank as detailed below, in compliance with the requirements of G-14 of Corporate Governance Regulatory Framework issued by the State Bank of Pakistan, be and is hereby approved"

Remuneration for Committee Meetings (PKR)	Remuneration for BOD/General Meetings (PKR)
100,000/- plus travel and logistics	400,000/- plus travel and logistics

"FURTHER RESOLVED THAT in addition to above scale of remuneration, the payment of travelling, boarding and lodging of Non-Executive and Independent Directors for attending Board, its Committees and general meetings at actuals, as mentioned in Directors' Remuneration Policy of the Bank, be and is hereby approved."

The Directors of the Bank have no personal interest, directly or indirectly, in the above special business, save to the extent of their respective shareholding in the Bank and payment of remuneration as per remuneration policy/members' approval.

STATEMENT ON INTERNAL CONTROLS - YEAR 2022

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, segregations 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 Control 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 ICFR for the years 2017, 2018 and 2019 have already been submitted to SBP. For the year 2020 and onwards SBP has granted the Bank exemption from the requirement of ICFR assessment by External Auditor. We have followed the said SBP guidelines for management of significant risks and will continue 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. Further, all significant and material finding 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 systematic and disciplined approach along with value-added recommendations on the adequacy and effectiveness of the Internal Controls System, 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. Business continuity planning is also being carried out by Operations Group in coordination with all stakeholders to ensure smooth business operations without disruption.

Concerted efforts are made by every Group to improve the control environment at grass root level by regularly reviewing and streamlining procedures to prevent and rectify control lapses as well as imparting training for improvement at various levels. Compliance & Control 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 to 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 to Compliance Risk of the Bank. In addition, "Compliance Committee of Management" oversees the handling of Compliance Risk of the Bank and facilitate in implementing policies, processes and procedures to manage this risk. Furthermore, based on the observations and weakness 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 and cyber security controls. 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 and Fraud Risk.

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 Control 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


 Khawaja Khalil Shah
 Group Head- Risk Management


 Syed Iftikhar Hussain Rizvi
 Group Head - Finance / CFO


 Muhammad Tariq Gondal
 Group Head – Compliance & Controls


 Muhammad Imran Siddique
 Acting Group Head - Audit & RAR

Date: January 27, 2023

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REPORT OF THE BOARD 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 four meetings, during the year 2022. 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, approval and oversight of Annual Audit Plan 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 06, 2023

Chairman Board Audit Committee
MCB Islamic Bank Limited

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STATEMENT OF COMPLIANCE

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

MCB Islamic Bank Limited

For The Year Ended December 31, 2022

This statement is being presented in accordance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("Regulations") issued by the Securities and Exchange Commission of Pakistan (the "Commission"), as required under Regulation No. G-I of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan (SBP).

MCB Islamic Bank Limited ("the Bank") has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 as per the following:

A	Male	7
B	Female	1

2. The composition of the Board is as follows:

Sr. No.	Category	Name of Directors
A	Independent Directors*	Mr. Jawaid Iqbal Ms. Seema Aziz
B	Non-Executive Directors	Mr. Raza Mansha Mr. Ahmed Ebrahim Hasham Mr. Ibrahim Shamsi Mr. Omair Safdar Mr. Hammad Khalid
C	Executive Director (President & CEO)	Mr. Muhammad Afaq Khan <i>(Since resigned)</i>
D	Female Director	Ms. Seema Aziz

** The Board has appointed two independent directors and the fraction one-third number was not rounded up to one as the two independent directors had requisite competencies, skills, knowledge and experience to fulfil their obligations as per the requirements of the applicable laws and regulations and hence, appointment of third independent director was not warranted.*

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.
- The Bank has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
- The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating has been maintained by the Bank.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the "Act") and the Regulations.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
9. The following Board Members have attained Directors' Training Program till date:
 - i. Mr. Omair Safdar (Non-Executive Director)
 - ii. Mr. Ahmed Ebrahim Hasham (Non-Executive Director)
 - iii. Ms. Seema Aziz (Independent Director)
 - iv. Mr. Jawaid Iqbal (Independent Director)The following directors are exempted from the Director's Training Program on the basis of their education and experience:
 - i. Mr. Raza Mansha (Chairman)
 - ii. Mr. Ibrahim Shamsi (Non-Executive Director)
10. The Board has approved appointment of the Chief Financial Officer, the Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.
11. The CFO and the President & Chief Executive Officer ("CEO") 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	
	Mr. Jawaaid Iqbal	Chairman
	Ms. Seema Aziz	Member
	Mr. Omair Safdar	Member
	Mr. Ibrahim Shamsi	Member
	Mr. Hammad Khalid	Member
B	Human Resource & Remuneration Committee	
	Mr. Jawaaid Iqbal	Chairman
	Ms. Seema Aziz	Member
	Mr. Raza Mansha	Member
	Mr. Omair Safdar	Member
C	Business Strategy & Service Quality Review Committee	
	Mr. Ahmed Ebrahim Hasham	Chairman
	Mr. Omair Safdar	Member
	Mr. Hammad Khalid	Member
	Mr. Muhammad Afaq Khan <i>(Since resigned)</i>	Member
D	Risk Management & Portfolio Review Committee	
	Mr. Omair Safdar	Chairman
	Mr. Ibrahim Shamsi	Member
	Mr. Ahmed Ebrahim Hasham	Member
	Mr. Jawaaid Iqbal	Member
	Mr. Muhammad Afaq Khan <i>(Since resigned)</i>	Member

E Board Information Technology Committee	
Mr. Ibrahim Shamsi	Chairman
Mr. Jawaaid Iqbal	Member
Mr. Hammad Khalid	Member
Mr. Muhammad Afaq Khan <i>(Since resigned)</i>	Member
F Board Evaluation Committee	
Ms. Seema Aziz	Chairman
Mr. Hammad Khalid	Member

13. The Terms of Reference ("TORs") of the aforesaid Committees have been formed, documented and advised to the respective committee for compliance.
14. The number of meetings of the below committees held during the year were as per the following table:

Name of Committee	No. of Meetings
Board Audit Committee	Four
Human Resource & Remuneration Committee	Four
Business Strategy & Service Quality Review Committee	Five
Risk Management & Portfolio Review Committee	Four
Board IT Committee	Two
Board Evaluation Committee	Nil

15. The Board has set up an effective Internal Audit function which is considered suitably qualified and experienced 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 President & CEO, CFO, Head of Internal Audit, Company Secretary or Director of the Bank.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



Khawaja Khalil Shah
Acting President / CEO
MCB Islamic Bank Limited

February 06, 2023



Raza Mansha
Chairman
MCB Islamic Bank Limited

February 06, 2023

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A.F. FERGUSON & CO.

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 December 31, 2022 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

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 December 31, 2022.

A. F. Ferguson & Co.

Chartered Accountants

Lahore

Date: March 3, 2023

UDIN: CR202210092ixmCEIBTz

A.F. FERGUSON & CO., Chartered Accountants, a member firm of PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O. Box 39, Lahore-54660, Pakistan
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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 December 31, 2022, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 23 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, profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2022 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 Annual Report, but does not include the financial statements and our auditor's 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.

A.F. FERGUSON & CO., Chartered Accountants, a member firm of PwC network
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RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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



A.F. FERGUSON & CO.

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

1. Based on our audit, we further report that in our opinion:
 - a. proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b. the statement of financial position, the profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
 - c. investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d. zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total Islamic financing and related assets of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is **Hammad Ali Ahmad**.

A. F. Ferguson & Co.

Chartered Accountants

Lahore

Date: March 3, 2023

UDIN: AR2022100927OXRkx3vc

TRADE FINANCE SERVICES



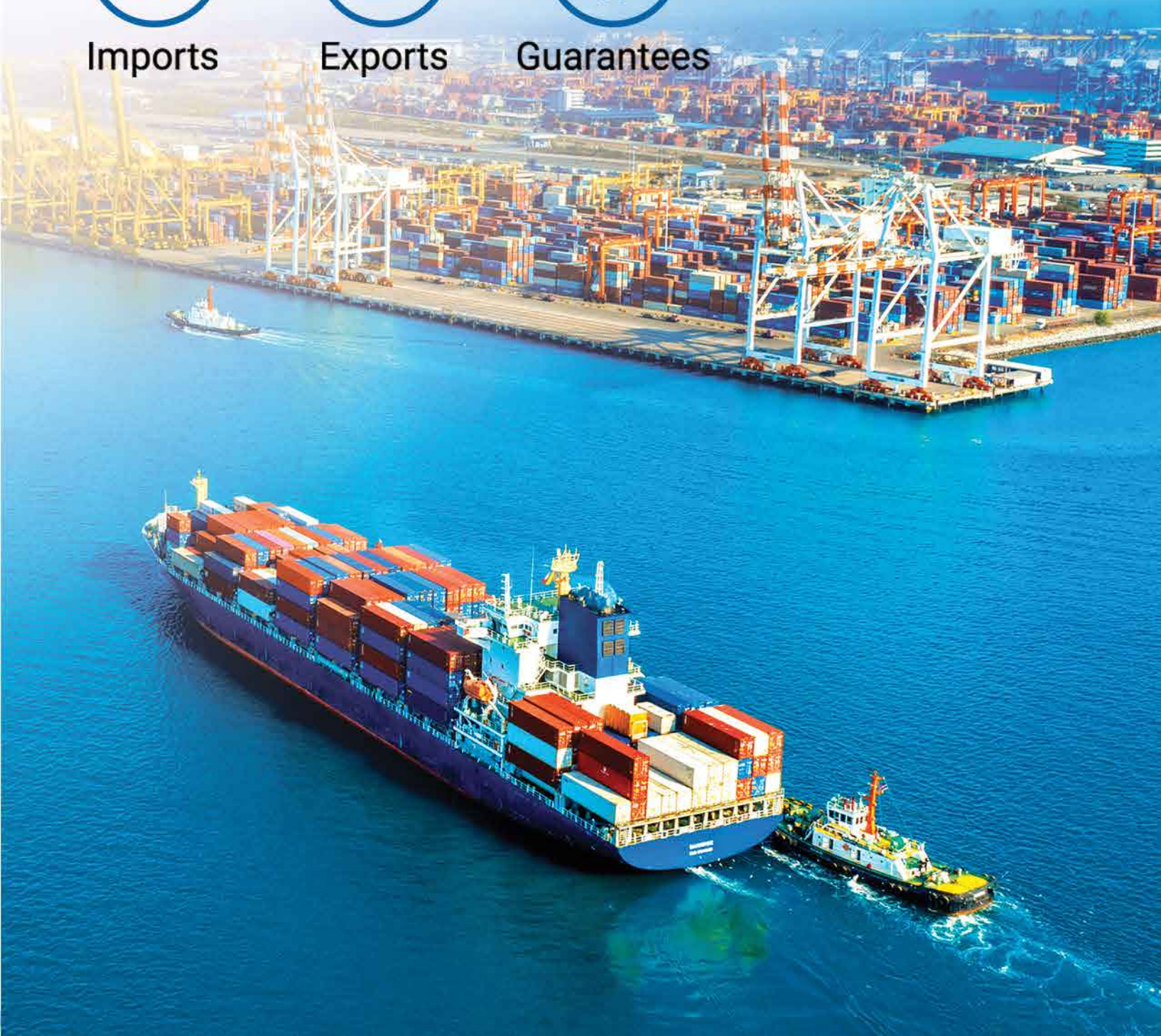
Imports



Exports



Guarantees



FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2022


	Note	2022	2021
		Rupees in thousands	
Profit / return earned	24	18,553,458	9,202,716
Profit / return expensed	25	10,031,975	5,008,845
Net Profit / return		8,521,483	4,193,871
OTHER INCOME			
Fee and commission income	26	508,147	408,113
Dividend income		28,946	71,199
Foreign exchange income		429,289	113,571
Loss on securities - net	27	(251,196)	(593,936)
Other income	28	153,235	200,473
Total other income		868,421	199,420
Total income		9,389,904	4,393,291
OTHER EXPENSES			
Operating expenses	29	5,967,749	4,753,602
Workers welfare fund		75,303	10,136
Other charges	30	3,163	51,623
Total other expenses		6,046,215	4,815,361
Profit / (loss) before provisions		3,343,689	(422,070)
Provisions / (reversals) and write offs - net	31	141,149	(647,121)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		3,202,540	225,051
Taxation	32	1,654,411	124,619
PROFIT AFTER TAXATION		1,548,129	100,432
		Rupees	
		Restated	
Basic and diluted earnings per share - After Tax	33	1.125	0.073

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


SYED IFTIKHAR HUSSAIN RIZVI
 Chief Financial Officer


KHAWAJA KHALIL SHAH
 President / Chief Executive (Acting)


HAMMAD KHALID
 Director


JAWAID IQBAL
 Director

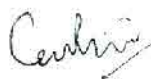

OMAIR SAFDAR
 Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	Rupees in thousands	
Profit after taxation for the year	1,548,129	100,432
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	(22,621)	(218,466)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of fixed assets - net of tax	216,819	(5,183)
Total comprehensive income / (loss)	1,742,327	(123,217)

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



SYED IFTIKHAR HUSSAIN RIZVI
Chief Financial Officer



KHAWAJA KHALIL SHAH
President / Chief Executive (Acting)



HAMMAD KHALID
Director



JAWAID IQBAL
Director




OMAIR SAFDAR
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

	Share Capital	Statutory Reserve	Surplus / (deficit) on revaluation of		Accumulated Loss	Total
			Investments	Fixed Assets		
Rupees in thousands						
Balance as at January 01, 2021	11,550,000	68,107	161,159	312,157	(1,363,651)	10,727,772
Profit after taxation for the year ended December 31, 2021	-	-	-	-	100,432	100,432
Other comprehensive loss - net of tax	-	-	(218,466)	(5,183)	-	(223,649)
	-	-	(218,466)	(5,183)	100,432	(123,217)
Transfer to statutory reserve	-	20,086	-	-	(20,086)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(1,303)	1,303	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Balance as at December 31, 2021	11,550,000	88,193	(57,307)	305,671	(1,282,002)	10,604,555
Profit after taxation for the year ended December 31, 2022	-	-	-	-	1,548,129	1,548,129
Other comprehensive (Loss) / income - net of tax	-	-	(22,621)	216,819	-	194,198
	-	-	(22,621)	216,819	1,548,129	1,742,327
Transfer to statutory reserve	-	309,626	-	-	(309,626)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of disposals - net of tax	-	-	-	(40,340)	40,340	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(1,392)	1,392	-
Transactions with owners, recorded directly in equity						
Issue of share capital	4,000,000	-	-	-	-	4,000,000
Balance as at December 31, 2022	15,550,000	397,819	(79,928)	480,758	(1,767)	16,346,882

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

 SYED IFTIKHAR HUSSAIN RIZVI Chief Financial Officer	 KHAWAJA KHALIL SHAH President / Chief Executive (Acting)	 HAMMAD KHALID Director	 JAWAID IQBAL Director	 OMAIR SAFDAR Director
--	---	---	--	--

CASH FLOW STATEMENT


FOR THE YEAR ENDED DECEMBER 31, 2022


	Note	2022	2021
Rupees in thousands			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		3,202,540	225,051
Less: Dividend income		28,946	71,199
		3,173,594	153,852
Adjustments			
Depreciation on fixed assets	11.2	390,678	389,426
Depreciation on right-of-use assets	11.3	474,221	474,024
Depreciation on ijarah assets under IFAS 2	10.3.1	671,010	811,189
Amortisation	12.1	175,556	153,740
Unwinding of lease liability against right-of-use assets	25	299,859	343,047
Provisions / (reversals) and write offs - net	31	141,149	(647,121)
Unrealized gain on forward foreign exchange contracts - net		(62,483)	(147,938)
Gain on sale of fixed assets - net	28	(26,285)	(1,327)
Gain on termination of lease liability against right-of-use asset	28	(3,833)	(94,275)
Gain on conversion of Ijarah agreements	28	(18,878)	(20,761)
Loss on sale of securities - net	27	251,196	593,936
		2,292,190	1,853,940
		5,465,784	2,007,792
(Increase) / decrease in operating assets			
Due from financial institutions		(4,520,000)	(821,210)
Islamic financing and related assets		4,951,378	(12,332,920)
Other assets (excluding advance taxation)		(832,616)	(2,444,750)
		(401,238)	(15,598,880)
Increase / (decrease) in operating liabilities			
Bills payable		1,840,681	(574,020)
Due to financial institutions		(1,757,115)	(4,168,899)
Deposits and other accounts		31,253,682	23,494,617
Other liabilities (excluding current taxation)		287,008	2,151,238
		31,624,256	20,902,936
		36,688,802	7,311,848
Income tax paid		(163,000)	(124,987)
Net cash generated from operating activities		36,525,802	7,186,861
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(23,691,633)	(7,406,332)
Net (investments) / divestments in held-to-maturity securities		(15,536,489)	1,389,936
Dividend received		28,946	72,745
Investments in fixed assets		(495,263)	(418,034)
Proceeds from sale of fixed assets		205,551	1,730
Investments in intangible assets		(172,543)	(94,079)
Net cash used in investing activities		(39,661,431)	(6,454,034)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		4,000,000	-
Payment of lease liability against right-of-use asset		(680,139)	(641,300)
Net cash generated from / (used) in financing activities		3,319,861	(641,300)
Increase in cash and cash equivalents during the year		184,232	91,527
Cash and cash equivalents at the beginning of the year		14,960,326	14,868,799
Cash and cash equivalents at the end of the year	34	15,144,558	14,960,326

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


SYED IFTIKHAR HUSSAIN RIZVI
 Chief Financial Officer


KHAWAJA KHALIL SHAH
 President / Chief Executive (Acting)


HAMMAD KHALID
 Director


JAWAID IQBAL
 Director


OMAIR SAFDAR
 Director

NOTES TO AND FORMING PART OF THESE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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 198 branches including one sub branch in Pakistan as at December 31, 2022 (December 31, 2021: 177 branches including one sub branch in Pakistan). The Registered Office of the Bank is situated at 59 Block T, Phase II, DHA, Lahore Cantt and Principal Office is situated at 14-A Main Jail Road, Gulberg, Lahore.
- 1.4 Based on the financial statements of the Bank for the period ended March 31, 2022, Pakistan Credit Rating Agency (PACRA) has maintained the Bank's medium to long-term rating as "A" and the short-term rating as 'A-1' with stable outlook.

2 BASIS OF PRESENTATION

- 2.1 The Bank provides Islamic financing and related assets mainly through Shari'ah compliant financing products mainly through Murabaha, Istisna, Salam, Ijarah, Diminishing Musharaka and Running Musharaka. The Bank also provides refinance facilities under various refinance schemes of the State Bank of Pakistan including 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 the State Bank of Pakistan through BPRD Circular No. 02 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 are 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).

Whenever 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 and International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan 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 other 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, 2022. 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, 2023:

	Effective date (annual periods beginning on or after)
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	January 1, 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendment to IFRS 16 – Leases on sale and leaseback	January 1, 2024
Amendment to IAS 1 – Non current liabilities with covenants	January 1, 2024

IFRS 9 Financial Instruments

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.

As directed by State Bank of Pakistan (SBP) via BPRD Circular No 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after January 1, 2023 for banks having asset base of more than Rs.500 billion as at December 31, 2021 and for all other banks for periods beginning on or after January 1, 2024. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

In the said circular, SBP has permitted the early adoption of the IFRS 9. The Bank does not meet the specified criteria as at December 31, 2021. However, due to the adoption of IFRS 9 by the parent Bank i.e, MCB Bank Limited, the Bank has opted for the early adoption of the IFRS 9 for the period beginning on or after January 1, 2023. The Bank intends to opt for early adoption of IFRS 9 with effect from January 1, 2023, as allowed by SBP.

During the year 2022, the management of the Bank has performed an impact assessment of IFRS 9 taking into account SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

Governance, ownership and responsibilities

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

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payments of Principal and Interest (SPPI) criteria are measured at Fair Value through Profit & Loss ('FVTPL') regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, Fair Value through Other Comprehensive Income ('FVOCI') or Fair Value through Profit & Loss ('FVTPL').

