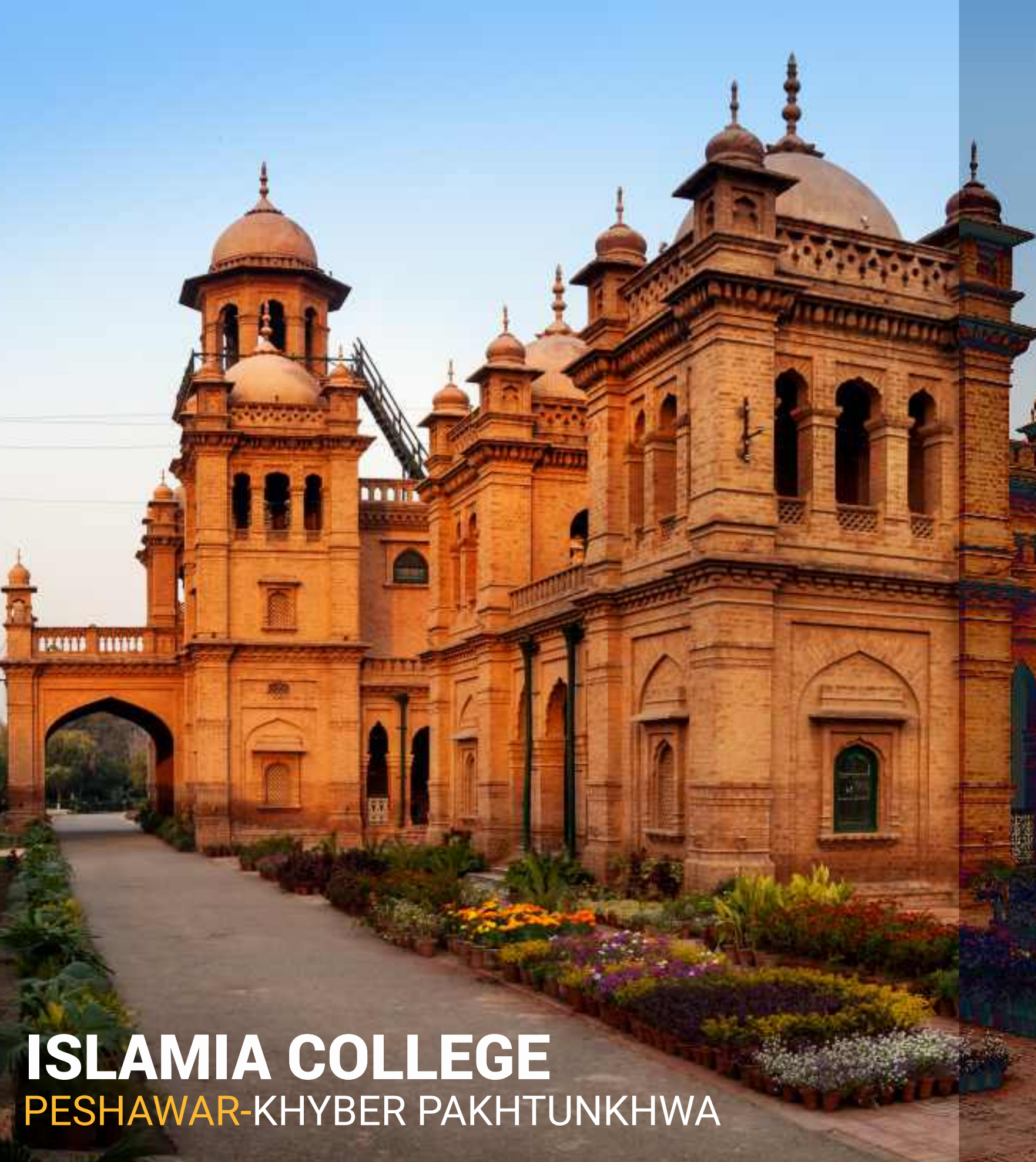




CORPORATE OFFICE

📍 59-T, Phase 2, DHA, Lahore 📞 +92-42-111-222-642

ANNUAL REPORT 2018



ISLAMIA COLLEGE
PESHAWAR-KHYBER PAKHTUNKHWA

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About MCB Islamic Bank

MCB Islamic Bank Limited (the "Bank") is the wholly owned subsidiary of MCB Bank Limited and commenced its operations in 2015 with 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 Oracle Flexcube as its Core Banking Software. Different services and products offered by the bank are available to customers through a branch network of 176 branches backed by 179 On-Site and Off-Site network of ATMs. The Bank offers EMV enabled Debit Cards, iOS and Android based native Mobile and Internet Banking services. Moreover, the Bank is also fast developing its suite of Cash Management services for businesses.

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.

TAKHT-E-BAI
MARDAN-KHYBER PAKHTUNKHWA

What is Islamic Banking

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

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

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

ABBOTABAD
KHYBER PAKHTUNKHWA

Mission Statement

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

KARACHI
SINDH

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.

BADSHAHI MOSQUE
LAHORE-PUNJAB

MUZAFFARABAD

AZAD KASHMIR

Our Values

We are Shari'ah Driven

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

Dedicated and Dependable

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

Aspirational

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

Corporate Strategy

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

A. Build market leadership within Pakistan

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

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

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

C. Pursue international growth opportunities

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

TIMERGARA
KHYBER PAKHTUNKHWA



MINGORA
KHYBER PAKHTUNKHWA

Corporate Information

● Registered Office/ Head Office

59-T, Phase II, DHA Lahore

● Shari'ah Compliance Department

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

● Contact Information

☎ +92-42-111-222-642

🌐 www.mcbislamicbank.com

✉ info@mcbislamicbank.com

f MCBIslamicBankLTD

🐦 MCBIslamicBank

in MCBIslamicBank

📺 MCBIslamicBank

● Shari'ah Board

Chairman

Prof. Mufti Munib-ur-Rehman

Resident Shari'ah Board Member

Mufti Syed Sabir Hussain

Shari'ah Board Member

Mufti Nadeem Iqbal

● Chief Financial Officer

Syed Iftikhar Hussain Rizvi

● Company Secretary

Ms. Maimoona Cheema

● Head of Internal Audit

Mr. Muhammad Tariq Gondal

● Legal Advisors

Imtiaz Siddiqui & Associates, Advocates & Solicitor

● Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Credit Rating

Long Term

A

Short Term

A - 1

MATTA
KHYBER PAKHTUNKHWA

Products and Services

MCB Islamic Bank Ltd. 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:


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

Current Account	Saving Account	Term Deposits
MIB Basic Banking	MIB Imaan	MIB Na'mat Plus
MIB Hidayat	MIB Barkat	MIB Na'mat Plus Foreign Currency
MIB Asaan	MIB Barkat Saving Plus	MIB Aasoodgi
MIB Hidayat Foreign	MIB Barkat Saving Premium	MIB Na'mat
	MIB Barkat Super Saving	MIB Financial Institutions
	MIB Asaan	
	MIB Imaan Foreign Currency Saving Account	
	MIB Atfaal Saving Account	



Digital Banking:

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



MIB Qadar Cards	MIB Phone Banking
MIB Internet Banking	MIB Mobile App
SMS Notification Service	MIB ATMs network



Consumer Finance:

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

SME Banking:

MCB Islamic Bank offers Shari'ah Compliant Financial solutions for Small and Medium sized enterprises. These products have been designed by industry professionals in close consultation and working with a team of Shari'ah experts. These products addresses, Murabaha Financing, Finished Goods Murabaha, Musharakah Export Finance – Foreign, Istisna Financing, Islamic Export Re-finance Scheme, Finished Goods Musawamah & Commodity Salam.

**MCB Islamic Bank offer following SME Banking services:**

- Short Term or Working Capital requirement facilities
- Long Term or Fixed Assets based facilities
- Trade or Guarantee facilities
- State Bank of Pakistan Refinancing Scheme

Microfinance:

For fulfilling the needs of growing small / micro businesses in both Urban and Rural areas of Pakistan, MCB Islamic Bank Limited offers Murabaha Microfinance for Businessmen and women operating in a diversity of sectors. Through this financing facility, they can avail financing of up to PKR 500,000.

Commercial Banking:

Commercial Financing segment focuses on building strong & 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.

Commercial Financing is catering to financing needs of its customers in the following different manners:

- Trade Services
- Working Capital Finance
- Medium & Long Term Finance

Corporate Banking:

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

Our dedicated teams within Corporate Banking are situated in offices located in Karachi, Lahore,



Islamabad, Multan and Faisalabad. Our in-house expertise of product specialists and Shari'ah scholars are well versed in providing Shari'ah-compliant financing solutions to meet our customer's credit, 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 also liaison with Treasury, Cash Management, Trade, Investment Banking and Consumer Banking departments to develop and deliver offerings that are used across diverse businesses.

MIB 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, Istisna, Finished Goods Murabaha, Commodity Salam, Finished Goods Musawamah, and Musharakah Running Finance for catering to balance sheet needs of Corporates / Commercials / MNCs for managing their day-to-day funding needs.

- **Long-Term Finance**

For catering to Balance Sheet requirements under long-term financing, MIB has an array of medium to long term financing products which includes Corporate Ijarah & Corporate Diminishing Musharakah.

- **Trade Services**

MIB also offers a range of import and export services to effectively manage customer's local and global supply chain needs and provides them a competitive edge. These facilities extend for both raw materials to fixed assets. Services that are offered include:

Cash Management Services:

MIB 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.

**MIB Services:**

MCB Islamic Bank Ltd. also offers various services to meet growing needs of its customers, some of which are as follows:

- MIB Remittance Service
- Shari'ah Services
- FX Services
- PRISM Services

- **Export Services**
 - Bills for Collection under Export
 - L/C Advising & Confirmation services
 - Currency Salam (alternate for Export Discounting)
 - Pre-Shipment and Post-Shipment financing on Islamic modes of financing
- **Import Services**
 - Letter of Credit
 - Import Financing
- **Bank Guarantees**



Board of Directors

Raza Mansha
Chairman

Omais Safdar
Non-Executive Director

Dr. Khalid Zaheer
Independent Director

Ibrahim Shamsi
Non-Executive Director

Mr. Ahmed Ebrahim Hasham
Non-Executive Director

Ali Muhammad Mahoon
President & Executive Director

Mr. Aftab Ahmad Khan
Non-Executive Director

CHITRAL
KHYBER PAKHTUNKHWA



Raza Mansha

Chairman

Mr. Raza Mansha has been a Director of MCB Islamic Bank Limited since December 2016. He has more than 21 years diversified professional experience in various business sectors including Banking, Textile, Power, Cement, Insurance, Hotels, Properties, Natural Gas, Agriculture, Dairy etc. He received his Bachelor degree from the University of Pennsylvania, USA.

Other Directorships:

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



Dr. Khalid Zaheer

Independent Director

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

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



Mr. Ahmed Ebrahim Hasham

Non-Executive Director

Mr. Ahmed Ebrahim Hasham has been a Director of MCB Islamic Bank Limited since its inception. He is a member of the Executive Committee of the Pakistan Sugar Mills Association and a Board member of Young President Organization Pakistan (YPO-Pakistan). He is an active contributor towards social and academic services, a board member of Hasham Foundation and Usman Memorial Foundation which in turns manages to the Usman Institute of Technology. He is a graduate in International Relations (IR) and Economics from Tufts University, USA.

Other Directorships

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



Mr. Aftab Ahmad Khan

Non-Executive Director

Mr. Aftab Ahmad Khan has been a Director of MCB Islamic Bank Limited since June 2017. He is a fellow member of the Institute of Chartered Accountants of Pakistan. He has over 50 years of diversified professional experience in various sectors. He has served on the Board of Punjab Industrial Development Board and in public sector organizations such as Ghee, Sugar and Rice mills.

Other Directorships

- Nishat Paper Products Co. Limited
- Nishat (Chunian) Limited
- Nishat (Aziz Avenue) Hotels and Properties Ltd
- Nishat (Gulberg) Hotels and Properties Ltd
- Nishat (Raiwind) Hotels and Properties Ltd
- Nishat Energy Limited
- Nishat Chunian Power Limited
- MCB Financial Services Ltd.
- Nishat Hotels and Properties Ltd.
- Lalpir Solar Power (Pvt.) Limited



Omair Safdar
Non-Executive Director

Mr. Omair Safdar has been a Director of MCB Islamic Bank Limited since its inception. He has more than 12 years of experience in the banking industry. He has been associated with MCB Bank Limited 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 Limited including Credit, Investment and Write-Off. On behalf of MCB Bank Limited, Omair also serves, as a Director, on the Board of MCB Islamic Bank Limited and MCB Leasing Azerbaijan.



Ibrahim Shamsi
Non-Executive Director

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

Other Directorships

- Fortress square services (Pvt.) Ltd
- Dupak properties (Pvt.) Ltd
- Dupak Developer Pakistan (Pvt.) Ltd
- A A. Joyland (Pvt.) Ltd
- Joyland (Pvt.) Ltd
- Siddiqsons Tin Plate Ltd
- Siddiqsons Denim Mill Ltd
- Siddiqsons Energy Ltd
- Adamjee Insurance Company Ltd
- Cotton Web (Pvt.) Ltd



Ali Muhammad Mahoon
President & Executive Director

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

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

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



QUETTA
BALUCHISTAN

Board Committees

The Board has six sub-committees:

1. Audit Committee
2. Human Resource & Remuneration Committee
3. Risk Management & Portfolio Review Committee
4. Business Strategy & Service Quality Review Committee
5. IT Committee
6. Board Evaluation Committee

Audit Committee (Meetings held: 5)

Composition:

1. Dr. Khalid Zaheer - Chairman
2. Mr. Omair Safdar
3. Mr. Ibrahim Shamsi
4. Mr. Aftab Ahmad Khan

Terms of Reference:

1. Review the bank's Audit related policies, in the light of prevailing International Auditing Standards, internal developments and guidelines issued by the regulatory bodies, on as and when required basis and recommend the same to Board for approval.
2. Determination of appropriate measures to safeguard the bank's assets.
3. Reviewing of quarterly, half-yearly and annual financial statements of the bank, prior to their approval by the Board of Directors, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Any changes in accounting policies and practices;
 - Compliance with applicable accounting standards;
 - Compliance with listing regulations, other statutory and regulatory requirements;
 - Significant related party transactions; and
 - Compliance with applicable Shari'ah rulings.
 - All related party transactions

4. Reviewing of preliminary announcements of results prior to publication;
5. 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);
6. Reviewing of Client Service Report / Management Letter issued by external auditors and management's response thereto;
7. Ensuring coordination between the internal and external auditors of the bank;
8. Making recommendation to the Board of Directors the appointment of external auditors including External Shari'ah Auditor(s), their removal, audit fees, the provision by the external auditors of any service to the bank in addition to audit of its financial statements.
9. Reviewing of the scope and extent of internal audit/Shari'ah audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the bank;
10. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
11. 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;
12. 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;
13. Instituting special projects, 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;
14. Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
15. Determination of compliance/Shari'ah compliance with relevant statutory requirements;
16. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
17. Consideration of any other issue or matter as may be assigned by the Board of Directors.
18. Approval of Shari'ah audit Plan after review by the Shari'ah Board.
19. Approval of Internal Audit plan and budgets pertaining to Inter Audit & RAR Group.

Human Resource & Remuneration Committee (Meetings held: 4)

Composition:

1. Dr. Khalid Zaheer - Chairman
2. Mr. Raza Mansha
3. Mr. Ahmed Ebrahim Hasham
4. Mr. Omair Safdar

Terms of Reference:

The main tasks of the Committee shall be 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. Ensure implementation of Bank's Remuneration Policy.
3. Appropriate criteria are adopted for annual performance appraisal of the President & his direct reports.
4. To ensure that key hierarchical organizational structure supports the business strategy & plan and, if deemed appropriate, approve any changes upon the recommendations of the President.
5. HRRC may periodically review MIB's HR Policy 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 recommend to the Board for approval.
7. The HRRC shall review and recommend Training and development budget (which is part of an overall budget document of the bank) to the BOD; and subsequently monitor the implementation of the same.
8. HRRC shall monitor implementation of approved training & development policy.
9. The selection, evaluation, compensation (including retirement benefits) and succession planning of the CFO, Company Secretary and Internal Audit and recommend to the Board.

Risk Management & Portfolio Review Committee (Meetings held: 4)

Composition:

1. Mr. Omair Safdar - Chairman
2. Mr. Ibrahim Shamsi
3. Mr. Aftab Ahmad Khan
4. Mr. Ali Muhammad Mahoon

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: 6)

Composition:

1. Mr. Raza Mansha - Chairman
2. Mr. Ibrahim Shamsi
3. Mr. Aftab Ahmad Khan
4. Mr. Ali Muhammad Mahoon

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:
 - a) Statistic on and analysis of customer complaints
 - b) Measurement of key service indicators and key processes
 - c) Summary of customer feedback received through surveys

IT Committee (Meetings held: 2)

Composition:

1. Mr. Raza Mansha - Chairman
2. Mr. Ahmed Ebrahim Hasham
3. Mr. Ibrahim Shamsi
4. Mr. Ali Muhammad Mahoon

Terms of Reference:

1. The committee shall be responsible for reviewing the Bank's IT related policies on as and when required basis and shall recommend the same to the Board of Directors for approval.
2. The committee shall be mainly responsible for reporting to the board on the status of IT activities. The reports enable the board to make decisions without having to be involved in routine activities.
3. 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.
4. 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.
5. The committee may also review and determine the adequacy of the institution's training plan including cyber security training, for the staff.

Board Evaluation Committee (Meetings held: 2)

Composition:

1. Mr. Ahmed Ebrahim Hasham - Chairman
2. Mr. Omair Safdar

Terms of Reference:

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. To identify 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.

Performance Evaluation of Board of Directors

The State Bank of Pakistan issued Guidelines on Performance Evaluation of the Board of Directors (the "Guidelines") through BPRD Circular No. 11 of 2016 dated August 22, 2016. The said Guidelines provide an evaluation process to be undertaken annually by the Board of Directors.

At MCB Islamic Bank Limited, the Board of Directors formed a 'Board Evaluation Committee (BEC)' to undertake the said evaluation process. The process provided for by the Guidelines is in the form of a Framework which has been executed by the BEC to improve the Board's effectiveness, maximizing strengths and tackling weaknesses, leading to an immediate improvement in performance throughout the organization. The BEC through the Framework concentrates on evaluation of:

- the composition of the Board including its size, composition, contribution of directors
- Performance of the Chairperson by evaluating demonstration of effective leadership skills, promotion of constructive debate and effective decision making etc.
- Responsibilities of the Directors including attendance, willingness to devote time, knowledge & skill set and whether the Board members have the requisite skills/expertise, competency, knowledge and diversified experience considered relevant in the context of the Bank's operations and to make the Board an effective governing body.
- Responsibilities of Independent Director(s) by evaluating demonstration of transparency, objective and independent judgment etc.
- Responsibilities of the Chief Executive Officer by assessing achievement of business targets set by the Board, leadership qualities, effective execution of strategies etc.
- Responsibilities of Committees by evaluating size, structure, skill set, organization of meetings etc.

Pursuant to the provisions of the Guidelines, the Board Evaluation Committee carried out the annual performance evaluation of the Board for the year 2018 including the evaluation of the working of its Committees, the independent directors, the Chairperson and the Chief Executive Officer. The BEC was satisfied with the evaluation results, which reflected the overall engagement and effectiveness of the Board and its Committees.

As per the requirements of the Guidelines, the evaluation is to be facilitated by an external independent evaluator at least every three years. In view thereof, the Bank has also appointed the Pakistan Institute of Corporate Governance (PICG) to undertake the external evaluation for the year 2018.

MCB Islamic Bank Management



Ali Muhammad Mahoon
President & CEO

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

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

Ali's work philosophy is to keep things simple and sensible. He has formed the foundation of this bank on a customer-centric model and is relentlessly engaged in ensuring that the entire organization is infused with the credo of customer service and



Muhammad Ali Ansari
Group Head - Business Distribution

Muhammad Ali Ansari, as Group Head Business Distribution manages MIB's network of Branches, Wealth Management, Commercial /SME financing and General Services. Ali Ansari has been working in the Retail banking arena for more than 18 years and has extensive experience in managing Consumer Finance, Business Development Channels, Wealth Management and Branch Banking businesses. After completing his bachelor's degree in Business Administration, he started his career with a foreign commercial bank and later on worked in different banks before moving into MIB as Business Head, South in May 2016.

Ali is a member of MIB's Management Committee, ALCO, Compliance Committee, Pool Management Committee & SQCC.



Abdul Aziz Memon
Country Head - Corporate, Commercial Banking and Financial Institutions Group

Abdul Aziz Memon is a senior banker, possessing local as well as international Banking experience of over 45 years in middle and senior management positions. Mr. Memon joined MCB Islamic Bank Ltd in May 2016 as Country Head Distribution and Senior Executive Vice President, and since March 2018, he is Country Head, Business Development & Strategic Clients Group & Senior Executive Vice President.

Aziz Memon started his banking career as Management Trainee Officer in 1973 from Habib Bank Limited Pakistan. He joined Habib Bank AG Zurich in 1979 and was posted at Kuwait in their associate company as Manager of Main Branch. In 1990, he was posted as Chief Manager at Habib Bank AG Zurich, Mombasa Branch, Kenya. He was transferred to Pakistan Operation of Habib Bank AG Zurich as Head of Credit & Operations of Main Branch Karachi in 1993. After Merger of Habib Bank AG Zurich Pakistan operations with and into Habib Metropolitan Bank Ltd (subsidiary of Habib Bank AG Zurich) in 2006, he established and Headed Credit Division at Head Office as Head of Credit and Executive Vice President.

He was then elevated to the position of Chief Risk Officer & Senior Executive Vice President in August 2013. He separated from Habib Metropolitan Bank Limited as Group Head of Credit.



Syed Iftikhar Hussain Rizvi
Chief Financial Officer

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

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



Kashif Ahmed
Group Head – Compliance and Controls

Kashif Ahmed is a fellow member of the Institute of Chartered Accountants of Pakistan with more than 24 years of working experience including over 13 years in the banking sector. Prior to joining MIB in yr 2015, he has worked with Deloitte Pakistan, Deloitte Bahrain, Deloitte Bermuda, Mashreq Bank Pakistan Limited, Crescent Commercial Bank Limited, Noman Abid Investment Management Limited and lastly at MCB Bank Limited, with extensive management level experience in Audit, Finance & Accounts and Operations.

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

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



Khawaja Khalil Shah
Chief Risk Officer

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

Khalil has around 26 years of banking experience most of which is in corporate banking and risk management. Prior to joining MIB, he was serving as Business Head-Portfolio Management, Wholesale Banking Group in MCB Bank Ltd since 2008. He has also spent considerable time at Al Faysal Investment Bank and Faysal Bank Ltd before becoming part of MCB clan.



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

Mr. Omer Khalid's experience spans over 24 years in Corporate & Investment Banking, Cash management, Home remittances etc. at major financial institutions of Pakistan. He has been instrumental in maximizing institution's profitability through effectively building and managing credit portfolios, 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. At MIB, beside leading Corporate, Investment Banking & Financial Institutions, he has also taken new initiatives to add Home Remittance business to MIB. He holds MBA from Lahore University of Management Sciences (LUMS).



Shahid Mahmood
Chief Information Officer

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

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

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


Salman Qutb

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

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

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

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


Mr. Muhammad Hamid Yasin

Group Head – Consumer and Microfinance

Hamid is a business graduate from the Institute of Business Administration (IBA), Karachi and has over 23 years of banking experience in Retail and Corporate banking as well as Risk Management. Before recently joining MIB, 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.


Muhammad Saeed Raja

Group Head – Operations

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

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

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

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


Syed Salman Ali

Group Head – Treasury & FXG

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

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


Muhammad Tariq Gondal

Group Head – Internal Audit & Risk Asset Review

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 hold Banking Diploma and Post graduate diploma in Islamic Banking and Insurance. Mr. Gondal has a diversified experience of more than twenty four years in areas of audit & inspection, risk, compliance and operations both in Central and Commercial Banking.


Azhar Nazir

Group Head – Special Projects

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

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


Mufti Syed Sabir Hussain

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

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

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



Usman Ajmal

Group Head – Product Management & Shari'ah Structuring

Usman Ajmal holds a double majors M.Sc. degree in Economics & Finance and also successfully completed Islamic Banking Certificate Course by the National Institute of Banking & Finance. He is a seasoned banking professional having a well-diversified overall work experience of more than 17 years with a proven track record of successful launches of a wide array of financial products and solutions. He has primarily been involved on the retail banking side in various capacities both in the business and risk management domains. He also carries experience of systems implementation projects with regards to retail banking products.

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

Mr. Usman Ajmal joined Product Management & Shari'ah Structuring Group (PM&SS Group) in MCB Islamic Bank Limited (MIB) in 2015. He has played an instrumental role in setting up this critical function as well as launching an assortment of retail products ranging from Deposits, Consumer Finance, Micro Finance, Banca Takaful, and Cash Management in MIB. Moreover, PM&SS Group has introduced a number of new Islamic modes of finance and revamped existing ones under his supervision since he took over charge of PM&SS Group in late 2017. He is also currently serving as a Mancom member in MCB Islamic Bank Limited.



