

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

Rs. in Million

Statement of Financial Position	31-Dec-22	31-Dec-21	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 against financing and 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 sagacious 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 a level of 11.62% with the cost of funds at 6.24% resulting in a net spread of 5.38% for the year under review. On the other side due to the exorbitant rise in the general price level and the Rupee devaluation, the operating and other expenses were increased by 26% as compared to last year, being monitored closely to be contained through effective management controls in order to sustain profitability levels.