The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows ('hold to collect'), and where those contractual cash flows are solely payments of principal and interest (SPPI). Assets may be sold out of 'hold to collect' portfolios where there is an increase in credit risk. Disposals for other reasons are permitted but such sales should be insignificant in value or infrequent in nature.

Debt instruments where the business model objectives are achieved by collecting the contractual cash flows and by selling the assets ('hold to collect and sell') and that have SPPI cash flows are held at FVOCI, with unrealised gains or losses deferred in reserves until the asset is derecognised.

The classification of equity instruments is generally measured at FVTPL unless the Bank, at initial recognition, irrevocably designates as FVOCI but both unrealized and realised gains or losses are recognised in reserves and no amounts other than dividends received are recognised in the income statement. All other financial assets will mandatorily be held at FVTPL. Financial assets may be designated at FVTPL only if doing so eliminates or reduces an accounting mismatch.

The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

Equity Securities

The Bank expects to continue measuring at Fair value all financial assets currently held at Fair value.

Equity shares currently held as Available-for-Sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to present Fair Value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on adoption. However, in accordance with IFRS 9 requirements, Fair Value gain or losses recognized in OCI will not be recycled to profit and loss account on derecognition of these securities. Expected credit losses are not recognised for equity instruments designated at FVOCI.

Unquoted equity securities are required to be measured at Fair Value under IFRS 9, however, SBP has allowed relaxation to the banks till one year to carry these investments under the current PR regime.

Sukuks and Islamic financing and related assets

Sukuks currently classified as AFS and those passes SPPI test, are expected to be measured at Fair Value through OCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Sukuks currently classified as HTM and those passes SPPI test are expected to be measured at amortized costs under IFRS 9 as the business model is to hold the assets to collect contractual cash flows.

Impairment of financial assets not held at FVTPL

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain Islamic financing commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for Expected Credit Losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of Significant Increase in Credit Default (SICR), Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (ED). These elements are described below:

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

For calculating ECL, the Bank shall classify its financial assets under three following categories:

- a) Stage 1: Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Bank shall recognize an allowance based on the 12-month ECL.
- b) Stage 2: Under-Performing Assets: Financial assets where there has been a SICR since initial recognition, but they are not credit impaired, the Bank shall recognize an allowance for the lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.
- c) Stage 3: Non-Performing Assets: Financial assets which have objective evidence of impairment at the reporting date. The Bank shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential Regulations.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply. An exposure cannot be upgraded from Stage 3 to 1 directly and should be upgraded to Stage 2 initially.

Significant increase in credit risk (SICR)

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

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Bank's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

The State Bank of Pakistan is yet to issue a revised format for financial statements of the banks for the accounting periods starting from January 1, 2023, which shall include the presentation and disclosures of adoption of IFRS 9 as applicable in Pakistan.

Impact of adoption of IFRS 9

The Bank will adopt IFRS 9 in its entirety effective January 1, 2023 with modified retrospective approach for restatement. As permitted by IFRS-9, the Bank will not be restating comparatives on initial application. The cumulative impact of initial application will be recorded as an adjustment to equity at the beginning of the accounting period.

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

Impact on Equity of the Bank

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at January 1, 2023 is increase in equity of approximately Rs.27.916 million, representing corresponding impact of:

- An decrease of approximately Rs.27.916 million net of tax related to impairment requirements.

The Bank continues to refine its expected credit loss model and embed its operational processes which may change the actual impact on adoption.

Impact on regulatory capital

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

The introduction of IFRS 9 will result in reduction in regulatory capital of the Banks, which is likely to reduce their lending capacity and ability to support their clients. In order to mitigate the impact of Expected Credit Loss (ECL) models on capital, SBP has determined that it may be appropriate for the Financial Institutions to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP have detailed the transitional arrangement.

The impact of adoption of IFRS 9 on the capital ratios of the Bank are as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	19.42%	19.39%
Tier 1 Capital Adequacy Ratio	19.42%	19.39%
Total Capital Adequacy Ratio	19.93%	20.41%
CET1 available to meet buffers (as a percentage of risk weighted assets)	11.92%	11.89%

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. In addition, obligations in respect of lease liabilities are carried at present value and right-of-use assets which are initially measured at an amount equal to the corresponding lease liability and depreciated over the respective lease terms.

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 Pakistani Rupees, which is the Bank's functional and presentation currency.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of 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 5.6.2.

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.

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

5.2 Business acquisition

Business acquisition from Group companies are recognized at carrying values.

5.3 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.

5.4 Funds due to / from financial institutions**Bai Mu'ajjal**

In Bai Mu'ajjal, the Bank sells sukuk on deferred basis to other financial institutions. The deferred price is agreed at the time of sale and such proceeds are received at the end of the deferral period. Bai Muajjal with the Federal Government is classified as investment.

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 from the SBP under Islamic Export Refinance Scheme (IERS)

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

Mudaraba investment from the SBP under various long term Islamic refinance schemes

Under various long term Islamic refinance schemes of the SBP, the Bank accepts funds from the SBP which are received on Mudaraba basis for investment in general pool of the Bank. The profit of the pool is shared as per the announced profit sharing ratio of the pool and the weightages assigned to these investments.

5.5 Investments

The Bank classifies its investments (recognition and subsequent measurement) 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 recent 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.

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.

5.5.1 Regular way contracts

All purchases and sales of investments that require delivery within the timeframe 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.

5.5.2 Initial recognition and measurement

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

5.5.3 Subsequent measurement

a) Held for trading

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

b) Available for sale

In accordance with the requirements specified by the SBP, quoted securities (other than those classified as 'held to maturity'), are subsequently re-measured to market value. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in other unquoted securities are valued at cost less impairment losses, if any.

Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the Statement of Other Comprehensive Income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period.

c) Held to maturity

These are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amount.

5.5.4 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. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account till the time the investments are sold or disposed off.

5.6 Islamic financing and related assets

- 5.6.1** 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 Musharaka period.

5.6.2 Provision

Specific provision

The Bank determines provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP.

General provision

In accordance with Prudential Regulations issued by the SBP, general provision against consumer financing and house financing are maintained at varying percentages based on the non-performing loan ratio present in the portfolio.

In addition to the above mentioned requirements, the Bank has also maintained a general provision in respect of financing against potential losses as may be present in the portfolio. This provision is based on management's best estimate and is approved by the Board of Directors of the Bank.

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

5.7 Fixed and Intangible assets

5.7.1 Fixed assets

5.7.1.1 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.

5.7.1.2 Property and equipment

Property and equipment, other than land 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.

5.7.2 Intangible assets

5.7.2.1 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.

5.7.2.2 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.

5.7.3 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.

5.8 IFRS 16 - Lease liability and right-of-use assets

The liability in respect of Ijarah (leases) of Musta'jir (lessee) are initially measured at the present value of the remaining Ijarah payments, discounted using the Bank'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 right-of-use assets are presented within note 11 and are subject to impairment in line with the Bank's policy as described in note 5.7.3.

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 Ijarah 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.

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

Profits realized in investment pools are distributed in pre-agreed profit sharing ratio between Rab-ul-Maal and Mudarib. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 60% of their profit as Incentive profits (Hiba).

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.

5.10 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 (Rab-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 SBP 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 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. During the year, the Bank has given Hiba to the depositors of General Pool, keeping in view the prescribed guidelines of Pool Management provided by the SBP and with the approval of the Bank's Shariah Board. However, Hiba are given at the sole discretion of the Bank without any contractual commitment and can be withdrawn or reduced by the Bank at its sole discretion.

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.

5.11 Taxation

Current and prior year

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 and are disclosed separately.

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 assets are reviewed at each reporting date and are 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'.

In making the estimates for current and deferred taxes, the management considers the income tax law and the decisions of appellate authorities on certain issues in the past.

5.12 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.

5.13 Acceptances, guarantees and letters of credit

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.

The Bank issues guarantees and letters of credit. These are disclosed in the statement of financial position as part of contingencies and commitments.

5.14 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.

5.15 Foreign currencies

5.15.1 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.

5.15.2 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.

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

5.16 Revenue recognition

- Profit on investments in Sukuks is recognised on accrual basis. Where Sukuks (excluding those classified as held for trading) are purchased at a premium or discount, such premiums / discounts are amortised through the profit or loss account using the effective yield method.
- Profit from Musharaka placements with financial institutions is recognised on accrual 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 Musharaka partners.
- Profit on Istisna financing is recognised on accrual basis.
- Profit on Salam financing is recognised on accrual basis.
- The Bank earns fee and commission income from certain non-funded banking services. The related fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has fully provided the service to the customer. Where the contract requires services to be provided over time, the income is recognised on a systematic basis over the life of the related service. Unearned fees and commissions are included under Other liabilities

- 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.
- Gain or loss on disposal of fixed assets, intangible assets, ijarah assets and musharaka assets is taken to the profit and loss account in the period in which they arise.
- Profit suspended in compliance with the Prudential Regulations issued by the SBP is recognized on receipt basis. Profit on rescheduled / restructured financing and investments is recognised as permitted by the SBP.

5.17 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.

5.18 Financial instruments

5.18.1 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 financing 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.

5.18.2 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.

5.19 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.

5.20 Earnings 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.

5.21 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:

5.21.1 Business segments

- Retail

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

- Corporate

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

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

- Micro finance

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.

- Head office

It includes functions which cannot be classified in any of the above segments.

5.21.2 Geographical segments

The Bank operates only in Pakistan.

	Note	2022	2021
		Rupees in thousands	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		3,698,486	2,686,329
- foreign currencies		644,364	421,080
		4,342,850	3,107,409
With the State Bank of Pakistan (SBP) in			
- local currency current account	6.1	8,762,753	7,045,642
- foreign currency current accounts			
cash reserve account	6.2	297,530	258,416
special cash reserve account	6.3	334,438	296,013
USD clearing account		103,577	67,511
		735,545	621,940
With National Bank of Pakistan in			
- local currency current accounts		64,400	494,941
Prize bonds	6.4	690	39,353
		13,906,238	11,309,285

- 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.
- 6.4** These represent the national prize bonds received from customers for onward surrendering to SBP. The Bank, as a matter of Shari'ah principle, does not deal in prize bonds.

	Note	2022	2021
		Rupees in thousands	
7 BALANCES WITH OTHER BANKS			
In Pakistan			
- deposit account	7.1	2,107	66,742
Outside Pakistan			
- current account		1,236,213	3,629,331
		1,238,320	3,696,073

- 7.1** This represents saving accounts carrying profit at expected rates ranging from 3.60% to 12.00% per annum (2021: 2.35% to 6.00% per annum).

	Note	2022	2021
		Rupees in thousands	
8 DUE FROM FINANCIAL INSTITUTIONS			
Unsecured			
Musharaka arrangements	8.1	6,170,000	1,650,000
		6,170,000	1,650,000

- 8.1** This represents Musharaka placements with various financial institutions carrying average profit rate of 16.05% per annum (2021: 10.35% per annum) and having maturity till January 04, 2023.

	2022	2021
	Rupees in thousands	
8.2 Particulars of due from financial institutions		
- Local currency	6,170,000	1,650,000
- Foreign currencies	-	-
	6,170,000	1,650,000

9 INVESTMENTS

9.1 Investments by type:

2022				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands				
Available-for-sale securities				
Federal Government securities	54,789,150	-	(142,464)	54,646,686
Shares	57,352	-	2,239	59,591
Non Government securities	770,000	-	-	770,000
	55,616,502	-	(140,225)	55,476,277
Held-to-maturity securities				
Federal Government securities	17,192,380	-	-	17,192,380
	17,192,380	-	-	17,192,380
Total Investments	72,808,882	-	(140,225)	72,668,657

2021				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands				
Available-for-sale securities				
Federal Government securities	30,637,273	-	(105,708)	30,531,565
Shares	639,792	262,194	(171)	377,427
Non Government securities	899,000	-	11,933	910,933
	32,176,065	262,194	(93,946)	31,819,925
Held-to-maturity securities				
Federal Government securities	1,540,891	-	-	1,540,891
Non Government securities	115,000	-	-	115,000
	1,655,891	-	-	1,655,891
Total Investments	33,831,956	262,194	(93,946)	33,475,816

9.2 Investments by segments:

2022				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands				
Federal Government securities				
Government of Pakistan (GOP) Ijarah Sukuks	71,981,530	-	(142,464)	71,839,066
Shares				
Listed companies	57,352	-	2,239	59,591
Non Government securities				
Unlisted	770,000	-	-	770,000
Total Investments	72,808,882	-	(140,225)	72,668,657

	2021			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands				
Federal Government securities				
Government of Pakistan (GOP) Ijarah Sukuks	30,637,273	-	(105,708)	30,531,565
Bai Mu'ajjal	1,540,891	-	-	1,540,891
Shares				
Listed companies	639,792	262,194	(171)	377,427
Non Government securities				
Listed	115,000	-	-	115,000
Unlisted	899,000	-	11,933	910,933
Total Investments	33,831,956	262,194	(93,946)	33,475,816

9.2.1 There were no investment given as collateral as at December 31, 2022 (2021: NIL).

9.3 Provision for diminution in value of investments

	2022	2021
Rupees in thousands		
On Available for sale securities		
Opening balance	262,194	1,039,436
Charge for the year	-	50,072
Reversal on disposals	(262,194)	(827,314)
Closing balance	-	262,194

9.4 Quality of Available-for-sale securities

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

	2022	2021
Cost		
Rupees in thousands		
Federal Government Securities - Government guaranteed		
Government of Pakistan (GOP) Ijarah Sukuks	54,789,150	30,637,273
	54,789,150	30,637,273
Shares		
Listed		
Automobile Assembler	-	56,657
Cable & Electric Goods	-	36,594
Fertilizer	57,352	156,134
Oil & Gas Marketing Companies	-	202,852
Power Generation & Distribution	-	70,850
Oil & Gas Exploration Companies	-	116,705
	57,352	639,792
Non Government Securities		
Unlisted		
- (2021: AA-)	-	129,000
AA+ (2021: AAA)	670,000	670,000
A (2021: A)	100,000	100,000
	770,000	899,000
	55,616,502	32,176,065

	Note	2022	2021
		Rupees in thousands	
			Cost
9.5 Particulars relating to Held-to-Maturity securities are as follows:			
Federal Government Securities - Government guaranteed			
Bai Mu'ajjal	9.5.1	17,192,380	1,540,891
Government of Pakistan (GOP) Ijarah Sukuks			-
Non Government Securities			
Listed			
- (2021: AA+)	9.5.2	17,192,380	115,000
			1,655,891
Bai Muajjal receivable		-	2,162,250
Less: Deferred Income		-	621,359
Bai Muajjal at cost		-	1,540,891
9.5.1			
9.5.2			
The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs.17,113 million (December 31, 2021: Rs. 116,036 million).			
10 ISLAMIC FINANCING AND RELATED ASSETS - NET			
	Note	Performing	Non performing
		2022	2021
		Rupees in thousands	
		2022	2021
		Total	
		2022	2021
Murabaha	10.1	10,019,296	13,668,585
Musawamah		-	-
Itisna	10.2	3,669,842	4,764,233
Salam		-	19,927
Ijarah	10.3	1,764,790	2,094,689
Running Musharaka	10.4	44,824,547	47,811,823
Diminishing Musharaka	10.5	27,436,009	26,123,577
Staff finance	10.6	1,493,537	1,310,558
Islamic financing and related assets - gross		89,208,021	95,793,392
Less: Provision against non-performing		-	-
Islamic financing and related assets		-	-
- Specific		-	-
- General	10.9	(409,909)	(61,882)
Islamic financing and related assets		(409,909)	(61,882)
- net of provisions		88,798,112	95,731,510
		2022	2021
		Rupees in thousands	
		2022	2021
10.1 Murabaha			
- Murabaha financing	10.1.1	5,847,916	7,612,792
- Murabaha inventory		3,970,854	5,392,634
- Advances against Murabaha financing		131,357	654,078
- Murabaha financing under Islamic export refinance scheme (IERS)	10.1.5	-	-
- Advances against Murabaha financing under IERS		70,000	-
- Murabaha inventory under SBP's Islamic Refinance Scheme for Payment of Wages and Salaries (RSPWS)		452	14,685
		10,020,579	13,674,189
10.1.1			
Murabaha receivable - gross	10.1.2	6,311,946	8,031,953
Less: Deferred Murabaha income	10.1.4	464,030	419,161
Murabaha financing		5,847,916	7,612,792

	Note	2022	2021
Rupees in thousands			
10.1.2	Movement in Murabaha receivable during the year:		
Opening balance		8,031,953	5,232,085
Sales during the year		34,088,826	33,340,738
Adjusted during the year		(35,808,833)	(30,540,870)
Closing balance		6,311,946	8,031,953
10.1.3	Murabaha sale price during the year	34,088,826	33,340,738
	Murabaha purchase price during the year	(32,159,349)	(32,207,026)
		1,929,477	1,133,712
10.1.4	Deferred Murabaha income		
Opening balance		419,161	233,823
Arising during the year		1,929,477	1,133,712
Recognised during the year		(1,884,608)	(948,374)
Closing balance		464,030	419,161
10.1.5	Movement in Murabaha receivable under IERS during the year:		
Opening balance		-	5,074
Adjusted during the year		-	(5,074)
Closing balance		-	-
10.1.6	Deferred Murabaha income under IERS		
Opening balance		-	74
Recognised during the year		-	(74)
Closing balance		-	-
10.2	Istisna		
- Istisna financing		586,545	1,139,556
- Istisna inventory		211,744	534,487
- Advances against Istisna financing		2,616,591	2,579,121
- Istisna financing under IERS		27,790	56,572
- Advances against Istisna financing under IERS		227,172	416,997
- Advances against Istisna financing under SBP's IRSPWS		-	37,500
		3,669,842	4,764,233
10.3	Ijarah financing and related assets		
- Net book value of assets in Ijarah under IFAS 2	10.3.1	1,617,992	2,025,690
- Advances against Ijarah		148,474	70,962
		1,766,466	2,096,652

10.3.1 Net book value of assets in Ijarah under IFAS 2

	2022						Book value as at December 31, 2022
	Cost			Depreciation			
	As at January 1, 2022	Additions / (disposal)	As at December 31, 2022	As at January 1, 2022	Charge / (disposal)	As at December 31, 2022	
	Rupees in thousands						
Vehicles	2,762,865	578,087	2,384,318	1,297,960	425,664	1,046,443	1,337,875
		(956,634)			(677,181)		
Equipment and Plant and Machinery	1,104,004	-	768,781	543,219	245,346	488,664	280,117
		(335,223)			(299,901)		
Total	3,866,869	578,087	3,153,099	1,841,179	671,010	1,535,107	1,617,992
		(1,291,857)			(977,082)		

	2021						Book value as at December 31, 2021
	Cost			Depreciation			
	As at January 1, 2021	Additions / (disposal)	As at December 31, 2021	As at January 1, 2021	Charge / (disposal)	As at December 31, 2021	
Rupees in thousands							
Vehicles	2,970,391	298,387 (505,913)	2,762,865	1,051,097	499,139 (252,276)	1,297,960	1,464,905
Equipment and Plant and Machinery	1,186,171	63,376 (145,543)	1,104,004	322,025	312,050 (90,856)	543,219	560,785
	4,156,562	361,763 (651,456)	3,866,869	1,373,122	811,189 (343,132)	1,841,179	2,025,690

10.3.2 Future Ijarah payments receivable

	2022			
	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	700,190	673,453	-	1,373,643

	2021			
	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	930,364	969,762	-	1,900,126

		2022	2021
		Rupees in thousands	
10.4 Running Musharaka			
- Running Musharaka financing		41,381,547	45,098,823
- Running Musharaka financing under IERS		3,443,000	2,713,000
		44,824,547	47,811,823
10.5 Diminishing Musharaka			
- Diminishing Musharaka financing		26,430,619	21,721,143
- Advances against Diminishing Musharaka financing		735,542	1,770,095
- Diminishing Musharaka financing under SBP's IRSPWS		155,638	935,708
- Advances against Diminishing Musharaka under SBP's ILTF		865,702	402,292
- Advances against Diminishing Musharaka under SBP's ITERF		924,340	1,988,542
		29,111,841	26,817,780
10.6 Staff finance			
- Staff vehicle finance under Diminishing Musharaka		398,393	296,527
- Staff housing finance under Diminishing Musharaka		1,095,144	1,014,031
		1,493,537	1,310,558
10.7 Particulars of Islamic financing and related assets - gross			
In local currency		90,886,812	95,635,585
In foreign currency		-	859,577
		90,886,812	96,495,162

- 10.8 Islamic financing and related assets include Rs. 1,678.791 million (2021: Rs. 701.770 million) which have been placed under non-performing status as detailed below:

Category of Classification	2022		2021	
	Non-performing Islamic financing and related assets	Provision	Non-performing Islamic financing and related assets	Provision
Rupees in thousands				
Domestic				
Other Assets Especially Mentioned	31	-	592	-
Substandard	1,214,219	144,767	14,960	2,720
Doubtful	6,261	3,130	632,043	110,152
Loss	458,280	27,297	54,175	11,846
	1,678,791	175,194	701,770	124,718

- 10.9 Particulars of provision against Islamic financing and related assets

	2022			2021		
	Specific	General	Total	Specific	General	Total
Rupees in thousands						
Opening balance	124,718	61,882	186,600	25,395	40,847	66,242
Charge for the year	160,418	348,118	508,536	116,278	51,035	167,313
Reversals	(105,102)	(91)	(105,193)	(7,192)	(30,000)	(37,192)
	55,316	348,027	403,343	109,086	21,035	130,121
Amounts written off	(4,840)	-	(4,840)	(9,763)	-	(9,763)
Closing balance	175,194	409,909	585,103	124,718	61,882	186,600

- 10.10 State Bank of Pakistan vide BSD Circular No. 02 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No. 01 of 2011 dated October 21, 2011 has allowed benefit of Forced Sale Value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for five years from the date of classification. 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. 555.936 million (December 31, 2021: Rs. 249.750 million). The additional benefit on the Bank's profit and loss account arising from availing the FSV benefit - net of tax amounts to Rs. 283.527 million (December 31, 2021: Rs. 152.378 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.
- 10.11 The Bank has maintained general provision at an amount equal to 1% of the fully secured performing portfolio of consumer auto finance 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.
- 10.12 In addition, the Bank has also maintained an unencumbered general provision of Rs. 326.5 million (December 31, 2021: Nil) against financing made in accordance with the prevailing circumstances as mentioned in Note 42.1. This general provision is in addition to the requirements of Prudential Regulations.