Maimoona Cheema

Company Secretary & Head of Legal

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

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



Key Executives

Ali Muhammad Mahoon
President & CEO

Ali Ansari
Group Head - Business Distribution

Abdul Aziz Memon
Country Head - Corporate, Commercial Banking
and Financial Institutions Group

Syed Iftikhar Hussain Rizvi
Chief Financial Officer

Kashif Ahmed
Group Head – Compliance and Controls

Khawaja Khalil Shah
Chief Risk Officer

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

Shahid Mahmood
Chief Information Officer

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

Mr. Muhammad Hamid Yasin
Group Head – Consumer and Microfinance

Muhammad Saeed Raja
Group Head – Operations

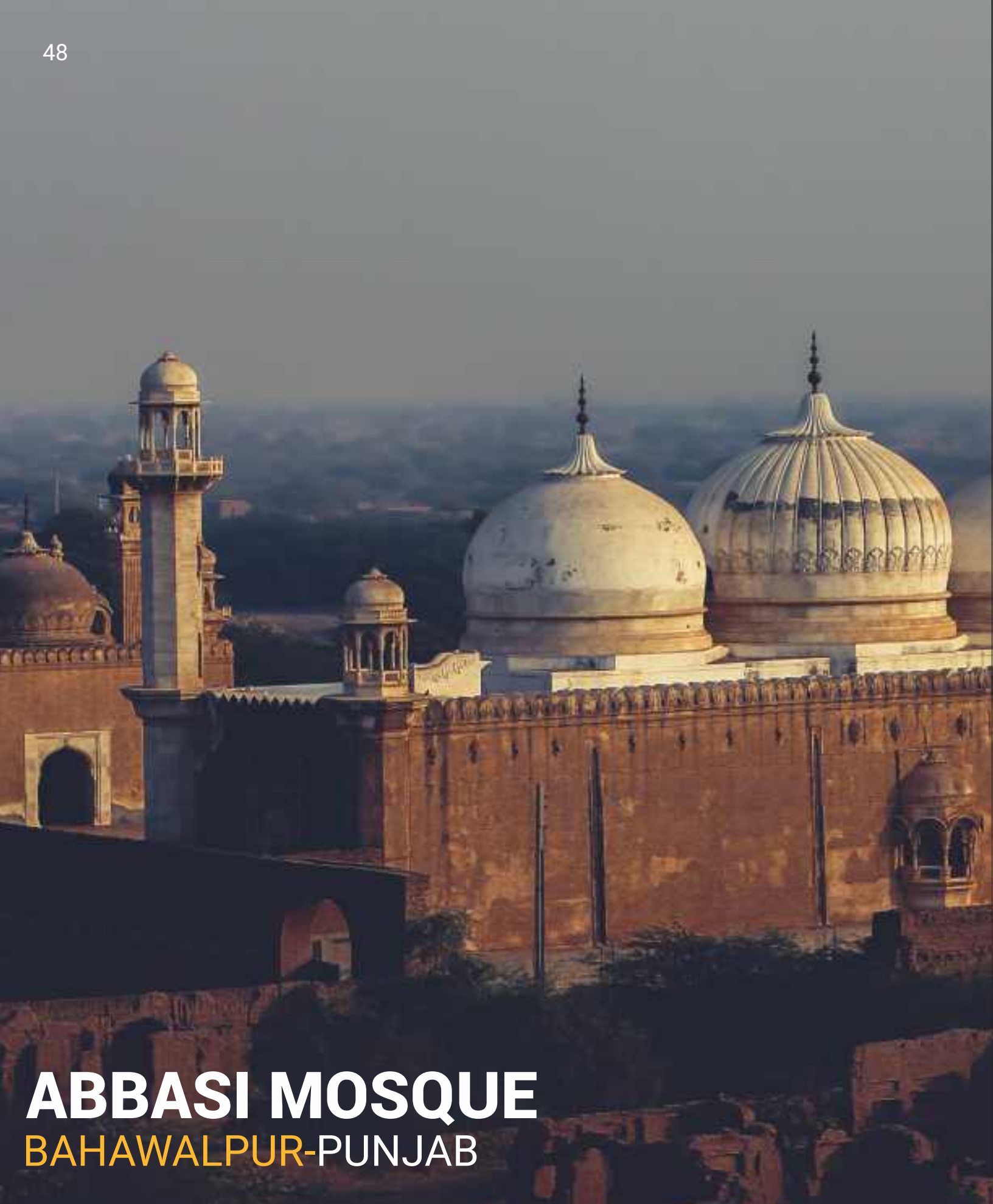
Syed Salman Ali
Group Head – Treasury & FXG

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

Azhar Nazir
Group Head – Special Projects

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

GILGIT
GILGIT BALTISTAN



ABBASI MOSQUE

BAHAWALPUR-PUNJAB

Shari'ah Board



Prof. Mufti Munib-Ur-Rehman
Chairman Shari'ah Board

Prof. Mufti Munib-ur-Rehman, working with MCB Islamic Bank since September 2015, is a renowned Shari'ah scholar with a vast 46 years' teaching and 31 years' Fatawas issuance experience.

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



Mufti Syed Sabir Hussain
Resident Shari'ah Board Member/ Head Shari'ah Compliance Department

Mufti Syed Sabir Hussain, working with MCB Islamic Bank Ltd. since September 2015, is a prominent Shari'ah Scholar and experienced Islamic Banker with 17 years of teaching, 13 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhassus-Fil-Fiqh, M.A Islamic Studies, M.Phill in Islamic Banking & Finance and M.S (I.T) degrees.

He is ex-member of Shari'ah Advisory Board of SECP, Member of the Committee on Accounting and Auditing Standards of ICAP and invitee participant of Shari'ah Board of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he was member of review committee for Urdu translation of AAOIFI Shari'ah standards. He is author of 17 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 holds Master's Degree in Islamic Studies from University of Karachi, Takhussus-Fil-Fiqh from Dar-ul-Uloom Amjadia, Karachi, Fazil Dars-e-Nizami, and Fazil Shahada-tul-Almia. He gave his services as Resident Shari'ah Board Member/Shari'ah Advisor at Soneri Bank's Islamic Banking Division for thirteen years. He worked as professor at Sheikh Zayed Islamic Centre, University of Karachi. He is also visiting faculty member at Hamdard University, Karachi. He is writer of several books including Islamic Jurisprudence.

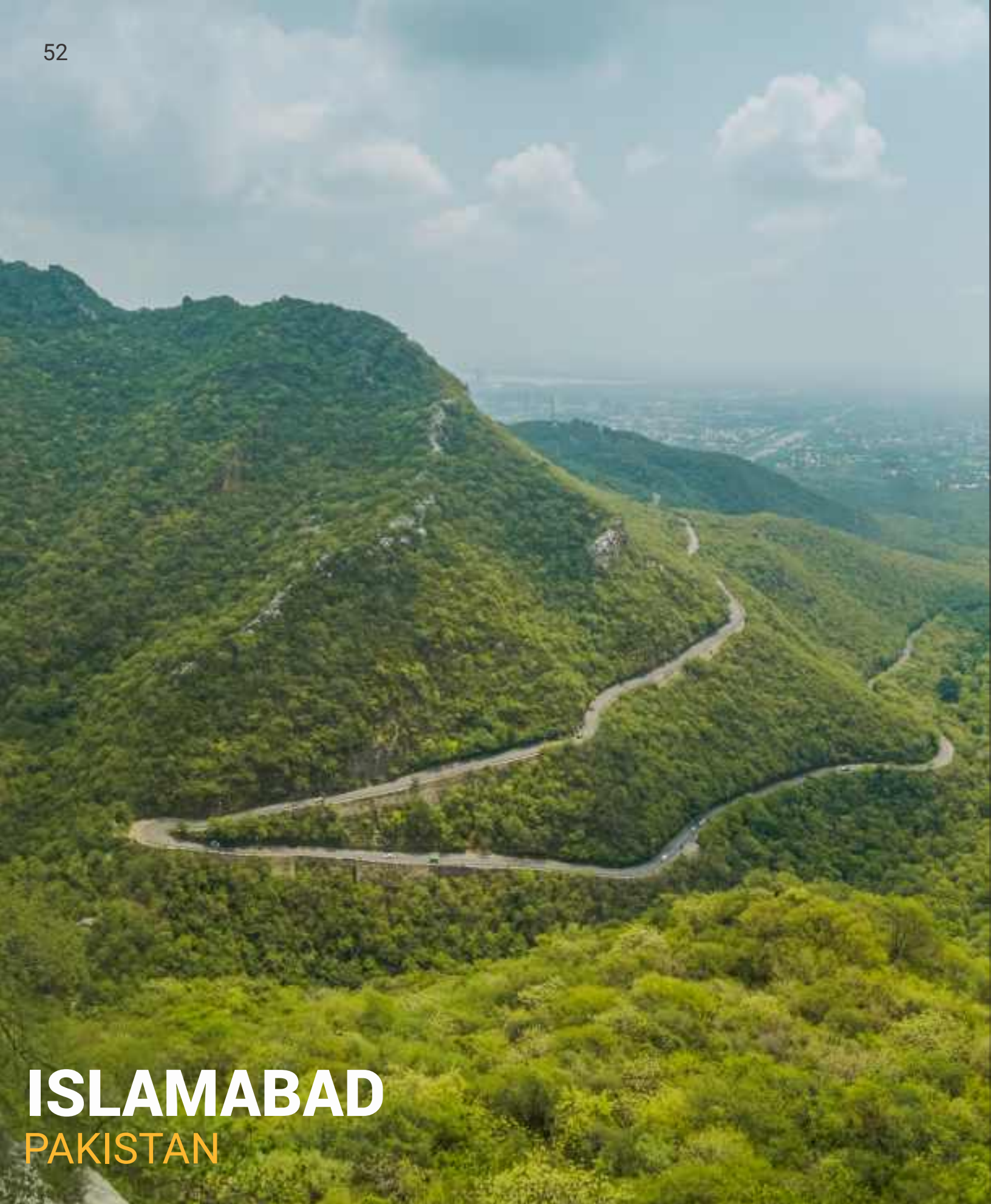
Role of Shari'ah Board

- I. The Shari'ah Board (SB) shall advise the BOD and the executive management of the bank on all Shari'ah related matters. All the SB decisions/ rulings/ fatawa shall be binding on the bank whereas the Shari'ah Board shall be responsible and accountable for all its Shari'ah decisions.
- ii. The SB shall cause to develop a comprehensive Shari'ah compliance framework for all areas of operations of the IBI and shall approve all products/services to be offered and/or launched by the IBI.
- iii. The SB shall ensure that all the IBI's products and services and related agreements/ contracts, structure, 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 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.
- iv. The Shari'ah Board shall have unhindered access to all records, documents and information from all sources including professional advisors and IBI's employees in discharge of its duties.
- v. Considering the importance of the 58 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.
- vi. All the reports of internal 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 compliance report. Moreover, Head of SCO and RS8M shall discuss all the significant and unresolved issues with SBP inspection team during on-site inspection.
- vii. The SB shall also specify the process/procedures for changing, modifying or revisiting fatawa/rulings/ guidelines etc already issued by SB.

Meetings of Shari'ah Board held in 2018

S.No.	Quarter	Date of Meeting	Meeting Attended (Yes / No) *			Remarks, if any
			Chairman	Member	RSBM	
1	Q1	10-Jan-18	Yes	Yes	Yes	
2	Q2	21-Jun-18	Yes	Yes	Yes	
3	Q3	27-Sep-18	Yes	No*	Yes	*SBP Clearance of Member-Shari'ah Board was in process
4	Q4	26-Dec-18	Yes	Yes	Yes	





ISLAMABAD
PAKISTAN

Chairman's Message

It gives me great pleasure witnessing MCB Islamic Bank completing another year of outstanding growth in line with the Bank's strategy. Year 2018 has seen our bank grow from strength to strength with significant deposit growth, additional capital, a healthy balance sheet and an extremely significant branch expansion.

MCB Islamic Bank is a growing institution and is constantly looking to innovate and implement customer-centric services. Our Business team is continuously working to identify untapped market opportunities and to vigilantly enhance the portfolio to obtain sustainable profits. Our results for the year have shown promising signs with great potential to grow and attain a prominent position in the domestic financial market. We have a soaring commitment towards the expansion and growth of the Islamic financial system in Pakistan.

Pakistan has witnessed another year of record GDP growth. With 5.8% GDP growth, our Country has posted its decade best GDP growth owing to the Government's economic reforms. Growth in energy, infrastructure and agriculture has been observed as strong pillars for achieving this excellent economic growth. We believe that year 2019 will be the year when Pakistan economy will reach its new heights. However, the Government will have to further improve power and other utilities and most importantly, established an environment of security and ease of doing business. Some multinational companies have shown interest in setting up industries in the automobiles, telecommunications, energy and electronics, evidencing great potential for investments in Pakistan.

Islamic banking that started initially as a niche market for the faith sensitive clientele is now increasingly becoming an integral component of global financial system and has grown at a faster pace. According to Financial Stability Report 2018 issued by Islamic Financial Services Board (IFSB), its asset base has grown by 8.3% to surpass US\$ 2 trillion mark. The industry has posted a healthy annual growth of over 20% during the last five years. In Pakistan, Islamic Banking sector is rich with utmost growth potential. The market share of domestic Islamic banking industry stands at 13.6% in terms of banking assets and 14.7% in total deposits. Islamic banking industry has expanded its network to over 2,700 branches in 111 districts across the country. The recent pertinent decision of the Government to launch Rs.200 billion of Sukuk Certificates for the power sector breaks new ground for Islamic Banking in Pakistan.

We believe that the progress and development of our Country is also interconnected with the nationwide establishment of a Shari'ah Compliant financial model. Despite the challenges we anticipate in the future, we are confident that our bank will continue to grow towards greater heights of success.

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

Raza Mansha
Chairman

GHAZI BAORTHA
ATTOCK - KHYBER PAKHTUNKHWA

President's Review

Pakistan succeeded in attaining 5.8% GDP growth in the outgoing fiscal year (FY-18), a highest level achievement since 2008-09. However, the first half of new fiscal year (FY-19) has been challenging for the new Government. The economy has slowed down, imbalance of payment has risen to an alarming level, the Rupee has devalued, and there has been some increase in the rate of inflation in the Country.

2018 was the year of utmost growth and challenges for our Bank. Our progress throughout the year reflects our clear vision and well defined strategy which helped us in growing our balance sheet and expanding network at the fastest growth rate. During the year, we opened 10 new branches and further added 90 more branches by successfully concluding "Scheme of Compromises, Arrangements and Reconstruction with MCB Bank Limited. 14 branches were re-located during the year in order to improve visibility at key locations. At the end of year 2018, we were operating with 176 branches with footprints in 59 cities across the country. To continue serving our customers well and seize growth opportunities in high business potential areas, we will continue to invest in our branch network during 2019 as well.

On financial side, Bank posted significant growth of 83% in its total assets back by outstanding deposits growth of 124%. Our focus remained to build deposits volume with low cost CASA deposit which stood approximately 81% of total deposits. Continued low benchmark rates since 2015 had squeezed the industry's margin, and made extremely challenging for new comers to compete. However, increase in benchmark rate witnessed it throughout the year will not only improve industry's margin but also accommodate new setups to grow and manage profitability. The post-tax loss for the year was Rs.1,096 million. However, total revenue has shown promising growth of 84% mainly on the back of increasing volumes.

Our Service continued to be our greatest differentiator. From remarkable branch services to cutting-edge technology platforms, Bank has ensured excellence in all customer touch points. To facilitate the customers and accentuate their digital banking experience, our Alternate Delivery Channels (ADC) team has further enhanced our IOS and android based native mobile application. The ADC team also introduced new billers including FBR to add to their already comprehensive suite to facilitate Bank's Internet & Mobile Banking customers.

Our Bank has achieved a number of milestones since commencement of business operation. We will continue with our same strategy and devotion in attaining a prominent position in the market. We are blessed with a team of competent, devoted and hardworking professional that are certainly our core assets. We are diligently working towards ensuring that all the staff members have the environment to optimally perform to their potential and contribute towards our strategic goals.

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

Ali Muhammad Mahoon
 President & CEO

Directors' Report To The Members

On behalf of the Board of Directors, I am pleased to present the Annual Report of MCB Islamic Bank Limited ('the Bank'), containing the Audited Financial Statements for the year ended December 31, 2018.

Economic Review

The Country's economy started calendar year 2018 (CY-18) on an upbeat note, with GDP continued to grow beyond 5% in a row during last two fiscal years and reached 5.8% a highest in 13 years in the outgoing FY-18. This achievement was buoyed by investment in energy, infrastructure development under the China Pakistan Economic Corridor (CPEC) project, strong consumption growth and ongoing recovery in agriculture. However, beside these affirmative growths, challenges remain on domestic and external fronts, predominantly the unfavorable balance of payment position and declining foreign exchange reserves position.

The budget deficit for the first half of the current fiscal year 2019 (1H of FY-19) was recorded at Rs.1,030 billion (2.7% of the GDP), as compared to Rs.796 billion deficit that was recorded in the same period of last fiscal year (2.2% of the GDP). The Government spent approximately Rs.877 billion on paying domestic and foreign debt as compared to Rs.752 billion payments made in the same period last year. Exports remained under pressure in posting promising growth as they increased only by 0.1% while imports increased by 3.0% from the comparative period of last fiscal year. Remittances were recorded US\$ 12.8 billion in 1H of FY-19, registering encouraging growth of 12.2% as compared to same period of last fiscal year.

Net drop of US\$ 6.4 billion was also witnessed in Country's FX reserves which declined to US\$ 13.8 billion by the end of December 2018 from US\$ 20.2 billion by the end of December 31, 2017. Overall Balance of Payments position remained stressed as current account deficit was registered at US\$ 7.9 billion as compared to US\$ 8.4 billion in same period of last fiscal year. To accommodate this strong pressure on US\$ - PKR exchange rate, the Federal Government further devalued PKR which closed at Rs.138.9 as at December 31, 2018 with a devaluation of 25.8% w.r.t December 2017 and overall 14.3% as compared to the close of FY-18.

On monetary side, the State Bank of Pakistan during the calendar year 2018 (CY-18) has gradually increased the policy rate by 425 bps and took the benchmark rate to 10%. In its recently announced Monetary Policy, the Monetary Policy Committee (MPC) has decided to further increase the policy rate by 25 basis points to 10.25%, effective February 1, 2019. Average Consumer Price Index (CPI) inflation stood at 6% in the 1H of FY-19, which is considerably higher than 3.8% in the same period of last year. Core inflation measured by non-food non-energy CPI (Core NFNE) increased by 8.4% on (YoY) basis in December 2018 as compared to an increase of 8.3% in the previous month and 5.5% in December 2017.

In Pakistan, Islamic banking continues to broaden its outreach and is competing effectively with conventional banks, supported by an increasing range of products and higher quality services. Total assets and deposits of Islamic banking industry (IBI) were recorded at Rs.2,458 billion and Rs.2,005 billion respectively by the end of September 2018. Market share of Islamic banking assets and deposits in overall banking industry stood at 13.6% and 14.7% respectively as at September 30, 2018. Branch network of IBI was recorded at 2,709 branches (including sub-branches) with the closure of September 2018. IBI registered profit after tax of Rs.23 billion for the period ended September 30, 2018 as compared to Rs.18 billion for the same period last year. Further, operating expense to gross income ratio was registered at 65.1% for the period ended September 30, 2018.

Bank's Performance

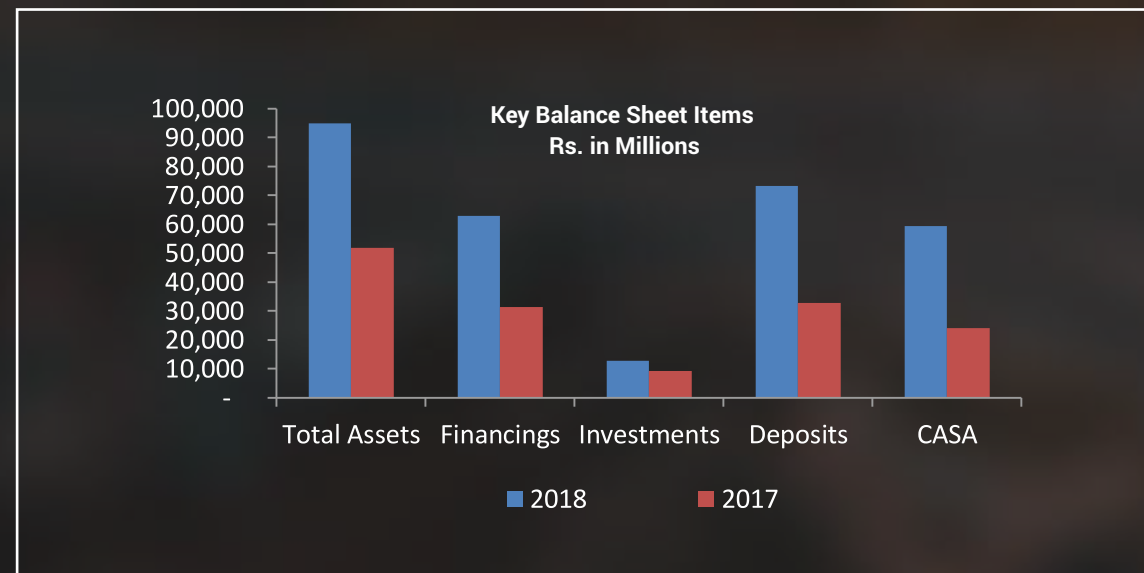
Year 2018 has been a tough yet momentous year for the Bank. Despite of early phase and economic challenges, the Bank was able to record a number of significant achievements that are shared below:

During the year, the Bank successfully concluded and implemented "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and MCB Bank Limited (MCB)" which envisages transfer of MCB's banking business of ninety (90) branches. All selected assets, rights, liabilities, operations, systems, staff, assets of back office functions and obligations of MCB relating to the banking business of these branches have been transferred from MCB after converting them into Islamic banking business with effect from the Effective date i.e. close of the business on June 01, 2018.

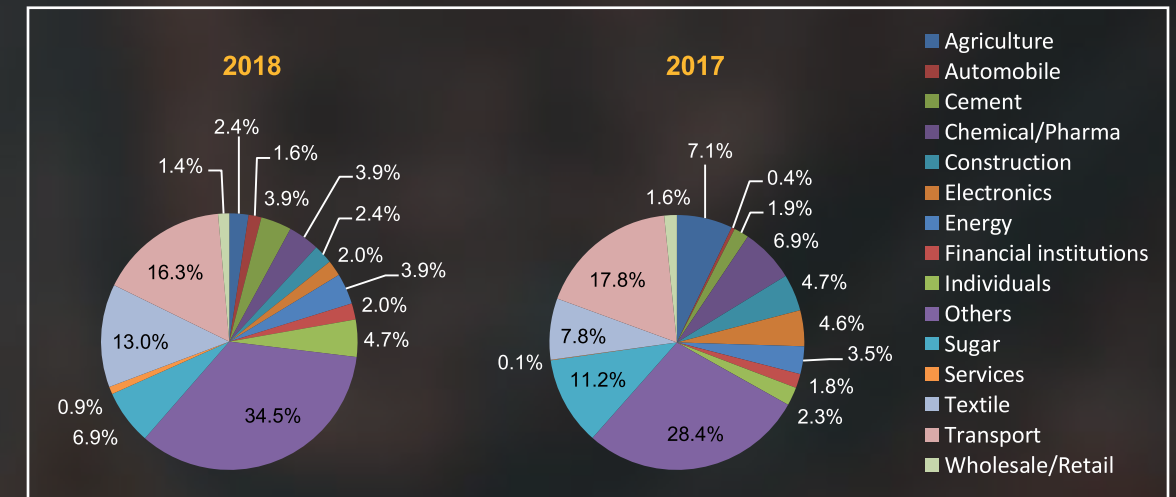
The Bank has also successfully issued right shares amounting to Rs.1.2 billion against 120 million ordinary shares having face value of Rs.10/- and depicts shareholder's commitment towards promoting Islamic banking in Pakistan.

The Customer base of the Bank at the end of year 2018 grew to 258,520 relationships from 43,966 last year, showing a magnificent 488.0% growth. The Bank is now operating with 176 branches with footprints in 59 cities of the Country as compared to 76 branches in 39 cities of the Country last year. The network expansion strategy will continue during 2019 as well. We believe that the benefits of economies of scale will start amassing to the Bank from 2019 In Sha Allah.

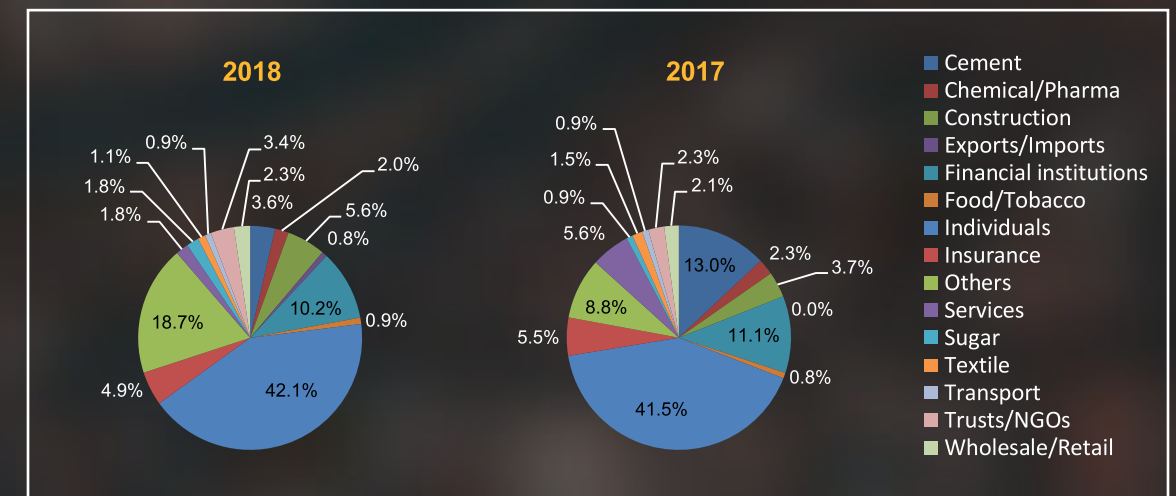
We feel pleasure to share that the Bank is at a solid standing with an asset base of Rs.94.9 billion, posted healthy growth of 83%, from last year's Rs.51.7 billion. Outstanding growth of 101% was observed in Islamic financing and related assets which grew to Rs.62.9 billion from Rs.31.3 billion. Surplus resources were diverted towards investments which grew by 38% to Rs.12.7 billion from Rs.9.2 billion. Massive growth of 105% in trade volume was also witnessed as reported to Rs.52.1 billion from Rs.25.4 billion last year. On the Liability side, the Bank achieved an outstanding growth of 124% in total deposits, reaching to Rs.73.3 billion from Rs.32.7 billion last year, while at the same time improved the CASA percentage to 81% as compared to 74% last year.