10.13 Particulars of provision against Islamic financing and related assets

	2022			2021		
	Specific	General	Total	Specific	General	Total
	Rupees in thousands					
In local currency	175,194	409,909	585,103	124,718	61,882	186,600
In foreign currency	-	-	-	-	-	-
	175,194	409,909	585,103	124,718	61,882	186,600

10.14 PARTICULARS OF WRITE OFFS:

	Note	2022	2021
		Rupees in thousands	
Against provisions	10.9	4,840	9,763
Directly charged to Profit and Loss account		-	-
		4,840	9,763
10.15 Write Offs of Rs. 500,000 and above			
- Domestic		-	-
- Overseas		-	-
Write Offs of below Rs. 500,000		4,840	9,763
		4,840	9,763

11 FIXED ASSETS

Capital work-in-progress	11.1	252,146	90,809
Property and equipment	11.2	2,735,815	2,711,074
Right-of-use assets	11.3	1,948,879	2,130,239
		4,936,840	4,932,122

11.1 Capital work-in-progress

Civil works		124,303	52,604
Advance to suppliers and contractors		68,149	24,947
Electrical and computer equipment		59,694	13,258
		252,146	90,809

11.2 Property and equipment

2022							
	Freehold land	Building on freehold land	Lease hold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
Rupees in thousands							
At January 01, 2022							
Cost / revalued amount	833,419	504,507	718,656	196,868	1,741,595	104,928	4,099,973
Accumulated depreciation	-	(23,269)	(367,243)	(74,768)	(868,026)	(55,593)	(1,388,899)
Net book value	833,419	481,238	351,413	122,100	873,569	49,335	2,711,074
Year ended December 2022							
Opening Net Book Value	833,419	481,238	351,413	122,100	873,569	49,335	2,711,074
Additions	-	8,244	109,080	28,676	156,376	31,550	333,926
Movement in surplus on assets revalued during the year							
Cost	169,789	59,655	-	-	-	-	229,444
Accumulated depreciation	-	31,315	-	-	-	-	31,315
Disposals	(135,000)	(41,355)	-	(2)	(422)	(2,487)	(179,266)
Depreciation charge	-	(11,198)	(124,455)	(21,807)	(219,540)	(13,678)	(390,678)
Closing Net book value	868,208	527,899	336,038	128,967	809,983	64,720	2,735,815
At December 31, 2022							
Cost / revalued amount	868,208	528,436	827,736	225,443	1,891,452	125,818	4,467,093
Accumulated depreciation	-	(538)	(491,698)	(96,476)	(1,081,468)	(61,098)	(1,731,278)
Net book value	868,208	527,898	336,038	128,967	809,984	64,720	2,735,815
Rate of depreciation (%)		2 to 3	20	10	10 to 25	20	
2021							
	Freehold land	Building on freehold land	Lease hold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
Rupees in thousands							
At January 01, 2021							
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
Year ended December 2021							
Opening Net book value	828,000	491,595	273,804	116,538	923,312	52,121	2,685,370
Additions	5,419	1,174	193,407	25,661	179,683	10,189	415,533
Disposals	-	-	-	(108)	(295)	-	(403)
Depreciation charge	-	(11,531)	(115,798)	(19,991)	(229,131)	(12,975)	(389,426)
Closing net book value	833,419	481,238	351,413	122,100	873,569	49,335	2,711,074
At December 31, 2021							
Cost / revalued amount	833,419	504,507	718,656	196,868	1,741,595	104,928	4,099,973
Accumulated depreciation	-	(23,269)	(367,243)	(74,768)	(868,026)	(55,593)	(1,388,899)
Net book value	833,419	481,238	351,413	122,100	873,569	49,335	2,711,074
Rate of depreciation (%)		2 to 3	20	10	10 to 25	20	

- 11.2.1 The land and buildings of the Bank were revalued in December 31, 2022 by independent valuer (Medallion Services Private Limited) on the basis of market value. Surplus against revaluation of fixed assets net off deferred tax as at December 31, 2022 amounts to Rs. 480.758 million (2021: Rs. 305.671 million).

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

	2022	2021
	Rupees in thousands	
Land	501,293	601,294
Building on freehold land	328,175	407,692

- 11.2.2 The gross carrying amount (cost) of fully depreciated assets that are in use as at reporting dates are as follows:

	2022	2021
	Rupees in thousands	
Lease hold Improvements	220,564	92,635
Electrical, office and computer equipment	281,918	193,873
Furniture and fixtures	11,094	8,808
Vehicles	25,867	17,591

- 11.2.3 Carrying amount of temporarily idle property of the Bank is Rs. 38.400 million (2021: Rs. 38.400 million).

- 11.2.4 The information relating to disposal of fixed assets to related parties are as follows:

Description	Cost/ revalued amount	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal	Particulars of buyers
Rupees in thousands						
Land & Building	178,969	2,614	176,355	200,000	As per Bank's policy	MCB Bank Limited
Vehicle	2,220	1,421	799	2,092	As per Bank's policy	Adamjee Insurance
Vehicle	8,442	6,753	1,688	1,688	As per Bank's policy	Azfar Alam Nomani
Signage	280	184	96	442	As per Bank's policy	Adamjee Insurance
Laptop	171	85	85	89	As per Bank's policy	Azfar Alam Nomani
Laptop	259	210	49	59	As per Bank's policy	Syed Salman Ali
Laptop	99	76	23	25	As per Bank's policy	Adamjee Insurance
Laptop	159	159	-	24	As per Bank's policy	Kashif Ahmad
Laptop	109	109	-	11	As per Bank's policy	Syed Salman Qutb
Laptop	112	112	-	11	As per Bank's policy	Muhammad Tariq Gondal
Laptop	98	98	-	2	As per Bank's policy	Adamjee Insurance
Mobile Phone	45	45	-	5	As per Bank's policy	Muhammad Saeed Raja
Mobile Phone	-	-	-	5	As per Bank's policy	Kashif Ahmad
Mobile Phone	120	25	95	95	As per Bank's policy	Azfar Alam Nomani
Electrical Equipment	162	162	-	2	As per Bank's policy	Adamjee Insurance
Furniture and Fixtures	3	3	-	2	As per Bank's policy	Adamjee Insurance
Furniture and Fixtures	46	46	-	2	As per Bank's policy	Adamjee Insurance
Television	47	47	-	2	As per Bank's policy	Adamjee Insurance
Telecom	25	25	-	2	As per Bank's policy	Adamjee Insurance
Furniture and Fixtures	39	39	-	2	As per Bank's policy	Adamjee Insurance
	191,405	12,213	179,190	204,560		

- 11.3 Ijarah of Musta'jir meeting the criteria prescribed by IFRS 16 "Leases" are presented as on-balance sheet item related to buildings and offices of the Bank. Movement in right-of-use assets is as follows:

	Note	2022	2021
Rupees in thousands			
Balance as January 01, 2022		2,130,239	2,775,216
Additions / other adjustments during the year		311,865	294,612
Disposed off during the year		(19,004)	(465,565)
Depreciation charge for the year		(474,221)	(474,024)
Balance as at December 31, 2022		1,948,879	2,130,239
Useful Life		5 - 10 years	5 - 10 years
12 INTANGIBLE ASSETS			
Advance against purchase of software		54,327	39,226
Computer software	12.1	522,427	540,541
		576,754	579,767
12.1 Computer software			
At January 01			
Cost		1,090,449	994,908
Accumulated amortisation		(549,908)	(396,168)
Net book value		540,541	598,740
Year ended December 2022			
Opening net book value		540,541	598,740
Additions:			
- directly purchased		157,442	95,541
Amortisation charge	29	(175,556)	(153,740)
Closing net book value		522,427	540,541
At December 31			
Cost		1,247,890	1,090,449
Accumulated amortisation		(725,463)	(549,908)
Net book value	12.1.1	522,427	540,541
Rate of amortisation		14.29% -33.33%	14.29% -33.33%
Useful life		3 -7 Years	3 -7 Years

- 12.1.1 This includes core banking system of the Bank at carrying value of Rs. 93.134 million (2021: Rs. 135.452 million) and having remaining useful life of 2 years (2021: 3 years).

- 12.1.2 The gross carrying amount (cost) of fully amortized intangible assets that are still in use as at December 31, 2022 is Rs. 95.326 million (2021: Rs.2.292 million).

13 DEFERRED TAX ASSETS / (LIABILITIES) - NET

2022				
	At Jan 01, 2022	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2022
Rupees in thousands				
Deductible temporary difference				
Tax losses carried forward	594,182	(594,182)	-	-
Minimum tax	480,565	(480,565)	-	-
Provision against Islamic financing and related assets	41,821	21,645	-	63,466
Deficit on revaluation of investments	123,417	-	(63,120)	60,297
Workers welfare fund	8,675	33,270	-	41,945
	1,248,660	(1,019,832)	(63,120)	165,708
Taxable temporary difference				
Surplus on revaluation of fixed assets	(47,021)	5,080	(43,940)	(85,881)
Surplus on revaluation of investments	(86,778)	-	86,778	-
Accelerated tax depreciation	(107,903)	40,603	-	(67,300)
	(241,702)	45,683	42,838	(153,181)
	1,006,958	(974,149)	(20,282)	12,527

2021				
	At Jan 01, 2021	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2021
Rupees in thousands				
Deductible temporary difference				
Tax losses carried forward	771,019	(176,837)	-	594,182
Minimum tax	362,309	118,256	-	480,565
Provision against Islamic financing and related assets	4,326	37,495	-	41,821
Deficit on revaluation of investments - net	-	-	123,417	123,417
Workers welfare fund	4,238	4,437	-	8,675
	1,141,892	(16,649)	123,417	1,248,660
Taxable temporary difference				
Surplus on revaluation of fixed assets	(43,095)	1,257	(5,183)	(47,021)
Surplus on revaluation of investments	(86,778)	-	-	(86,778)
Accelerated tax depreciation	(137,141)	29,238	-	(107,903)
	(267,014)	30,495	(5,183)	(241,702)
	874,878	13,846	118,234	1,006,958

14 OTHER ASSETS

	Note	2022	2021
Rupees in thousands			
Profit / return accrued in local currency		5,058,105	2,662,439
Advances, deposits, advance rent and other prepayments		434,951	278,707
Branch adjustment account		13,099	-
Receivable against ATM transactions		315,624	758,903
Receivable under home remittances		17,817	12,274
Mark to market gain on forward foreign exchange contracts		103,643	16,543
Acceptances	19	3,091,576	4,488,672
Others		193,713	91,272
		9,228,528	8,308,810

15 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2022 (2021: Nil).

	Note	2022	2021
		Rupees in thousands	
16	BILLS PAYABLE		
In Pakistan		3,737,482	1,896,801
Outside Pakistan		-	-
		3,737,482	1,896,801
17	DUE TO FINANCIAL INSTITUTIONS		
In Pakistan		14,670,759	16,427,874
Outside Pakistan		-	45,032
		14,670,759	16,472,906
17.1	Particulars of due to financial institutions with respect to currencies		
In local currency		14,670,759	16,427,874
In foreign currencies		-	45,032
		14,670,759	16,472,906
17.2	Details of due to financial institutions - Secured / unsecured		
Secured			
With the State Bank of Pakistan			
Musharaka under Islamic Export Refinance Scheme (IERS)	17.2.1	3,717,962	3,027,572
Investment under Islamic Long Term Financing Facility (ILTFF)	17.2.2	1,979,296	1,045,099
Investment under Islamic Temporary Economic Refinance Facility (ITERF) for Plant and Machinery	17.2.3	4,479,240	3,892,419
Investment under Islamic Refinance Scheme for Payment of Wages and Salaries (IRSPWS)	17.2.4	123,251	976,304
Investment under Islamic Refinance Facility for Combating COVID-19 (IRFCC)		18,345	24,460
Investment under Islamic Financing Facility for Renewable Energy (IFRE)	17.2.5	391,519	93,138
Unsecured			
Musharaka arrangements with financial institutions	17.2.6	3,657,500	7,100,000
Musharaka arrangements with other institution	17.2.7	303,646	268,882
Overdrawn nostro accounts	34	-	45,032
		14,670,759	16,472,906

- 17.2.1** These Musharaka arrangements are on a profit and loss sharing basis maturing between March 01, 2023 to June 28, 2023 (2021: February 09, 2022 to June 29, 2022) and are secured against demand promissory notes executed in favour of the SBP. A limit of Rs. 3,884 million (2021: Rs. 3,884 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme.
- 17.2.2** These arrangements are on a profit and loss sharing basis maturing between June 09, 2030 to September 05, 2032 (2021: June 09, 2030 to December 08, 2031).
- 17.2.3** These arrangements are on a profit and loss sharing basis maturing between May 25, 2031 to July 20, 2032 (2021: August 11, 2024 to December 21, 2031).
- 17.2.4** These arrangements are on a profit and loss sharing basis maturing between January 01, 2023 to April 12, 2023 (2021: January 29, 2022 to April 12, 2023).
- 17.2.5** These arrangements are on a profit and loss sharing basis maturing between April 21, 2023 to June 15, 2032 (2021: June 29, 2022 to August 03, 2026).
- 17.2.6** This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 9.25% to 16.35% per annum (2021: 9.80% to 10.45% per annum) and having maturity till January 27, 2023.
- 17.2.7** These Musharakah are on profit and loss sharing basis. Under the arrangement, a limit of Rs. 500 million ((2021: Rs. 500 million) has been allocated to the Bank by the Karandaaz.

18 DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in thousands						
Customers						
Current deposits	39,828,755	2,786,057	42,614,812	34,666,966	2,729,931	37,396,897
Savings deposits	52,776,141	1,684,992	54,461,133	46,014,828	1,978,082	47,992,910
Term deposits	38,119,209	674,520	38,793,729	28,774,330	-	28,774,330
Others	7,377,399	-	7,377,399	4,877,521	-	4,877,521
	138,101,504	5,145,569	143,247,073	114,333,645	4,708,013	119,041,658
Financial Institutions						
Current deposits	56,731	163	56,894	260,021	127	260,148
Savings deposits	7,095,493	-	7,095,493	919,672	-	919,672
Term deposits	3,602,000	-	3,602,000	2,526,300	-	2,526,300
	10,754,224	163	10,754,387	3,705,993	127	3,706,120
	148,855,728	5,145,732	154,001,460	118,039,638	4,708,140	122,747,778

	2022	2021
	Rupees in thousands	
18.1	Composition of deposits	
Individuals	55,191,051	45,892,319
Government (Federal and Provincial)	15,105,597	6,488,298
Public Sector Entities	5,273,017	8,759,121
Banking Companies	524	50,521
Non-Banking Financial Institutions	10,753,863	3,655,598
Private Sector	67,677,408	57,901,921
	154,001,460	122,747,778

18.2 This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 86,858.547 million (2021: Rs. 71,670.390 million).

	Note	2022	2021
		Rupees in thousands	
19	OTHER LIABILITIES		
Profit / return payable in local currency	19.1	2,109,258	814,469
Profit / return payable in foreign currencies		1,948	1,864
Accrued expenses		741,479	323,648
Current taxation (provision less payments)		525,598	8,336
Unearned income		85,967	54,705
Acceptances	14	3,091,576	4,488,672
Branch adjustment account		-	160,072
Advance receipt against Islamic financing and related assets		22,926	22,578
Charity fund balance	19.2	12,119	8,823
Security deposits against Ijarah financing		748,306	706,910
Withholding tax, Federal excise duty and other payable		42,762	23,240
Mark to market loss on forward foreign exchange contracts		33,301	8,684
Lease liability against right-of-use asset	19.3	2,488,775	2,580,026
Others		378,975	343,326
		10,282,990	9,545,353

19.1 It includes Rs. 102.952 million (2021: Rs. 14.519 million) in respect of profit / return accrued on Musharaka with SBP under Islamic Export Refinance Scheme and Rs 41.951 million (2021: Rs 17.672 million) in respect of return accrued on acceptances from the SBP under various Islamic Refinance Schemes.

	Note	2022	2021
Rupees in thousands			
19.2	Reconciliation of charity fund balance		
Opening balance		8,823	46,615
Additions during the year			
- Received from customers against late payment		20,120	7,316
- Dividend purification amount		351	1,093
- Charity against other Non-Shariah compliant income		-	265
- Profit on charity saving account		325	673
		20,796	9,347
Charity paid during the year	19.2.1	(17,500)	(25,500)
Charity reversed during the year	19.2.3	-	(21,639)
Closing balance		12,119	8,823

	2022	2021
	Rupees in thousands	
19.2.1 Charity was paid to the following institutions:		
The Patients' Bahbood Society for Aga Khan University Hospital	-	1,000
Al-Khidmat Foundation Pakistan	-	2,000
Arthritis Care Centre	-	1,000
Aziz Jehan Begum Trust for the Blind	1,500	1,000
Family Welfare Society	1,000	1,000
Indus Hospital	3,000	2,000
Infaq Memorial Trust	-	1,000
Mind Organization	500	500
Saleem Memorial Trust Hospital	3,000	3,500
Saylani Welfare Trust	2,500	2,000
Shaukat Khanam Memorial Cancer Hospital and Research Centre	-	1,000
Sindh Institute of Urology & Transplantation	-	2,000
The Citizens Foundation	-	1,000
The Lahore Hospital Welfare Society	500	500
Akhuwat Foundation	3,000	-
Prime Minister's Flood Relief Fund	1,000	-
The Hunar Foundation	-	2,000
Alamgir Welfare Trust International	-	2,000
Institute of Business Administration (Center of Excellence in Islamic Finance)	-	2,000
Pakistan Society for the Rehabilitation of the Disabled	500	-
Baluchistan's Flood Relief and Rehabilitation Fund	1,000	-
	17,500	25,500

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.

19.2.3 In 2021, the Bank's customers with respect to Islamic financing requested to reverse the charity on account of bad economic condition due to COVID-19 pandemic. The Shariah Board of the Bank after detailed evaluation approved the reversal of charity, benefit of which was given to the aforementioned customers.

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

	2022	2021
	Rupees in thousands	
Balance as January 01,	2,580,026	3,143,507
Addition during the year	311,866	228,001
Disposed off during the year	(22,837)	(558,909)
Unwinding of lease liability against right-of-use assets	299,859	343,047
Payment of lease liability against right-of-use asset	(680,139)	(641,300)
Other adjustments (if any)	-	65,680
Balance as at December 31,	2,488,775	2,580,026

20 SHARE CAPITAL

20.1 Authorised capital

2022	2021		2022	2021
Number of shares			Rupees in thousands	
2,000,000,000	1,500,000,000	Ordinary shares of Rs. 10/- each	20,000,000	15,000,000

20.2 Issued, subscribed and paid up capital

2022	2021		2022	2021
Number of shares			Rupees in thousands	
		Fully paid in cash		
1,155,000,000	1,155,000,000	Balance at beginning of the year	11,550,000	11,550,000
400,000,000	-	Issued during the year	4,000,000	-
1,555,000,000	1,155,000,000	Balance at end of the year	15,550,000	11,550,000

20.3 The Bank's shares are 100 % (2021: 100%) held by MCB Bank Limited (MCB) - the parent company and its nominee directors.

20.4 The Shareholders of the Bank in their Extra-Ordinary General Meeting, dated April 12, 2022 by special resolution approved to increase the authorized share capital of the Bank from Rs 15,000,000,000 divided into 1,500,000,000 ordinary shares of Rs 10 each to 20,000,000,000 divided into 2,000,000,000 ordinary shares of Rs 10 each.

Whereas, the Board of Directors in their meeting held on April 26, 2022 approved to raise the further capital by issuance of right shares at a value of Rs. 10 per share to its existing shareholders in the proportion of 0.34632034632 right share for every 10 existing ordinary share held. The process of rights issue was completed during the year and a total of 400,000,000 shares were issued. Through this issue, an amount of Rs. 4,000,000,000 was raised in ordinary share capital.

	2022	2021
	Rupees in thousands	
21 RESERVES		
Statutory reserves	397,819	88,193

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

	Note	2022	2021
		Rupees in thousands	

22 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

Surplus / (deficit) arising on revaluation of:

- Fixed assets	22.1	566,639	352,692
- Available for sale securities	22.2	(140,225)	(93,946)
		426,414	258,746

Deferred tax on surplus / (deficit) on revaluation of:

- Fixed assets	22.1	(85,881)	(47,021)
- Available for sale securities	22.2	60,297	36,639
		(25,584)	(10,382)
		400,830	248,364

22.1 Surplus on revaluation of fixed assets - net of tax

Surplus on revaluation of fixed assets as January 01		352,692	355,252
Recognised during the year		260,759	-
Realised on disposal during the year - net of deferred tax		(40,340)	-
Related deferred tax liability on surplus realised on disposals		(4,029)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,392)	(1,303)
Related deferred tax liability on incremental depreciation charged during the year		(1,051)	(1,257)
Surplus on revaluation of fixed assets as at December 31		566,639	352,692
Less: Related deferred tax liability on:			
revaluation as at January 01		47,021	43,095
opening liability remeasurement		4,823	5,183
recognised during the year		39,117	-
surplus realised on disposal during the year		(4,029)	-
incremental depreciation charged during the year		(1,051)	(1,257)
		(85,881)	(47,021)
		480,758	305,671

	Note	2022	2021
22.2	Surplus / (deficit) on revaluation of available for sale securities - net of tax	Rupees in thousands	
Available for sale securities			
Listed shares		2,239	(171)
Sukuks		(142,464)	(93,775)
		(140,225)	(93,946)
Related deferred tax asset		60,297	36,639
		(79,928)	(57,307)
23	CONTINGENCIES AND COMMITMENTS		
Guarantees	23.1	13,078,059	7,787,920
Commitments	23.2	26,770,503	16,115,126
Other contingent liabilities	23.3	1,103,158	450,782
		40,951,720	24,353,828
23.1	Guarantees:		
Performance guarantees		5,756,990	3,501,067
Other guarantees		7,321,069	4,286,853
		13,078,059	7,787,920
23.2	Commitments:		
Documentary credits and short-term trade-related transactions:			
Letters of credit		18,200,336	13,821,410
Commitments in respect of:			
Forward foreign exchange contracts	23.2.1	7,431,256	1,499,325
Commitments for acquisition of:			
Intangible assets		101,555	55,401
Fixed assets		115,778	30,036
Other commitments	23.2.2	921,578	708,954
		26,770,503	16,115,126
23.2.1	Commitments in respect of forward foreign exchange contracts		
Purchase		4,707,222	489,060
Sale		2,724,034	1,010,265
		7,431,256	1,499,325

23.2.2 Other Commitments

Commitments to extend financing	23.2.2.1	921,578	708,954
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23.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

23.2.2.2 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.

2022 **2021**
Rupees in thousands

23.3 Other contingent liabilities

Claims against the Bank not acknowledged as debt	1,103,158	450,782
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This includes claim by third parties against the Bank, amounting to Rs. 1,025.820 million (December 31, 2021: 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. 77.338 million (December 31, 2021: Rs. 24.962 million) which is pending before the court. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.

Note **2022** **2021**
Rupees in thousands

24 PROFIT / RETURN EARNED

Financings	12,067,833	6,793,308
Investments in		
- Available-for-sale securities	5,401,070	1,962,671
- Held-to-maturity securities	753,029	369,580
	6,154,099	2,332,251
Musharaka arrangements with financial institutions	174,399	70,147
Deposits with financial institutions	157,127	7,010
	18,553,458	9,202,716

25 PROFIT / RETURN EXPENSED

Deposits and other accounts	8,521,934	3,894,499
Musharaka and other arrangements with the State Bank of Pakistan	372,633	90,942
Musharaka arrangements with other financial institutions	807,122	662,374
Musharaka arrangements with other institutions	30,427	17,983
Unwinding of lease liability against right-of-use assets	25.1	299,859
	10,031,975	5,008,845

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

	Note	2022	2021
		Rupees in thousands	
26 FEE & COMMISSION INCOME			
Branch banking customer fees		16,513	14,276
Consumer finance related fees		19,251	19,992
Card related fees		155,585	104,754
Credit related fees		22,585	16,943
Digital banking fees		28,193	20,441
Commission on trade		121,814	90,984
Commission on guarantees		60,186	54,000
Commission on cash management		7,825	1,651
Commission on remittances including home remittances		17,283	12,315
Commission on banca takaful		42,220	57,243
Locker rent		16,305	15,320
Others		387	194
		508,147	408,113
27 LOSS ON SECURITIES - NET			
Realised loss during the year	27.1	(251,196)	(593,936)
27.1 Realised loss - net on:			
Shares		(251,196)	(593,936)
		(251,196)	(593,936)
28 OTHER INCOME			
Rental income		6,324	11,787
Gain on sale of fixed assets - net		26,285	1,327
Fees and charges recovered		3,216	2,333
Gain on conversion of Ijarah agreements		18,878	20,761
Gain on termination of lease liability against right-of-use assets		3,833	94,275
Commission on arrangement with financial institutions		94,699	69,990
		153,235	200,473

Note	2022	2021
Rupees in thousands		

29 OPERATING EXPENSES

Total compensation expense	29.1	2,677,993	2,123,223
Property expense			
Rent and taxes		39,749	18,621
Takaful expenses		35,149	35,957
Utilities cost		219,489	155,455
Security (including guards)		306,464	217,149
Repair and maintenance (including janitorial charges)		172,683	106,142
Depreciation on right-of-use assets	29.4	474,221	474,024
Depreciation		255,811	236,704
		1,503,566	1,244,052
Information technology expenses			
Software maintenance		258,786	252,509
Hardware maintenance		100,488	30,292
Takaful expenses		2,103	2,303
Depreciation		121,189	139,747
Amortisation	12.1	175,556	153,740
Network charges		147,383	110,536
		805,505	689,127
Other operating expenses			
Directors' fees and allowances	37.2	3,750	730
Remuneration to Shariah Board		11,645	10,433
Legal and professional charges		47,736	26,355
Takaful expenses		117,355	104,145
Fee and subscription		5,313	2,574
Outsourced services costs	35.1	132,644	135,769
Travelling and conveyance		130,899	70,412
Repair and maintenance of vehicles		3,427	2,742
NIFT clearing charges		27,886	18,179
Brokerage, commission and bank charges		50,652	40,689
Depreciation		13,678	12,975
Training and development		11,875	6,377
Postage and courier charges		43,998	42,257
Communication		35,885	28,724
Stationery and printing		98,043	65,103
Marketing, advertisement and publicity		104,360	24,911
Auditors' remuneration	29.3	12,114	12,935
Entertainment		62,249	43,543
Others		67,176	48,347
		980,685	697,200
		5,967,749	4,753,602

Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 26.685 million (2021: Rs. 21.370 million). Out of this cost, Rs. 23.682 million (2021: Rs. 19.141 million) pertains to companies incorporated in Pakistan and Rs. 3.003 million (2021: Rs. 2.229 million) pertains to companies incorporated outside Pakistan. This includes payments other than outsourced services costs, which are disclosed above. Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017.

	Note	2022	2021
29.1 Total compensation expense		Rupees in thousands	
Managerial Remuneration			
i) Fixed		1,053,801	885,512
ii) Variable			
a) Cash awards		703	191
b) Accrual for staff bonus		324,000	138,180
Contribution to defined contribution plan		63,090	60,353
Rent and house maintenance		416,842	366,938
Utilities		92,419	81,245
Medical		35,268	33,095
Conveyance and fuel		279,179	257,806
Special allowances		305,459	232,156
Leave encashment		1,979	-
Sales commission		38,489	15,851
Staff takaful		60,814	51,652
Sign-on Bonus	29.2	5,720	-
Others		230	244
		<u>2,677,993</u>	<u>2,123,223</u>
29.2	Sign-on bonus has been given to 4 employees during the year.		
29.3 Auditors' remuneration			
Audit fee		2,370	2,205
Fee for interim review		931	866
Fee for other statutory certifications		1,705	3,136
Tax services		4,800	3,960
Fee for Special certifications and other sundry services		-	848
Sales tax on services		490	892
Out-of-pocket expenses		1,818	1,028
		<u>12,114</u>	<u>12,935</u>
29.4	Ijarah of Musta'jir meeting the criteria prescribed by IFRS 16 "Leases" are presented as on-balance sheet item.		
	Note	2022	2021
30 OTHER CHARGES		Rupees in thousands	
Penalties imposed by the State Bank of Pakistan		3,163	51,123
Contesting charges		-	500
		<u>3,163</u>	<u>51,623</u>
31 PROVISION / (REVERSAL) & WRITE OFFS - NET			
Reversal of provision for diminution in value of investments	9.3	(262,194)	(777,242)
Provision against Islamic financing and related assets	10.9	403,343	130,121
		<u>141,149</u>	<u>(647,121)</u>
32 TAXATION			
Current		680,262	142,765
Prior years		-	(4,300)
Deferred	13	974,149	(13,846)
		<u>1,654,411</u>	<u>124,619</u>
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		3,202,540	225,051
Tax at the applicable rate		39%	35%
Tax on profit		1,248,991	78,768
Effect of:			
- permanent differences		128,569	18,068
- rate difference		(69,079)	-
- super tax @ 10% (2021:4%)		376,517	11,270
- others		(30,587)	16,513
		<u>405,420</u>	<u>45,851</u>
Tax charge for the year		<u>1,654,411</u>	<u>124,619</u>

	2022	2021
	Rupees in thousands	
33 BASIC AND DILUTED EARNING PER SHARE		
Profit after taxation	1,548,129	100,432
	Number of shares - in thousands	
		Restated
Weighted average number of ordinary shares	1,376,370	1,376,370
	Rupees Restated	
Basic / diluted earning per share - after tax	1.125	0.073

33.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue at the reporting dates.

	Note	2022	2021
	Note	Rupees in thousands	
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	13,906,238	11,309,285
Balances with other banks	7	1,238,320	3,696,073
Overdrawn nostro accounts	17.2	-	(45,032)
		15,144,558	14,960,326

	2022	2021
	Numbers	
35 STAFF STRENGTH		
Permanent	1,679	1,541
On Bank contract	378	314
Bank's own staff strength at end of the year	2,057	1,855

35.1 In addition to the above, 271 (2021: 252) 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 year.

36 DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 1,165 (2021: 1,189) 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.

	2022	2021
	Rupees in thousands	
Contribution made by the Bank	63,296	60,547
Contribution made by the employees	65,814	64,043
	129,110	124,590

37 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

2022							
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.	60	-	3,690	-	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	7,323	33,195	63,803	61,109
ii) Variable of which:							
a) Cash bonus / awards	-	-	-	1,000	9,500	29,465	17,473
Contribution to defined contribution plan	-	-	-	206	2,770	5,252	4,973
Rent and house maintenance	-	-	-	1,115	14,938	28,711	27,531
Utilities	-	-	-	248	3,320	6,380	6,111
Medical	-	-	-	-	-	9	204
Conveyance	-	-	-	1,164	-	25,199	23,472
Rental Subsidy (Rent Paid Residence)	-	-	-	-	-	-	432
Special Pay	-	-	-	241	-	6,933	5,499
Charge allowance	-	-	-	-	-	-	1,774
Fuel Allowance	-	-	-	348	-	5,018	6,732
Leave fare assistance (LFA)	-	-	-	-	-	11,313	1,967
Sales Commission	-	-	-	-	-	-	3,614
Dealing Allowance	-	-	-	-	-	-	144
Others	-	-	-	-	6,979	-	118
Total	60	-	3,690	11,645	70,702	182,083	161,153
Number of Persons	1	-	7	3	2	15	29

2021							
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	-	600	-	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	6,321	16,180	55,477	52,661
ii) Variable of which:							
a) Cash bonus / awards	-	-	-	950	13,500	29,900	13,765
Contribution to defined contribution plan	-	-	-	194	1,348	4,623	4,364
Rent and house maintenance	-	-	-	1,047	7,281	24,965	23,698
Utilities	-	-	-	233	1,620	5,548	5,266
Medical	-	-	-	-	-	-	292
Conveyance	-	-	-	1,129	-	22,941	21,762
Rental Subsidy (Rent Paid Residence)	-	-	-	-	-	-	646
Special Pay	-	-	-	241	-	6,513	5,127
Charge allowance	-	-	-	-	-	-	2,017
Fuel Allowance	-	-	-	318	-	4,717	5,907
Leave fare assistance (LFA)	-	-	-	-	1,213	6,774	809
Sales Commission	-	-	-	-	-	-	1,080
Dealing Allowance	-	-	-	-	-	-	144
Others	-	-	-	-	-	-	666
Total	130	-	600	10,433	41,142	161,458	138,204
Number of Persons	1	-	7	3	1	11	23

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

2022									
Sr. No.	Name of Director	For Board Meetings	Meeting Fees and Allowances Paid						
			For Board Committees						
			Audit Committee (AC)	HR & RC	RM & PRC	BS & SQRC	BIT	BEC	Total Amount Paid
			Rupees in thousands						
1	Raza Mansha	30	-	30	-	-	-	-	60
2	Ahmed Ebrahim Hasham	820	-	-	130	230	-	-	1,180
3	Omair Safdar	30	30	30	30	30	-	-	150
4	Jawaid Iqbal	830	130	130	130	-	20	-	1,240
5	Seema Aziz	-	-	-	-	-	-	-	-
6	Hammad Khalid	10	-	-	-	10	10	-	30
7	Ibrahim Shamsi	810	130	-	130	-	20	-	1,090
8	Usman Hassan	-	-	-	-	-	-	-	-
Total Amount Paid		2,530	290	190	420	270	50	-	3,750

2021									
Sr. No.	Name of Director	For Board Meetings	Meeting Fees and Allowances Paid						
			For Board Committees						
			Audit Committee (AC)	HR & RC	RM & PRC	BS & SQRC	BIT	BEC	Total Amount Paid
			Rupees in thousands						
1	Raza Mansha	40	-	20	-	10	-	-	70
2	Ahmed Ebrahim Hasham	50	-	-	30	20	-	10	110
3	Omair Safdar	50	40	30	40	30	-	10	200
4	Jawaid Iqbal	30	20	20	10	-	10	-	90
5	Seema Aziz	-	-	-	-	-	-	-	-
6	Dr.Khalid Zaheer	-	10	-	-	-	-	10	20
7	Ibrahim Shamsi	50	40	-	30	-	20	10	150
8	Usman Hassan	30	-	20	-	40	-	-	90
Total Amount Paid		250	110	90	110	100	30	40	730

37.3 Remuneration paid to Shariah Board Members

Items	2022			2021		
	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	2,626	2,477	2,220	2,476	2,327	1,518
House rent	-	1,115	-	-	1,047	-
Utilities	-	248	-	-	233	-
Conveyance	-	1,164	-	-	1,129	-
Fuel	-	348	-	-	318	-
Special pay	-	241	-	-	241	-
Bonus	-	1,000	-	-	950	-
PF Employer	-	207	-	-	194	-
Total Amount	2,626	6,800	2,220	2,476	6,439	1,518
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 2021 is Rs. 4.947 million (2020: Rs. 4.938 million) whereas the total payments made during the year amounting to Rs. 3.894 million out of bonus deferred in 2020 and 2019. The total outstanding balance as at December 31, 2022 amounts to Rs. 9.560 million which pertains to 2019, 2020 and 2021.

37.5 The Chief Executive and three key management personnel have been provided with the Bank's maintained cars. Further, Bank maintained accommodation has also been provided to the Chief Executive as per terms of employment.

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 re-priced over short term.

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.

2022				
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	71,839,066	-	71,839,066	-	71,839,066
Shares	59,591	59,591	-	-	59,591
Non-Government Securities	770,000	-	770,000	-	770,000
	72,668,657	59,591	72,609,066	-	72,668,657

Fair value of non-financial assets

Operating fixed assets

(land and building)	1,396,106	-	1,396,106	-	1,396,106
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Off-balance sheet**financial instruments**

Foreign exchange contracts purchase	4,707,222	-	4,769,989	-	4,769,989
Foreign exchange contracts sale	2,724,034	-	2,716,459	-	2,716,459

2021				
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	30,531,565	-	30,531,565	-	30,531,565
Shares	377,427	377,427	-	-	377,427
Non-Government Securities	910,933	-	910,933	-	910,933
	31,819,925	377,427	31,442,498	-	31,819,925

Fair value of non-financial assets

Operating fixed assets

(land and building)	1,314,657	-	1,314,657	-	1,314,657
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Off-balance sheet financial instruments

Foreign exchange contracts purchase	489,060	-	505,603	-	505,603
Foreign exchange contracts sale	1,010,265	-	1,018,949	-	1,018,949

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, forward foreign exchange contracts and operating fixed assets.