Islamic Financing and related assets (Segment) Graph



Deposits (Segment) Graph



Individuals maintained their dominance over other customer segments in terms of Bank's deposit, with a contribution of nearly 42%.

On profitability side, the Bank remained under pressure mainly due to continued expansion cost, lack luster performance of the capital markets, start-up nature of the bank where our deposit and financing per branch needs time to grow upto a level to achieve breakeven, led the Bank to post an after tax loss of Rs.1,095.9 million against loss after tax of Rs.262.9 million in the same period last year.

However, total revenue of the Bank continued to grow and shows a positive growth of 84% and increased to Rs.4,608 million from Rs.2,500 million last year. Income generated from Islamic financing and related assets, investments and placements contributed 91% to total revenue of the Bank. Return on deposit increased by 142% from Rs.680.4 million to Rs.1,648.9 million mainly due

to impressive volume growth. Operating and other expenses were also increased by 67% to Rs.3,087.8 million from Rs.1,845.2 million last year which is mainly due to continued expansion cost and inclusion of new branches in Bank's network.

Yield on earning assets was reported 6.7% while the cost of fund was kept at 3.9% against 6.9% and 3.6% respectively last year. Loss per share for the year came to Rs.0.987 against loss per share of Rs.0.263 last year, whereas book value per share stood at Rs.9.0 against 9.6 last year.

Key Financial Highlights

	Rupees in million		
	2018	2017	Growth (%)
Investments – net	12,714	9,186	38%
Islamic Financing and related assets – net	62,907	31,313	101%
Total Assets	94,894	51,746	83%
Deposits	73,307	32,691	124%
Shareholders' Equity (including Revaluation)	10,070	9,631	5%
Net spread earned	1,904	1,055	80%
Other income	399	439	-9%
Operating income	2,303	1,494	54%
Operating & other expenses	3,088	1,845	67%
Loss before taxation	(1,680)	(351)	(379%)
Loss after taxation	(1,096)	(263)	(317%)
Basic / diluted loss per share (Rupees)	(0.987)	(0.263)	(275%)

Statement under Code of Corporate Governance

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

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

- The value of investments of the Bank's Provident Fund based on unaudited accounts at December 31, 2018 amounted to Rs.143.9 million.
- There is no overdue statutory payment on account of taxes, duties, levies and charges.

Compliance with Corporate Governance

The Bank has complied with the requirements of the Code of Corporate Governance relevant for the year ended December 31, 2018. A prescribed statement together with the Auditors Review Report thereon is included in the Annual Report.

Internal Control Framework

The Board of Directors and Senior Management of the Bank, being cognizant of the importance of internal control framework in achievement of the bank's overall objectives, have continuously been working to strengthen a sound system of internal controls and contributed efforts to ensure stability and soundness of the Bank's overall control environment. The Board is pleased to endorse the management's evaluation of Internal Control and 'Statement on Internal Controls' is included in the Annual Report.

Credit Rating

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

Risk Management

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

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

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

The Bank carries out annual Internal Capital Adequacy Assessment exercise as part of regulatory regime. Further, the Bank conducts SBP prescribed stress testing for credit, market and liquidity risks by applying various shocks, under different scenarios on a quarterly basis which are shared with the Board. The Bank calculates Value at Risk for various market risk parameters assessment.

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

reporting. This is a regulatory requirement and the Bank is compliant on this front.

Operational risk at the Bank is managed through utilization of diversified data collection mechanism which includes but not limited to collection of Operational Losses, Near Miss Events, and Control Breach Data , internal / external / regulatory inspection observations, compliance reviews and Risk Control and Self – Assessment (RCSA) exercise etc. Based on this data, a quarterly overview of significant operational risk events is presented to Risk Management and Portfolio Review Committee of the board. As part of internal control activities in the Bank, Risk Management Function is also actively engaged in creating risk awareness through staff training sessions in the areas of Operational Risk, Fraud Risk and Business Continuity / Disaster Recovery Planning.

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

Core Banking System

During the year, the Bank achieved another milestone in Core Banking System. The Bank has successfully migrated 90 branches acquired under the scheme of merger from Core Banking Solution of MCB Bank Limited (Symbols) to the Bank's Core Banking System (Oracle Corporation's Flexcube). This migration was executed in one go for all 90 branches in a seamless manner. This merger lays a foundation to the Bank in providing customer oriented Shariah compliant solutions to new migrated customers.

Trading of Shares of the Bank

Bank is currently a non-listed concern; hence no trades in the shares of the Bank were carried out by the Directors, executives and their spouses and minor children during the year 2018.

Board of Directors' Meetings

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

Name of Director	No. of Meetings attended
Raza Mansha	4
Ibrahim Shamsi	5
Omair Safdar	6
M U A Usmani	3
Ahmed Ebrahim Hasham	5
Aftab Ahmed Khan	5
Dr. Khalid Zaheer	2
Ali Muhammad Mahoon	6

Board Sub-committees Meetings

Members	AC		HR & RC		RM & PRC	
	Meetings held: 5		Meetings held: 4		Meetings held: 4	
	Members	Attendance	Members	Attendance	Members	Attendance
Raza Mansha	—	—	◆	3	—	—
Aftab Ahmed Khan	◆	3	◆	2	◆	3
Ibrahim Shamsi	◆	4	—	—	◆	3
Omair Safdar	◆	5	◆	3	◆	4
Ahmed Ebrahim Hasham	◆	3	◆	3	—	—
Dr. Khalid Zaheer	◆	1	◆	1	—	—
Ali Muhammad Mahoon	—	—	—	—	◆	4

Members	BIT		BEC		BSSQRC	
	Meetings held: 2		Meetings held: 1		Meetings held: 6	
	Members	Attendance	Members	Attendance	Members	Attendance
Raza Mansha	◆	1	—	—	◆	4
Aftab Ahmed Khan	—	—	—	—	◆	4
Ibrahim Shamsi	◆	2	—	—	◆	4
Omair Safdar	—	—	◆	1	—	2
Ahmed Ebrahim Hasham	◆	1	◆	1	—	2
Dr. Khalid Zaheer	—	—	—	—	—	—
Ali Muhammad Mahoon	◆	2	—	—	◆	6

Remuneration to Directors for Participation in Board and Committees Meetings									
Meeting Fees and Allowances								Rs. In thousands	
Sr. No.	Name of Directors	For Board meetings	For Board Committees						Total Amount
			AC	HR&RC	RM & PRC	BS & SQRC	BIT	BEC	
1	Raza Mansha	40	—	30	—	40	10	—	120
2	Ahmed Ebrahim Hasham	50	30	30	—	20	10	10	150
3	Omair Safdar	60	50	30	40	20	—	10	210
4	Aftab Ahmed Khan	50	30	20	30	40	—	—	170
5	MUA Usmani	30	—	—	—	—	—	—	30
6	Dr. Khalid Zaheer	20	10	10	—	—	—	—	40
7	Ibrahim Shamsi	50	40	—	30	40	20	—	180
8	Ali Muhammad Mahoon	—	—	—	—	—	—	—	—
TOTAL AMOUNT		300	160	120	100	160	40	20	900

*A formal Directors' Remuneration Policy is in place according to which Rs. 10,000/- will be paid to each Director for attending each meeting of the Board of Directors and Board Committees.

Director's Training Program

As per the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the "Regulations") more than half of the directors on the Board meet the training requirements of the Regulations.

Additionally, a training session on Basic Principles of Shari'ah Compliant Banking & Finance was also arranged for the Board of Directors in December 2018.

Change in Directors

As on December 31, 2018, all directors on the Board were male. Mrs. Shahima Rehman was elected as director during the elections of the Board of Directors on October 08, 2018 however she resigned from the position on November 12, 2018. Fit & Proper Test documents for the replacement of Mrs. Shahima Rehman, are still pending with the State Bank of Pakistan.

Dr. Khalid Zaheer joined the Board of Directors on October 08, 2018 as an independent director in place of outgoing Director, Mr. Khalid Mahmood Bhaimia.

Subsequent to year ended December 31, 2018, Mr. Ali Muhammad Mahoon, President/CEO of MCB Islamic Bank Limited resigned from his position, which was accepted by the Board of Directors on February 18, 2019 subject to notice period as per regulatory requirements. Fit and Proper Test documents of nominated successor are pending with the State Bank of Pakistan.

Pattern of Shareholding

he aggregate shares held by Directors and other shareholders as of December 31, 2018 are as follows:

Sr. No.	Name of Shareholders	Relationship	No. of shares held
1	MCB Bank Limited	Parent Company	1,119,999,993
2	Mr. Raza Mansha	Director	01
3	Mr. Ibrahim Shamsi	Director	01
4	Dr. Khalid Zaheer	Director	01
5	Mr. Ahmed Ebrahim Hasham	Director	01
6	Mr. Omair Safdar	Director	01
7	Mr. Aftab Ahmed Khan	Director	01
8	Mr. MUA Usmani	Other	01

Auditors

The retiring auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible for the next term have offered themselves for reappointment. Upon suggestion of the Audit Committee, the Board of Directors recommends M/s. KPMG Taseer Hadi & Co., Chartered Accountants, as the statutory auditors for the year ending December 31, 2019.

Future Outlook

Despite number of bigger challenges faced by the Country on economic front, it is expected that the situation will settle soon and year 2019 will be the year of foreign investments in Pakistan. CPEC is likely to enter its second phase with more focus on trade and industry, moving on from infrastructure. However, to put the economy back on a long-term growth trajectory, prompt and

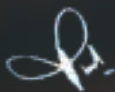
appropriate measures are needed including curtailment of Government expenditures to improve budget deficit, business friendly tax reforms to boost Country's exports and encourage steady foreign investment in Pakistan.

The Bank remains cognizant of the challenging business environment and is fully committed to sustained growth by consistently focusing and addressing the customers' diverse needs through new and innovative products and culture of service excellence strongly backed by state of the art technology. Another 11 branches are planned to be opened during 2019, enabling the Bank to expand its network at the same time improving its customer outreach. We are confident that our expanding network of branches would impressively contribute in further increasing customer base and mobilizing cost effective deposit mix and to attain stable profitability.

Acknowledgment

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

For and on behalf of the Board of Directors



Raza Mansha
Chairman
February 19, 2019



تسلیم و تحسین:

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

منجانب ویرائے بورڈ آف ڈائریکٹرز:

رضا منشاء
چیئرمین

19 فروری 2019

2018 کو انہوں نے اپنی اس پوزیشن سے استعفیٰ دے دیا۔ محترمہ شہیمہ رحمان کے متبادل کا فٹ اینڈ پراپر ٹیسٹ (Fit & Proper Test) اب بھی اسٹیٹ بینک آف پاکستان کے پاس زیر التواء ہے۔

08 اکتوبر 2018 کو مستعفی ہونے والے ڈائریکٹر جناب خالد محمود بھائی میاں کی جگہ ڈاکٹر خالد ظہیر صاحب کو ایک آزاد ڈائریکٹر کی حیثیت سے منتخب کیا گیا۔

31 دسمبر 2018 کو اختتام پذیر سال کے بعد جناب علی محمد ماہون، پریذیڈنٹ/سی ای او ایم سی بی اسلامک بینک نے اپنے عہدہ سے استعفیٰ دے دیا جو کہ بورڈ آف ڈائریکٹرز نے، نوٹس کی مطلوبہ ضوابطی مدت سے مشروط، 18 فروری 2019ء کو منظور کر لیا۔ ان کے مجاز جانشین کے فٹ اور پراپر ٹیسٹ کی دستاویزات اسٹیٹ بینک آف پاکستان کے پاس زیر غور ہیں۔

حصص کی نمائندگی کی ترکیب:

31 دسمبر 2018 تک بینک کے ڈائریکٹرز اور دیگر حصص یافتگان کے مجموعی حصص کی تفصیل مندرجہ ذیل ہے:

نمبر شمار	حصص یافتگان کا نام	تعلق	حصص کی تعداد
1	ایم سی بی بینک لمیٹڈ	مالک کمپنی	1,119,999,993
2	رضاشاء	ڈائریکٹر	01
3	ابراہیم شمس	ڈائریکٹر	01
4	ڈاکٹر خالد ظہیر	ڈائریکٹر	01
5	احمد ابراہیم ہشام	ڈائریکٹر	01
6	عمیر صفدر	ڈائریکٹر	01
7	آفتاب آحمد خان	ڈائریکٹر	01
8	ایم یو اے عثمانی	دیگر	01

آڈیٹرز:

ریٹائرنگ آڈیٹرز میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، اگلی مدت کے لیے اہلیت کے باعث دوبارہ تقرری کے خواہشمند ہیں۔ آڈٹ کمیٹی کے مشورے پر بورڈ آف ڈائریکٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، کو 31 دسمبر 2019 کو تکمیل ہونے والے سال کیلئے قانونی (Statutory) آڈیٹ تجویز کرتے ہیں۔

مستقبل کی پیشی بنی:

ملک کو معاشی محاذ پر درپیش بڑے چیلنجز کے باوجود اس بات کی توقع کی جاتی ہے کہ یہ صورتحال عنقریب بہتری کی سمت جائے گی اور 2019 پاکستان میں بیرونی سرمایہ کاری کا سال تصور ہوگا۔ سی پیک کی انفراسٹرکچر سے مزید آگے بڑھتے ہوئے، تجارت اور صنعت پر خصوصی توجہ کے ساتھ، اپنے دوسرے مرحلہ میں داخل ہونے کی امید ہے۔ تاہم معیشت کو ایک طویل المدت ترقی کے سفر پر گامزن رکھنے کیلئے فوری اور جامع اقدامات کی ضرورت ہے جن میں بجٹ کے خسارہ میں کمی کیلئے حکومتی اخراجات میں کمی، ملکی برآمدات کے فروغ کیلئے کاروبار دوست ٹیکس اصلاحات اور پاکستان میں فوری غیر ملکی سرمایہ کاری کی حوصلہ افزائی شامل ہیں۔

بینک اپنے چیلنجنگ کاروباری ماحول سے مکمل باخبر ہے اور جدید ترین ٹیکنالوجی سے مزین نئی اور منفرد پراڈکٹس اور خدمات کے ذریعے، اپنے صارفین کی تنوع سے بھرپور ضروریات کو پورا کرتے ہوئے، اپنی پائیداری کو مضبوط بنانے کے ارادے پر مکمل طور پر قائم ہے۔ سال 2019 میں مزید 11 نئی برانچیں کھولنے کی منصوبہ بندی کی جا چکی ہے۔ جس سے ناصرف اسکی برانچوں کی تعداد میں اضافہ ہوگا بلکہ اپنے صارفین کی وسعت میں بھی بہتری ہوگی۔ ہم پُر اعتماد ہیں کہ برانچوں کے نیٹ ورک کو وسیع کرنے سے ہمارے صارفین کی تعداد میں قابل قدر اضافہ ہو گا، جو کم لاگت کے ڈیپازٹس کے حصول میں معاون ہوگا اور ایک مستحکم منافع کا باعث بنے گا۔

بورڈ کی ذیلی کمیٹیوں کے اجلاس:

ڈائریکٹرز کو بورڈ اور کمیٹیوں کے اجلاسوں میں شمولیت کے لیے ادا کیے جانے والے معاوضہ کی تفصیل:								
میٹنگ کی فیس اور الائنمنٹ:								ہزار روپے میں
For Board Committees							بورڈ میٹنگ کے لیے	نمبر شمار
کل رقم	BEC	BIT	BS & SQRC	RM & PRC	HR&RC	AC		
120	—	10	40	—	30	—	40	1
150	10	10	20	—	30	30	50	2
210	10	—	20	40	30	50	60	3
170	—	—	40	30	20	30	50	4
30	—	—	—	—	—	—	30	5
40	—	—	—	—	10	10	20	6
180	—	20	40	30	—	40	50	7
—	—	—	—	—	—	—	—	8
900	20	40	160	100	120	160	300	ٹوٹل

ڈائریکٹرز کے معاوضوں کی ادائیگی کی ایک باقاعدہ پالیسی کا قیام ہو چکا ہے جس کے تحت ہر ڈائریکٹر کو بورڈ آف ڈائریکٹرز اور بورڈ کی کمیٹیوں کے اجلاس میں شرکت پر 10,000 روپے ادا کیے جاتے ہیں۔

ڈائریکٹرز ٹریننگ پروگرام:

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 (ریگولیشنز) کی مطلوبات کے تحت آدھے سے زیادہ بورڈ کے ڈائریکٹرز ریگولیشنز کی ٹریننگ کے مطلوبہ معیار پر پورا اُترتے ہیں۔ علاوہ ازیں دسمبر 2018 میں بورڈ آف ڈائریکٹرز نے ایک ٹریننگ سیشن بہ عنوان "شریعہ کمپلائنٹ بینکنگ اور فنانس کے بنیادی اصول" کا انعقاد کیا۔

ڈائریکٹرز کی تبدیلی:

31 دسمبر 2018 تک تمام مرد حضرات بورڈ کے ڈائریکٹرز تھے۔ 08 اکتوبر 2018 کو بورڈ کے ڈائریکٹرز کے انتخابات کے دوران متحرمہ شہیمہ رحمان کو بطور ڈائریکٹر منتخب کیا گیا۔ تاہم 12 نومبر

RM & PC		HR & RC		AC		رکن کا نام
میٹنگز 04		میٹنگز 04		میٹنگز 05		
حاضری	ممبر	حاضری	ممبر	حاضری	ممبر	
—	—	3	♦	—	—	رضاشاء
3	♦	2	♦	3	♦	آفتاب احمد خان
3	♦	—	—	4	♦	ابراہیم ششی
4	♦	3	♦	5	♦	عمیر صفدر
—	—	3	♦	3	♦	احمد ابراہیم ہشام
—	—	1	♦	1	♦	ڈاکٹر خالد ظہیر
4	♦	—	—	—	—	علی محمد ماہون

BSSQRC		BEC		BIT		رکن کا نام
میٹنگز 06		میٹنگز 01		میٹنگز 02		
حاضری	ممبر	حاضری	ممبر	حاضری	ممبر	
4	◆	—	—	1	◆	رضاشاء
4	◆	—	—	—	—	آفتاب احمد خان
4	◆	—	—	2	◆	ابراہیم ششی
2	—	1	◆	—	—	عمیر صفدر
2	—	1	◆	1	◆	احمد ابراہیم ہشام
—	—	—	—	—	—	ڈاکٹر خالد ظہیر
6	◆	—	—	2	◆	علی محمد ماہون

تاکہ ان کی بہتر سیال پذیری اور آمدنی کی حساسیت کے فرق کی رپورٹنگ کی جاسکے۔ یہ ایک ضوابطی ضرورت ہے اور بینک اس پر مکمل طور پر کاربند ہے۔

بینک اپنے آپریشنل (کارکردگی) کے خدشات (رسک) کا تدارک ڈیٹا (مواد) اکٹھا کرنے کے ایک وسیع میکنزم (نظام) کے ذریعے کرتا ہے جو ان عوامل پر مشتمل (مگر ان پر محدود نہیں) جیسا کہ آپریشنل نقصان کا تعین، انتہائی قریب سے گنوائے گئے مواقع، کنٹرول (ضابطے) کی خلاف ورزی کا ڈیٹا، اندرونی بیرونی ریگولیٹری انسپیکشن کے مشاہدات و ملاحظات، تکمیل کے تجزیات اور رسک کنٹرول اور سیلف ایسیسمنٹ کی مشق (RCSA) وغیرہ۔ اس ڈیٹا (مواد) کی بنیاد پر تمام نمایاں آپریشنل خدشات کے معاملات کے بارے میں ایک سہ ماہی تجزیہ، بورڈ کی رسک مینجمنٹ اور پورٹ فولیو کمیٹی کے سامنے پیش کیا جاتا ہے۔ رسک مینجمنٹ کا شعبہ بینک کے اندرونی نظام کے اہم جزو کے طور پر، سٹاف کو مختلف ٹریننگ سیشنز کے ذریعے آپریشنل رسک، دھوکہ دہی (فراڈ) کے رسک اور کاروبار جاری رکھنے/ناگہانی صورتحال کی بحالی کی پلاننگ کے بارے میں آگاہی کے لیے بھی نہایت تنہی سے عمل پیرا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے منظور شدہ کاروبار جاری رکھنے کے پلان کو بینک نے رسک مینجمنٹ گروپ کے ذریعہ نافذ کیا ہے۔ بزنس (کاروبار) کو ٹیڈیوٹی (جاری) مینجمنٹ کمیٹی، جو کہ ایک خصوصی ذیلی کمیٹی ہے، کا قیام کیا جا چکا ہے تاکہ یہ تمام نافذ العمل معاملات کی دیکھ بھال کر سکے۔ یہ کمیٹی باقاعدگی سے اجلاس منعقد کرتی ہے تاکہ کاروبار جاری رکھنے (بی سی پی - BCP) کے ناگزیر عوامل پر غور اور نگرانی کی جاسکے۔ بی سی پی آفس مینجمنٹ کمیٹی اور رسک مینجمنٹ اور پورٹ فولیو کمیٹی کو بھی تازہ ترین صورتحال سے باقاعدگی سے آگاہ کرتا ہے۔

سیال پذیری کی ضروریات کو بروقت پورا کر سکے۔ علاوہ ازیں ایلکو (Alco) نے ایک فریم ورک کی منظوری دی ہے، جو معاہداتی اور غیر معاہداتی اثاثہ جات و واجبات کی نگرانی اور باقاعدہ تشخیص کرے گا،

کور بینکنگ کے سسٹم:

سال کے دوران بینک نے اپنے کور بینکنگ کے سسٹم میں ایک اور سنگ میل حاصل کیا۔ بینک نے انضمام (کی سکیم) کے تحت حاصل ہونے والی 90 برانچوں کو ایم سی بی بینک لمیٹڈ کے کور بینکنگ کے نظام (سمبلز - SYMBOLS) سے اپنے کور بینکنگ سسٹم (اوریکل کارپوریشن کے فلیکس کیوب) میں نہایت کامیابی سے منتقل کر دیا ہے۔ یہ منتقلی تمام 90 برانچوں کے لیے کسی بھی رکاوٹ کے بغیر بیک وقت کی گئی۔ اس انضمام نے، بینک کے لیے، اپنے نئے منتقل شدہ صارفین کے لیے انکی ضروریات پر مشتمل اور شریعت کے تابع سہولیات کی فراہمی کی بنیاد رکھی ہے۔

بینک کے حصص کی/کاٹریڈنگ/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 2018 میں بینک کے حصص کا کوئی کاروبار نہیں کیا۔

بورڈ آف ڈائریکٹرز کی میٹنگ:

اس مالی سال کے دوران بورڈ آف ڈائریکٹرز کے چھ اجلاس ہوئے، ان میں حاضری کی تفصیل مندرجہ ذیل ہے:

ڈائریکٹر کا نام	میٹنگ کی تعداد میں حاضری
رضاء منشاء	4
ابراہیم شمسی	5
عمیر صفدر	6
ایم یو اے عثمانی	3
احمد ابراہیم ہشام	5
آفتاب احمد خان	5
ڈاکٹر خالد ظہیر	2
علی محمد ماہون	6

کارپوریٹ گورننس کی تکمیل:

بینک نے 31 دسمبر 2018 کو اختتام پذیر سال سے متعلقہ کوڈ آف کارپوریٹ گورننس کی مطلوبہ شرائط کی تکمیل کی ہے۔ اس ضمن میں مقررہ بیانیہ اور اس کے ساتھ اس بارے میں آڈیٹرز کی تجزیہ رپورٹ اس سالانہ رپورٹ میں شامل ہے۔

انٹر کنٹرول (اندرونی انضباط) کا فریم ورک:

بینک کے بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ بینک کے مجموعی مقاصد کے حصول کے لیے اندرونی انضباط کے فریم ورک کی اہمیت کا مکمل ادراک رکھتے ہیں اور اندرونی انضباط کے نظام کو مضبوط بنانے کے لیے مسلسل کوشاں ہیں اور بینک کے مجموعی انتظامی ماحول کو بہتر اور مستحکم کرنے کے لیے عمل پیرا ہیں۔ بورڈ انتہائی مسرت سے انتظامیہ کے بیانیہ کی توثیق کرتا ہے اور انتظامیہ کے اندرونی انضباط کا بیانیہ سالانہ رپورٹ میں شامل ہے۔

کریڈٹ ریٹنگ:

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

خداشات کا انتظام (ریسک مینجمنٹ):

ایم سی بی اسلامک بینک کے بورڈ آف ڈائریکٹرز اس کے خداشات کے انتظام کی بنیادی ساخت کا تعین کرتے ہیں اور ادارے کے حجم اور دشواریوں کے تناظر میں مکمل رہنمائی فراہم کرتے ہیں۔

آزادی اور خود مختاری خداشات کے انتظام میں ایک ناگزیر حیثیت کی حامل ہیں اور ان کا اطلاق بورڈ آف ڈائریکٹرز کی بصیرت کے بنیادی جزو کے طور پر کیا جاتا ہے۔ ہم نے ایک نظام وضع کر رکھا ہے جو ریسک مینجمنٹ

گروپ کو خداشات یا رسک کا باعث بننے والے یعنی کاروبار کرنے والے گروپ سے ابھرنے والے خداشات کو شمار کرنے، جائزہ لینے، اس کا تدارک کرنے اور اس پر نگاہ رکھنے کے عمل کو یقینی بناتا ہے۔ رسک کا باعث بننے والے اور رسک کا انتظام کرنے والوں کے مابین معاملات کی اس علیحدگی کے باعث ایک طرف نا صرف موزوں آزادی دستیاب ہوئی ہے بلکہ ساتھ ہی کاروبار اور رسک کی منظوری دینے والی مجاز اتھارٹی کے تمام متعلقہ خداشات (رسک) کیلئے مشترکہ ذمہ داری کا بھی تعین کیا گیا ہے۔