(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 mark-to-market currency 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

2022

39.1 Segment Details with respect to Business Activities

	Retail	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination	Total
Rupees in thousands									
Profit and Loss									
Net Profit / return	(7,270,811)	9,096,481	1,287,278	24,699	5,609,451	(225,615)	8,521,483	-	8,521,483
Inter segment revenue - net	15,109,940	(8,892,538)	(1,020,141)	(18,207)	(5,800,633)	621,579	-	-	-
Other income	343,867	195,973	27,689	593	486,206	(185,907)	868,421	-	868,421
Total Income	8,182,996	399,916	294,826	7,085	295,024	210,057	9,389,904	-	9,389,904
Segment direct expenses	(2,815,131)	(160,300)	(225,897)	(4,895)	(27,488)	(2,812,504)	(6,046,215)	-	(6,046,215)
Inter segment expense allocation	(983,784)	(10,529)	(30,214)	(1,180)	(2,120)	1,027,827	-	-	-
Total expenses	(3,798,915)	(170,829)	(256,111)	(6,075)	(29,608)	(1,784,677)	(6,046,215)	-	(6,046,215)
Reversals / (provisions) and write offs - net	260	(369,011)	(18,084)	(4,569)	-	250,255	(141,149)	-	(141,149)
Profit / (loss) before tax	4,384,341	(139,924)	20,631	(3,559)	265,416	(1,324,365)	3,202,540	-	3,202,540
Balance Sheet									
Cash and bank balances	4,036,572	-	-	-	10,736,618	371,368	15,144,558	-	15,144,558
Investments	-	-	-	-	72,609,066	59,591	72,668,657	-	72,668,657
Net inter segment placements	147,821,651	-	-	-	-	7,841,693	155,663,344	(155,663,344)	-
Due from financial institutions	-	-	-	-	6,170,000	-	6,170,000	-	6,170,000
Financing - performing	11,079,375	66,626,024	9,434,307	167,114	-	1,491,292	88,798,112	-	88,798,112
- non-performing	74,671	1,422,121	4,718	504	-	1,583	1,503,597	-	1,503,597
Others	685,923	5,999,696	496,178	16,370	2,464,764	5,091,718	14,754,649	-	14,754,649
Total Assets	163,698,192	74,047,841	9,935,203	183,988	91,980,448	14,857,245	354,702,917	(155,663,344)	199,039,573
Bills payable	3,737,482	-	-	-	-	-	3,737,482	-	3,737,482
Due to financial institutions	2,267,174	8,746,085	687,500	-	2,970,000	-	14,670,759	-	14,670,759
Deposits & other accounts	150,959,151	2,981,767	-	-	-	60,542	154,001,460	-	154,001,460
Net inter segment acceptances	-	58,165,880	8,520,861	186,878	88,789,725	-	155,663,344	(155,663,344)	-
Others	2,350,044	4,294,033	706,211	669	84,910	2,847,123	10,282,990	-	10,282,990
Total liabilities	159,313,851	74,187,765	9,914,572	187,547	91,844,635	2,907,665	338,356,035	(155,663,344)	182,692,691
Equity	4,384,341	(139,924)	20,631	(3,559)	135,813	11,949,580	16,346,882	-	16,346,882
Total Equity & liabilities	163,698,192	74,047,841	9,935,203	183,988	91,980,448	14,857,245	354,702,917	-	199,039,573
Contingencies & Commitments	10,712,459	22,469,810	95,862	-	7,456,256	217,333	40,951,720	-	40,951,720

	2021								
	Retail	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination	Total
	Rupees in thousands								
Profit & Loss									
Net Profit / return	(3,337,585)	5,394,776	650,513	12,793	1,747,034	(273,660)	4,193,871	-	4,193,871
Inter segment revenue - net	6,568,470	(4,842,900)	(401,703)	(10,260)	(1,463,125)	149,518	-	-	-
Other income	325,228	155,273	30,841	671	102,704	(415,297)	199,420	-	199,420
Total Income	3,556,113	707,149	279,651	3,204	386,613	(539,439)	4,393,291	-	4,393,291
Segment direct expenses	(2,244,150)	(105,416)	(188,254)	(25,647)	(24,464)	(2,227,430)	(4,815,361)	-	(4,815,361)
Inter segment expense allocation	(873,336)	(9,568)	(11,745)	(3,674)	(2,099)	900,422	-	-	-
Total expenses	(3,117,486)	(114,984)	(199,999)	(29,321)	(26,563)	(1,327,008)	(4,815,361)	-	(4,815,361)
(Provisions) / reversals and write offs - net	132	(98,969)	(21,147)	(7,532)	-	774,637	647,121	-	647,121
(Loss) / profit before tax	438,759	493,196	58,505	(33,649)	360,050	(1,091,810)	225,051	-	225,051
Balance Sheet									
Cash and bank balances	3,641,702	-	-	-	11,363,656	-	15,005,358	-	15,005,358
Investments	-	-	-	-	33,098,389	377,427	33,475,816	-	33,475,816
Net inter segment placements	113,032,854	-	-	-	-	3,337,901	116,370,755	(116,370,755)	-
Due from financial institutions	-	-	-	-	1,650,000	-	1,650,000	-	1,650,000
Financing - performing	10,545,170	76,406,500	7,292,209	177,073	-	1,310,558	95,731,510	-	95,731,510
- non-performing	79,525	479,229	15,413	2,885	-	-	577,052	-	577,052
Others	540,765	5,302,253	313,736	11,181	1,221,474	7,438,248	14,827,657	-	14,827,657
Total Assets	127,840,016	82,187,982	7,621,358	191,139	47,333,519	12,464,134	277,638,148	(116,370,755)	161,267,393
Bills payable	1,896,801	-	-	-	-	-	1,896,801	-	1,896,801
Due to financial institutions	2,215,231	7,112,642	-	-	7,145,033	-	16,472,906	-	16,472,906
Deposits & other accounts	122,070,146	677,632	-	-	-	-	122,747,778	-	122,747,778
Net inter segment acceptances	-	69,352,895	6,922,076	224,761	39,871,023	-	116,370,755	(116,370,755)	-
Others	1,219,079	4,551,617	640,777	27	38,327	3,095,526	9,545,353	-	9,545,353
Total liabilities	127,401,257	81,694,786	7,562,853	224,788	47,054,383	3,095,526	267,033,593	(116,370,755)	150,662,838
Equity	438,759	493,196	58,505	(33,649)	279,136	9,368,608	10,604,555	-	10,604,555
Total Equity & liabilities	127,840,016	82,187,982	7,621,358	191,139	47,333,519	12,464,134	277,638,148	-	161,267,393
Contingencies & Commitments	6,934,600	15,598,923	185,542	-	1,549,326	85,437	24,353,828	-	24,353,828

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, 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 ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing.

Contributions to staff retirement benefits 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:

..... (Continue)

	2022				2021			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	Rs. in thousands				Rs. in thousands			
Balances with other banks								
In current accounts	6,222	-	-	-	22,487	-	-	-
	6,222	-	-	-	22,487	-	-	-
Islamic financing and related assets								
Opening balance	-	6,376	91,750	2,274,692	-	8,290	81,703	1,110,848
Addition during the year	-	-	47,140	3,687,934	-	8,000	30,531	5,654,668
Repaid during the year	-	(1,389)	(37,884)	(4,133,300)	-	(9,914)	(19,762)	(5,188,824)
Transfer in / (out) - net	-	(4,987)	(3,053)	-	-	-	(722)	698,000
Closing balance	-	-	97,953	1,829,326	-	6,376	91,750	2,274,692
Fixed assets - Capital work in progress								
Right-of-use asset	78,129	-	-	-	56,901	-	-	-
Advance paid against purchase of property	20,000	-	-	-	20,000	-	-	-
	98,129	-	-	-	76,901	-	-	-
Other assets								
Profit receivable	-	-	3,286	40,380	-	248	2,716	26,804
Prepaid expenses	-	1,880	3,875	33,975	-	506	2,814	23,756
Receivable under scheme of merger	11,282	-	-	-	11,282	-	-	-
Receivable under home remittance	17,818	-	-	-	12,274	-	-	-
Mark to market gain on forward foreign exchange contracts	-	-	-	-	-	-	-	-
	29,100	1,880	7,161	74,355	23,556	754	5,530	50,560
Due to financial institutions								
Opening balance	3,500,000	-	-	-	-	-	-	-
Addition during the year	118,446,765	-	-	-	103,400,000	-	-	-
Repaid during the year	(121,946,765)	-	-	-	(99,900,000)	-	-	-
Closing balance	-	-	-	-	3,500,000	-	-	-
Deposits								
Opening balance	-	526,091	31,609	1,568,472	-	576,527	21,655	1,548,037
Addition during the year	-	8,906,263	386,092	30,017,661	-	3,646,952	261,775	33,993,053
Withdrawn during the year	-	(9,325,643)	(345,654)	(30,592,000)	-	(3,697,388)	(251,821)	(34,004,836)
Transfer in / (out) - net	-	(6,484)	(5,962)	1,419	-	-	-	32,218
Closing balance	-	100,227	66,085	995,552	-	526,091	31,609	1,568,472
Other liabilities								
Profit payable	-	4,110	665	9,001	17,849	2,867	44	5,672
Accrued expenses	-	-	-	2,377	-	-	-	10,238
Acceptances	587,036	-	-	-	587,036	-	-	-
Unearned Income	-	-	-	4,053	-	-	-	1,776
Lease liability against right-of-use-asset	94,595	-	-	-	72,512	-	-	-
Meeting fee payable to Directors	-	3,470	-	-	-	370	-	-
	681,631	7,580	665	15,431	677,397	3,237	44	17,686
Contingencies and Commitments								
Letter of Credit	-	-	-	-	-	-	-	357,728
Letter of Guarantee	70,227	-	-	1,205,784	24,388	-	-	944,182
Forward exchange contract								
Purchase	42,996	-	-	-	-	-	-	-
Sale	42,996	-	-	-	-	-	-	-
Transactions during the year								
Income								
Profit return earned	-	62	5,450	206,278	-	560	4,437	109,502
Commission income	-	-	-	37,043	-	-	-	51,760
Rental income	6,324	-	-	-	11,787	-	-	-
Other income	23,645	4	66	1,854	-	-	9	-
	29,969	66	5,516	244,975	11,787	560	4,446	161,262
Expense								
Profit return expensed	268,752	54,637	3,021	49,799	153,731	22,428	468	70,790
Rental expense	-	-	-	-	43,003	-	-	-
Takaful expense	-	-	-	100,678	-	-	-	92,353
Security expense	-	-	-	32,141	-	-	-	50,710
Depreciation on right-of-use asset	40,456	-	-	-	33,540	-	-	-
Unwinding of lease liability against right-of-use asset	10,804	-	-	-	9,918	-	-	-
Rent and Taxes	-	-	-	-	5,418	-	-	-
Meeting fee paid to Directors	-	3,750	-	-	-	730	-	-
Utility and other operating expense of shared branch	9,797	-	-	-	-	-	-	-
Other expenses	120	-	-	858	120	-	-	-
	329,929	58,387	3,021	183,476	245,730	23,158	468	213,853
Other transactions during the year								
Fee paid	-	650	-	-	-	310	-	-
Managerial remuneration including bonus paid	-	59,223	205,300	-	-	41,142	171,891	-
Contribution paid to provident fund	-	-	-	129,130	-	-	-	124,588
Re-imbursement under home remittance payments	4,755,069	-	-	-	4,701,212	-	-	-
Proceeds from issue of Share Capital	4,000,000	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	200,000	1,872	114	2,571	-	-	9	-
Purchase of fixed assets	-	-	-	-	-	-	-	5,008
Disbursement made against advance salary	-	-	1,400	-	-	-	1,700	-
Repayment made against advance salary	-	-	2,767	-	-	-	1,033	-
Payment made against expenses	53,465	-	-	150,231	42,086	-	-	148,871
Foreign currency purchase	22,043,793	-	-	-	23,380,254	-	-	-
Foreign currency sale	13,146,854	-	-	-	13,541,816	-	-	-
Letter of Credit issued	-	-	-	2,541,661	-	-	-	4,092,336
Letter of Guarantee issued	50,265	-	-	62,240	10,888	-	-	278,885

2022	2021
Rupees in thousands	

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	15,548,233	10,267,998
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	15,369,298	8,701,677
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	15,369,298	8,701,677
Eligible Tier 2 Capital	810,739	310,246
Total Eligible Capital (Tier 1 + Tier 2)	16,180,037	9,011,923
Risk Weighted Assets (RWAs):		
Credit Risk	63,682,494	63,073,624
Market Risk	3,262,215	2,400,232
Operational Risk	12,320,815	9,074,540
Total	79,265,524	74,548,396
Common Equity Tier 1 Capital Adequacy Ratio	19.39%	11.67%
Tier 1 Capital Adequacy Ratio	19.39%	11.67%
Total Capital Adequacy Ratio	20.41%	12.09%

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,						
	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%
Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
*CCB	0%	0%	0.25%	0.65%	1.275%	1.90%	2.50%
Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

* Capital Conservation Buffer (CCB) Consisting of CET1 only

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 at the respective reporting dates and is in compliance with the required capital adequacy ratio including CCB (11.50% of the risk-weighted assets). 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.

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.

	2022	2021
	Rupees in thousands	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	15,369,298	8,701,677
Total Exposures	226,108,533	184,200,849
Leverage Ratio	6.80%	4.72%

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.

	2022	2021
	Rupees in thousands	
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	52,914,884	34,199,441
Total Net Cash Outflow	35,308,570	29,734,237
Liquidity Coverage Ratio	149.86%	115.02%

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 of at least 100% as per SBP guidelines.

	2022	2021
	Rupees in thousands	
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	129,634,224	106,421,668
Total Required Stable Funding	96,984,488	89,002,051
Net Stable Funding Ratio	133.66%	119.57%

- 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-2022/>.

42 RISK MANAGEMENT

Risk is an inherent part of banking business activities. The risk management framework and governance structure at the MCB Islamic Bank Limited 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 in line 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.

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. The bank also has in place a scoring model to capture environmental risk.

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 financing 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 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.

During 2022, Pakistan witnessed significant economic headwinds. Rising inflation, increasing fuel prices, depleting foreign exchange reserves, massive devaluation of the Pakistani rupee, political instability, increasing interest rates, and high budget deficit made the year more challenging. In this backdrop, Fitch, Moody's and S&P Global lowered the country's sovereign credit rating. In June 2022, Pakistan was hit with a natural catastrophe in the shape of worst ever floods in the history of the country. The floods resulted in millions of people being displaced and severe damage to both crops and livestock. Additionally, international commodity prices also remained elevated through the year. The headline inflation increased significantly touching a multi-year high of 27.32% in August. During the year, SBP increased the benchmark interest rate by a cumulative 625 bps to 16%. This steep increase was aimed at reducing aggregate demand in the economy and also to counter high inflation. This led to a steep uptick in domestic food prices.

The Bank is regularly conducting assessments of the financing portfolio, with robust post disbursement review mechanism to identify borrowers most likely to be affected in the challenging business and economic environment. Bank is confident that it has more than sufficient risk bearing capacity to with stand these difficult times.

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	
	2022	2021	2022	2021	2022	2021
Rupees in thousands						
Private	6,170,000	1,650,000	-	-	-	-
	6,170,000	1,650,000	-	-	-	-

42.1.2 Investment in debt securities

Credit risk by industry sector

	Gross Investments		Non-performing		Provision held	
	2022	2021	2022	2021	2022	2021
Rupees in thousands						
Power (electricity), Gas, Water, Sanitary	-	115,000	-	-	-	-
Financial including government securities	72,609,066	32,983,389	-	-	-	-
	72,609,066	33,098,389	-	-	-	-

Credit risk by public / private sector

Public / Government	71,839,066	32,072,456	-	-	-	-
Private	770,000	1,025,933	-	-	-	-
	72,609,066	33,098,389	-	-	-	-

42.1.3 Islamic financing and related assets

Credit risk by industry sector

	Gross Financing		Non-performing		Provision held	
	2022	2021	2022	2021	2022	2021
Rupees in thousands						
Agriculture, Forestry, Hunting and Fishing	1,229,152	806,013	357,100	157,100	-	-
Textile	8,698,319	9,325,455	-	-	-	-
Chemical and Pharmaceuticals	2,301,483	1,672,737	-	-	-	-
Cement	4,095,349	3,535,389	-	-	-	-
Sugar	3,096,621	3,997,462	-	-	-	-
Footwear and Leather garments	299,932	259,554	-	-	-	-
Automobile and transportation equipment	220,062	406,979	-	-	-	-
Electronics and electrical appliances	563,551	462,310	-	-	-	-
Construction	2,322,494	2,593,599	42,024	42,024	-	-
Power (electricity), Gas, Water, Sanitary	2,050,554	1,539,145	-	-	-	-
Wholesale and Retail Trade	2,307,070	1,485,799	257	517	257	517
Transport, Storage and Communication	35,301,590	40,480,736	-	220,869	-	99,411
Financial	94,977	219,732	-	-	-	-
Insurance	2,130	13,544	-	-	-	-
Services	3,324,715	3,835,506	1,026	5,087	522	2,201
Food, Beverages, Tobacco and personal products	6,606,899	8,200,924	32,648	237,500	-	-
Paper	474,294	1,322,709	-	-	-	-
Steel	2,628,421	3,156,928	217,202	-	25,778	-
Shipbreaking	991,242	921,652	991,242	-	117,644	-
Oil Refinery	-	400,000	-	-	-	-
Plastic	794,388	742,668	-	-	-	-
Individuals	11,044,599	8,700,856	37,292	38,002	30,993	22,589
Manufacturing	1,785,902	1,640,896	-	-	-	-
Others	653,068	774,569	-	671	-	-
	90,886,812	96,495,162	1,678,791	701,770	175,194	124,718

Credit risk by public / private sector

Public / Government	35,627,253	40,836,337	-	-	-	-
Private	55,259,559	55,658,825	1,678,791	701,770	175,194	124,718
	90,886,812	96,495,162	1,678,791	701,770	175,194	124,718

42.1.4 Contingencies and Commitments

Credit risk by industry sector

	2022	2021
	Rupees in thousands	
Agriculture, Forestry, Hunting and Fishing	454,095	330,120
Textile	3,516,561	3,790,070
Chemical and Pharmaceuticals	2,562,749	906,576
Cement	330,683	995,398
Sugar	478,517	784,708
Footwear and Leather garments	14,466	698,841
Automobile and transportation equipment	206,217	80,927
Electronics and electrical appliances	522,466	372,334
Construction	4,909,860	2,486,919
Power (electricity), Gas, Water, Sanitary	735,485	1,406,970
Wholesale and Retail Trade	3,522,946	1,754,177
Transport, Storage and Communication	1,545	5,514
Financial	73,760	93,421
Glassware	105,063	297,995
Insurance	-	320
Services	2,359,321	1,760,220
Food, Beverages and Tobacco	2,779,783	1,481,151
Paper	706,016	142,335
Steel	4,138,205	3,079,229
Shipbreaking	19,429	19,429
Oil Refinery	45,513	-
Plastic	1,592,406	47,855
Individuals	93,117	188,098
Shipyard	1,545,108	1,623,924
Manufacturing	320,251	150,093
Others	1,567,231	247,480
	32,600,793	22,744,104
Credit risk by public / private sector		
Public / Government	2,773,102	1,623,925
Private	29,827,691	21,120,179
	32,600,793	22,744,104

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. 52,143.036 million (2021: Rs. 58,172.806 million) are as following:

	2022	2021
	Rupees in thousands	
Funded	43,304,548	47,974,038
Non Funded	8,838,488	10,198,768
Total Exposure	52,143,036	58,172,806

The sanctioned limits against these top 10 exposures aggregated to Rs. 59,575 million (2021: Rs. 61,526 million).

Total funded classified therein

	2022		2021	
	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	2022						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Rupees in thousands							
Punjab	390,532,364	387,677,944	2,536,747	19,522	-	295,599	2,552
Sindh	128,299,419	2,513,395	124,405,604	1,785	1,371,903	6,732	-
KPK including FATA	832,573	78,631	3,381	687,373	-	57,156	6,032
Balochistan	111,654	12,934	16,526	-	75,453	2,201	4,540
Islamabad	26,400,938	3,537,146	339	6,422	-	22,857,031	-
AJK including Gilgit-Baltistan	70,888	27,952	-	1,008	-	18,295	23,633
Total	546,247,836	393,848,002	126,962,597	716,110	1,447,356	23,237,014	36,757

Province / Region	2021						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Rupees in thousands							
Punjab	432,656,010	428,835,843	3,582,728	11,714	500	225,225	-
Sindh	118,260,105	1,068,652	115,140,608	-	2,050,845	-	-
KPK including FATA	421,468	82,634	-	314,386	-	19,854	4,594
Balochistan	74,782	-	16,353	-	55,821	2,608	-
Islamabad	25,806,993	4,262,902	1,250	1,765	-	21,541,076	-
AJK including Gilgit-Baltistan	71,635	25,919	-	-	-	21,947	23,769
Total	577,290,993	434,275,950	118,740,939	327,865	2,107,166	21,810,710	28,363

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. The 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 and 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, the 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

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in thousands						
Cash and balances with treasury banks	13,906,238	-	13,906,238	11,309,285	-	11,309,285
Balances with other banks	1,238,320	-	1,238,320	3,696,073	-	3,696,073
Due from financial institutions	6,170,000	-	6,170,000	1,650,000	-	1,650,000
Investments	17,192,380	55,476,277	72,668,657	1,655,891	31,819,925	33,475,816
Islamic financing and related assets	90,301,709	-	90,301,709	96,308,562	-	96,308,562
Fixed assets	4,936,840	-	4,936,840	4,932,122	-	4,932,122
Intangible assets	576,754	-	576,754	579,767	-	579,767
Deferred tax assets	12,527	-	12,527	1,006,958	-	1,006,958
Other assets	9,228,528	-	9,228,528	8,308,810	-	8,308,810
	143,563,296	55,476,277	199,039,573	129,447,468	31,819,925	161,267,393

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.

	2022			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in thousands				
United States Dollar	1,754,701	3,931,109	1,601,372	(575,036)
Great Britain Pound Sterling	264,262	656,445	409,614	17,431
Euro	574,808	558,024	(12,427)	4,357
Japanese Yen	1,156	155	-	1,001
Other currencies	34,849	39,573	51,188	46,464
	2,629,776	5,185,306	2,049,747	(505,783)

	2021			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in thousands				
United States Dollar	4,334,650	3,637,848	(527,995)	168,807
Great Britain Pound Sterling	606,200	596,305	-	9,895
Euro	580,973	515,000	(56,520)	9,453
Japanese Yen	-	45,841	62,252	16,411
Other currencies	59,590	-	8,859	68,449
	5,581,413	4,794,994	(513,404)	273,015

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
Rupees in thousands				
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	(5,058)	-	2,730	-

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.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
Rupees in thousands				
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	7,396
- Other comprehensive income	-	2,980	-	11,475

42.2.4 Yield / Profit Rate Risk in the Banking Book - 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.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
Rupees in thousands				
Impact of 1% change in profit rates on				
- Profit and loss account	82,899	175,698	39,287	85,572

42.2.5 Mismatch of Profit Rate Sensitive Assets and Liabilities

2022										
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	Above 10 Years	
Rupees in thousands										
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	13,906,238	-	-	-	-	-	-	-	-	13,906,238
Balances with other banks	1,238,320	2,107	-	-	-	-	-	-	-	1,236,213
Due from financial institutions	6,170,000	6,170,000	-	-	-	-	-	-	-	-
Investments	72,668,657	3,321,925	10,100,000	59,187,141	-	-	-	-	-	59,591
Islamic financing and related assets	78,781,489	421,999	51,385,785	5,282,127	5,902,388	-	-	-	-	15,789,190
Other assets	8,586,765	-	-	-	-	-	-	-	-	8,586,765
	181,351,469	9,916,031	61,485,785	64,469,268	5,902,388	-	-	-	-	39,577,997
Liabilities										
Bills payable	3,737,482	-	-	-	-	-	-	-	-	3,737,482
Due to financial institutions	14,670,759	2,998,100	1,925,120	2,000,784	7,746,755	-	-	-	-	-
Deposits and other accounts	154,001,460	111,329,754	-	-	-	-	-	-	-	42,671,706
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,240,226	40,417	77,236	90,484	206,644	464,006	397,476	617,048	595,463	7,751,452
	182,649,927	114,368,271	2,002,356	2,091,268	7,953,399	464,006	397,476	617,048	595,463	54,160,640
	(1,298,458)	(104,452,240)	59,483,429	62,378,000	(2,051,011)	(464,006)	(397,476)	(617,048)	(595,463)	(14,582,643)
On-balance sheet gap										
Off-balance sheet financial instruments										
Commitments in respect of:										
- forward foreign exchange contracts	1,983,189	883,080	1,067,071	33,038	-	-	-	-	-	-
	1,983,189	883,080	1,067,071	33,038	-	-	-	-	-	-
Off-balance sheet gap										
Total Yield / Profit Risk Sensitivity Gap		(103,569,160)	60,550,500	62,411,038	(2,051,011)	(464,006)	(397,476)	(617,048)	(595,463)	-
Cumulative Yield / Profit Risk Sensitivity Gap		(103,569,160)	(43,018,660)	19,392,378	17,341,367	16,877,361	16,479,885	15,862,837	15,267,374	15,267,374

2021										
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	
Rupees in thousands										
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	11,309,285	-	-	-	-	-	-	-	-	11,309,285
Balances with other banks	3,696,073	66,742	-	-	-	-	-	-	-	3,629,331
Due from financial institutions	1,650,000	1,650,000	-	-	-	-	-	-	-	-
Investments	33,475,916	3,383,923	11,763,502	17,950,965	-	-	-	-	-	377,426
Islamic financing and related assets	80,421,480	417,185	57,408,855	3,351,378	4,686,684	-	-	-	-	14,557,378
Other assets	7,922,281	-	-	-	-	-	-	-	-	7,922,281
	138,474,935	5,517,850	69,172,357	21,302,343	4,686,684	-	-	-	-	37,795,701
Liabilities										
Bills payable	1,896,801	-	-	-	-	-	-	-	-	1,896,801
Due to financial institutions	16,472,906	1,459,788	6,385,209	883,927	29,000	18,750	71,915	48,830	7,530,455	45,032
Deposits and other accounts	122,747,778	85,090,733	-	-	-	-	-	-	-	37,657,045
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Other liabilities	9,513,429	33,562	52,430	70,744	170,404	386,140	410,664	653,198	802,884	6,933,403
	150,630,914	86,584,083	6,437,639	954,671	199,404	404,890	482,579	702,028	8,333,339	46,532,281
On-balance sheet gap	(12,155,979)	(81,066,233)	62,734,718	20,347,672	4,487,280	(404,890)	(482,579)	(702,028)	(8,333,339)	(8,736,560)
Off-balance sheet financial instruments										
Commitments in respect of:										
- forward foreign exchange contracts	(521,205)	(217,060)	(349,259)	45,114	-	-	-	-	-	-
Off-balance sheet gap	(521,205)	(217,060)	(349,259)	45,114	-	-	-	-	-	-
Total Yield / Profit Risk Sensitivity Gap	(81,283,293)	62,385,459	20,392,786	4,487,280	(404,890)	(482,579)	(702,028)	(8,333,339)	-	-
Cumulative Yield / Profit Risk Sensitivity Gap	(81,283,293)	(18,897,834)	1,494,952	5,982,232	5,577,342	5,094,763	4,392,735	(3,940,604)	(3,940,604)	
Reconciliation of assets and liabilities exposed to yield / profit rate risk with total assets and liabilities										
		Rupees in thousands								
		2022	2021							
		Rupees in thousands								
Total financial assets as per note 42.2.5		181,351,469	138,474,935							
Add: Non financial assets										
Islamic financing and related assets		11,520,220	15,887,082							
Fixed assets		4,936,840	4,932,122							
Intangible assets		576,754	579,767							
Deferred tax assets		12,527	1,006,958							
Other assets		641,763	386,529							
Total assets as per Statement of Financial Position		199,039,573	161,267,393							
Total financial liabilities as per note 42.2.5		182,649,927	150,630,914							
Add: Non financial liabilities										
Deferred tax liability		-	-							
Other liability		42,764	31,924							
Total liabilities as per Statement of Financial Position		182,692,691	150,662,838							

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 the Board of Directors (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 the Bank 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 and 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.

The Bank 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 and 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 the Bank 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 & Alternate Delivery Channel (ADC) transactions.
- Fraud training awareness.
- Handling frauds related complaints and their resolution as per SBP directives.

Information Technology Security:

An independent IT Security division is in place to counter cyber security threats. However, this is a dynamic area and the bank is in the process of acquiring more solutions & implementing more controls. Broadly speaking, IT Security covers the following main areas in accordance with Board approved policy:

- Implement, maintain and upgrade tools for risk monitoring and identification of security incidents & event management and database log management.
- Implement information security policy and associated process and controls
- Implemented Privilege Access Management and Multifactor Authentication as additional layer of security.
- Periodically conduct access review of privilege users.
- Conducting internal / external vulnerability assessment and penetration testing of critical information assets.
- Information / cyber security awareness to be created amongst staff members.

Shari'ah Non Compliance Risk (SNCR):

The Bank is fully acquainted with SNCR and its potential implications on the reputation and business of the Bank. Therefore the Bank shall take adequate measures to address SNCR and ensure conformity of its operations with Shari'ah principles.

In addition to the Shari'ah Compliance Department, exclusively overseeing SNCR risk, the RM&PRC and senior management shall also play their role in monitoring the same.

All Shari'ah non-compliance events and transactions are reported to Shari'ah Non Compliance Risk Management Committee (SNCRMC), RM&PRC and BOD on quarterly basis by Shari'ah Compliance Department (SCD).

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

2022													
Rupees in thousands													
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
Assets													
Cash and balances with treasury banks	13,906,238	3,476,559	3,476,559	3,476,560	-	-	-	-	-	-	-	-	-
Balances with other banks	1,238,320	309,580	309,580	309,580	-	-	-	-	-	-	-	-	-
Due from financial institutions	6,170,000	-	6,170,000	-	-	-	-	-	-	-	-	-	-
Investments - net	72,688,657	59,591	-	-	-	-	-	-	-	100,000	11,544,279	47,294,787	13,670,000
Islamic financing and related assets - net	90,301,709	4,173,416	4,270,007	5,014,560	7,988,418	5,245,059	6,381,597	3,010,787	7,423,175	10,550,791	10,119,262	10,279,011	9,831,171
Fixed assets	4,936,840	1,358	8,144	62,637	76,631	77,855	228,666	227,168	220,206	785,987	605,051	787,123	1,846,513
Intangible assets	576,754	-	-	-	15,269	15,272	46,354	46,381	46,016	161,860	75,288	101,078	53,737
Deferred tax assets	166,377	-	-	-	-	-	-	63,466	-	41,945	49,859	11,107	-
Other assets	9,228,528	762,957	799,449	1,497,128	924,846	765,764	672,992	2,145,575	610,365	278,692	-	-	-
	199,193,423	8,763,481	15,033,739	10,780,856	10,375,734	9,005,167	7,329,609	5,493,377	8,299,762	11,919,275	22,393,739	58,473,106	25,201,421
Liabilities													
Bills payable	3,737,482	934,371	934,370	934,371	-	-	-	-	-	-	-	-	-
Due to financial institutions	14,670,759	3,067,072	2,007,632	976,504	159,324	1,765,796	2,000,784	16,324	-	16,209	223,746	99,184	4,328,190
Deposits and other accounts	154,001,460	111,736,731	3,803,922	5,381,800	3,861,064	3,335,067	2,706,942	9,558,032	6,670,536	47,929	3,078,750	214	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	153,850	88	622	1,390	2,723	2,723	8,053	8,053	8,081	32,126	10,671	4,887	73,811
Other liabilities *	10,282,990	1,168,638	1,211,649	1,184,267	343,488	203,628	153,112	1,623,833	118,022	742,698	397,476	617,048	595,463
	182,846,541	116,906,900	7,958,195	7,511,054	7,696,996	4,326,008	5,307,214	11,206,242	6,796,639	838,962	3,710,643	721,333	4,997,464
Net assets	16,346,882	(108,123,439)	7,075,544	3,269,802	2,678,738	4,679,159	796,963	(5,712,865)	1,503,123	11,080,313	18,683,096	57,751,773	20,203,957
Share capital													
Reserves	397,819	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	400,830	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated loss	(1,767)	-	-	-	-	-	-	-	-	-	-	-	-
	16,346,882	-	-	-	-	-	-	-	-	-	-	-	-

* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

Rupees in thousands													
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
Lease liability against right of use assets	2,488,775	1,304	7,824	9,128	22,162	48,229	90,484	88,622	118,022	464,006	397,476	617,048	595,463

2021												
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	Above 5 years
Rupees in thousands												
Assets												
Cash and balances with treasury banks	2,827,321	2,827,321	2,827,321	2,827,322	-	-	-	-	-	-	-	-
Balances with other banks	924,018	924,018	924,018	924,019	-	-	-	-	-	-	-	-
Due from financial institutions	-	1,650,000	-	-	-	-	-	-	-	-	-	-
Investments - net	377,427	-	-	-	-	1,598,391	57,500	-	-	-	107,611	13,803,322
Islamic financing and related assets - net	2,576,144	3,165,133	2,243,794	1,854,986	7,618,185	6,509,655	9,923,488	4,024,223	4,167,430	14,497,661	13,061,899	14,190,611
Fixed assets	4,932,122	1,276	8,929	57,325	71,298	72,358	207,548	200,661	198,875	751,302	648,228	829,594
Intangible assets	579,767	-	-	13,807	13,824	14,116	41,925	40,060	39,907	155,595	132,682	92,533
Deferred tax assets	1,166,658	-	-	-	4	4	4	41,825	6	1,083,430	10	41,371
Other assets	8,308,810	485,875	2,212,563	775,198	480,155	482,998	421,737	380,310	741,131	1,535,211	278,691	-
	161,427,093	7,192,061	9,089,066	8,216,625	6,452,661	8,183,466	8,677,522	10,652,202	4,687,079	5,147,349	18,023,199	32,685,674
												28,191,268
Liabilities												
Bills payable	474,200	474,200	474,200	474,201	-	-	-	-	-	-	-	-
Due to financial institutions	1,463	1,500,000	1,843	1,514	6,023,556	361,653	883,927	29,000	-	18,750	71,915	48,830
Deposits and other accounts	91,447,778	1,251,600	991,381	6,211,997	7,535,598	3,612,494	7,014,496	3,337,231	1,283,457	44,332	12,430	5,614
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	159,700	88	618	1,325	2,650	2,650	7,950	7,950	7,950	31,800	31,800	25,313
Other liabilities *	9,545,353	626,526	652,850	932,628	117,499	137,460	112,169	80,208	451,015	1,929,637	689,355	653,198
	150,822,538	92,549,425	3,879,268	3,827,966	7,621,665	13,679,303	4,114,257	8,018,542	1,742,422	2,024,519	805,500	732,955
	10,604,555	(85,357,364)	5,209,798	4,388,659	(1,169,004)	(5,495,837)	4,563,265	1,232,690	3,404,927	15,998,680	13,423,421	31,952,719
												19,818,941
Net assets												
Share capital	11,550,000											
Reserves	88,193											
Surplus on revaluation of assets - net of tax	248,364											
Accumulated loss	(1,282,002)											
	10,604,555											
* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:												
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	Above 5 years
Rupees in thousands												
Lease liability against right of use assets	1,119	6,712	7,831	17,900	17,656	34,774	70,744	80,208	90,196	386,140	410,664	802,884

42.4.1.2 Maturities of assets and liabilities based on expected maturities

2022										
Rupees in thousands										
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
Assets										
Cash and balances with treasury banks	13,906,238	-	-	-	-	-	-	-	-	-
Balances with other banks	1,238,320	-	-	-	-	-	-	-	-	-
Due from financial institutions	6,170,000	-	-	-	-	-	-	-	-	-
Investments - net	72,668,657	3,576	7,152	3,575	8,939	11,553,367	47,303,874	13,429,087	250,000	-
Islamic financing and related assets - net	90,301,709	19,672,438	13,233,477	6,381,597	10,433,962	10,550,791	10,119,262	6,359,110	3,272,061	-
Fixed assets	4,936,840	81,639	154,486	228,666	447,375	785,987	605,051	1,846,513	-	-
Intangible assets	576,754	15,269	30,772	46,354	92,397	161,860	75,288	101,078	53,736	-
Deferred tax assets*	166,377	-	-	-	63,466	41,945	11,108	-	-	-
Other assets	9,228,528	3,830,295	1,690,610	672,992	2,755,940	278,691	-	-	-	-
	199,193,423	44,917,775	15,116,497	7,333,184	13,802,079	11,928,361	22,402,826	58,482,194	21,688,446	3,522,061
Liabilities										
Bills payable	3,737,482	-	-	-	-	-	-	-	-	-
Due to financial institutions	14,670,759	6,061,202	1,925,120	2,000,784	16,324	223,746	99,184	4,328,190	-	-
Deposits and other accounts	154,001,460	25,275,847	14,287,146	2,706,942	16,228,568	23,141,945	26,172,766	23,094,230	23,094,016	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liability*	153,850	2,723	5,445	8,053	16,134	32,126	10,671	4,887	73,811	-
Other liabilities**	10,282,990	5,488,221	547,115	153,112	1,741,856	742,698	397,476	617,048	297,732	-
	182,846,541	40,565,475	16,764,826	4,888,891	18,002,882	23,932,978	26,804,659	23,815,349	27,793,749	297,732
Net assets	16,346,882	4,352,300	(1,648,329)	2,464,293	(4,200,803)	(12,004,617)	(4,401,833)	34,666,845	(6,105,303)	3,224,329
Share capital	15,550,000	-	-	-	-	-	-	-	-	-
Reserves	397,819	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	400,830	-	-	-	-	-	-	-	-	-
Accumulated loss	(1,767)	-	-	-	-	-	-	-	-	-
	16,346,882	-	-	-	-	-	-	-	-	-
* These have been presented collectively on the statement of financial position.										
** These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:										
Rupees in thousands										
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	
Lease liability against right of use assets	2,488,775	40,417	77,236	90,484	206,644	464,006	397,476	617,048	408,537	186,926

2021									
Rupees in thousands									
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets									
Cash and balances with treasury banks	11,309,285	-	-	-	-	-	-	-	-
Balances with other banks	3,696,073	-	-	-	-	-	-	-	-
Due from financial institutions	1,650,000	-	-	-	-	-	-	-	-
Investments - net	33,475,816	1,643,682	80,146	56,614	57,558	165,168	17,589,123	13,610,879	250,000
Islamic financing and related assets - net	96,308,562	14,127,840	9,923,488	8,191,652	14,497,661	13,061,699	14,190,611	8,299,386	4,176,167
Fixed assets	4,932,122	75,183	143,656	399,536	751,302	648,228	829,594	600,698	1,276,377
Intangible assets	579,767	13,808	27,940	41,925	79,967	132,681	92,533	35,318	-
Deferred tax assets*	1,166,658	4	8	4	41,831	1,083,430	41,371	-	-
Other assets	8,308,810	3,988,575	963,152	421,737	1,121,444	1,535,211	-	-	-
	161,427,093	30,595,632	16,906,278	10,674,848	9,891,044	14,286,477	32,743,232	22,546,281	5,702,544
Liabilities									
Bills payable	1,896,801	1,896,801	-	-	-	-	-	-	-
Due to financial institutions	16,472,906	1,504,819	883,927	29,000	18,750	71,916	48,830	7,530,455	-
Deposits and other accounts	122,747,778	19,712,123	17,293,340	4,620,688	18,555,521	18,523,619	18,516,803	9,255,594	9,255,594
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Deferred tax liability*	159,700	2,649	7,950	15,900	31,800	31,800	25,313	38,988	-
Other liabilities	9,545,353	4,571,929	254,958	531,223	1,929,637	689,355	653,198	598,808	204,076
	150,822,538	27,688,321	23,938,807	5,196,811	20,535,708	19,316,690	19,244,144	17,423,845	9,459,670
Net assets	10,604,555	2,907,311	(7,032,529)	2,656,306	(2,454,951)	(5,030,213)	13,499,088	5,122,436	(3,757,126)
Share capital	11,550,000								
Reserves	88,193								
Surplus on revaluation of assets - net of tax	248,364								
Accumulated loss	(1,282,002)								
	10,604,555								
* These have been presented collectively on the statement of financial position.									
** These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:									
Rupees in thousands									
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
Lease liability against right of use assets	2,580,026	33,562	52,430	70,744	386,140	410,664	653,198	598,808	204,076

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 19.03% of current accounts and saving accounts are bucketed into Upto 1 - year maturity while 80.97% 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 under Mudaraba 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 also accepts funds / deposits (other than Banks) under Musharaka mode. 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:

2022							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%	%	Rupees in thousands
General pool	Monthly	13.22	50.00	4,052,124	7.49	13.18	614,962
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%	%	Rupees in thousands
Islamic Export Refinance (IERS) Pool	Monthly	8.15			4.85		
Treasury Musharaka/ Mudaraba Pool	As required	13.03			12.88		
Special Musharaka Pool	Monthly / As required	13.21			12.52		
Equity Pool	Monthly	7.81					
2021							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%	%	Rupees in thousands
General pool	Monthly	8.58	50.00	2,599,187	5.03	17.31	543,991
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%	%	Rupees in thousands
Islamic Export Refinance (IERS) Pool	Monthly	4.39			2.00		
Treasury Musharaka/ Mudaraba Pool	As required	8.29			7.57		
Special Musharaka Pool	Monthly/ As required	8.02			7.27		
Equity Pool	Monthly	-1.63					

44 GENERAL

44.1 Figures have been rounded off to the nearest thousand of Pakistani Rupees unless otherwise stated.

44.2 Comparative information has been re-classified and re-arranged in these financial statements wherever necessary to facilitate comparison and better presentation.