بینک اپنے بورڈ آف ڈائریکٹرز کے منظور شدہ متفرق پالیسی دستاویزات کے ذریعہ اپنی رسک مینجمنٹ (خداشات کے انتظام) کے ڈھانچے کو موجودہ بہترین عالمی ضابطوں اور اسٹیٹ بینک آف پاکستان کی جانب سے جاری شدہ رہنمائی کے اصولوں کے مطابق ڈھالنے کیلئے پُر عزم ہے۔ خداشات کیلئے مینجمنٹ فنانس کمیٹی ایک اضافی فورم ہے جو خداشات کو جانچنے، اس کے بارے میں بات کرنے اور انتظامیہ (مینجمنٹ) کو اس کے اہم نکات سے آگاہ کرنے کی خاطر تشکیل دیا گیا ہے۔ رسک مینجمنٹ گروپ تازہ ترین معلومات، "ریسک مینجمنٹ اور پورٹ فولیو ریویو کمیٹی" جو کہ ایک بورڈ کی جانب سے خصوصی طور پر تشکیل دی گئی ایک ذیلی کمیٹی ہے، کو باقاعدہ اجلاسوں کے ذریعہ مہیا کرتا ہے اور ان سے رہنمائی اور ہدایات بھی لیتا ہے۔

بینک اپنے اصلاحاتی نظام کے زیر اثر سالانہ داخلی کیپٹل ایڈیکوئیسی کی پڑتال کی مشق کرواتا ہے۔ علاوہ ازیں بینک سہ ماہی بنیاد پر کریڈٹ، مارکیٹ اور سیال پذیری کے خداشات کو مختلف طرح کے دباؤ کا شکار کر کے اسٹیٹ بینک آف پاکستان کی جانب سے مروجہ سٹرلٹس ٹیسٹنگ (دباؤ کی شدت کا معائنہ) بھی کرتا ہے اور ان کے نتائج بورڈ کو پیش کرتا ہے۔ بینک مارکیٹ کے مختلف خداشات کے عوامل کی جانچ کے ذریعے ان خداشات کی مالیت کا تعین کرتا ہے۔

ایسٹ لائیکلیٹی (اٹاٹوں اور واجبات) کی کمیٹی (ایلو - ALCO) بینک کی مجموعی سیال پذیری کی حکمت اور اٹاٹوں و واجبات کے انتظام کی نگرانی کے نظام کو مرتب کرنے کی ذمہ دار ہے۔ اٹاٹوں، واجبات کا انتظامی ڈھانچہ/سیال پذیری کی حکمت عملی اور کسی امکانی صورت میں ہونے والے اخراجات کے پلان اپنی جگہ پر نافذ ہیں۔ تاکہ اس امر کو یقینی بنایا جاسکے اور بینک اپنے منافع میں بہترین شرکت کے ساتھ اپنی

تک پہنچ گئی۔ اسلامک فنانسنگ اور اس کے متعلقہ اثاثہ جات، سرمایہ کاری اور پلیسمنٹ سے حاصل ہونے والی آمدنی کی، بینک کی کل آمدنی میں شراکت 91 فیصد رہی۔ اپنی بہترین مقداری نمو کے باعث ڈیپازٹس کی لاگت میں 142 فیصد کا اضافہ ہوا، جو 680.4 ملین روپے سے بڑھ کر 1,648.9 ملین روپے پر جا پہنچی۔ کاروباری اور دیگر اخراجات میں بھی 67 فیصد کا اضافہ ہوا جو گزشتہ سال کے 1,845.2 ملین روپے سے بڑھ کر 3,087.8 ملین روپے رہا۔ اس کی بڑی وجہ اپنی مسلسل وسعت کی لاگت اور بینک کے نیٹ ورک میں نئی برانچوں کی شمولیت ہے۔

اثاثوں پر 6.7 فیصد کی آمدنی رپورٹ ہوئی، اور سرمایہ کی لاگت 3.9 فیصد پر محدود رہی جبکہ اس کے مقابلے میں گزشتہ سال یہ شرح بالترتیب 6.9 فیصد اور 3.6 فیصد رہی تھی۔ پچھلے سال کے اسی عرصہ میں 0.263 روپے فی شیئر خسارہ کی نسبت، رواں مدت میں فی شیئر خسارہ 0.987 روپے پر درج کیا گیا۔ جبکہ فی شیئر بک ویلیو گزشتہ سال کی 9.6 روپے کی سطح کی نسبت 9.0 روپے رہی۔

نماں مالیاتی جھلکیاں:

روپے ملین میں

Growth (%)	2017	2018	
38%	9,186	12,714	سرمایہ کاری۔ خالص
101%	31,313	62,907	اسلامی فنانسنگ اور متعلقہ اثاثے (خالص)
83%	51,746	94,894	کل اثاثہ جات
124%	32,691	73,307	ڈیپازٹس
5%	9,631	10,070	حصص یا فنڈنگ کی ایکویٹی (سرمایہ) بشمول تحفہ نو
80%	1,055	1,904	خالص آمدنی
-9%	439	399	دیگر آمدنی
54%	1,494	2,303	آپریٹنگ (کاروباری) آمدنی
67%	1,845	3,088	آپریٹنگ و دیگر اخراجات
(379%)	(351)	(1,680)	نقصان قبل از ٹیکس
(317%)	(263)	(1,096)	نقصان بعد از ٹیکس
(275%)	(0.263)	(0.987)	بنیادی/تخلیل شدہ نقصان فی شیئر (حصص) روپے

کوڈ آف کارپوریٹ گورننس کے تحت بیانیہ :

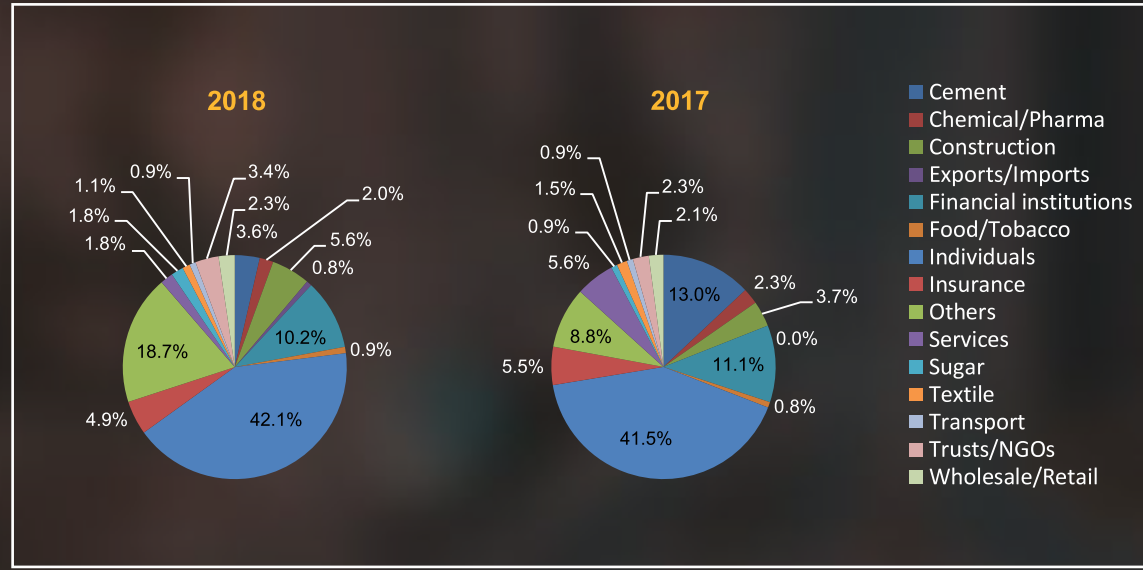
بورڈ آف ڈائریکٹرز اس امر کو یقینی بنانے کے لئے پرعزم ہیں کہ سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے معین کردہ کارپوریٹ گورننس کے تمام معیار اور شرائط کی مکمل پاسداری ہو۔ بینک نے کارپوریٹ گورننس کے بہترین معیار کو اختیار کیا ہے اور ڈائریکٹرز بمسرت رپورٹ کرتے ہیں کہ :

- بینک کی مینجمنٹ کی طرف سے تیار کردہ فنانشل اسٹیٹمنٹس اسکی کارکردگی، صورتحال، نقدی کے بہاؤ (کیش فلو) اور ایکویٹی میں تبدیلیوں کا واضح اظہار کرتی ہیں۔
- بینک کے اکاؤنٹس کی درست دستاویزات تیار کی گئی ہیں۔
- فنانشل اسٹیٹمنٹس کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے موزوں اور محتاط اندازوں پر مبنی ہیں۔
- فنانشل اسٹیٹمنٹس کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل 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۔
- اس سال میں کسی ڈیوڈینڈ یا بونس شیئر کا اعلان نہیں کیا گیا ہے۔
- بطور ادارہ بینک کے کام جاری رکھنے کی اہلیت میں کسی شک و شبہ کی گنجائش نہیں ہے۔
- کاروبار کے آغاز سے اب تک، تمام اہم نکات اور مالیاتی ڈیٹا اس رپورٹ میں شامل ہے۔
- اندرونی انضباط کا نظام مضبوط خدو خال پر استوار کیا گیا ہے اور نہایت موثر انداز میں نافذ اور جانچا جاتا ہے۔

- کارپوریٹ گورننس کے بہترین معیار اور ضابطہ عمل سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
- 31 دسمبر 2018 تک پروویڈینٹ فنڈ کی سرمایہ کاری کی قدر بمطابق غیر آڈیٹڈ اکاؤنٹس 143.9 ملین روپے رہی۔

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

ڈیپازٹس (سیگمنٹ) گراف:



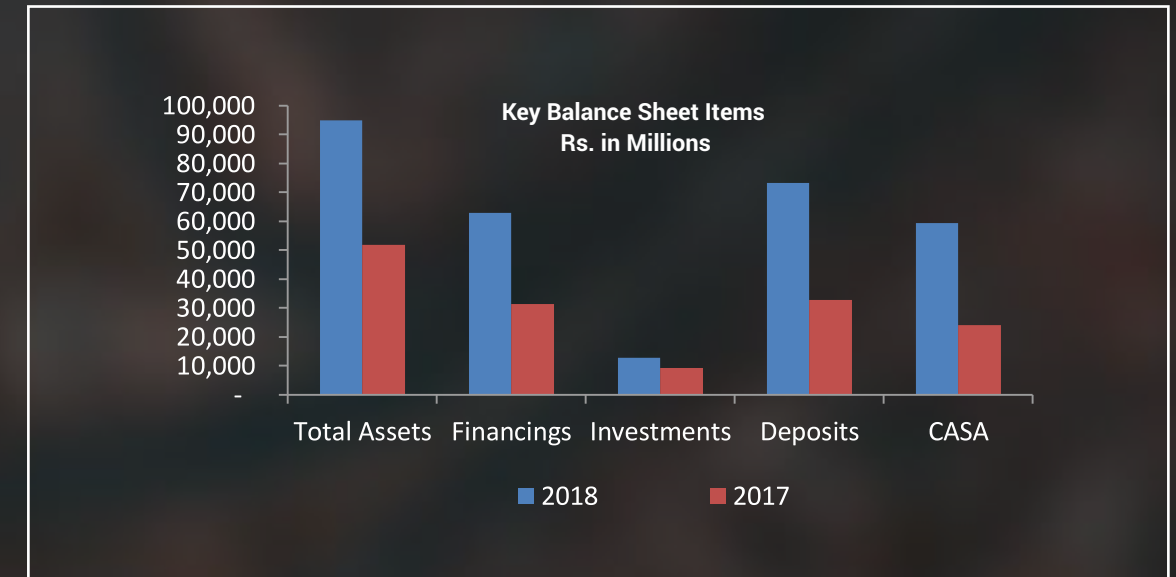
بینک ڈیپازٹس کے صارفین کے سیگمنٹ میں افراد نے تقریباً 42 فیصد کی شرح کے ساتھ اپنی نمایاں شراکت کو برقرار رکھا ہے۔

منافع کی مد میں بینک، اپنی وسعت پر جاری اخراجات، کیپٹل مارکیٹ کی ناقص کارکردگی اور بینک کے آغاز سے متعلق فطری عوامل؛ جس میں فی برانچ ڈیپازٹ اور قرضہ جات میں فروغ کے لیے کچھ وقت درکار ہوتا ہے تاوقتیکہ وہ اپنے اخراجات کو مکمل برداشت کر سکے بریک ایون کی سطح جیسے عوامل کے باعث دباؤ کا شکار رہا۔ ان کی بدولت بینک کو گزشتہ سال کی اسی مدت کے 262.9 ملین روپے کے نقصان بعد از ٹیکس کے مقابلہ میں 1,095.9 ملین روپے کا نقصان بعد از ٹیکس ہوا۔

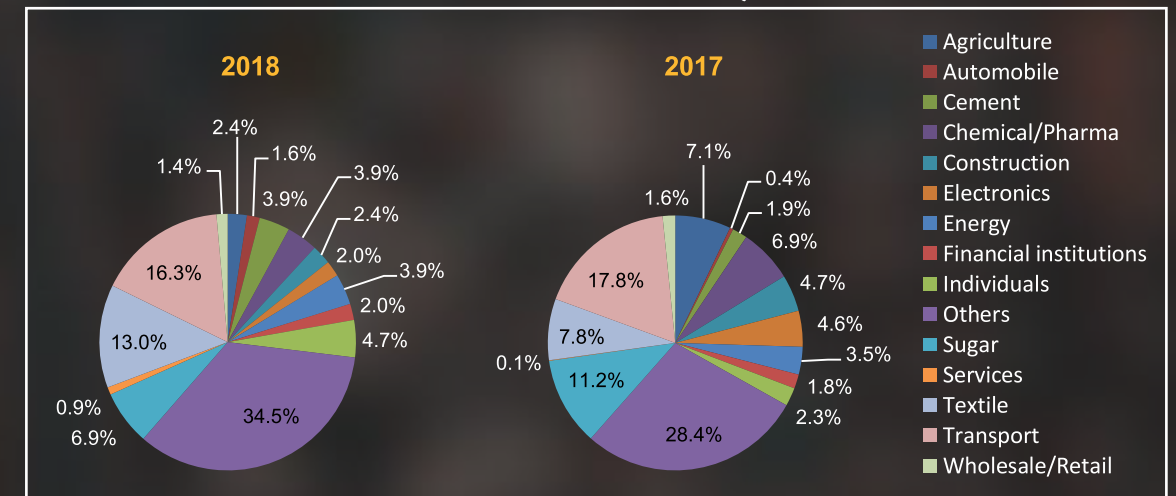
تاہم بینک کی کل آمدنی بتدریج بڑھتی رہی اور اس میں 84 فیصد کا مثبت بڑھاؤ دیکھا گیا جو پچھلے سال کی 2,500 ملین روپے کی سطح سے اضافہ کے ساتھ 4,608 ملین روپے

کے 32.7 بلین روپے کی سطح سے بڑھ کر 73.3 بلین روپے تک جا پہنچے۔ اسی اثناء میں کاسا (CASA) کی شرح بھی پچھلے سال کی 74 فیصد کی شرح کے مقابلے میں اضافہ کے ساتھ 81 فیصد پر درج ہوئی۔

بیلنس شیٹ (میزانیہ) کی اہم آٹمز:



اسلامی فنانسنگ اور متعلقہ اثاثہ جات (سیگمنٹ) گراف:



معیار کی خدمات کا تعاون حاصل ہے۔ اسلامی بینکاری کی صنعت کے کل اثاثہ جات اور ڈیپازٹس، ستمبر 2018 کے اختتام تک بالترتیب 2,458 بلین روپے اور 2,005 بلین روپے پر ریکارڈ ہوئے۔ اسلامی بینکاری کی صنعت کے کل اثاثہ جات اور ڈیپازٹس کا 30 ستمبر 2018 تک مجموعی بینکاری کی صنعت میں حصہ بالترتیب 13.6 فیصد اور 14.7 فیصد رہا۔ اسلامی بینکاری کی صنعت کی برانچوں کی تعداد ستمبر 2018 کے اختتام تک 2,709 برانچوں تک جا پہنچی جس میں ذیلی برانچیں بھی شامل ہیں۔ اسلامی بینکاری کی صنعت کا منافع بعد از ٹیکس 30 ستمبر 2018 کے اختتام تک 23 بلین روپے رہا جبکہ گزشتہ سال کی اسی تقابلی مدت میں یہ حجم 18 بلین روپے تھا۔ مزید یہ کہ کارکردگی کے اخراجات اور کل آمدنی کی شرح 30 ستمبر 2018 کے اختتام تک 65.1 فیصد پر درج ہوئی۔

بینک کی کارکردگی:

سال 2018 بینک کیلئے مشکلات سے بھرپور ہونے کے ساتھ ساتھ ایک یادگار سال رہا۔ ابتدائی حصہ میں معاشی چیلنجز کے باوجود بینک نے کئی شاندار کامیابیاں حاصل کیں جن کا ذکر مندرجہ ذیل ہے:

بینک نے اس سال کے دوران اپنے اور ایم سی بی بینک لمیٹڈ کے مابین طے شدہ مفاہمت، انتظام اور تعمیر نو (کمپرومائز، ارتھمنٹ اور ری کنسٹرکشن) کی سکیم کو کامیابی سے مکمل اور لاگو کیا۔ جس کے تحت ایم سی بی کی بینکاری کے کاروبار سے متعلق 90 برانچیں منتقل ہوئیں۔ ایم سی بی بینک کی ان برانچوں کے کاروبار سے متعلقہ املاک، حقوق، واجبات، آپریشنز، سٹور، سٹاف، بیک آفس فنکشنز کے اثاثوں اور ذمہ داریوں کو ایک مقررہ و موثر تاریخ جو کہ 1 جون 2018 کے کاروبار کے اختتام تک ہے، اسلامی بینکنگ کے کاروبار میں تبدیل کر کے، منتقل کر دیا گیا۔

بینک نے نہایت کامیابی کے ساتھ 120 ملین کے عام شیئرز / حصص، جن کی ظاہری قیمت (فیس ویلیو) 10 روپے ہے، کے مقابل 1.2 بلین روپے کے رائٹ شیئرز / حصص کا اجراء بھی کیا۔ جو نہ صرف بینک کی سرمایہ کی بنیاد کی مضبوطی میں اضافہ کا باعث ہے بلکہ پاکستان میں اسلامی بینکاری کے فروغ کیلئے حصص یافتگان کے عزم کا مظہر بھی ہے۔

بینک کے صارفین کی تعداد سال 2018ء کے اختتام، گزشتہ سال کے 43,966 سے 488 فیصد کی فقیہ المثال بڑھوتی کے ساتھ 258,520 پر جا پہنچی۔ بینک اب 176 برانچوں کے ساتھ ملک کے 59 شہروں میں کاروبار کر رہا جبکہ گزشتہ سال اس کی برانچوں کی تعداد ملک کے 39 شہروں میں 76 تھی۔ نیٹ ورک کی توسیع کی حکمت عملی 2019 کے دوران بھی جاری رہے گی۔ ہمیں اعتماد ہے کہ کفایت کے پیمانے (economies of scale) کے فوائد بینک کو سال 2019 سے ملنا شروع ہو جائیں گے (انشاء اللہ)۔

ہمیں یہ بتانے میں بہت مسرت ہو رہی ہے کہ بینک کے اثاثے، گزشتہ سال کے 51.7 بلین روپے کے حجم سے 83 فیصد کی نمایاں ترقی کے بعد، 94.9 بلین روپے پر درج ہوئے۔ جو بینک کی مضبوط حیثیت کو ظاہر کرتے ہیں۔ اسلامی فنانسنگ اور متعلقہ اثاثوں میں 101 فیصد کی قابل قدر نمو دیکھی گئی جو 31.3 بلین روپے سے بڑھ کر 62.9 بلین روپے پر جا پہنچے۔ سرمایہ کاری کی طرف اپنے اضافی وسائل کے استعمال کے باعث اسکی سطح 9.2 بلین روپے سے 38 فیصد کے اضافہ کے ساتھ 12.7 بلین روپے تک بڑھ گئی۔

تجارت کی مد میں بھی 105 فیصد کی شاندار ترقی دیکھی گئی جس کا حجم، گزشتہ سال کے 25.4 بلین روپے سے بڑھ کر 52.1 بلین روپے پر درج ہوا۔ واجبات کی مد میں، بینک نے اپنے ڈیپازٹس میں بھی 124 فیصد کی نہایت قابل ذکر بڑھوتی حاصل کی، جو گزشتہ سال

ممبران کے لیے ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے میں انتہائی مسرت کے ساتھ ایم سی بی اسلامک بینک لمیٹڈ (بینک) کی 31 دسمبر 2018 کو اختتام پذیر سال کی رپورٹ بشمول آڈیٹڈ مالیاتی گوشوارے، آپ کے سامنے پیش کر رہا ہوں۔

معاشی جائزہ

ملکی معیشت نے سال 2018 کا آغاز ایک اعلیٰ درجہ پر کیا، جس میں جی ڈی پی کی نمو مسلسل دو سالوں میں 5 فیصد کی شرح سے اوپر رہی اور مالی سال 2018 میں گزشتہ 13 سال میں 5.8 فیصد کی ایک بلند ترین شرح حاصل کی۔ اس کامیابی کا حصول توانائی میں سرمایہ کاری، پاک چین اقتصادی راہداری (سی پیک) پراجیکٹ کے تحت بنیادی ڈھانچے کی تعمیر، خرچ کے عمل کی مضبوط نمو اور زراعت کی بحالی میں جاری اقدامات کی بدولت ہوا۔ تاہم اس مثبت ترقی کے باوجود داخلی اور بیرونی محاذوں پر مشکلات درپیش رہیں، جن میں خاص طور پر ادائیگیوں کی صورتحال میں عدم توازن اور زرمبادلہ کے ذخائر کی گرتی ہوئی صورتحال کے عوامل کارفرما رہے۔

موجودہ مالی سال 2019 کے پہلے نصف کے دوران بجٹ خسارہ؛ گزشتہ سال کے اسی عرصہ کے دوران کے 796 بلین روپے (جی ڈی پی کا 2.2 فیصد) کے درجہ شدہ حجم کی نسبت؛ 1,030 بلین روپے (جی ڈی پی کا 2.7 فیصد) کی سطح پر جا پہنچا۔ حکومت نے اندرونی اور بیرونی قرضوں کی مدد، میں گزشتہ سال کے اسی عرصہ کے دوران ادا کئے گئے 752 بلین روپے کے مقابلہ میں، تقریباً 877 بلین روپے کی ادائیگیاں کیں۔ برآمدات پر بہتری کے لیے برقرار دباؤ کے باوجود اس مد میں محض 0.1 فیصد کی نمو حاصل ہوئی۔ جبکہ درآمدات میں، گزشتہ مالی سال کے تقابلی عرصہ کی نسبت، 3 فیصد کا اضافہ ہوا۔ ترسیلات، مالی سال 2019 کے پہلے نصف حصہ کے دوران 12.8 بلین امریکی ڈالرز کی سطح پر درج ہوئیں جو کہ پچھلے مالی سال کی اس تقابلی مدت کی نسبت 12.2 فیصد کی

امید افزاء نمو کو ظاہر کرتی ہیں۔

ملک کے زرمبادلہ کے ذخائر میں 6.4 بلین امریکی ڈالرز کی (نیٹ) کمی دیکھی گئی جو کہ 31 دسمبر 2017 کے 20.2 بلین امریکی ڈالرز کے حجم سے کم ہوتے ہوئے 31 دسمبر 2018 کے اختتام تک 13.8 بلین امریکی ڈالرز پر ریکارڈ ہوئے۔ ادائیگیوں کی مجموعی صورتحال دباؤ کا شکار رہی جیسا کہ کرنٹ اکاؤنٹ کا خسارہ جو گزشتہ سال کے اسی عرصہ کی 8.4 بلین امریکی ڈالرز کی سطح کے مقابلہ میں 7.9 بلین امریکی ڈالرز پر درج ہوا۔ پاکستانی روپے اور امریکی ڈالر کے درمیان تبادلہ کی شرح پر اس مضبوط دباؤ کے تدارک کے لیے وفاقی حکومت نے پاکستانی روپے کی قدر میں تنزلی کی، جو 31 دسمبر 2018 کو 138.9 روپے فی ڈالر پر بند ہوا۔ جس میں دسمبر 2017 کے مقابلے میں 25.8 فیصد کی تنزلی اطلاق رہی، شامل تھی اور جو کہ مجموعی طور پر مالی سال 2018 کے اختتام کی نسبت 14.3 فیصد رہی۔

مالیاتی حوالے سے اسٹیٹ بینک آف پاکستان نے سال 2018 کے دوران پالیسی ریٹ میں 425 بی پی ایس کا بتدریج اضافہ کرتے ہوئے بینچ مارک ریٹ کو 10 فیصد کی شرح پر مختص کر دیا۔ اپنی حالیہ مانیٹری پالیسی کے اعلان میں مانیٹری پالیسی کمیٹی نے 1 فروری 2019 سے قابل اطلاق پالیسی ریٹ میں 25 بی پی ایس کا مزید اضافہ کیا اور اسکو 10.25 فیصد کی شرح پر پہنچا دیا۔ صارفین کی قیمتوں کے جدول (Consumer Price Index - سی پی آئی) کا اوسط افراط زر مالی سال 2019 کے پہلے نصف حصہ میں 6 فیصد پر درج ہوا، جو کہ گزشتہ سال کی اسی مدت کی 3.8 فیصد کی شرح کے مقابلہ میں قابل ذکر حد تک بلند ہے۔ نان فوڈ، نان انرجی سی پی آئی (خالص این ایف این ای - Net NFNE) کے ذریعہ جانچے گئے خالص افراط زر میں پچھلے ماہ کی 8.3 فیصد کی شرح اور دسمبر 2017 کی 5.5 فیصد کی شرح کے مقابلہ میں دسمبر 2018 میں سال بہ سال کی بنیاد پر 8.4 فیصد تک کا اضافہ ہوا۔