45 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 06, 2023 by the Board of Directors of the Bank.



SYED IFTIKHAR HUSSAIN RIZVI
Chief Financial Officer



KHAWAJA KHALIL SHAH
President / Chief Executive (Acting)



HAMMAD KHALID
Director



JAWAID IQBAL
Director



OMAIR SAFDAR
Director

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BRANCH NETWORK

FEDERAL CAPITAL, AZAD KASHMIR & GB

Sr. #	Branches	Address	City	Phone No
1	Jutial Branch	Shahrah-e-Quaid-e-Azam, Near NHA Office, Jutial Gilgit	Gilgit	+92-581-1450754
2	Jinnah Avenue, Blue Area Branch	52 East, Dodhy Plaza, Jinnah Avenue Islamabad	Islamabad	+92-51-2875091 +92-51-2604677
3	F-10 Markaz Branch	Plot # 7-Q, F-10 Markaz, Islamabad	Islamabad	+92-51-2114301-4
4	G-11 Markaz Branch	Shop No. 7,8,25,26, Plot No. 33, G-11 Markaz, Islamabad	Islamabad	+92-51-2360067
5	Bahria Town Phase IV Branch	Shop No G-9-10, Bahria Heights II, Ext Bahria Town, Phase- IV, Islamabad	Islamabad	+92-51-5146025
6	DHA Phase II - Tulip Road Branch	Plaza # 8, Street # A/62, Tulip Road, Sector A, DHA Phase-II, Islamabad	Islamabad	+92-51-5147159 +92-51-5147164
7	F-7 Markaz, Post Mall Branch	Plot # 3, F-7 Markaz, Post Office, Mall Building, Islamabad	Islamabad	+92-51-2608003 +92-51-2608018
8	F-8 Markaz Branch	Shop # 12 & 13, Al-Babar Center, F-8 Markaz, Islamabad	Islamabad	+92-51-2852653
9	F-11 Markaz Branch	Plot # 18, Trade Centre, Main Double Road, F-11 Markaz, Islamabad	Islamabad	+92-51-2107862
10	E-11/3 Branch	Commercial Plot No. 2, Sector E-11/3, Islamabad Garden, Islamabad	Islamabad	+92-51-2375345-6
11	I-8 Markaz Branch	MB City Mall, Plot No. 34, I-8 Markaz, Islamabad	Islamabad	+92-51-4862278-79
12	PWD Employees Society Branch	40-B, Block-B, Commercial Area (Extension), PWD Employees Housing Society, Lohi Bhair, Islamabad Highway, Islamabad	Islamabad	+92-51-5194302
13	I-10 Markaz Branch	I-10 Markaz Branch, Islamabad	Islamabad	+92-51-8462441-42
14	G-13/2 Branch	Plot No. 4-A Bazaar No. 4, G-13/2, Islamabad	Islamabad	+92-51-2769092
15	Mirpur AJK Branch	Bank Square, Allama Iqbal Road, Mirpur, Azad Kashmir	Mirpur Azad Kashmir	+92-5827-442840 +92-5827-447683 +92-5827-442118
16	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 PUNJAB REGION

Sr. #	Branches	Address	City	Phone No
1	Burq Road Branch	Shop # B-III/37, C-152, Dr. Ghulam Gillani Burq Road, Attock City	Attock	+92-57-5700903
2	Model Town Block A Branch	30 - Model Town-B, Block A Bahawalpur	Bahawalpur	+92-62-2888768
3	Arabia Islamia Road Branch	Plot No.98 Block-A, Arabia Islamia Road, Burewala	Burewala	+92-67-3351281-85
4	Talagang Road Branch, Chakwal	B1-1/1634/1, B-1-1635, Talagang Road, Chakwal	Chakwal	+92-54-3602050-5
5	Jhang Road Branch	Shan Plaza, Opposite NADRA Office, Faisalabad Road, Chiniot	Chiniot	+92-47-6333566 +92-47-6333577
6	Highway Road Branch, Chishtian	Highway Road, Chishtian	Chishtian	+92-63-2507634
7	Depalpur Branch	Okara Road, Depalpur	Depalpur	+92-44-4544449 +92-44-4544492 +92-44-4542121 +92-44-4540717
8	Kacheri Road, DG Khan Branch	Ashraf Palaza, Block # 2, Kachehri Road, DG Khan	Dera Ghazi Khan	+92-64-2460258
9	Peoples Colony Branch	668-1, Block A, Peoples Colony No. 1, Faisalabad	Faisalabad	+92-41-8556601-05
10	Millat Chowk Branch	156-B, Millat Chowk, Gulistan Colony, Faisalabad	Faisalabad	+92-41-8782963-66 +92-41-8782968
11	Canal Road Branch	204 RB East, Canal Road Faisalabad	Faisalabad	+92-41-2421890-91
12	Kotwali Road Branch	P-64 Taj Plaza, Kotwali Road, Faisalabad	Faisalabad	+92-41-2604935
13	Susan Road Branch	Plot # 101, P-12, Main Susan Road, Faisalabad	Faisalabad	+92-41-8502858-61
14	G.T Road Branch, Ghakkar	Khewat # 2414, Khatooni # 3600, Khasra # 3359, GT Road, Ghakkar	Ghakkar	+92-55-3886662 +92-55-3886665
15	Tehsil Road Branch, Gojra	Tehsil Office Road, Gojra	Gojra	+92-46-3515426-28
16	G.T Road Branch, Gujar Khan	Commercial Property # BIII 379 & BIII 377, G.T. Road (Near MCB), Gujar Khan	Gujar Khan	+92-51-3510156

BRANCH NETWORK PUNJAB REGION

Sr. #	Branches	Address	City	Phone No
17	G.T. Road Branch, Sharifpura Chowk	Sharifpura Chowk G.T Road Gujranwala	Gujranwala	+92-55-3251915-17
18	Satellite Town Branch	Satellite Town Branch, 529-C Satellite Town, Gujranwala	Gujranwala	+92-55-3825781
19	Bhimber Road Branch	Khewat # 143, Khatooni # 341, Bhimber Road, Gujrat, Tehsil & District Gujrat	Gujrat	+92-53-3601781-82
20	G.T Road Branch, Hussain Plaza	Khasra No. 625, Hussain Plaza, Chowk GTS, G.T Road, Gujrat	Gujrat	+92-53-3571542 +92-53-3530287
21	Hafizabad Branch	Royal Guest House, Gujranwala Road, Hafizabad	Hafizabad	+92-547-583492 +92-547-583494
22	Jalalpur Jattan Branch	Main Bazaar, Jalalpur Jattan	Jalalpur Jattan	+92-533-592744
23	Jaranwala Branch	Main Hassan Road, Jaranwala	Jaranwala	+92-414-310931-33
24	Yousuf Shah Road Branch	Khewat # 698, Khatooni # 203, Yousuf Shah Road, District Jhang (Opposite District Courts Jhang)	Jhang	+92-47-7629591-94
25	Shandar Chowk Branch	Model Colony, Shandar Chowk, Jhelum	Jhelum	+92-544-627128 +92-544-628677
26	G.T Road Branch, Kamoke	G.T Road Kamoke	Kamoke	+92-555-6816723 +92-555-6816923
27	G.T Road Branch, PAC Chowk	Shop No. 75, Mini Plaza, PAC Chowk, G.T Road, Kamra Cantt, District Attock	Kamra	+92-57-2642521
28	Kasur Branch	M.A. Jinnah Road, Kasur	Kasur	+92-49-2771010-11
29	Adda Khaliqabad Tulamba Branch	Adda Khaliqabad Tulamba, District Khanewal	Khanewal	-
30	Model Town Khanpur Branch	Main Bazaar, Model Town, Khanpur	Khanpur	+92-68-5575116-19
31	G.T Road Branch, Kharian	Bilal Plaza, G.T.Road, Kharian	Kharian	+92-53-7601325 +92-53-7601358
32	Liberty Market Branch, Gulberg	9-C, Commercial Liberty Market, Gulberg Lahore	Lahore	+92-42-35789831-34

BRANCH NETWORK PUNJAB REGION

Sr. #	Branches	Address	City	Phone No
33	DHA Phase III, Z Block Branch	339-Z (Commercial) Ground Floor, Phase III, Defence Housing Authority, Lahore	Lahore	+92-42-35692901 +92-42-35746675
34	Shah Alam Market Branch	12-13-6 Block-A, Shah Alam Market, Lahore	Lahore	+92-42-37667813
35	Allama Iqbal Town Branch	132 Jahanzaib Block, Main Boulevard, Allama Iqbal Town, Lahore	Lahore	+92-42-37813681-84
36	Maulana Shaukat Ali Road Branch, Johar Town	87-E, Madina Heights, Maulana Shaukat Ali Road, Johar Town, Lahore	Lahore	+92-42-35222674-79
37	Main Boulevard Branch, Gulberg	58 Main Boulevard Gulberg Lahore	Lahore	+92-42-35760954-58
38	New Garden Town Branch	Shop No 12, 13, 14, Shan Arcade, Civic Centre, Garden Town, Lahore	Lahore	+92-42-35941840-41
39	Cavalry Ground Branch	Plot No 7, Cavalry Ground Commercial Area, Walton Lahore Cantt	Lahore	+92-42-36672180 +92-42-36672183
40	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
41	G-1 Market, Johar Town Branch	435 G-1 Market, Johar Town, Lahore	Lahore	+92-42-35468417
42	PIA Housing Society Branch	Plot No. 8, Block D, Phase I, PIA Housing Scheme, Wapda Town, Lahore	Lahore	+92-42-35463995-96
43	Main Boulevard Branch, Faisal Town	35-A, Main Boulevard, Faisal Town, Lahore	Lahore	+92-42-35202200 +92-42-35202203 +92-42-35303304
44	DHA Rahbar Branch	Defence Road, DHA Rahbar, Lahore	Lahore	+92-42-34501000 Ext. 1979
45	Sarwar Road Cantt. Branch	Plot No. 05, Survey No.52/C-5, Sarwar Road Cantt. Lahore	Lahore	+92-42-36682075-76
46	Samanabad Branch	Property 22-7-17/1 & 22-S-17/2, Main Samanabad, Lahore	Lahore	+92-42-37590152
47	Gulshan-e-Ravi Branch	159-A, Main Boulevard, Gulshan Ravi, Lahore	Lahore	+92-42-37401870-74 +92-42-37401890
48	Nila Gumbad Branch	Plot # 12, McLagan Road, Nila Gumbad, Lahore	Lahore	+92-42-37210102

BRANCH NETWORK PUNJAB REGION

Sr. #	Branches	Address	City	Phone No
49	China Chowk Branch	14-A (Ground Floor), Shahrah-e-Aiwan-e-Tijarat, Old Race Course Road, Lahore	Lahore	+92-42-36282790-95
50	Davis Road Branch	Aftab Centre, 30-Davis Road, Lahore	Lahore	+92-42-36287029 +92-42-36286965
51	C Block, Model Town Branch	Shop No.10 and 11, Commercial Market, C-Block, Model Town, Lahore	Lahore	+92-42-35915403-6
52	DHA Phase II, Commercial Area Branch	Commercial Plot # 12, Block CCA, Phase II, DHA, Lahore	Lahore	+92-42-35749481 +92-42-35707033 +92-42-35749485
53	Bahria Town Sector C Branch	65-A, Sector-C, Bahria Town, Lahore	Lahore	+92-42-37861591-93
54	Thokar Niaz Baig Branch	171-A Ali Town, Main Raiwind Road, Lahore	Lahore	+92-42-35963291
55	Ichra Branch	Shop # 158, Mohalla Rasool Pura, Ichra, Main Ferozepura Road, Lahore	Lahore	+92-42-37426801-05
56	Shahdara Branch	Shahdara, Main Sheikhpura Road, Jiya Musa, Lahore	Lahore	+92-42-37919160
57	Baghbanpura Branch	266, G.T. Road, Baghbanpura, Lahore	Lahore	+92-42-36844011-12 +92-42-36844015
58	Ravi Road, Timber Market Branch	NWIII.R.78/5/A, Timber Market, Lahore	Lahore	+92-42-37722338-9
59	Babar Center, Circular Road Branch	Babar Center, 51-Circular Road, Outside Akbari Gate, Lahore	Lahore	+92-42-37379250
60	Badami Bagh Branch	93-Grain Market Badami Bagh, Lahore	Lahore	+92-42-37706366 +92-42-37706086 +92-42-37720696
61	DHA Phase VI Branch	Plot No. 12, Main Boulevard Phase VI, DHA Lahore	Lahore	+92-42-37180315-8
62	DHA EME Sector Branch	Plot# 408, Block-J, Commercial Area, DHA, EME Sector, Multan Road, Lahore	Lahore	+92-42-37512400-3 +92-42-37512407
63	Attari Ferozepur Road Branch	Plot # S-86-R-800/C/Hall, Sobra Attari Ferozepur Road, Lahore	Lahore	+92-42-35723687-88
64	Bahria Orchard (Sub Branch Bahria Town Sector C)	Plot No. 34, Low Cost Commercial Block-C, Category Boulevard, Bahria Orchard, Lahore	Lahore	+92-42-3545199 +92-42-5451509

BRANCH NETWORK PUNJAB REGION

Sr. #	Branches	Address	City	Phone No
65	Al Kabir Town Phase II Branch	Plot No. 16 Commercial Area, Block B Al Kabir Town, Phase II, Lahore	Lahore	+92-42-37872401
66	Sundar Industrial Estate Branch	Sundar Industrial Estate, Mull Chowk, Lahore	Lahore	+92-42-37860171-74
67	Lalamusa Branch	Sabri Mohallah G.T. Road, Lalamusa	Lalamusa	+92-53-511811-15
68	Chobara Road Branch	Near MCB Bank, Chobara Road, Layyah	Layyah	+92-606-410691-93
69	Adda Chamb Morr Branch, Lodhran Branch	M97 Highway Road (M-5) Adda Chamb Morr, Lodhran	Lodhran	+92-547-583492 +92-547-583494
70	Ghalla Mandi Branch	Plot # 7/211, Ward # 7, Ghalla Mandi, Mandi Bahauddin	Mandi Bahauddin	+92-546-509551 +92-546-509553
71	JK Sugar Mills Branch	JK Sugar Mills, Chak No. 84/15L Mian Channu	Mian Channu	+92-42-34501000 Ext. 1972
72	G.T Road Branch, Mian Channu	Amin Trade Center, GT Road, Mian Channu	Mian Channu	-
73	Shah Rukn-e-Alam Colony Branch	17-F Chowk Shah Rukn e Alam Colony, Multan	Multan	+92-61-6560451-57
74	Nawan Shehar Branch	Plot No. 741-F, Ward No.9, Muslim Mouza Ismail, Chowk Nawan Shehar, Multan	Multan	+92-61-4573032
75	Model Town Branch, Multan	Plot # 1, 2 Block B, Model Town, Multan	Multan	+92-61-6560451
76	Muridke Branch	Muhalla Bilal Park, GT Road, Muridke	Muridke	+92-42-37166582
77	Narowal Branch	Circular Road, Narowal	Narowal	+92-3450100 Ext 2238
78	Okara Branch	M.A. Jinnah Road, Okara	Okara	+92-44-2510124
79	Rahim Yar Khan Branch	29-Model Town, City Centre, City Park Chowk, Rahim Yar Khan	Rahim Yar Khan	+92-68-5876049
80	Bank Road, Saddar Branch	Shahbaz Plaza, Bank Road, Saddar, Rawalpindi	Rawalpindi	+92-51-5525277 +92-51-5700342 +92-51-5523474

BRANCH NETWORK PUNJAB REGION

Sr. #	Branches	Address	City	Phone No
81	Chaklala Scheme III Branch	Plot No. 16, Commercial Area, Chaklala Scheme III. Rawalpindi Cantt.	Rawalpindi	+92-51-5766233
82	Murree Road Branch	North Star Plaza, 20-B, Murree Road, Satellite Town, Rawalpindi	Rawalpindi	+92-51-4426972-76
83	Bahria Town Phase VII Branch	Plot No.6, Mini River View Commercial Mall Extension - II, Bahria Town Phase VII, Rawalpindi	Rawalpindi	+92-51-5400184
84	Kallar Syedan Branch	Mouza kallar Sagwal, Tehsil Kallar Syedan, District Rawalpindi	Rawalpindi	+92-51-3570650-52
85	Bahria Town Phase VIII Branch	Plot No. 43/C, Business Junction, Circulation Strip, Bahria Town, Phase VIII, Rawalpindi	Rawalpindi	-
86	Top City 1 Branch	Orion Business Square, Top City, Rawalpindi	Rawalpindi	-
87	Old Airport Road Branch	Bismillah Tower, Faisal Colony Near Gulzar-e-Quaid, Old Airport Road, Rawalpindi	Rawalpindi	+92-51-5707804-06
88	Tehsil Bazar Branch, Sadiqabad	19/20-D, Tehsil Bazar, Sadiqabad	Sadiqabad	+92-68-5802242-43
89	Farid Town Branch	Plot # 23, Khewat # 7854, Khatooni # 7907, Khasra No. 776-23-j, Farid Town, Sahiwal, Tehsil & District Sahiwal	Sahiwal	+92-40-4270713-15
90	Samundri Branch	Grain Market, Samundri	Samundri	+92-41-3420214-17
91	G.T Road Branch, Sarai Alamgir	Al Awan Plaza, near Military College, Main GT Road, Sarai Alamgir	Sarai Alamgir	+92-544-654929 +92-544-654929
92	Club Road Branch	73, Club Road, Civil Line, Sargodha	Sargodha	+92-48-3768633
93	Raza Garden Branch	Main Sillanwali Road, Raza Garden Sargodha	Sargodha	+92-48-3250682
94	Mian Khan Road Branch	110 Mian Khan Road, Block 5, Sargodha	Sargodha	+92-48-3726609 +92-48-3729623
95	Chowk Halalpur Noon Branch	Chowk Halalpur Noon, Tehsil Kot Momin, District Sargodha	Sargodha	+92-48-6873027-29
96	Sargodha Road Branch	Shop No. 1, Ground Floor, Al-Hamd Plaza, Batti Chowk, Sargodha Road, Sheikhpura	Sheikhpura	+92-56-3545724

BRANCH NETWORK PUNJAB REGION

Sr. #	Branches	Address	City	Phone No
97	Kashmir Road Branch	155/A, BIII-12S, Sublime Chowk, Kashmir Road, Sialkot	Sialkot	+92-523-241491 +92-523-241292
98	Shahabpura Road Branch	BIII-85-322, Shahabpura Road, Sialkot	Sialkot	+92-52-3550103-04
99	Talagang Branch	Rawalpindi Road, Talagang	Talagang	+92-543-414200
100	Faisal Hills Branch	Plot No. 22, MB Square, MR-0, Executive Block, Faisal Hills, Main GT Road, Taxila	Taxila	+92-51-450037-39
101	Mall Godam Road Branch	Plot No. 359, Mall Godam Road, Toba Tek Singh	Toba Tek Singh	+92-46-2514427 +92-46-2515427 +92-46-2517327
102	Aslam Market Branch, Wah Cantt	Shop # 1/37, Commercial Area, Civic Centre, Aslam Market, Wah Cantt	Wah Cantt	+92-51-4902231
103	Hajipura Branch	Hajipura, adjacent Doctors Hospital, Wazirabad	Wazirabad	+92-555-6601610-12

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	Main Saddar Bazar Branch	Qasr-e-Fatima 90-1-2, Main Saddar Bazar, Hyderabad	Hyderabad	+92-22-27315646-48
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	Shahrah-e-Faisal Branch	Ground Floor, Nice Trade Orbit, Main Shahrah-e-Faisal Nursery, Karachi	Karachi	+92-21-34328469-72 +92-21-34328477
6	Rashid Minhas Road Branch	Plot# LM-10, Block-10-A, Near Pizza Hut, main Rashid Minhas Road, Karachi	Karachi	+92-21-34817623 +92-21-34838077 +92-21-34817649
7	New Challi Branch	Shop No G-2, Muhammadi Trade tower, Altaf Hussani road, New Challi, Karachi	Karachi	+92-21-32371192
8	S.I.T.E Branch	C 18-A, East Avenue, S.I.T.E, Karachi	Karachi	+92-21-32552192 +92-21-32552193
9	Khalid-Bin-Waleed Road Branch	Show Room No.9-11, Plot No.167-A, Block-3, Khalid Bin Waleed Road, Karachi	Karachi	+92-21-34323051-53
10	Korangi Industrial Area Sector 23 Branch	Plot # 1-A, Sector 23, Korangi Industrial Area, Karachi	Karachi	+92-21-35122311-12
11	North Nazimabad Branch	Shop # 1 & 2 Jasmine Heights Plot # SC-21-A Block H North Nazimabad, Karachi	Karachi	+92-21-36641761-63
12	F.B. Industrial Area Branch	Sector no 22, KDA Scheme 16, FB Industrial Area Karachi	Karachi	+92-21-36834440 +92-21-36834448
13	Gulshan-e-Iqbal Branch	Shop No. 1&2, Al- Sammad Tower 13- Gulshan-e-Iqbal, Main University Road, Karachi	Karachi	+92-21-34971513-15
14	Zainab Market, Saddar Branch	PB No. 272-1, Ground Floor State Life Building No.11, Abdullah Haroon Road, Saddar Karachi	Karachi	+92-21-35681851-60
15	Muhammad Ali Society Branch	12-C/B Muhammad Ali Society, Karachi	Karachi	+92-21-34320831 +92-21-34320834

BRANCH NETWORK

SINDH

Sr. #	Branches	Address	City	Phone No
16	Model Colony Branch	H.No. 4/95, Affandi House, Liaquat Ali Khan Road, Model Colony, Karachi	Karachi	+92-21-34110334-5 +92-21-34110338
17	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	+92-21-34645751 +92-21-34645754-5
18	Faizan-e-Madina Branch	Shop No. 22, Alami Madani Markaz, Faizan-e-Madina, Mohalla Saudagran Old Sabzi Mandi Karachi	Karachi	+92-21-34910376 +92-21-34910378
19	Korangi Industrial Area Sector 7-A Branch	Plot No. 251, Sector 7-A, Korangi Industrial Area, Karachi	Karachi	+92-21-35151191-96
20	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
21	North Napier Road Branch	Marium Manzil, Plot # 161, Survey Sheet # MR-1, Market Quarters, North Napier Road, Karachi	Karachi	+92-21-32440583 +92-21-32473166
22	I. I. Chundrigar Road Branch	Gul Tower, Main I.I Chundrigar Road, Karachi	Karachi	+92-21-32426413
23	Cloth Market Branch	Plot # 21/1, Puri Building, Cloth Market, Karachi	Karachi	+92-21-32472148-49 +92-21-32471727
24	Jodia Bazar Branch	MR 6/2, Market Quarters, Virjee Street, Jodia Bazar, Karachi	Karachi	+92-21-32443758 +92-21-32443684
25	Javed Arcade Branch	Javed Arcade, Plot # SB-1, Block # 17, KDA Scheme # 36, Gulistan-e-Jauhar, Karachi	Karachi	+92-21-34632739 +92-21-34632745 +92-21-34636747
26	Shershah Branch	Plot # M-II-E-606, Shershah, Karachi	Karachi	+92-21-32587581-83
27	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	+92-21-34145043 +92-21-34943888 +92-21-34943777
28	Business Arcade Branch	Plot # 27-A, Business Arcade, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi	Karachi	+92-21-34326570-73
29	EOBI House Branch	Plot No. ST-1/A-1, KDA Commercial Complex, Scheme 1, Shop No. G-01/B, Ground Floor, EOBI House, Shahra-e-Faisal, Karachi	Karachi	+92-21-34330172 +92-21-34536732
30	Allama Iqbal Road Branch	Plot No.683-C Ground Floor & Mezzanine Floor, Block-2, PECHS, Allama Iqbal Road, Karachi	Karachi	+92-21-34301815 +92-21-34301817-18

BRANCH NETWORK SINDH

Sr. #	Branches	Address	City	Phone No
31	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 +92-21-35341675 +92-21-35849782
32	DHA Phase V, Zamzama Lane Branch	17-E, 6th Commercial Lane, DHA Phase-V, Karachi	Karachi	+92-21-35295015 +92-21-35295210
33	Kulsoom Court Branch	Kulsoom Court, Shop # 2, 3, 5A & 6, Plot DC-3, KDA Scheme # 5, Block-9, Clifton, Karachi	Karachi	+92-21-35837012 +92-21-35837015 +92-21-35837018
34	DHA Phase IV Branch	Ground Floor, Plot # 99-E, 9th Commercial Street, Phase-IV, DHA, Karachi	Karachi	+92-21-35313001 +92-21-35885719
35	Paper Market Branch	Plot # 11/2, Sheet SR-9, Seraj Quarters, Anjarwala Bakery Sharah-e-Liaquat Karachi	Karachi	+92-21-32212610 +92-21-32212356
36	U.P. More Branch	Shop no. 1&2, Ground Floor, Plot Bearing No. A976, Sector 11-B, U.P More, North Karachi	Karachi	+92-21-36416681-84
37	DHA Phase 2 Ext. Branch	Plot No. 47-E, 21st Commercial Street, Phase II-Extension. D.H.A, Karachi	Karachi	+92-21-35392201-02 +92-21-35392204
38	SMCHS Branch	Plot # 21-22, Sub Block D, Block A, Sindhi Muslim Cooperative Housing Society, Karachi	Karachi	+92-21-34300712-14
39	Jinnah Avenue, Bahria Town Branch	Dominion Business-1, Plot No: B-34, Jinnah Avenue Commercial, Bahria Town, Karachi	Karachi	+92-42-34501000 Ext: 2201
40	F.B Industrial Area, Water Pump Branch	PMJ Square, Phase-1, Shop # 1 to 4, Block 14, Naseerabad, F.B Area, Karachi	Karachi	+92-21-36377051 +92-21-36377054
41	Sheikh Sultan Trust Branch	Survey No. 25, Survey Sheet No. CL-10, Building No. 1, Sheikh Sultan Trust, Beaumont Road, Civil Lines, Karachi	Karachi	+92-21-35210179
42	Lady Dufferin Hospital Branch	Chand Bibi Road, Adhumal Oodharam Quarter, Opposite Civil Hospital, Karachi	Karachi	+92-21-32373702
43	Bank Road Deh Garaho Branch	Plot No. 9, Block No. 263/4 Deh Garaho City, Bank Road, Kunri	Kunri	+92-238-558013-14
44	Bunder Road Branch	Shop/ Plot/ Khasra/ Khatooni/ Khewat # Plot # B-1623, Bunder Road, Sukkur	Sukkur	+92-71-5620756
45	Hyderabad Road Branch	Plot No.1, Survey No. 272-1 Deh Taluka Hyderabad Road, Tando Allah Yar	Tando Allahyar	+92-22-3891600 +92-22-3891567

BRANCH NETWORK KHYBER PAKHTUNKHWA

Sr. #	Branches	Address	City	Phone No
1	Manshera Road Branch	GM Tower, near Sethi Masjid, Mansehra Road, Abbottabad	Abbottabad	+92-99-2408301-04
2	Railway Road Branch	Plot# 376/A, Railway Road, Bannu City, Bannu	Bannu	+92-928-660405-6
3	Pak Haider Market Branch	Shop No 1 to 6, Pak Haider Market, Near Zafar Park, next to Malakand CNG, GT Road, Batkhela District Malakand	Batkhela	+92-93-2410670-72
4	Battagram Branch	Opposite Police Station, Karakoram Highway, Battagram	Battagram	+92-997-310470-74
5	Ataliq Bazar, Bypass Road Branch	Ataliq Bazar Bypass Road Near Bus Adda, Chitral	Chitral	+92-943-414389 +92-943-414316
6	Darra Adam Khel Branch	Main Bazaar, Kohat Road, Darra Adam Khel	Darra Adam Khel	+92-3450100 Ext 2240
7	Dera Ismail Khan Branch	Plot # 3, Survey # 68, Circular Road, Dera Ismail Khan	Dera Ismail Khan	+92-966-719934-36
8	Shahkas Branch	Spinzer Market, Wazir Dhand, Main Jamrud Road, Shahkas Jamrud, District Khyber Agency	Jamrud	+92-91-3021760-61
9	Kabal Branch	Khasra No. 2262, Khata No. 901, Khatooni No. 1176, Hassan Plaza, Kabal Chowk, Kabal, District Swat	Kabal	+92-94-6755592-95
10	Karak Branch	Bannu Road, Karak	Karak	+92-42-34501000 Ext. 2248
11	Khawazakhela Branch	Khawazakhela Bazaar, Swat	Khawazakhela	+92-42-34501000 Ext. 2247
12	Bannu Road Branch	Shop # T-663, 664, Bezari, Chakkar Kot, Main Bazaar, Bannu Road, Kohat	Kohat	+92-922-866155-56
13	Main Bazaar Kumbar Branch	Old Adda, Main Bazaar, Kumbar, District Lower Dir	Lower Dir	+92-945-888007
14	Manshera Branch	Main Bazaar, near Fouji Foundation, Manshera	Manshera	+92-997-391801 +92-977-391801
15	Shamsi Road Branch	RS Plaza Shamsi Road, Tehsil and District Mardan	Mardan	+92-937-870751 +92-937-870753
16	Matta Branch	Khatooni No. 28-50, Khasra No.2309, Mehran Khan Plaza, Main Matta Khareri, Matta Swat	Matta	+92-94-6790612-15

BRANCH NETWORK KHYBER PAKHTUNKHWA

Sr. #	Branches	Address	City	Phone No
17	Mingora Branch	Opposite Bank Square, Main Bazar Mingora, Swat	Mingora	+92-946-725373-74
18	Odigram Branch	Main Bazaar Odigram, Lower Dir	Odigram	+92-945-890022-26
19	Tasneem Plaza, Saddar Road Branch	Tasneem Plaza, 6 Saddar Road, Peshawar Cantt	Peshawar	+92-91-5272180-83
20	Dalazak Road Branch	Malik Sardar Plaza, Near Yousafabad Canal, Dalazak Road, Peshawar	Peshawar	+92-91-2244041-42
21	Hayatabad Branch	B-1, Phase V, Hayatabad, Peshawar	Peshawar	+92-91-5825305
22	Gulbahar Branch	Malik Arcade, Anam Sanam Chowk, Gulbahar Road, Peshawar	Peshawar	+92-91-2580718 +92-91-2590762
23	Airport Road Swat Branch	Airport Road, Swat	Swat	+92-42-34501000 Ext. 2246
24	Timergara Branch	Zeb plaza main balambat Road, Timergara District Lower Dir	Timergara	+92-945-825571-73

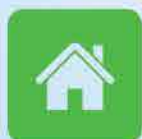
BRANCH NETWORK BALOCHISTAN

Sr. #	Branches	Address	City	Phone No
1	Taj Road Branch	Taj Road Chaman, Balochistan	Chaman	+92-82-6615429
2	Main Airport Road Branch	Main Airport Road, Gwadar, Balochistan	Gwadar	+92-86-4210290
3	Tehsil Road Branch, Loralai	Shop # 372, House # 425, Tehsil Road Loralai, Balochistan	Loralai	+92-82-4660400
4	Muslim Bagh Branch	Station Road, Muslim Bagh, Balochistan	Muslim bagh	+92-823-669214-5
5	M.A Jinnah Road Branch	M.A. Jinnah Road, Quetta, Balochistan	Quetta	+92-81-2824977
6	Hazara Town Branch	Lilak Shopping Centre, Barma Road, Aliabad, Hazara Town, Quetta, Balochistan	Quetta	+92-81-2853127
7	Sirki Road Branch	Plot No. 136-14-32, Akram Plaza, Sirki Road, Quetta, Balochistan	Quetta	+92-81-2836417
8	Choharmal Road Branch	Choharmal Road, Quetta, Balochistan	Quetta	+92-81-2843640
9	Mannan Chowk Branch	2-11/6-303, Mannan Chowk, M.A. Jinnah Road, Quetta	Quetta	+92-81-2836204-05
10	Turbat Branch	Main Road Turbat, Balochistan	Turbat	+92-85-2411153

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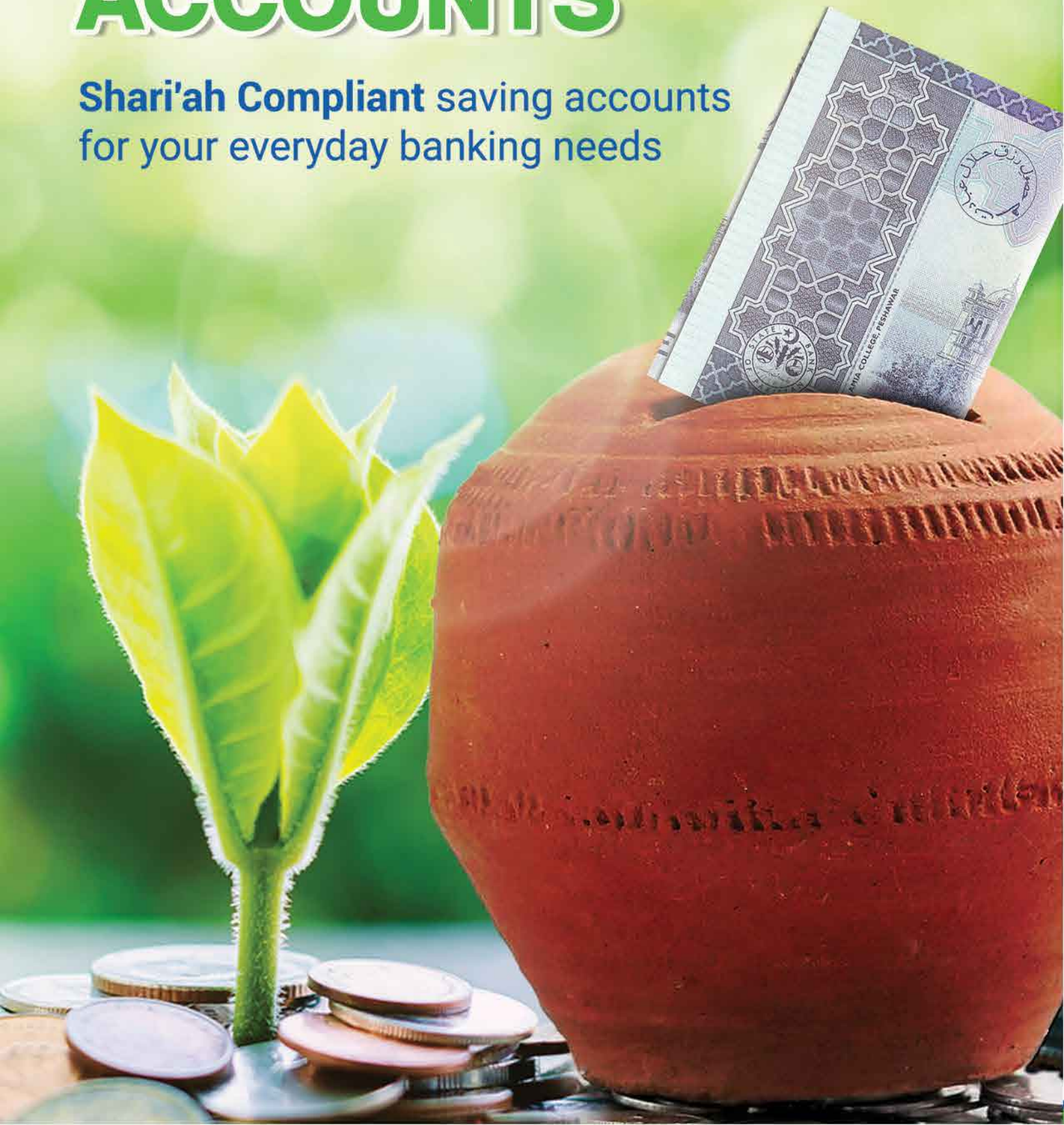


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PATTERN OF SHAREHOLDING AS OF DECEMBER 31, 2022

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
7	1	100	7
-	101	500	-
-	501	1,000	-
-	1001	5,000	-
-	5001	10,000	-
-	10,001	50,000	-
-	50,001	100,000	-
-	100,001	500,000	-
-	500,001	1,000,000	-
-	1,000,001	5,000,000	-
-	5,000,001	10,000,000	-
-	10,000,001	15,000,000	-
-	15,000,001	25,000,000	-
1	25,000,001	Above	1,554,999,993
8			1,555,000,000

CATEGORIES OF SHAREHOLDERS AS OF DECEMBER 31, 2022

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	5	0.0000004%
Associated Companies, undertakings and related parties	1,554,999,993	99.9999994%
NIT and ICP	-	-
Banks Development Financial Institutions, Non Banking Financial Institutions	-	-
Insurance Companies	-	-
Modarabas and Mutual Funds	-	-
Shareholders holding 10%	-	-
General Public Local	-	-
General Public Foreign	-	-
Others	2	0.0000002%
Grand Total	1,555,000,000	100.0000000%

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Insurance



Taxes



Airlines



Gas



Electricity



Internet

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 Annual General Meeting of the Company to be held on Monday, 27 March 2023 at 12:00 PM from 14-A, Jail Road, Lahore through video-link facility and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2023.

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

Witness No. 1: _____

Witness No. 2: _____

Name: _____

Name: _____

C.N.I.C. No./Passport No: _____

C.N.I.C. No./Passport No: _____

Address: _____

Address: _____

NOTES

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.

گواہ نمبر 1 :	گواہ نمبر 2 :
نام :	نام :
شناختی کارڈ/پاسپورٹ نمبر :	شناختی کارڈ/پاسپورٹ نمبر :
پتہ :	پتہ :

نوٹ

A- جزل/(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 ہو نا 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، فیز II، 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۔

پراکسی فارم

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

لمیٹڈ _____
_____ میں / ہم _____ ولد / زوجہ / دختر
_____ ساکن
_____ بحیثیت رکن / ممبر ایم سی بی اسلامک بینک لمیٹڈ (کمپنی) اور _____ عام حصص کا / کے مالک کے طور پر
_____ مسمیٰ / مسماں _____ ولد / زوجہ / دختر
_____ ساکن

جو کہ کمپنی کا رکن / ممبر بھی ہے، کو اپنا پراکسی مقرر کرتا / کرتی / کرتے ہوں / ہیں تاکہ وہ کمپنی کے نویں سالانہ عام اجلاس جو بروز پیر مورخہ 27 مارچ 2023ء کو 12:00 PM بجے 14-A، جیل روڈ، لاہور سے بزرگ ریو ویڈیو لنک منعقد ہو رہا ہے، اس میں یا اس کے کسی ملتی شہدہ اجلاس میں میری / ہماری جگہ شرکت کر سکے اور ووٹ دے سکے۔

گواہ کے طور میرے / ہمارے لیے یہ _____ 2023 کا دن ہے۔

ممبر کے دستخط
5 روپے کی رسیدی ٹکٹ پر