پاکستان میں اسلامی بینکاری اپنی وسعت کے فروغ کو جاری رکھے ہوئے ہے اور روایتی بینکوں سے کامیابی کے ساتھ مد مقابل ہے۔ اس مد میں اسے اپنی مصنوعات کی بڑھتی ہوئی درجہ بندی اور اعلیٰ

Financial Summary

FINANCIAL DATA

STATEMENT OF FINANCIAL POSITION

	2018	2017	2016	2015
	Rupees in thousands			
Total assets - net	94,894,435	51,745,997	28,564,193	26,887,541
Cash and balances with treasury banks	6,990,369	3,390,753	1,509,804	698,123
Balances with other banks	1,422,701	2,703,251	2,750,998	6,347,459
Due from financial institutions	4,675,000	1,400,000	-	-
Investments - net	12,713,954	9,186,213	5,769,675	5,995,470
Islamic financing and related assets - net	62,907,204	31,472,935	16,172,727	12,473,797
Operating fixed assets and others	6,185,207	3,752,376	2,404,803	1,372,692
Total liabilities - net	84,824,921	42,115,218	18,298,320	16,904,789
Bills payable	1,303,992	314,210	447,776	89,864
Due to financial institutions	7,800,628	7,926,790	2,785,650	631,520
Deposits and other accounts	73,307,185	32,690,808	14,279,436	9,450,072
Other liabilities	2,413,116	1,183,410	744,934	6,733,333
Net assets	10,069,514	9,630,779	10,265,873	9,982,752
Share capital	11,200,000	10,000,000	10,000,000	10,000,000
Shareholders' equity	9,937,242	9,832,379	10,094,531	10,014,614

PROFIT AND LOSS ACCOUNT

Profit / return earned	4,208,875	2,060,927	1,526,778	376,295
Profit / return expensed	2,304,950	1,005,671	576,544	101,057
Net spread earned	1,903,925	1,055,256	950,234	275,238
Fee and commission income	162,245	46,325	34,678	9,874
Dividend income and Gain on sale of securities - net	75,769	352,356	196,172	10,439
Income from dealing in foreign currencies	148,228	29,846	17,322	3,968
Other income	13,020	10,483	10,992	787
Total income	2,303,187	1,494,266	1,209,398	300,306
Operating and other expenses	3,087,754	1,845,247	1,189,562	202,774
(Loss) / profit before provisions	(784,567)	(350,981)	19,836	97,532
Provision / (reversal of provision)	895,646	(54)	(94,137)	39,901
(Loss) / profit before taxation	(1,680,213)	(350,927)	113,973	57,631
Taxation	584,231	87,930	(34,056)	(5,324)
(Loss) / profit after taxation	(1,095,982)	(262,997)	79,917	52,307

OTHERS

Imports	46,289,721	23,416,703	13,259,000	2,018,706
Exports	5,762,144	1,971,928	1,807,700	100,169

KEY RATIOS

Capital adequacy ratio	13.29%	23.81%	39.74%	46.50%
(Loss) / profit before tax ratio	-39.92%	-17.03%	7.46%	15.32%
(Loss) / profit after tax ratio	-26.04%	-12.76%	5.23%	13.90%
Income / expense ratio	73.28%	87.69%	106.82%	116.77%
Return of average equity (ROE)	-11.09%	-2.64%	0.79%	0.52%
Return of average assets (ROA)	-1.48%	-0.65%	0.45%	0.77%
Return of average earning assets	6.70%	6.99%	6.79%	6.34%
Cost of deposit	3.37%	3.15%	3.34%	3.17%
Cost of fund	3.87%	3.60%	3.54%	3.26%
Gross Financing to Deposit ratio	85.83%	96.28%	113.27%	133.01%
Infection ratio	0.02%	0.00%	0.01%	0.01%
CASA to Deposit ratio	81.03%	73.72%	58.67%	60.68%
Book value per share including revaluation surplus	8.99	9.63	10.27	9.98
Basic / diluted (loss) / earnings per share after tax - Rupees	(0.987)	(0.263)	0.080	0.052

NON-FINANCIAL DATA

No. of employees (excluding outsourced)	1,493	795	601	328
No. of financing customers (excluding staff)	1,953	179	71	31
No. of deposit accounts	280,977	48,492	31,250	22,498

Service Quality

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

Customer complaints help us to identify where our current policies and procedures are inopportune or indistinct. Customer complaints also provides information that can lead to improvements in service delivery. The Bank has a dedicated unit of Complaint Management which handles and addresses customer complaints as per the Customer Grievances Handling policy approved by the Board. The Bank has a strong complaint handling mechanism which allows our customers to log complaints from various channels which include 24/7 call center, website, email, fax, branches, Banking Mohtasib, SBP and complaint drop box placed in all our branches across the country.

The Bank has a complaint escalation mechanism whereby all complaints are escalated to the senior management if not resolved within the stipulated time. In Year 2018, detailed root causes of complaints have been presented in service quality control committee. Proactive measures have been taken, that reduces unnecessary lodgement of complaints. While many process improvements were also made during the year. All the complaints were treated with respect, courtesy and compassion because only by doing this we can gain more customer confidence and trust.

In Year 2018, the Bank received 6407 number of complaints out of which 6348 complaints was resolved as of 31 December 2018 and average complaint resolution time is 5.67 working days.

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)

Material Outsourcing Arrangement

S.No.	Nature of Service		Name of Service Provider	Country of 3rd Party Service Provider	Estimated Cost	
	System/process/activity Name	System Description			One-Time	Annual Recurring (2018)
1	SWIFT Connectivity through EastNets (GWCP-Gateway Connectivity Pack with DR)	SAG, HSM, SNL & VPN	EastNets FZ-LLC	UAE - Dubai	USD 17,045.00	USD 12,631.00
2	Statement Rendition & Dispatch of Customers Intimation Letters (CNIC Expiry & Dormancy)	N/A	TCS Private Limited	Pakistan	N/A	PKR 11,683,641.00
			Leopards Courier Services (Pvt) Ltd	Pakistan	N/A	PKR 98,849.00



Report of Shari'ah Board

(For the Year ended December 31, 2018)

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

The Shari'ah Board of MCB Islamic Bank Ltd. (MIB) was established 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. In the year 2018 Shari'ah Board meetings were held on the following dates:

- First Shari'ah Board Meeting– January 10, 2018
- Second Shari'ah Board Meeting– June 21, 2018
- Third Shari'ah Board Meeting– September 27, 2018
- Fourth Shari'ah Board Meeting– December 26, 2018

- 1) While the Board of Directors and Executive Management are solely responsible to ensure that the operations of MIB are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of MIB.
- 2) To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of MIB carried out reviews of each types of transactions, products, process flows/modus operandi and concepts. In this regard, all 76 branches have been inspected for Shari'ah as per Shari'ah Compliance program. The new M-90 branches shall be inspected for Shari'ah Compliance in the coming year. Further, Pool Management System (PMS) is being reviewed as per required frequency on montly basis as per guidance of SCD . In order to enhance the Islamic banking knowledge and expertise in general as well as product wise especially in Islamic Micro Finance and SME businesses, were made mandatory for all staff of the Bank with the coordination of Learning & Development Department of HRG.
- 3) Four (4) Instructions & Guidelines & Two (2) Fatawa which are already issued by the Shari'ah Board of the MIB are still remained same without any changes and they are being implemented in the MIB in true letter and spirit.
- 4) SCD with the coordination of management has reviewed these product documents namely Corporate Diminishing Musharakah & Corporate Ijarah Financing Product Documents, Commodity Salam Product Document, Structure, & Agreements, Currency Salam Financing / Legal Documents, Amendment in Currency Salam Product Document, Finished Goods Financing (under Musawamah mode) Product Manual, Structure, Process Flow and Salient Features, Istisna Product Manual, legal agreements, Salient Features Products Structure, Process Flow & Sample Istisna Calculation, Master Ijarah Agreement for Equipment and Vehicle

Financing, Revised consumer car finance end-to-end process manual and all its appendices, Amendments in Consumer car Finance Product Program, Mortgage Deed Format for Housing Finance, Murabaha Microfinance Product and Process Amendments, Murabaha Product Manual – Amendments, Musharakah Running Finance Product Manual – Amendments, Revised account opening form / terms & conditions booklet / account opening form for MIB Asaan account, Different Takaful Agreement – for Wealth Management Products, Amendments in the features of MIB Atfaal Saving Account, Bank Guarantee Manual V2.0 & Opening of LC without Agency.

- 5) SCD has also facilitated Islamic Banking training sessions the front and back offices staff of MIB. Further, SCD has taken initiative to establish an effective and comprehensive Islamic Banking training mechanism in compliance with IBD Circular No. 02 of 2018, Dated: Jun 29, 2018, "Enhanced Training & Capacity Building Measures for Islamic Banking Institutions (IBIs)" issued by Islamic Banking Department, State Bank of Pakistan, for MIB front and back offices staff at all levels. Internal trainers were also part of Shari'ah related training initiatives during the year. Human resource group has hired more personnales to enhance the capacity of Learning & Development Department of MIB, that is a good sign; it will help in enhancing capacity building of MIB staff.
- 6) Shari'ah Board praises and encourages the continuous, comprehensive & profound efforts of MIB Management regarding implementation of all instructions and guidelines issued by Shari'ah Board.

Recommendations:

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

- i) In future, there shall be more Shari'ah Trainings in compliance with SBP-IBD Circular No. 02 of 2018 for front and back office staff with emphasis on specialize products training sessions;
- ii) Newly inducted staff shall be trained on Islamic Banking and its Products before confirmation;
- iii) As pool management is very sensitive by its nature, therefore, it shall be more automated and live to avoid any human error and Shari'ah Board discourages any manual calculation in pool management system.
- iv) All back offices who are involve on execution of the transactions are advised to use updated standard documents/agreements & process flows approved by Shari'ah Board and should bear intial on each page to avoid delay in transactions.
- v) Trade department is recommended to have standard documents and it is advised to follow them in true sense in all its facilities.

Conclusion:

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

- i) MIB has complied with Shari'ah rules and principles in the light of Fatawa, Instructions and Guidelines issued by Shari'ah Board.
- ii) MIB has complied with SBP Inspection report in true letter and spirit.
- iii) MIB has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.

- iv) MIB has a comprehensive mechanism in place to ensure Shari'ah Compliance in their overall operations.
- v) During the course of Shari'ah compliance of the transactions, it was realized that the amount of Charity collection during the year was PKR 27.989 million from different heads which was instructed to transfer to the Charity account. The bank has disbursed the Charity amount to Shari'ah approved charitable organizations as per MIB's charity policy and SBP's guidelines.
- vi) MIB 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 in the level of awareness of Islamic Banking & Finance of the staff, management and the BOD through enhanced training mechanism for each level. The management and the BOD has made sincere efforts and appreciates the importance of Shari'ah compliance in overall operations of MIB.
- viii) The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.

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

وَاللّٰهُ سُبْحَانَهُ وَتَعَالٰی اَعْلَمُ

Munib ur. Rehman

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

Mufti Nadeem Iqbal

Mufti Nadeem Iqbal
Member Shari'ah Board

Mufti Syed Sabir Hussain

Mufti Syed Sabir Hussain
Resident Shari'ah Board Member

Date of Report: January 24, 2019

افراد کار، انتظامیہ اور بورڈ آف ڈائریکٹرز میں آگہی پیدا کرنے کی غرض سے اسلامی بینکاری کی تربیت میں مزید اضافے کی ضرورت ہے۔ انتظامیہ اور بورڈ آف ڈائریکٹرز نے اخلاص پر مبنی کوششیں کی ہیں اور انہوں نے ایم آئی بی میں شریعہ کمپلائنس کی اہمیت کو تسلیم کیا ہے۔

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

شریعہ بورڈ اللہ تعالیٰ کی بارگاہ میں اُس کی تعریف پیش کرنے اور اُس سے ہدایت اور توفیق کا خواہاں ہے اور سینئر منتظمین اور اسلامی بینکاری انڈسٹری کی مخلصانہ کوششوں سے ان شاء اللہ اسلامی بینکاری نظام کی مزید پیشرفت، ترقی اور خوشحالی کا مستحق ہے۔

وَاللّٰهُ سُبْحَانَهُ وَتَعَالٰی اَعْلَمُ

Munib ur. Rehman

پروفیسر مفتی منیب الرحمن

چیئرمین شریعہ بورڈ

Mufti Nadeem Iqbal

مفتی ندیم اقبال

شریعیہ بورڈ ممبر

Mufti Syed Sabir Hussain

مفتی سید صابر حسین

ریزیڈنٹ شریعیہ بورڈ ممبر

تاریخ اجراء: ۲۴ جنوری، ۲۰۱۹ء

پول مینیجمنٹ سسٹم کا شرعی جائزہ ماہانہ بنیادوں پر لیا جا رہا ہے۔ اسلامی بینکاری کے بارے میں معلومات اور مہارت کو بڑھانے کی غرض سے بالعموم اسلامی بینکاری اور بالخصوص پروڈکٹس کی تربیت ہیومن ریسورس ڈیپارٹمنٹ کے تعاون سے تمام اسٹاف کے لئے لازم قرار دی گئی ہے۔

(۳) ایم آئی بی کے شریعہ بورڈ کی جاری کردہ چار ہدایات ولاحہ عمل اور فتاویٰ جات میں کوئی تبدیلی نہیں کی گئی۔ ایم آئی بی میں ان پر عملدرآمد کو ان کی اصل روح کے مطابق یقینی بنایا گیا۔

(۴) بینک کے منتظمین کے تعاون سے شریعہ کمپلائنس ڈیپارٹمنٹ نے ان تمام پراڈکٹ کی دستاویزات کا جائزہ لیا: کارپوریٹ، شرکت متناقصہ، اجارہ، کموڈٹی سلم، کرنسی سلم، مساومہ، استصناع، انفرادی صارفین کے لئے کار اور مشینری کا اجارہ، مراہجہ و مائیکرو فنانس مراہجہ، جاری مشارکہ، مضاربہ پراڈکٹس، تکافل پراڈکٹس، کفالہ اور وکالہ پراڈکٹس۔

(۵) شریعہ کمپلائنس اور شریعہ ٹریننگ ڈیپارٹمنٹ نے بینک کے فرنٹ آفس اور بیک آفس اسٹاف کے لئے اسلامی بینکاری کی ٹریننگ کے کئی پروگرامز منعقد کئے ہیں۔ مزید برآں 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 اقدامات کئے گئے۔ لہذا ایک پراثر اور جامع پروگرام ترتیب دیا جا رہا ہے جس کے تحت بینک کے ہر درجہ کے فرنٹ آفس اور بیک آفس اسٹاف کو اسلامی بینکاری کی ٹریننگ دی جائے گی۔ شریعہ ٹریننگ پروگرامز کے لئے بینک کے ملازمین کی خدمات حاصل کی گئیں۔ ہیومن ریسورس گروپ نے لرننگ اینڈ ڈیولپمنٹ ڈیپارٹمنٹ کے لئے نئے افراد کی خدمات حاصل کی ہیں جو کہ قابل ستائش عمل ہے، جس سے ایم آئی بی اسٹاف کی پیشہ ورانہ خدمات کو بہتر بنانے میں مدد ملے گی۔

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

سفارشات:

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

الف۔ مستقبل میں فرنٹ آفس اور بیک آفس اسٹاف کی پراڈکٹ کی شریعہ ٹریننگ پر بھرپور توجہ دیتے ہوئے مزید شریعہ ٹریننگ پروگرام منعقد کئے جائیں، جو اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ سرکلر (نمبر ۲ / ۲۰۱۸ بتاریخ ۲۹ جون ۲۰۱۸) کی ہدایات کے مطابق ہوں۔

ب۔ اسلامی بینکاری اور پراڈکٹ کی ٹریننگ نئے آنے والے اسٹاف کی بھرتی کی تصدیق سے پہلے لازمی کی جائے۔

ج۔ پول مینیجمنٹ اپنی نوعیت کا ایک انتہائی حساس معاملہ ہے، اس لئے اسے خود کار طریقہ کار کے ذریعے اپ ڈیٹ رکھا جائے تاکہ کسی بھی قسم کی غلطی سے بچا جاسکے۔ شریعہ بورڈ کسی بھی قسم کے دستی حساب و کتاب کی حوصلہ افزائی نہیں کرتا۔

د۔ شریعہ بورڈ روزمرہ کے معاملات میں کسی بھی تاخیر سے بچنے کے لئے تمام بیک آفس اسٹاف کو سفارش کرتا ہے کہ شریعہ بورڈ سے منظور شدہ حالیہ ماڈل دستاویزات / معاہدات اور معاملات کے لائحہ عمل کو استعمال کیا جائے۔

ه۔ شریعہ بورڈ ٹریڈ ڈیپارٹمنٹ کو سفارش کرتا ہے کہ کسٹمر کو دی جانے والی تمام سہولیات میں ماڈل دستاویزات کو استعمال کیا جائے اور حقیقی بنیادوں پر ان پر عملدرآمد کیا جائے۔

خلاصہ کلام:

شریعیہ بورڈ نے ایس بی پی انسپکشن، انٹرئل شریعیہ آڈٹ اور شریعیہ کمپلائنس کی رپورٹس کو دیکھنے کے بعد اصلاحی اقدامات کے لئے ہدایات دیں، لہذا شریعیہ بورڈ کے مطابق:

الف ایم آئی بی نے شریعیہ بورڈ کے جاری کردہ فتاویٰ جات اور ہدایات ولاحہ عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔

ب۔ ایم آئی بی نے حقیقی معنوں میں اصل روح کو مد نظر رکھتے ہوئے ایس بی پی انسپکشن رپورٹ پر عملدرآمد کیا ہے۔

ج۔ ایم آئی بی، اسٹیٹ بینک آف پاکستان کے احکامات، قوانین و ہدایات اور لائحہ عمل (جو اسٹیٹ بینک آف پاکستان کے شریعی بورڈ کے احکام کے مطابق ہیں) سے ہم آہنگ ہے۔

د۔ شریعیہ کمپلائنس کو یقینی بنانے کے لئے ایم آئی بی کے پاس ایک جامع طریقہ کار موجود ہے۔

ه۔ مالی معاملات کے شریعیہ کمپلائنس کے دوران یہ معلوم ہوا کہ ایم آئی بی نے مختلف مدت سے ۹۸۹ء ۲ ملین کی غیر شرعی آمدنی حاصل کی، جسے چیریٹی اکاؤنٹ میں ڈال دیا گیا ہے۔ علاوہ ازیں بینک نے ایم آئی بی کی چیریٹی پالیسی اور اسٹیٹ بینک آف پاکستان کے اصولوں کے مطابق شریعیہ بورڈ سے منظور شدہ مختلف خیراتی اداروں کو چیریٹی اکاؤنٹ سے رقم ادا کی۔

و۔ ایم آئی بی کے نفع و نقصان کی تقسیم اور پول کی انتظام کاری اسٹیٹ بینک آف پاکستان کی ہدایات کے عین 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

شریعہ بورڈ رپورٹ

(مالی سال اختتام پذیر ۳۱ دسمبر ۲۰۱۸ء)

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ
اَلْحَمْدُ لِلّٰهِ رَبِّ الْعَالَمِیْنَ وَالصَّلَاةُ وَالسَّلَامُ عَلٰی سَیِّدِ الْاَنْبِیَاءِ وَالْمُرْسَلِیْنَ وَعَلٰی
اٰلِهٖ وَصَحْبِهٖ اَجْمَعِیْنَ اَمَّا بَعْدُ

ایم سی بی اسلامک بینک (ایم آئی بی) کا شریعہ بورڈ ستمبر ۲۰۱۵ء کو تشکیل پایا، موجودہ شریعہ بورڈ پروفیسر مفتی منیب الرحمن چیئرمین شریعہ بورڈ، مفتی سید صابر حسین ریزیڈنٹ شریعہ بورڈ ممبر اور مفتی ندیم اقبال، ممبر شریعہ بورڈ پر مشتمل ہے۔ ۲۰۱۸ء میں شریعہ بورڈ کے اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

- شریعہ بورڈ کا پہلا اجلاس، ۱۰ جنوری ۲۰۱۸ء
- شریعہ بورڈ کا دوسرا اجلاس، ۲۱ جون ۲۰۱۸ء
- شریعہ بورڈ کا تیسرا اجلاس، ۲۷ ستمبر ۲۰۱۸ء
- شریعہ بورڈ کا چوتھا اجلاس، ۲۶ دسمبر ۲۰۱۸ء

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

(۲) اس رپورٹ میں اظہار کے طور پر عرض یہ ہے کہ ایم آئی بی کے شریعہ کمپلائنس ڈیپارٹمنٹ نے تمام قسم کے مالی معاملات، پروڈکٹس، معاملات کے مراحل اور نظریات کا جائزہ لیا ہے۔ اس سال ایم آئی بی کی تمام ۷۶ برانچوں کا شرعی اعتبار سے شریعہ کمپلائنس پروگرام کے تحت جائزہ لیا گیا ہے۔ آئندہ سال ایم۔ ۹۰ برانچ کا شرعی اعتبار سے جائزہ لیا جائے گا۔ مزید برآں،

NOTICE OF 5th ANNUAL General Meeting of MCB ISLAMIC BANK LIMITED

Notice is hereby given that the 5th Annual General Meeting of MCB Islamic Bank Limited will be held on Monday, March 25, 2019 at 10:00 A.M. at 339-Z Block, DHA Phase III, Lahore to transact the following businesses:

Ordinary Business:

- To confirm the minutes of the 4th Annual General Meeting held on March 26, 2018.
- To receive, consider and adopt the Annual Audited Financial Statements of the Bank for the year ended December 31, 2018 together with Directors' and Auditors' Reports thereon and Chairman's Review Report thereon.
- To appoint auditors of the Bank for the year ending December 31, 2019 and to fix their remuneration. The Members are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring Auditors, M/s KPMG Taseer Hadi & Company, Chartered Accountants, for reappointment.

By Order of the Board



March 1, 2019
Lahore

Ms. Maimoona Cheema
Company Secretary

NOTES:

- 1) Members whose names appear in the register of members on March 25, 2019 will be entitled to attend the proceedings of the meeting.
- 2) A member entitled to attend and vote at the Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote instead of him/her at the meeting. No person shall act as a proxy, who is not a member, except corporate entity which can appoint a person who is not a member.
- 3) The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity, its common seal should be affixed on the instrument.
- 4) The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, MCB Islamic Bank Limited, 59, T-Block, DHA Phase II, Lahore not less than 48 hours before the time of holding the meeting.
- 5) If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.
- 6) The Bank has placed its audited financial statements for the year ended 31 December, 2018 on the its website: www.mcbislamicbank.com



Statement on Internal Controls Year 2018

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 system of internal controls with the main objectives of ensuring effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

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

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

Implementing State Bank of Pakistan (the "SBP") Guidelines on Internal Controls has been the Bank's top priority, with concerted efforts made by every Group to improve the control environment at grass root level by regularly reviewing and streamlining procedures, as well as imparting training.

Board's Audit Committee (AC) has the authority and is empowered by the Board of Directors to review the adequacy and effectiveness of the Internal Control System implemented by the Bank. All significant and material findings of the internal and external auditors as well as observations of the regulators are addressed on priority by the management and their status periodically reported to the AC.

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

Compliance & Controls Group of the Bank through its Regional Compliance Officers and centralized setup, also oversees adherence to the regulatory requirements, with specific emphasis on Anti-Money Laundering / Combatting the Financing of Terrorism. In addition, "Compliance Committee of Management" oversees the handling of Compliance Risks in the Bank with focus on addressing matters relating to recently migrated portfolio. Furthermore, based on the observations and weaknesses identified by the Internal and External Auditors, Compliance 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. As a relatively newer Bank, initially top down approach is being used for Risk Assessment. Further, the Bank has adopted the Integrated Framework on Internal Controls issued by the Committee on Sponsoring Organization of the Treadway Commission (COSO) for implementation in light of the SBP's Internal Control Guidelines. Risk Management Function is also actively engaged in creating risk awareness through staff training sessions in the areas of Operational Risk, Fraud Risk and Business Continuity / Disaster Recovery Planning.

In accordance with SBP's directives, the Bank has completed all stages of Internal Controls over Financial Reporting (ICFR) roadmap and a Long Form Report (LFR) on the assessment of Bank's ICFR for the year 2017 issued by the External Auditor has been submitted to SBP in compliance with its directives. None of the deficiencies identified has a material impact on Financial Reporting. The Bank's External Auditor will now review and issue LFR on ICFR as of December 31, 2018.

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

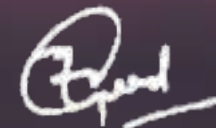
Based on the above, the Board of Directors has duly endorsed management's evaluation of internal controls including ICFR in the Directors' report.



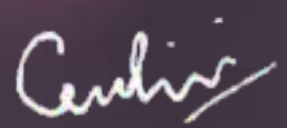
Kashif Ahmed
Group Head – Compliance & Controls



Khawaja Khalil Shah
Chief Risk Officer



Muhammad Tariq Gondal
Group Head – Audit & Risk Assets Review



Syed Iftikhar Hussain Rizvi
Chief Financial Officer

February 4, 2019

Report of the Audit Committee

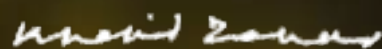
The Audit Committee comprises of experienced and qualified directors. The directors have diversified experience of banking and industry. The Chairman of Audit Committee is an independent director.

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

Audit Committee remained actively engaged in the review of the Bank's financial statements as well as audit activities in accordance with the requirements of Code of Corporate Governance and that of Charter of the Audit Committee, duly approved by the Board of Directors. Audit Committee held five meetings, during the year 2018. Significant agenda items of the meetings are:

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

Lahore
February 18, 2019



Dr. Khalid Zaheer
Chairman Audit Committee



Statement Of Compliance With Listed Companies

(code Of Corporate Governance) Regulations, 2017
For the year ended December 31, 2018

This statement is being presented in accordance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the “CCG”) 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 as follows:

A	Male	7
B	Female*	0

2. The composition of the board is as follows:

A	Independent Directors*	1
B	Non-Executive Directors	5

The President by virtue of his position is deemed as an executive director.

* A casual vacancy of female independent director exists on December 31, 2018 consequent to resignation of Mrs. Shahima Rehman on November 12, 2018. As a replacement, Fit and Proper Test documents of Ms. Seema Aziz, proposed female independent director were submitted to the State Bank of Pakistan on November 29, 2018 for prior approval. State Bank of Pakistan gave it’s in-principle approval for appointment of Ms. Seema Aziz on January 15, 2019.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. 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 Act and these Regulations.
7. 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 Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board had arranged Director's Training Program for the following three directors:
- a. Mr. Ahmed Ebrahim Hasham
 - b. Mr. Omair Safdar
 - c. Mr. Ali Muhammad Mahoon

Mr. Aftab Ahmad Khan has been granted exemption from the Director's Training Program by SECP on the basis of qualification and experience.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed following committees comprising of members given below:

A	Audit Committee	
	Dr. Khalid Zaheer	Chairman
	Mr. Omair Safdar	Member
	Mr. Ibrahim Shamsi	Member
	Mr. Aftab Ahmad Khan	Member
B	Human Resource & Remuneration Committee	
	Dr. Khalid Zaheer	Chairman
	Mr. Raza Mansha	Member
	Mr. Ahmed Ebrahim Hasham	Member
	Mr. Omair Safdar	Member

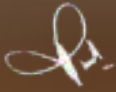
C	Business Strategy & Service Quality Control Committee	
	Mr. Raza Mansha	Chairman
	Mr. Ibrahim Shamsi	Member
	Mr. Aftab Ahmad Khan	Member
	Mr. Ali Muhammad Mahoon	Member
D	Risk Management & Portfolio Review Committee	
	Mr. Omair Safdar	Chairman
	Mr. Ibrahim Shamsi	Member
	Mr. Aftab Ahmad Khan	Member
	Mr. Ali Muhammad Mahoon	Member
E	Board's I.T. Committee	
	Mr. Raza Mansha	Chairman
	Mr. Ahmed Ebrahim Hasham	Member
	Mr. Ibrahim Shamsi	Member
	Mr. Ali Muhammad Mahoon	Member
F	Board's Evaluation Committee	
	Mr. Ahmed Ebrahim Hasham	Chairman
	Mr. Omair Safdar	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

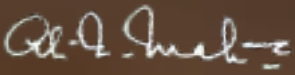
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a	Audit Committee	Quarterly
b	Human Resource & Remuneration Committee	Quarterly
c	Business Strategy & Service Quality Control Committee	Quarterly
d	Risk Management & Portfolio Review Committee	Quarterly
e	Board's I.T. Committee	Half Yearly
f	Board's Evaluation Committee	Yearly

15. The Board has set up an effective internal audit function which is staffed by suitably qualified and experienced persons for the purpose and is conversant with the policies and procedures at the Bank.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.



Raza Mansha
Chairman / Director
February 19, 2019



Ali Muhammad Mahoon
President / CEO
February 19, 2019



Auditors' Review Report on The **Statement Of Compliance**

Contained In Listed Companies
(Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of MCB Islamic Bank Limited for the year ended 31 December 2018, to comply with Regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the 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.

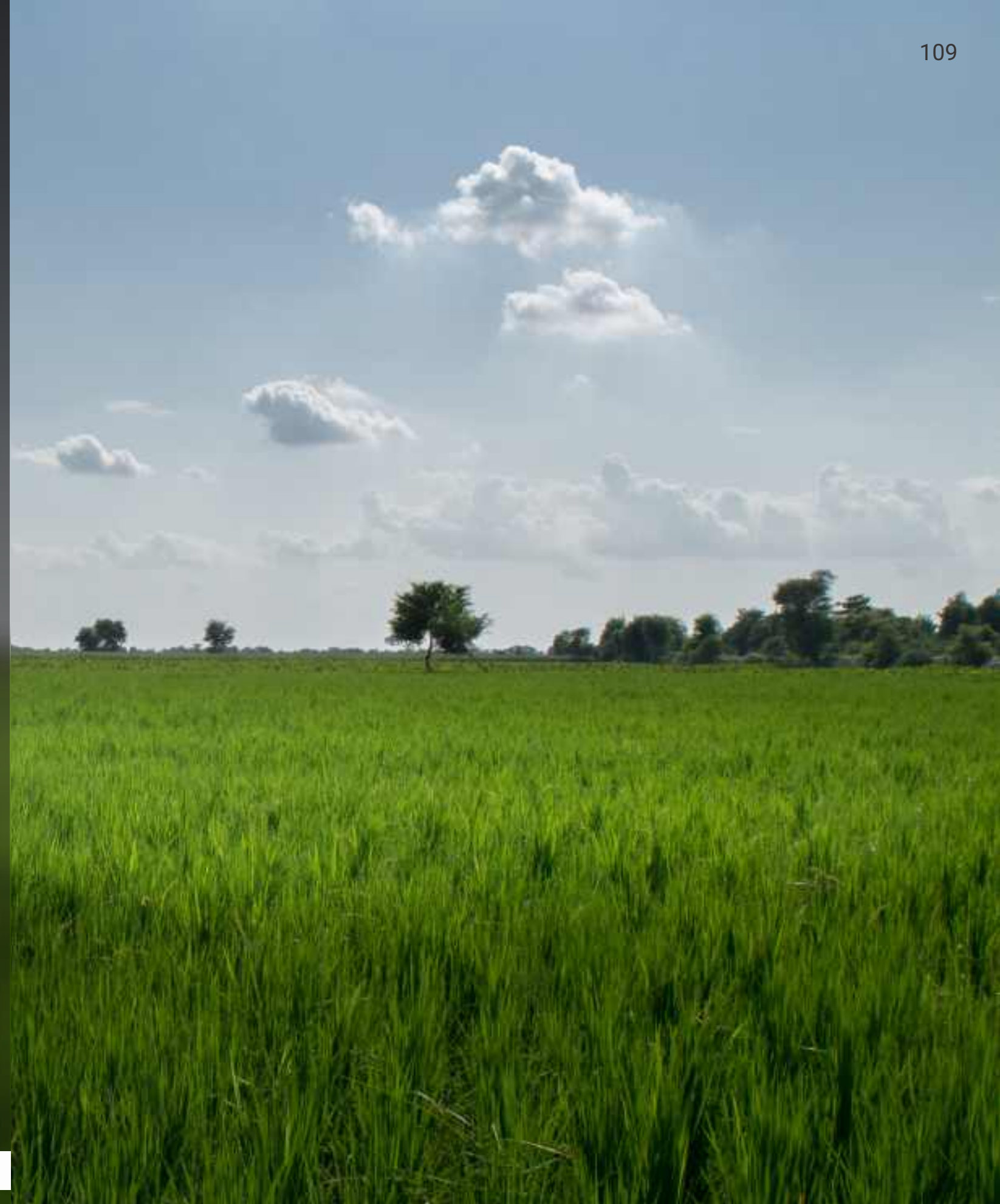
The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2018.

February 28, 2019
Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chughtai)

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.





Auditors' Report To The Members

Independent Auditor's Report To the members of MCB Islamic Bank Limited Report on the audit of the Financial Statements

We have audited the annexed financial statements of MCB Islamic Bank Limited ("the Bank"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, along with unaudited certified returns received from the branches except for 20 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2018 and of the loss and other comprehensive loss, 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. Other information comprises the information included in the director's report for the year ended 31 December 2018, 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.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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

Report on Other Legal and Regulatory Requirements

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

- 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;
- The statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and power of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Other Matter

The financial statements of the Bank for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements vide their report dated 13 February 2018.

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

Lahore
February 28, 2019



KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Kabal
KHYBER PAKHTUNKHWA

Financial **Statements**

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

Note	Rupees in thousands		
	2018	Restated 2017	Restated 2016
ASSETS			
Cash and balances with treasury banks	7	6,990,369	3,390,753
Balances with other banks	8	1,422,701	2,703,251
Due from financial institutions	9	4,675,000	1,400,000
Investments - net	10	12,713,954	9,186,213
Islamic financing and related assets - net	11	62,907,204	31,313,404
Fixed assets	12	2,619,980	2,136,975
Intangible assets	13	524,791	486,018
Deferred tax assets - net	14	751,065	289,465
Other assets - net	15	2,289,371	839,918
		94,894,435	51,745,997
LIABILITIES			
Bills payable	17	1,303,992	314,210
Due to financial institutions	18	7,800,628	7,926,790
Deposits and other accounts	19	73,307,185	32,690,808
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities - net		-	40,524
Other liabilities	20	2,413,116	1,183,410
		84,824,921	42,115,218
NET ASSETS			
		10,069,514	9,630,779
REPRESENTED BY			
Share capital	21	11,200,000	10,000,000
Reserves	22	26,444	26,444
Surplus / (deficit) on revaluation of assets - net of tax	23	132,272	(201,600)
(Accumulated loss) / unappropriated profit		(1,289,202)	(194,065)
		10,069,514	9,630,779
CONTINGENCIES AND COMMITMENTS			
	24		

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


ALI MUHAMMAD MAHOON
President / Chief Executive


SYED IFTIKHAR HUSSAIN RIZVI
Chief Financial Officer


RAZA MANSHA
Director


KHALID ZAHEER
Director


OMAIR SAFDAR
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2018

Note	2018	2017
Rupees in thousands		
Profit / return earned	25	4,208,875
Profit / return expensed	26	2,304,950
Net spread earned		1,903,925
OTHER INCOME		
Fee and commission income	27	162,245
Dividend income		58,031
Foreign exchange income		148,228
Gain / (loss) on securities	28	17,738
Other income	29	13,020
Total other income		399,262
Total income		2,303,187
OTHER EXPENSES		
Operating expenses	30	3,083,172
Workers welfare fund		-
Other charges	31	4,582
Total other expenses		3,087,754
Loss before provisions		(784,567)
Provisions / (reversal of provision) and write offs - net	32	895,646
Extra ordinary / unusual items		-
LOSS BEFORE TAXATION		(1,680,213)
Taxation	33	(584,231)
LOSS AFTER TAXATION		(1,095,982)
Rupees		
Basic and diluted loss per share - after tax	34	(0.987)

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


ALI MUHAMMAD MAHOON
President / Chief Executive


SYED IFTIKHAR HUSSAIN RIZVI
Chief Financial Officer


RAZA MANSHA
Director


KHALID ZAHEER
Director


OMAIR SAFDAR
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

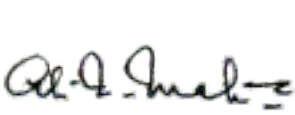
	Restated	
	2018	2017
Rupees in thousands		
Loss after taxation for the year	(1,095,982)	(262,997)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments	514,950	(591,359)
Related deferred tax asset / (liability)	(180,233)	206,976
	334,717	(384,383)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Movement in surplus of revaluation of operating fixed assets	-	12,940
Related deferred tax liability	-	(654)
	-	12,286
Total comprehensive loss	(761,265)	(635,094)

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Share Capital	Statutory Reserve	Surplus / (deficit) on revaluation of		Unappropriated Profit /	Total
			Investments	Fixed Assets	(Accumulated Loss)	
Rupees in thousands						
Balance as at December 31, 2016 - as previously reported	10,000,000	26,444	-	-	68,087	10,094,531
Effect of restatement - (refer 6.4 & 6.6.1.2)	-	-	(2,381)	173,723	-	171,342
Balance as at December 31, 2016 - Restated	10,000,000	26,444	(2,381)	173,723	68,087	10,265,873
Loss after taxation for the year ended December 31, 2017	-	-	-	-	(262,997)	(262,997)
Other comprehensive income - net of tax - Restated	-	-	(384,383)	12,286	-	(372,097)
	-	-	(384,383)	12,286	(262,997)	(635,094)
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(845)	845	-
Transactions with owners, recorded directly in equity						
Issue of right shares	-	-	-	-	-	-
Balance as at December 31, 2017 - Restated	10,000,000	26,444	(386,764)	185,164	(194,065)	9,630,779
Balance as at December 31, 2017 - as previously reported	10,000,000	26,444	-	-	(194,065)	9,832,379
Effect of restatement - (refer 6.4 & 6.6.1.2)	-	-	(386,764)	185,164	-	(201,600)
Balance as at December 31, 2017 - Restated	10,000,000	26,444	(386,764)	185,164	(194,065)	9,630,779
Loss after taxation for the year ended December 31, 2018	-	-	-	-	(1,095,982)	(1,095,982)
Other comprehensive income - net of tax	-	-	334,717	-	-	334,717
	-	-	334,717	-	(1,095,982)	(761,265)
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(845)	845	-
Transactions with owners, recorded directly in equity						
Issue of right shares	1,200,000	-	-	-	-	1,200,000
Balance as at December 31, 2018	11,200,000	26,444	(52,047)	184,319	(1,289,202)	10,069,514

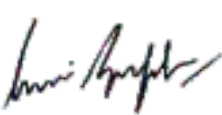
The annexed notes 1 to 46 and annexure - I form an integral part of these financial statements.

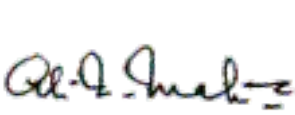

ALI MUHAMMAD MAHOON
President / Chief Executive


SYED IFTIKHAR HUSSAIN RIZVI
Chief Financial Officer


RAZA MANSHA
Director


KHALID ZAHEER
Director

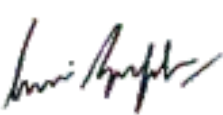

OMAIR SAFDAR
Director


ALI MUHAMMAD MAHOON
President / Chief Executive


SYED IFTIKHAR HUSSAIN RIZVI
Chief Financial Officer


RAZA MANSHA
Director

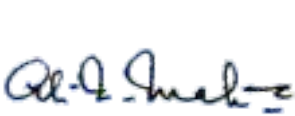

KHALID ZAHEER
Director


OMAIR SAFDAR
Director

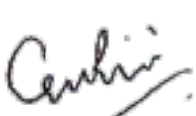
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

		Restated	
Note	2018	2017	
Rupees in thousands			
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation	(1,680,213)	(350,927)	
Less: Dividend income	58,031	84,593	
	(1,738,244)	(435,520)	
Adjustments			
Depreciation - Owned assets	12.2	214,441	112,069
Depreciation - Ijarah assets	11.3.1	548,717	458,125
Amortization	13	90,482	29,695
Provision / (reversal of provision) and written off - net	32	895,646	(54)
Unrealized gain on forward exchange contracts - net		(167,501)	(2,196)
(Gain) / loss on sale of fixed assets - net	29	(208)	20
Gain on sale of securities - net	28	(17,738)	(267,763)
		1,563,839	329,896
		(174,405)	(105,624)
(Increase) / decrease in operating assets			
Due from financial institutions		(3,275,000)	(1,400,000)
Islamic financing and related assets		(32,156,158)	(15,642,562)
Other assets		(982,608)	(451,963)
		(36,413,766)	(17,494,525)
Increase / (decrease) in operating liabilities			
Bills payable		(224,428)	(133,566)
Due to financial institutions		(208,031)	5,141,140
Deposits and other accounts		18,698,051	18,411,372
Other liabilities		915,170	326,428
		19,180,762	23,745,374
		(17,407,409)	6,145,225
		(42,962)	(14,798)
Income tax paid		(17,450,371)	6,130,427
Net cash (used in) / generated from operating activities			
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(3,427,344)	(7,273,297)
Net investments in held-to-maturity securities		(929,936)	115,000
Dividend received		78,407	73,697
Proceeds from scheme of merger	4	22,214,180	-
Proceeds from sale of securities		480,324	3,418,163
Investments in fixed assets		(522,121)	(224,490)
Proceeds from sale of fixed assets		634	1,771
Investments in intangible assets		(129,255)	(408,069)
Net cash generated from / (used in) investing activities		17,764,889	(4,297,225)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	21	1,200,000	-
Net cash generated from financing activities		1,200,000	-
Increase in cash and cash equivalents during the year		1,514,518	1,833,202
Cash and cash equivalents at the beginning of the year		6,094,004	4,260,802
Cash and cash equivalents acquired under scheme of merger	4	722,679	-
Cash and cash equivalents at the end of the year	35	8,331,201	6,094,004

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



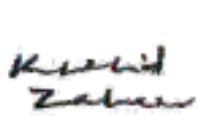
ALI MUHAMMAD MAHOON
President / Chief Executive



SYED IFTIKHAR HUSSAIN RIZVI
Chief Financial Officer



RAZA MANSHA
Director



KHALID ZAHEER
Director



OMAIR SAFDAR
Director

NOTES TO AND FORMING PART OF THESE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 176 branches in Pakistan (December 31, 2017: 76 branches). The Registered Office of the Bank is situated at 59 Block T, Phase II, DHA, Lahore Cantt and Principal Office is situated at 339 Block Z, Phase III, DHA Lahore Cantt.

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

2 BASIS OF PRESENTATION

2.1 The Bank provides financing through Shari'ah compliant financing products mainly through Murabaha, Istisna, Salam, Ijarah, Diminishing Musharaka, Running Musharaka and Export Refinance under Islamic Export Refinance Scheme.

2.2 The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such Islamic financing is recognised in accordance with the principles of Islamic Shari'ah and in accordance with regulations and guidelines of the State Bank of Pakistan. However, income, if any, received which does not comply with the principles of Islamic Shari'ah is recognised as charity payable if so directed by the Shari'ah Board of the Bank.

3 STATEMENT OF COMPLIANCE

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

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

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', International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BPRD Circular No. 04 of 2015 dated February 25, 2015 and BSD Circular No. 10 dated August 26, 2002.

The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through S.R.O 411(1) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

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

The State Bank of Pakistan though BPRD Circular No. 2 of 2018 dated January 25, 2018 has prescribed a new format for financial statements of banks effective from the year ended December 31, 2018. Accordingly, these financial statements are prepared in accordance with the new format. Major changes impacting these financial statements include:

- Surplus / deficit on revaluation of fixed assets and available for sale investments which was shown below the equity is now shown as part of equity (refer note 6.6.1.2).
- Intangible assets which were previously disclosed under Operating fixed assets are now being disclosed separately on statement of financial position.
- Deferred income on Murabaha financing which was previously shown separately under other liabilities is now being adjusted against Murabaha receivable (refer note 6.5.1).
- Acceptances which were previously reported as off-balance sheet items are now being reported as on-balance sheet (refer note 6.11).

In addition, Companies Act 2017 also became effective for the financial statements for the year ended December 31, 2018. As the Bank's financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on these financial statements except for the change as mentioned in note 6.6.1.2 of these financial statements.

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

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2019:

- IFRS 9 Financial Instruments and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. On the instruction of SBP, the Bank has carried out an impact assessment as at December 31, 2017 which has been submitted to State Bank of Pakistan. However, the Bank is currently awaiting instructions from SBP for the adoption of this standard as the applicability of IAS 39 Financial Instruments: Recognition and Measurement was deferred by SBP till further instructions.
- IFRS 16 Leases (effective for annual period beginning on or after January 1, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Bank is currently in the process of assessing the impact of this standard on the financial statements of the Bank.

- IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Bank is currently in the process of assessing the impact of this standard on the financial statements of the Bank and expects that the amendments are not likely to have an impact on the Bank's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 01, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Bank's financial statements.
- Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangement. The amendment aims to clarify the accounting treatment when an entity increases its interest in a joint operation that meets the definition of a business. An entity remeasures its previously held interest in a joint operation when it obtains control of the business. An entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are not likely to have an impact on the Bank's financial statements.

There are other new and amended standards, improvement in those standards and interpretations that are mandatory for the Bank's accounting period beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

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

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

Both the banks filed a petition before the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under Section 279 to 283 and 285 read with other enabling provisions of the Companies Act, 2017. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on February 10, 2018. The Honourable Lahore High Court has sanctioned the Scheme on April 20, 2018. The business of these 90 branches have been transferred from MCB with effect from the Effective date i.e. close of the business on June 01, 2018.

The carrying amount of assets and liabilities acquired are as follows:

	Rupees in thousands
Assets	
Cash in hand	722,679
Operating fixed assets	175,751
Other assets	59,788
	958,218
Liabilities	
Bills payable	1,214,210
Deposits and other accounts	21,918,326
Other liabilities	39,862
	23,172,398
Amount settled with MCB	<u>22,214,180</u>

5 BASIS OF MEASUREMENT

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

Measurement of fair values

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

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

5.3 Critical accounting estimates and judgments

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

a) Classification of investments

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

- Investments classified as ‘held for trading’, are securities which are acquired with an intention to trade by taking advantage of short term market / profit rate movements and are to be sold within 90 days of
- 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 6.5.2.

d) Taxation

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

e) Depreciation, amortization and revaluation of fixed assets

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year expect for the changes explained in notes 6.4, 6.5.1, 6.6.1.2 and 6.11.

6.1 Business acquisition

Business acquisition from Group companies are recognized at carrying values.

6.2 Cash and cash equivalents

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

6.3 Funds due to / from financial institutions

Bai Mu’ajjal

In Bai Mu’ajjal, the Bank sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Musharaka / Mudaraba / Wakala

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

Musharaka with State Bank of Pakistan under IERS

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

6.4 Investments

The Bank classifies its investments as follows:

a) Held for trading

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

b) Available for sale

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

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

	<p>All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.</p> <p>In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is included in statement of comprehensive income and is shown in the statement of financial position as part of equity which was previously shown below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account.</p>
c)	<p>Held to maturity</p> <p>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.</p>
6.4.1	<p>Provision / impairment</p> <p>Provision for diminution in the value of Sukuk certificates is made as per the Prudential Regulations issued by the SBP. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position 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.</p>
6.5	<p>Islamic financing and related assets</p>
6.5.1	<p>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:</p> <p>Murabaha</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Upto December 31, 2017, the banks were required to prepare their annual financial statements in the forms set out in the Second Schedule of Banking Companies Ordinance, 1962, further amended vide BSD Circular No.04 dated February 17, 2006 along-with notified International Financial Reporting Standards and Islamic Financial Accounting Standards. Accordingly, the Bank was reporting Murabaha receivable at gross under Islamic financing and related assets and deferred income on Murabaha financing under other liabilities separately. However, SBP through BPRD Circular No. 2 of 2018 dated January 25, 2018 has prescribed a new format for financial statements of banks effective from the year ended December 31, 2018. This requires deferred income on Murabaha financing which was previously shown separately under other liabilities is now being adjusted against Murabaha receivable. The said change has been adopted and balances including prior year has been adjusted accordingly (refer note 11.1.1).</p> <p>Istisna</p> <p>In Istisna financing, the Bank acquires the described goods to be manufactured by the customer from raw material of its own and deliver to the Bank within an agreed time. The goods are then sold and the amount financed is received back by the Bank alongwith profit.</p>

	<p>Salam</p> <p>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 alongwith profit.</p> <p>Ijarah</p> <p>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'.</p> <p>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.</p> <p>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'.</p> <p>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.</p> <p>Diminishing Musharaka</p> <p>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.</p> <p>Running Musharaka</p> <p>In Running Musharaka based financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in the customer's operating business where the funds can be withdrawn or refunded during the Musharakah period.</p>
6.5.2	<p>Provision</p> <p>Islamic financing and related assets are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer, Small Enterprise (SEs) and Micro financings made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on Islamic financing and related assets. Islamic financing and related assets are written off when there is no realistic prospect of recovery.</p>
6.6	<p>Fixed and Intangible assets</p>
6.6.1	<p>Fixed assets</p>
6.6.1.1	<p>Capital work-in-progress</p> <p>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.</p>
6.6.1.2	<p>Property and equipment</p> <p>Property and equipment, other than land carrying value which is not amortized, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount.</p> <p>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.</p>

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

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

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

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets was being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly the management has changed the accounting policy to bring accounting of revaluation surplus on fixed assets in accordance with IAS 16 "Property, plant and equipment". The management of the Bank believes that the impact of change is only presentational and not material, therefore no adjustment is required in these financial statements.

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.

6.6.2 Intangible assets

6.6.2.1 Advance against purchase of software

Advance against purchase of software is stated at cost less accumulated impairment losses, if any. These are transferred to computer software as and when it become available for use.

6.6.2.2 Computer software

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

6.6.3 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the greater of fair value and value in use. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.7 Deposits

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

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

Profits realized in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Profits are distributed from the pool such that the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

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

6.8 Pool Management

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

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

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

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

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

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

6.9 Taxation

Current

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

Deferred

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

6.10 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.

6.11	Acceptances
	Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. Acceptances are recognized as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. During the current year, SBP has changed its classification from off-balance sheet item to on-balance sheet under other assets and other liabilities (refer notes 15 & 20).
6.12	Provisions and contingent assets and liabilities
	Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.
	Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefit is remote.
6.13	Foreign currencies
6.13.1	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.
6.13.2	Commitments
	Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the date of the statement of financial position.
6.14	Revenue recognition
	<ul style="list-style-type: none">- Profit on investments in Sukuks is recognised on time proportion basis. Where Sukuks (excluding those classified as held for trading) are purchased at a premium or discount, such premiums / discounts are amortised through the profit or loss account using the effective yield method.- Profit from Musharaka placements with financial institutions is recognised on time proportion basis.- Profit from Bai-Mu'ajjal is recognised on time proportion basis.- Profit from Murabaha financing is accounted for on culmination of the Murabaha transaction. Profit on Murabaha is recognised on time proportion basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately on the later date.- Rental income from Ijarah financing is recognised on an accrual basis. Depreciation on Ijarah asset is charged to income (net of with rental income) over the period of Ijarah using the straight line method.- Profit on Diminishing Musharaka is recognised on an accrual basis.- Profit on Running Musharaka financing is booked on an accrual basis and is subject to adjustment (if any) upon declaration of profit by Musharakah partners.- Profit on Istisna financing is recognised on time proportion basis.- Profit on Salam financing is recognised on time proportion basis.- Commission income is recognized on a time proportionate basis.- Dividend income is recognised when the Bank's right to receive dividend is established.- Gain or loss on sale of investments is recognised in the profit and loss account in the year in which it arises.
6.15	Assets acquired in satisfaction of claims
	The Bank occasionally acquires assets in settlement of certain financings. These are stated at lower of the carrying value or current fair value of such assets.

6.16	Financial instruments
6.16.1	Financial assets and financial liabilities
	Financial instruments carried on the statement of financial position includes cash and balances with treasury banks, balances with other banks, due from financial institutions, investments, Islamic financings and related assets (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.
6.16.2	Offsetting
	Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.
6.17	Dividend distribution and appropriation
	Dividend declared and other appropriations (other than appropriations required by law) approved subsequent to the balance sheet date are considered as non-adjusting events and are not recorded in the financial statements. However, a separate disclosure of the fact is made in the financial statements.
6.18	Earnings / (loss) per share
	The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.
6.19	Segment reporting
	A segment is a distinguishable component of the Bank that is 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:
6.19.1	Business segments
	<ul style="list-style-type: none">- Business Distribution It includes commercial and SME financing, deposits, trade business and other banking services.
	<ul style="list-style-type: none">- Corporate Banking It includes financing to large and medium sized public and private sector entities, investment banking, corporate advisory, cash management, trade finance, guarantees and transaction with financial institutions.
	<ul style="list-style-type: none">- Consumer Banking It includes financing and other banking services to individual customers other than those classified under Micro Banking.
	<ul style="list-style-type: none">- Micro Banking It represents financing operations to low income individuals including agriculture sector financing.
	<ul style="list-style-type: none">- Treasury Operations It includes inter-bank placements / acceptances, capital market operations and foreign exchange transactions and reserves management.
6.19.2	Geographical segments
	The Bank operates only in Pakistan.

	Note	2018	2017
Rupees in thousands			
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		1,963,099	886,035
- foreign currencies		561,844	208,309
		<u>2,524,943</u>	<u>1,094,344</u>
With the State Bank of Pakistan (SBP) in			
- local currency current account	7.1	3,429,560	1,767,494
- foreign currency current accounts			
cash reserve account	7.2	188,019	74,120
special cash reserve account	7.3	219,402	16,422
US \$ clearing account		104,396	37,423
		<u>511,817</u>	<u>127,965</u>
With National Bank of Pakistan in			
- local currency current account		524,049	400,950
		<u>6,990,369</u>	<u>3,390,753</u>
7.1	The local currency current account is maintained with the 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.		
7.2	As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). This account is non-remunerative in nature.		
7.3	Special cash reserve of 6% is required to be maintained with the SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. This account is non-remunerative in nature.		
	Note	2018	2017
Rupees in thousands			
8 BALANCES WITH OTHER BANKS			
In Pakistan			
- deposit account	8.1	979,332	2,161,145
Outside Pakistan			
- current account		443,369	542,106
		<u>1,422,701</u>	<u>2,703,251</u>
8.1	This represents savings accounts carrying profit at expected rates ranging from 0.03% to 9.95% per annum (2017: 0.05% to 5.75% per annum).		
	Note	2018	2017
Rupees in thousands			
9 DUE FROM FINANCIAL INSTITUTIONS			
Unsecured			
Musharaka arrangements	9.1	4,675,000	1,400,000
9.1	This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 9.25% to 9.55% per annum (2017: 5.80% to 5.85% per annum) and having maturity till January 07, 2019.		
		2018	2017
Rupees in thousands			
9.2 Particulars of due from financial institutions			
- local currency		4,675,000	1,400,000
- foreign currencies		-	-
		<u>4,675,000</u>	<u>1,400,000</u>

10 INVESTMENTS**10.1 Investments by type:****Available-for-sale securities**

Federal Government securities
Shares
Non Government securities

Held-to-maturity securities

Federal Government securities
Non Government securities

Total Investments

2018			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands			
8,452,080	-	(41,163)	8,410,917
1,831,580	881,903	(43,325)	906,352
1,427,333	-	4,416	1,431,749
11,710,993	881,903	(80,072)	10,749,018
Available-for-sale securities			
1,159,936	-	-	1,159,936
805,000	-	-	805,000
1,964,936	-	-	1,964,936
Held-to-maturity securities			
13,675,929	881,903	(80,072)	12,713,954

Available-for-sale securities

Federal Government securities
Shares
Non Government securities

Held-to-maturity securities

Federal Government securities
Non Government securities

Total Investments

2017			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands			
5,745,560	-	1,378	5,746,938
1,981,675	-	(629,083)	1,352,592
1,019,000	-	32,683	1,051,683
8,746,235	-	(595,022)	8,151,213
Available-for-sale securities			
-	-	-	-
1,035,000	-	-	1,035,000
1,035,000	-	-	1,035,000
Held-to-maturity securities			
9,781,235	-	(595,022)	9,186,213

10.2 Investments by segments:**Federal Government securities**

GOP Ijarah Sukuks
WAPDA Sukuks
Bai Mu'ajjal

Shares

Listed companies

Non Government securities

Listed
Un listed

Total Investments

2018			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands			
8,366,893	-	(41,185)	8,325,708
85,187	-	22	85,209
1,159,936	-	-	1,159,936
1,831,580	881,903	(43,325)	906,352
1,159,000	-	4,367	1,163,367
1,073,333	-	49	1,073,382
13,675,929	881,903	(80,072)	12,713,954

2017			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands			
5,630,497	-	911	5,631,408
115,063	-	467	115,530
-	-	-	-
1,981,675	-	(629,083)	1,352,592
1,164,000	-	2,267	1,166,267
890,000	-	30,416	920,416
9,781,235	-	(595,022)	9,186,213

10.2.1 There were no investment given as collateral as at December 31, 2018 (2017: Nil).

		2018	2017
		Rupees in thousands	
10.3	Provision for diminution in value of investments		
	Opening balance	-	-
	Charge for the year	881,903	-
	Closing balance	881,903	-

10.4 Quality of Available for Sale Securities

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

		2018	2017
		Cost Rupees in thousands	
Federal Government Securities - Government guaranteed			
GOP Ijarah Sukuks		8,366,893	5,630,497
WAPDA Sukuks			
Unlisted - AAA (2017: AAA)		85,187	115,063
		8,452,080	5,745,560
Shares			
Listed			
Automobile Assembler		85,760	85,760
Cable & Electric Goods		136,403	136,403
Engineering		334,719	256,003
Fertilizer		167,693	383,213
Oil & Gas Marketing Companies		285,186	285,186
Paper & Board		308,108	308,108
Pharmaceuticals		161,716	246,315
Power Generation & Distribution		186,607	186,606
Refinery		94,081	94,081
Textile		71,307	-
		1,831,580	1,981,675
Non Government Securities			
Listed			
A+		129,000	129,000
AA-		225,000	-
		354,000	129,000
Un listed			
AA		973,333	-
AA-		-	790,000
A		100,000	100,000
		1,073,333	890,000
		11,710,993	8,746,235

10.5 Particulars relating to Held to Maturity securities are as follows:

		Note	2018	2017
		Cost Rupees in thousands		
Federal Government Securities - Government guaranteed				
Bai Mu'ajjal	10.5.1		1,159,936	-
Non Government Securities				
Listed				
AA+	10.5.2		805,000	1,035,000
			1,964,936	1,035,000
10.5.1	Bai Muajjal receivable	10.5.1.1	1,605,938	-
	Less: Deferred Income		446,002	-
	Bai Muajjal at cost		1,159,936	-

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

10.5.2 The market value of non Government securities classified as held-to-maturity as at December 31, 2018 amounted to Rs.814.422 million (2017: Rs.1,058.29 million).

11 ISLAMIC FINANCING AND RELATED ASSETS - NET

	Note	Performing		Non performing		Total	
		Restated		Restated		Restated	
		2018	2017	2018	2017	2018	2017
Rupees in thousands							
Murabaha	11.1	17,096,368	9,954,034	759	729	17,097,127	9,954,763
Istisna	11.2	1,793,878	100,000	-	-	1,793,878	100,000
Salam		4,118	-	-	-	4,118	-
Ijarah	11.3	4,269,903	1,623,509	-	-	4,269,903	1,623,509
Running Musharaka	11.4	19,441,575	8,815,983	-	-	19,441,575	8,815,983
Diminishing Musharaka	11.5	19,047,410	10,151,508	10,007	-	19,057,417	10,151,508
Staff finance	11.6	1,258,046	668,860	-	-	1,258,046	668,860
Islamic financing and related assets - gross		62,911,298	31,313,894	10,766	729	62,922,064	31,314,623
Less: Provision against non-performing							
Islamic financing and related assets							
- Specific		-	-	(758)	(729)	(758)	(729)
- General		(14,102)	(490)	-	-	(14,102)	(490)
	11.9	(14,102)	(490)	(758)	(729)	(14,860)	(1,219)
Islamic financing and related assets							
- net of provisions		62,897,196	31,313,404	10,008	-	62,907,204	31,313,404

		Note	2018	2017
		Restated Rupees in thousands		
11.1	Murabaha			
	- Murabaha financing	11.1.1	7,334,021	4,701,604
	- Murabaha inventory		6,625,790	4,513,090
	- Advances against Murabaha financing		3,056,316	639,569
	- Murabaha financing under Islamic export refinance scheme	11.1.5	-	100,500
	- Advances against Murabaha financing under Islamic export refinance scheme		81,000	-
			17,097,127	9,954,763
11.1.1	Murabaha receivable - gross	11.1.2	7,674,572	4,860,060
	Less: Deferred Murabaha income	11.1.4	340,551	158,456
	Murabaha financing		7,334,021	4,701,604

		Restated			
		Note	2018	2017	
		Rupees in thousands			
11.1.2	Movement in Murabaha receivable during the year:				
	Opening balance		4,860,060	2,719,939	
	Sales during the year		23,655,655	15,369,303	
	Adjusted during the year		(20,841,143)	(13,229,182)	
			7,674,572	4,860,060	
11.1.3	Murabaha sale price during the year		23,655,655	15,369,303	
	Murabaha purchase price during the year		(22,644,766)	(14,930,577)	
			1,010,889	438,726	
11.1.4	Deferred Murabaha income				
	Opening balance		158,456	43,815	
	Arising during the year		1,010,889	438,726	
	Recognised during the year		(828,794)	(324,085)	
			340,551	158,456	
11.1.5	Murabaha receivable under Islamic export refinance scheme - gross	11.1.6	-	101,575	
	Less: Deferred income	11.1.8	-	1,075	
	Murabaha financing under Islamic export refinance scheme		-	100,500	
11.1.6	Movement in Murabaha receivable under IERS during the year:				
	Opening balance		101,575	87,003	
	Sales during the year		242,026	188,726	
	Adjusted during the year		(343,601)	(174,154)	
			-	101,575	
11.1.7	Murabaha sale price under Islamic export refinance scheme during the year		242,026	188,726	
	Murabaha purchase price under Islamic export refinance scheme during the year		(239,601)	(182,829)	
			2,425	5,897	
11.1.8	Deferred Murabaha income under Islamic export refinance scheme				
	Opening balance		1,075	570	
	Arising during the year		2,425	5,897	
	Recognised during the year		(3,500)	(5,392)	
			-	1,075	
11.2	Istisna				
	- Advances against Istisna financing		594,687	-	
	- Istisna financing under Islamic export refinance scheme		24,244	-	
	- Advances against Istisna financing under Islamic export refinance scheme		1,174,947	100,000	
			1,793,878	100,000	
11.3	Ijarah financing and related assets				
	- Net book value of assets in Ijarah under IFAS 2	11.3.1	2,948,075	1,484,260	
	- Advances against Ijarah		1,321,828	139,249	
			4,269,903	1,623,509	
11.3.1	Net book value of assets in Ijarah under IFAS 2				
2018					
Cost			Depreciation		Book Value as at December 31, 2018
As at January 1, 2018	Additions / (Disposal)	As at December 31, 2018	As at January 1, 2018	Charge / (Disposal)	
As at December 31, 2018					
Rupees in thousands					
Vehicles	1,662,346	1,588,759 (368,748)	2,882,357	603,033 321,939 (270,691)	654,281 2,228,076
Equipment and Plant & Machinery	788,327	543,461 (128,132)	1,203,656	363,380 226,778 (106,501)	483,657 719,999
Total	2,450,673	2,132,220 (496,880)	4,086,013	966,413 548,717 (377,192)	1,137,938 2,948,075

2017							
Cost			Depreciation			Book Value as at December 31, 2017	
As at January 1, 2017	Additions / (Disposal)	As at December 31, 2017	As at January 1, 2017	Charge / (Disposal)	As at December 31, 2017		
Rupees in thousands							
Vehicles	1,331,916	689,680 (359,250)	1,662,346	580,692	292,804 (270,463)	603,033	1,059,313
Equipment and Plant & Machinery	879,505	160,118 (251,296)	788,327	386,832	165,321 (188,773)	363,380	424,947
Total	2,211,421	849,798 (610,546)	2,450,673	967,524	458,125 (459,236)	966,413	1,484,260

11.3.2 Future Ijarah payments receivable

2018			
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	904,424	2,174,932	80,941
			<u>3,160,297</u>

2017			
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	228,860	1,111,113	-
			<u>1,339,973</u>

	2018	2017
	Rupees in thousands	
11.4 Running Musharaka		
- Running Musharaka financing	18,285,575	8,009,283
- Running Musharaka financing under Islamic export refinance scheme	<u>1,156,000</u>	<u>806,700</u>
	<u>19,441,575</u>	<u>8,815,983</u>
11.5 Diminishing Musharaka		
- Diminishing Musharaka financing	15,347,739	8,903,262
- Advances against Diminishing Musharaka financing	<u>3,709,678</u>	<u>1,248,246</u>
	<u>19,057,417</u>	<u>10,151,508</u>
11.6 Staff finance		
- Staff vehicle finance under Diminishing Musharaka	213,215	118,625
- Staff housing finance under Diminishing Musharaka	<u>1,044,831</u>	<u>550,235</u>
	<u>1,258,046</u>	<u>668,860</u>
11.7 Particulars of Islamic financing and related assets - gross		
In local currency	62,922,064	31,314,623
In foreign currency	-	-
	<u>62,922,064</u>	<u>31,314,623</u>

- 11.8 Islamic financing and related assets include Rs. 10.766 million (2017: Rs. 0.729 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non-performing Islamic financing and related assets	Provision	Non-performing Islamic financing and related assets	Provision
Rupees in thousands				
Domestic				
Other Assets Especially Mentioned	9,832	-	-	-
Substandard	235	59	-	-
Doubtful	-	-	-	-
Loss	699	699	729	729
	<u>10,766</u>	<u>758</u>	<u>729</u>	<u>729</u>

- 11.9 Particulars of provision against Islamic financing and related assets

	2018			2017		
	Specific	General	Total	Specific	General	Total
Rupees in thousands						
Opening balance	729	490	1,219	1,029	245	1,274
Charge for the year	59	13,612	13,671	-	245	245
Reversals	(30)	-	(30)	(300)	-	(300)
	29	13,612	13,641	(300)	245	(55)
Amounts written off	-	-	-	-	-	-
Closing balance	<u>758</u>	<u>14,102</u>	<u>14,860</u>	<u>729</u>	<u>490</u>	<u>1,219</u>

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

- 11.10 Particulars of provision against Islamic financing and related assets

	2018			2017		
	Specific	General	Total	Specific	General	Total
Rupees in thousands						
In local currency	758	14,102	14,860	729	490	1,219
In foreign currency	-	-	-	-	-	-
	<u>758</u>	<u>14,102</u>	<u>14,860</u>	<u>729</u>	<u>490</u>	<u>1,219</u>

12 FIXED ASSETS

- 12.1 Capital work-in-progress

	Note	2018	Restated 2017
Rupees in thousands			
Capital work-in-progress	12.1	274,249	240,328
Property and equipment	12.2	2,345,731	1,896,647
		<u>2,619,980</u>	<u>2,136,975</u>
Civil works		96,620	147,101
Advance to suppliers and contractors		153,267	68,112
Others		24,362	25,115
		<u>274,249</u>	<u>240,328</u>

- 12.2 Property and Equipment

At January 1, 2018

Cost / Revalued amount	707,584	348,675	214,451	62,232	704,174	29,563	2,066,679
Accumulated depreciation	-	(7,530)	(50,317)	(10,255)	(95,037)	(6,893)	(170,032)
Net book value	<u>707,584</u>	<u>341,145</u>	<u>164,134</u>	<u>51,977</u>	<u>609,137</u>	<u>22,670</u>	<u>1,896,647</u>

Year ended December 2018

Opening net book value	707,584	341,145	164,134	51,977	609,137	22,670	1,896,647
Additions	23,283	114,679	56,092	23,992	229,348	40,805	488,199
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-
Acquisitions under scheme of merger	-	-	-	27,071	148,680	-	175,751
Disposals	-	-	-	(268)	(158)	-	(426)
Depreciation charge	-	(8,118)	(44,981)	(10,791)	(142,553)	(7,998)	(214,441)
Closing net book value	<u>730,867</u>	<u>447,706</u>	<u>175,245</u>	<u>91,981</u>	<u>844,454</u>	<u>55,477</u>	<u>2,345,730</u>

At December 31, 2018

Cost / Revalued amount	730,867	463,354	270,543	112,985	1,081,665	70,369	2,729,783
Accumulated depreciation	-	(15,648)	(95,298)	(21,004)	(237,210)	(14,892)	(384,052)
Net book value	<u>730,867</u>	<u>447,706</u>	<u>175,245</u>	<u>91,981</u>	<u>844,455</u>	<u>55,477</u>	<u>2,345,731</u>

Rate of depreciation (%)

2018						
Freehold land	Building on freehold land	Lease hold Improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
Rupees in thousands						
707,584	348,675	214,451	62,232	704,174	29,563	2,066,679
-	(7,530)	(50,317)	(10,255)	(95,037)	(6,893)	(170,032)
707,584	341,145	164,134	51,977	609,137	22,670	1,896,647
707,584	341,145	164,134	51,977	609,137	22,670	1,896,647
23,283	114,679	56,092	23,992	229,348	40,805	488,199
-	-	-	-	-	-	-
-	-	-	27,071	148,680	-	175,751
-	-	-	(268)	(158)	-	(426)
-	(8,118)	(44,981)	(10,791)	(142,553)	(7,998)	(214,441)
730,867	447,706	175,245	91,981	844,454	55,477	2,345,730
730,867	463,354	270,543	112,985	1,081,665	70,369	2,729,783
-	(15,648)	(95,298)	(21,004)	(237,210)	(14,892)	(384,052)
730,867	447,706	175,245	91,981	844,455	55,477	2,345,731
0	Upto 50 years	20	10	10 to 25	20	

At January 1, 2017

Cost / Revalued amount	600,005	311,753	80,963	29,509	201,984	15,333	1,239,547
Accumulated depreciation	-	-	(10,877)	(3,879)	(31,326)	(953)	(47,035)
Net book value	<u>600,005</u>	<u>311,753</u>	<u>70,086</u>	<u>25,630</u>	<u>170,658</u>	<u>14,380</u>	<u>1,192,512</u>

Year ended December 2017

Opening net book value	600,005	311,753	70,086	25,630	170,658	14,380	1,192,512
Additions	96,507	35,054	128,345	32,402	498,944	13,803	805,055
Movement in surplus on assets revalued during the year	11,072	1,868	-	-	-	-	12,940
Acquisitions under scheme of merger	-	-	-	-	-	-	-
Disposals	-	-	-	-	(266)	(1,525)	(1,791)
Depreciation charge	-	(7,530)	(34,297)	(6,055)	(60,199)	(3,988)	(112,069)
Closing net book value	<u>707,584</u>	<u>341,145</u>	<u>164,134</u>	<u>51,977</u>	<u>609,137</u>	<u>22,670</u>	<u>1,896,647</u>

At December 31, 2017

Cost / Revalued amount	707,584	348,675	214,451	62,232	704,174	29,563	2,066,679
Accumulated depreciation	-	(7,530)	(50,317)	(10,255)	(95,037)	(6,893)	(170,032)
Net book value	<u>707,584</u>	<u>341,145</u>	<u>164,134</u>	<u>51,977</u>	<u>609,137</u>	<u>22,670</u>	<u>1,896,647</u>

Rate of depreciation (%)

2017						
Freehold land	Building on freehold land	Lease hold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
Rupees in thousands						
600,005	311,753	80,963	29,509	201,984	15,333	1,239,547
-	-	(10,877)	(3,879)	(31,326)	(953)	(47,035)
600,005	311,753	70,086	25,630	170,658	14,380	1,192,512
600,005	311,753	70,086	25,630	170,658	14,380	1,192,512
96,507	35,054	128,345	32,402	498,944	13,803	805,055
11,072	1,868	-	-	-	-	12,940
-	-	-	-	-	-	-
-	-	-	-	(266)	(1,525)	(1,791)
-	(7,530)	(34,297)	(6,055)	(60,199)	(3,988)	(112,069)
707,584	341,145	164,134	51,977	609,137	22,670	1,896,647
707,584	348,675	214,451	62,232	704,174	29,563	2,066,679
-	(7,530)	(50,317)	(10,255)	(95,037)	(6,893)	(170,032)
707,584	341,145	164,134	51,977	609,137	22,670	1,896,647
0	Upto 50 years	20	10	10 to 25	20	

12.2.1 The land and buildings of the Bank were revalued in December 2016 by independent valuers (Tristar International Consultant (Private) Limited and Sardar Enterprises, valuation and engineering consultants) on the basis of market value. Surplus against revaluation of fixed assets net off deferred tax as at December 31, 2018 amounts to Rs.184.319 million.

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2018 would have been as follows:

Rupees in thousands

Land	545,199
Building	256,789

12.3 The land and buildings of the Bank include properties where the Bank is in the process of getting the title transferred in the name of the Bank. The cost of these properties amounts to Rs. 545.199 million and Rs. 269.326 million respectively.

12.4 The gross carrying amount (cost) of fully depreciated / amortized assets that are in use as at December 31, 2018 are as follows:

Rupees in thousands

Lease hold Improvements	13,699
Electrical, office and computer equipments	9,384
Furniture and fixtures	619
Vehicles	2,040

12.5 Details of disposal of fixed assets

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

	Note	2018	2017
13 INTANGIBLE ASSETS			
Rupees in thousands			
Advance against purchase of software		3,680	3,108
Computer software	13.1	521,111	482,910
		<u>524,791</u>	<u>486,018</u>
13.1 Computer software			
At January 1			
Cost		536,029	131,068
Accumulated amortisation		(53,119)	(23,424)
Net book value		<u>482,910</u>	<u>107,644</u>
Year ended December 31			
Opening net book value		482,910	107,644
Additions:			
- directly purchased		129,604	404,961
Amortisation charge		(90,482)	(29,695)
Other adjustment		(921)	-
Closing net book value		<u>521,111</u>	<u>482,910</u>
At December 31			
Cost		664,711	536,029
Accumulated amortisation		(143,600)	(53,119)
Net book value	13.1.1	<u>521,111</u>	<u>482,910</u>
Rate of amortisation		<u>14.28%</u>	<u>14.28%</u>
Useful life		<u>7 years</u>	<u>7 years</u>

13.1.1 This includes Core banking system of the Bank at carrying value amounting to Rs. 252.210 million (2017: Rs.293.569 million) and having remaining useful life of 6 years (2017: 7 years).

14 DEFERRED TAX ASSETS / (LIABILITY) - NET

Deductible temporary difference

Tax losses carried forward	189,882	617,109	-	806,991
Minimum tax	31,249	57,602	-	88,851
Deficit on revaluation of investments - net	208,258	-	(180,233)	28,025
Provision against Islamic financing and related assets	-	21	-	21
Workers welfare fund	797	-	-	797
	430,186	674,732	(180,233)	924,685

Taxable temporary difference

Surplus on revaluation of fixed assets	(26,273)	455	-	(25,818)
Accelerated tax depreciation	(114,448)	(33,354)	-	(147,802)
	(140,721)	(32,899)	-	(173,620)
	<u>289,465</u>	<u>641,833</u>	<u>(180,233)</u>	<u>751,065</u>

2018			
At Jan 01, 2018	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2018

Rupees in thousands

189,882	617,109	-	806,991
31,249	57,602	-	88,851
208,258	-	(180,233)	28,025
-	21	-	21
797	-	-	797
430,186	674,732	(180,233)	924,685

(26,273)	455	-	(25,818)
(114,448)	(33,354)	-	(147,802)
(140,721)	(32,899)	-	(173,620)
<u>289,465</u>	<u>641,833</u>	<u>(180,233)</u>	<u>751,065</u>

2017			
At Jan 01, 2017	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2017

Rupees in thousands

Deductible temporary difference

Tax losses carried forward	5,587	184,295	-	189,882
Minimum tax	17,860	13,389	-	31,249
Deficit on revaluation of investments - net	1,282	-	206,976	208,258
Provision against Islamic financing and related assets	-	-	-	-
Workers welfare fund	797	-	-	797
	25,526	197,684	206,976	430,186

Taxable temporary difference

Surplus on revaluation of fixed assets	(26,074)	455	(654)	(26,273)
Accelerated tax depreciation	(39,976)	(74,472)	-	(114,448)
	(66,050)	(74,017)	(654)	(140,721)
	<u>(40,524)</u>	<u>123,667</u>	<u>206,322</u>	<u>289,465</u>

5,587	184,295	-	189,882
17,860	13,389	-	31,249
1,282	-	206,976	208,258
-	-	-	-
797	-	-	797
25,526	197,684	206,976	430,186

(26,074)	455	(654)	(26,273)
(39,976)	(74,472)	-	(114,448)
(66,050)	(74,017)	(654)	(140,721)
<u>(40,524)</u>	<u>123,667</u>	<u>206,322</u>	<u>289,465</u>

15 OTHER ASSETS

Profit / return accrued in local currency	1,058,880	438,696
Advances, deposits, advance rent and other prepayments	267,118	75,883
Advance taxation (payments less provisions)	35,888	50,528
Dividend receivable	-	20,376
Rental receivable	-	17,154
Receivable against ATM transactions	288,577	90,705
Receivable under home remittances	13,945	1,686
Mark to market gain on forward foreign exchange contracts	169,697	2,196
Acceptance	409,429	134,755
Others	45,837	7,939
	<u>2,289,371</u>	<u>839,918</u>

16 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2018 (2017: Nil).

Restated

2018	2017
------	------

Rupees in thousands

1,058,880	438,696
267,118	75,883
35,888	50,528
-	20,376
-	17,154
288,577	90,705
13,945	1,686
169,697	2,196
409,429	134,755
45,837	7,939
<u>2,289,371</u>	<u>839,918</u>

		2018	2017
		Rupees in thousands	
17	BILLS PAYABLE		
	In Pakistan	1,303,992	314,210
	Outside Pakistan	-	-
		<u>1,303,992</u>	<u>314,210</u>
18	DUE TO FINANCIAL INSTITUTIONS		
	In Pakistan	7,718,759	7,926,790
	Outside Pakistan	81,869	-
		<u>7,800,628</u>	<u>7,926,790</u>
18.1	Particulars of due to financial institutions with respect to currencies		
	In local currency	7,718,759	7,926,790
	In foreign currencies	81,869	-
		<u>7,800,628</u>	<u>7,926,790</u>
18.2	Details of due to financial institutions - Secured / Unsecured		
	Secured		
	Musharaka with the State Bank of Pakistan under Islamic Export Refinance Scheme	18.2.1	1,987,408
			1,007,200
	Unsecured		
	Musharaka arrangements	18.2.2	5,731,351
	Overdrawn nostro		81,869
		<u>7,800,628</u>	<u>7,926,790</u>
18.2.1	These Musharaka arrangements are on a profit and loss sharing basis maturing between February 24, 2019 to June 26, 2019 (2017: January 14, 2018 to April 18, 2018) and are secured against demand promissory notes executed in favour of the SBP. A limit of Rs. 2,700 million has been allocated to the Bank by SBP under Islamic Export Refinance Scheme.		
18.2.2	This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 9.4% to 9.8% per annum (2017: 5.10% to 5.80% per annum) and having maturity till February 15, 2019.		
19	DEPOSITS AND OTHER ACCOUNTS		

2018			2017 - Restated		
In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total

Rupees in thousands

Customers

Current deposits	20,498,978	1,599,388	22,098,366	6,942,243	130,675	7,072,918
Savings deposits	29,634,547	1,705,967	31,340,514	13,235,545	535,103	13,770,648
Term deposits	5,040,187	104,191	5,144,378	4,641,153	-	4,641,153
Others	3,690,026	-	3,690,026	1,786,990	-	1,786,990
	58,863,738	3,409,546	62,273,284	26,605,931	665,778	27,271,709

Financial Institutions

Current deposits	73,166	1,206	74,372	60,865	-	60,865
Savings deposits	5,885,028	-	5,885,028	3,196,234	-	3,196,234
Term deposits	5,074,501	-	5,074,501	2,162,000	-	2,162,000
	11,032,695	1,206	11,033,901	5,419,099	-	5,419,099
	<u>69,896,433</u>	<u>3,410,752</u>	<u>73,307,185</u>	<u>32,025,030</u>	<u>665,778</u>	<u>32,690,808</u>

	2018	2017
	Rupees in thousands	
19.1	Composition of deposits	
	Individuals	30,685,632
	Government (Federal and Provincial)	5,087,472
	Public Sector Entities	281,355
	Banking Companies	1,343,993
	Non-Banking Financial Institutions	9,689,908
	Private Sector	26,218,825
		<u>73,307,185</u>

19.2 This includes deposits eligible to be covered under takaful arrangements amounting to Rs.40,534 million (2017: Rs.22,221 million).

	Note	2018	2017
		Rupees in thousands	
20	OTHER LIABILITIES		
	Profit / return payable in local currency	20.1	390,714
	Profit / return payable in foreign currencies		4,679
	Accrued expenses		324,388
	Income received in advance		30,365
	Acceptance		409,429
	Branch adjustment account		191,069
	Payable under inter-bank fund transfer		71,960
	Advance receipt against Islamic financing and related assets		3,319
	Charity fund balance	20.2	25,402
	Security deposits against Ijarah financing		812,429
	Retention money payable		17,780
	Payable under purchase of securities		14,910
	Withholding tax, Federal excise duty and other payable		7,778
	Others		108,894
		<u>2,413,116</u>	<u>1,183,410</u>

20.1 It includes Rs. 8.916 million (2017: Rs. 5.513 million) in respect of profit / return accrued on Musharaka with SBP under Islamic Export Refinance Scheme.

	Note	2018	2017
		Rupees in thousands	
20.2	Reconciliation of charity fund balance		
	Opening balance	5,513	10,580
	Additions during the year		
	- Received from customers against late payment	25,548	7,406
	- Dividend purification amount	2,133	592
	- Profit on charity saving account	308	135
		27,989	8,133
	Charity paid during the year	20.2.1	(8,100)
			(13,200)
	Closing balance	<u>25,402</u>	<u>5,513</u>

	Note	2018	2017
		Rupees in thousands	
20.2.1	Charity was paid to the following institutions:		
	Aziz Jehan Begum Trust for the Blind	700	1,000
	Care Foundation Pakistan	700	1,000
	Chiniot Anjuman Islamia	600	1,000
	Family Welfare Society	600	1,000
	Fast – NU Chiniot – Faisalabad Campus	600	1,000
	Fatmid Foundation	700	1,000
	Infaq Memorial Trust	700	1,000
	M/s Qureshi Nazir Education Trust	-	1,000
	Mind Organization	-	1,000
	Rising Sun Education & Welfare Society	700	1,000
	SADA Welfare Foundation	-	1,000
	Sindh Institute of Urology & Transplantation (SIUT)	700	1,000
	Shaukat Khanam Memorial Cancer Hospital	1,000	-
	The Citizens Foundation	600	700
	The Lahore Hospital Welfare Society	500	-
	Pakistan Student Loan Scheme (Endowment fund)	-	500
		<u>8,100</u>	<u>13,200</u>
20.2.2	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.		

21 SHARE CAPITAL

Authorised capital

2018	2017		2018	2017
		Number of shares	Rupees in thousands	
<u>1,500,000,000</u>	<u>1,500,000,000</u>	Ordinary shares of Rs. 10/- each	<u>15,000,000</u>	<u>15,000,000</u>

Issued, subscribed and paid up capital

2018	2017		2018	2017
		Number of shares	Rupees in thousands	
		Fully paid in cash		
1,000,000,000	1,000,000,000	Balance at beginning of the year	10,000,000	10,000,000
120,000,000	-	Issued during the year - right shares	1,200,000	-
<u>1,120,000,000</u>	<u>1,000,000,000</u>	Balance at end of the year	<u>11,200,000</u>	<u>10,000,000</u>

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

	Note	2018	2017
		Rupees in thousands	
22	RESERVES		
	Statutory Reserves	<u>26,444</u>	<u>26,444</u>
22.1	Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.		

	Note	2018	2017
		Rupees in thousands	
23	SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX		
	Surplus / (deficit) arising on revaluation of:		
	- Fixed assets	23.1 210,137	211,437
	- Available for sale securities	23.2 (80,072)	(595,022)
		<u>130,065</u>	<u>(383,585)</u>
	Deferred tax on surplus / (deficit) on revaluation of:		
	- Fixed assets	23.1 (25,818)	(26,273)
	- Available for sale securities	23.2 28,025	208,258
		<u>2,207</u>	<u>181,985</u>
		<u>132,272</u>	<u>(201,600)</u>
23.1	Surplus on revaluation of fixed assets		
	Surplus on revaluation of fixed assets as January 1	211,437	199,797
	Recognised during the year	-	12,940
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(845)	(845)
	Related deferred tax liability on incremental depreciation charged during the year	(455)	(455)
	Surplus on revaluation of fixed assets as at December 31	210,137	211,437
	Less: Related deferred tax liability on:		
	revaluation as at January 1	26,273	26,074
	revaluation recognised during the year	-	654
	incremental depreciation charged during the year	(455)	(455)
		<u>25,818</u>	<u>26,273</u>
		<u>184,319</u>	<u>185,164</u>
23.2	Surplus / (deficit) on revaluation of available for sale securities - net of tax		
	Available for sale securities		
	Listed shares	(43,325)	(629,083)
	Sukuks	(36,747)	34,061
		<u>(80,072)</u>	<u>(595,022)</u>
	Related deferred tax asset	28,025	208,258
		<u>(52,047)</u>	<u>(386,764)</u>
			Restated
		<u>2018</u>	<u>2017</u>
		Rupees in thousands	
24	CONTINGENCIES AND COMMITMENTS		
	Guarantees	24.1 3,092,537	2,269,529
	Commitments	24.2 16,137,900	5,828,836
	Other contingent liabilities	24.3 425,820	-
		<u>19,656,257</u>	<u>8,098,365</u>
24.1	Guarantees:		
	Financial guarantee	-	-
	Performance guarantees	1,099,947	600,405
	Other guarantees	1,992,590	1,669,124
		<u>3,092,537</u>	<u>2,269,529</u>
24.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	Letters of credit	11,639,176	5,587,572
	Commitments in respect of:		
	Forward foreign exchange contracts	24.2.1 2,237,365	186,795
	Commitments for acquisition of:		
	Fixed assets	10,395	49,089
	Intangible assets	29,647	5,380
	Other commitments	24.2.2 2,221,317	-
		<u>16,137,900</u>	<u>5,828,836</u>

	Note	2018	2017
Rupees in thousands			
24.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	3,465,359	535,867
	Sale	1,227,994	349,072
		<u>2,237,365</u>	<u>186,795</u>
24.2.2	Other Commitments		
	Commitments to extend credit	24.2.2.1 <u>2,221,317</u>	<u>-</u>
24.2.2.1	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.		
	Note	2018	2017
Rupees in thousands			
24.3	Other contingent liabilities		
	Claim against the Bank not acknowledged as debt	<u>425,820</u>	<u>-</u>
	This represents claim by a third party against the Bank, which is being contested in the Court of law. The management is of the view that this relate to the normal course of business and the possibility of an outflow of economic resources is remote.		
		2018	2017
Rupees in thousands			
25	PROFIT / RETURN EARNED		
	Financings	3,419,424	1,567,354
	Investments in		
	- available for sale securities	562,606	282,008
	- held to maturity securities	82,370	80,517
		644,976	362,525
	Musharaka arrangements with financial institutions	97,176	33,400
	Deposits with financial institutions	47,299	97,648
		<u>4,208,875</u>	<u>2,060,927</u>
26	PROFIT / RETURN EXPENSED		
	Deposits and other accounts	1,648,860	680,385
	Musharaka arrangements with the State Bank of Pakistan under IERS	24,067	14,022
	Musharaka arrangements with other financial institutions	632,023	311,264
		<u>2,304,950</u>	<u>1,005,671</u>
27	FEE & COMMISSION INCOME		
	Branch banking customer fees	9,589	2,987
	Consumer finance related fees	7,326	289
	Card related fees	41,247	10,032
	Credit related fees	-	436
	Digital banking fees	10,359	1,125
	Commission on trade	49,196	22,324
	Commission on guarantees	15,465	8,095
	Commission on remittances including home remittances	3,340	1,013
	Commission on banca takaful	25,549	-
	Others	174	24
		<u>162,245</u>	<u>46,325</u>
28	GAIN / (LOSS) ON SECURITIES		
	Realised	28.1 <u>17,738</u>	<u>267,763</u>
28.1	Realised gain / (loss) on:		
	Federal Government Securities - Sukuk certificates	(57)	(1,967)
	Shares	17,795	269,730
		<u>17,738</u>	<u>267,763</u>

	Note	2018	2017
Rupees in thousands			
29	OTHER INCOME		
	Rental income	8,855	8,229
	Locker rent	3,770	1,078
	Gain on sale of fixed assets - net	208	-
	Fees and charges recovered	187	1,176
		<u>13,020</u>	<u>10,483</u>
30	OPERATING EXPENSES		
	Total compensation expense	30.1 1,319,145	1,010,413
	Property expense		
	Rent & taxes	412,615	162,789
	Takaful expenses	75,910	20,331
	Utilities cost	79,440	42,256
	Security (including guards)	139,129	71,138
	Repair & maintenance (including janitorial charges)	67,728	35,664
	Depreciation	109,109	71,194
		<u>883,931</u>	<u>403,372</u>
	Information technology expenses		
	Software maintenance	57,674	25,603
	Hardware maintenance	43,600	10,756
	Depreciation	97,334	36,887
	Amortisation	90,482	29,695
	Network charges	79,455	66,771
		<u>368,545</u>	<u>169,712</u>
	Other operating expenses		
	Directors' fees and allowances	900	740
	Remuneration to Shariah Board members	7,029	6,548
	Legal & professional charges	37,382	21,608
	Fee and subscription	2,434	4,027
	Outsourced services costs	36.1 152,753	75,347
	Travelling & conveyance	60,837	36,942
	Repair & maintenance vehicles	1,262	983
	NIFT clearing charges	12,390	4,990
	Brokerage, commission and bank charges	20,943	4,608
	Depreciation	7,998	3,988
	Training & development	10,811	7,469
	Postage & courier charges	42,468	16,503
	Communication	9,583	4,714
	Stationery & printing	44,304	19,521
	Marketing, advertisement & publicity	41,420	15,334
	Auditors remuneration	30.2 7,680	8,218
	Entertainment	29,500	16,424
	Others	21,857	13,658
		<u>511,551</u>	<u>261,622</u>
		<u>3,083,172</u>	<u>1,845,119</u>

Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs.166.004 million (2017: Rs. 79.500 million). Out of this cost, Rs.164.536 million (2017: Rs.77.897 million) pertains to companies incorporated in Pakistan and Rs.1.468 million (2017: Rs.1.603 million) pertains to companies incorporated outside Pakistan. This includes expenses of outsourced services costs, which are disclosed above.

The Bank has outsourced following activities:

- SWIFT connectivity
- Statement rendition & dispatch of customers intimation letters
- Office staff
- Guarding / Monitoring / Patrolling Services

	Note	2018	2017
Rupees in thousands			
30.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		612,875	373,007
ii) Variable			
a) Cash awards		5,185	681
b) (Reversal) / accrual for staff bonus		(55,605)	200,000
Contribution to defined contribution plan		39,859	23,852
Rent & house maintenance		256,942	150,414
Utilities		57,065	33,407
Medical		24,161	16,488
Conveyance & fuel		189,726	92,958
Special allowances		143,395	97,328
Leave encashment		651	-
Sales commission		5,359	-
Staff takaful		38,641	21,557
Others		891	721
		<u>1,319,145</u>	<u>1,010,413</u>
30.2 Auditors' remuneration			
Audit fee		1,925	1,925
Fee for interim review		825	825
Other certifications and services		3,850	4,553
Sales tax on services		330	365
Out-of-pocket expenses		750	550
		<u>7,680</u>	<u>8,218</u>
31 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		4,582	108
Loss on sale of fixed assets - net		-	20
		<u>4,582</u>	<u>128</u>
32 PROVISIONS & WRITE OFFS - NET			
Provision for diminution in value of investments	10.3	881,903	-
Provision / (reversal of provision) against			
Islamic financings and related assets	11.9	13,641	(55)
Other write offs	32.1	102	1
		<u>895,646</u>	<u>(54)</u>
32.1	This represents obsolete stamp papers, acquired under demerger scheme, written off.		
	Note	2018	2017
Rupees in thousands			
33 TAXATION			
Current		57,602	31,249
Prior years		-	4,488
Deferred	14	(641,833)	(123,667)
		<u>(584,231)</u>	<u>(87,930)</u>
33.1 Relationship between tax charge and accounting profit			
Loss before taxation		(1,680,213)	(350,927)
Tax at the applicable rate		35%	35%
Tax on income		(588,075)	(122,824)
Effect of:			
- permanent differences		1,604	37
- prior year tax charge		-	4,488
- others		2,240	30,369
		<u>3,844</u>	<u>34,894</u>
Tax charge for the year		<u>(584,231)</u>	<u>(87,930)</u>

	2018	2017
Rupees in thousands		
34 BASIC AND DILUTED LOSS PER SHARE - AFTER TAX		
Loss after taxation	(1,095,982)	(262,997)
Number of shares		
Weighted average number of ordinary shares	<u>1,110,136,986</u>	<u>1,000,000,000</u>
Rupees		
Basic / diluted loss per share - after tax	<u>(0.987)</u>	<u>(0.263)</u>
	2018	2017
Rupees in thousands		
35 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	6,990,369	3,390,753
Balances with other banks	1,422,701	2,703,251
Overdrawn nostro	(81,869)	-
	<u>8,331,201</u>	<u>6,094,004</u>
35.1 Reconciliation of movement of liabilities to cash flows arising from financing activities		
	2018	2017
Rupees in thousands		
Share Capital		
Balance as at January 1,	10,000,000	10,000,000
Issue of share capital in cash	1,200,000	-
Balance as at January 31,	<u>11,200,000</u>	<u>10,000,000</u>
	2018	2017
Numbers		
36 STAFF STRENGTH		
Permanent	1,473	776
On Bank contract	20	19
Bank's own staff strength at end of the year	<u>1,493</u>	<u>795</u>
36.1	In addition to the above, 352 (2017: 199) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. All of these employees were working with the Bank domestically in current and prior years.	
37 DEFINED CONTRIBUTION PLAN		
The Bank operates an approved contributory provident fund for 1,050 (2017: 596) 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.		
	2018	2017
Rupees in thousands		
Contribution made by the Bank	40,001	24,820
Contribution made by the employees	41,440	25,551
	<u>81,441</u>	<u>50,371</u>

38 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees in thousands					
Fees	-	-	790	740	-	-
Managerial remuneration including bonus and awards	27,274	34,340	-	-	398,412	301,851
Contribution to defined contribution plan	1,486	1,374	-	-	25,427	15,401
Rent and house maintenance	8,021	7,421	-	-	147,820	89,511
Utilities	1,782	1,649	-	-	32,837	19,891
Medical	-	-	-	-	6,677	4,890
Conveyance	-	-	-	-	87,247	48,271
Others	-	11	-	-	104,713	65,880
	38,563	44,795	790	740	803,133	545,695
Number of persons	1	1	7	7	302	239

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

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of 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 43.2.5 and 43.4.1 respectively.

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

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

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

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

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

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Bank essentially carries its investments in 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.

2018			
Fair Value			
Level 1	Level 2	Level 3	Total

Rupees in thousands

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

Available for sale securities

Investments

Federal Government Securities

Shares

Non-Government Securities

Financial assets - disclosed but not measured at fair value

Investments

Non-Government Securities

Off-balance sheet financial instruments

Foreign exchange contracts purchase

Foreign exchange contracts sale

Fair value of non-financial assets

Fixed assets (land and buildings)

-	8,410,917	-	8,410,917
906,352	-	-	906,352
-	848,416	-	848,416
906,352	9,259,333	-	10,165,685
-	814,422	-	814,422
-	3,678,688	-	3,678,688
-	1,271,642	-	1,271,642
-	1,012,126	-	1,012,126

2017 - Restated

Fair Value			
Level 1	Level 2	Level 3	Total

Rupees in thousands

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

Available for sale securities

Investments

Federal Government Securities

Shares

Non-Government Securities

Financial assets - disclosed but not measured at fair value

Investments

Non-Government Securities

Off-balance sheet financial instruments

Foreign exchange contracts purchase

Foreign exchange contracts sale

Fair value of non-financial assets

Fixed assets (land and buildings)

-	5,746,938	-	5,746,938
1,352,592	-	-	1,352,592
-	951,683	-	951,683
1,352,592	6,698,621	-	8,051,213
-	1,058,290	-	1,058,290
-	546,363	-	546,363
-	357,373	-	357,373
-	1,017,470	-	1,017,470

The valuation techniques used for above assets are same as disclosed in note 6.4, 6.6 and 6.13 of these financial statements.

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1, 2 and 3 during the year.

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

Valuation techniques and inputs used in determination of fair values

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

40 SEGMENT INFORMATION

40.1 Segment Details with respect to Business Activities

	2018						
	Business Distribution	Corporate	Consumer	Micro Finance	Treasury	Head Office	Total
Rupees in thousands							
Profit and Loss							
Net spread earned	(1,592,103)	3,379,652	26,295	7,713	39,747	42,621	1,903,925
Inter segment revenue - net	2,962,857	(3,202,301)	(49,742)	(7,103)	(187,051)	483,340	-
Other income	108,611	50,265	5,198	2,128	223,997	9,063	399,262
Total Income	1,479,365	227,616	(18,249)	2,738	76,693	535,024	2,303,187
Segment direct expenses	(1,410,908)	(89,850)	(48,067)	(11,686)	(17,892)	(1,509,353)	(3,087,754)
Inter segment expense allocation	(555,656)	(5,837)	(20,918)	(4,479)	(2,107)	588,999	-
Total expenses	(1,966,564)	(95,687)	(68,985)	(16,165)	(19,999)	(920,354)	(3,087,754)
Provisions / write off	-	-	(12,968)	(673)	(881,903)	(102)	(895,646)
Profit / (loss) before tax	(487,199)	131,929	(100,202)	(14,100)	(825,209)	(385,432)	(1,680,213)
Balance Sheet							
Cash and bank balances	3,352,342	-	-	-	5,060,728	-	8,413,070
Investments	-	1,545,000	-	-	11,168,954	-	12,713,954
Net inter segment placements	67,008,132	-	-	-	-	6,162,432	73,170,564
Due from financial institutions	-	-	-	-	4,675,000	-	4,675,000
Financing - performing	4,406,883	55,495,912	1,657,100	67,342	-	1,269,201	62,896,438
- non-performing	-	-	10,705	61	-	-	10,766
Others	469,512	841,954	32,241	2,256	313,583	4,525,661	6,185,207
Total Assets	75,236,869	57,882,866	1,700,046	69,659	21,218,265	11,957,294	168,064,999
Bills payable	1,303,992	-	-	-	-	-	1,303,992
Due to financial institutions	150,019	1,837,389	-	-	5,813,220	-	7,800,628
Deposits & other accounts	72,888,033	419,152	-	-	-	-	73,307,185
Net inter segment acceptances	-	55,227,525	1,629,752	83,674	16,229,613	-	73,170,564
Others	1,382,024	266,871	170,496	85	52,687	540,953	2,413,116
Total liabilities	75,724,068	57,750,937	1,800,248	83,759	22,095,520	540,953	157,995,485
Equity	(487,199)	131,929	(100,202)	(14,100)	(877,255)	11,416,341	10,069,514
Total Equity & liabilities	75,236,869	57,882,866	1,700,046	69,659	21,218,265	11,957,294	168,064,999
Contingencies & Commitments	3,293,150	11,388,563	-	-	4,508,682	465,862	19,656,257

	2017						
	Business Distribution	Corporate	Consumer	Micro Finance	Treasury	Head Office	Total
Rupees in thousands							
Profit & Loss							
Net spread earned	(675,696)	1,609,364	372	43	101,793	19,380	1,055,256
Inter segment revenue - net	1,234,396	(1,342,077)	(256)	(6)	(205,816)	313,759	-
Other income	18,640	29,333	242	47	382,202	8,546	439,010
Total Income	577,340	296,620	358	84	278,179	341,685	1,494,266
Segment direct expenses	(696,645)	(72,519)	(4,958)	(7,376)	(19,900)	(1,043,849)	(1,845,247)
Inter segment expense allocation	(211,256)	(2,161)	(136)	(642)	(1,323)	215,518	-
Total expenses	(907,901)	(74,680)	(5,094)	(8,018)	(21,223)	(828,331)	(1,845,247)
Reversal of provisions / (write off)	-	-	55	-	-	(1)	54
Profit / (loss) before tax	(330,561)	221,940	(4,681)	(7,934)	256,956	(486,647)	(350,927)
Balance Sheet							
Cash & Bank balances	1,624,852	-	-	-	4,469,071	81	6,094,004
Investments	-	1,035,000	-	-	8,151,213	-	9,186,213
Net inter segment placements	31,078,160	-	-	-	-	6,565,070	37,643,230
Due from financial institutions	-	-	-	-	1,400,000	-	1,400,000
Financing - performing	211,720	30,381,880	48,257	1,958	-	668,860	31,312,675
- non-performing	-	-	729	-	-	-	729
Others	19,096	437,809	237	34	159,774	3,135,426	3,752,376
Total Assets	32,933,828	31,854,689	49,223	1,992	14,180,058	10,369,437	89,389,227
Bills payable	314,210	-	-	-	-	-	314,210
Due to financial institutions	-	1,007,200	-	-	6,919,590	-	7,926,790
Deposits & other accounts	32,646,362	44,433	-	-	-	13	32,690,808
Net inter segment acceptances	-	30,229,658	53,829	9,921	7,349,822	-	37,643,230
Others	303,817	351,458	76	5	40,455	487,599	1,183,410
Total liabilities	33,264,389	31,632,749	53,905	9,926	14,309,867	487,612	79,758,448
Equity	(330,561)	221,940	(4,682)	(7,934)	(129,809)	9,881,825	9,630,779
Total Equity & liabilities	32,933,828	31,854,689	49,223	1,992	14,180,058	10,369,437	89,389,227
Contingencies & Commitments	260,507	7,596,594	-	-	186,795	54,469	8,098,365

40.2 Segment details with respect to geographical locations

The Bank operates in Pakistan only.

41 RELATED PARTY TRANSACTIONS

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

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

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

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

	2018				2017			
	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	7,928	-	-	-	42,091	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-
	7,928	-	-	-	42,091	-	-	-
Islamic financing and related assets								
Opening balance	-	13,103	83,778	314,132	-	13,936	65,246	660,568
Addition during the year	-	-	39,988	1,258,648	-	-	37,229	297,000
Repaid during the year	-	(840)	(15,223)	(1,082,266)	-	(833)	(8,305)	(643,436)
Transfer in / (out) - net	-	-	(16,225)	-	-	-	(10,392)	-
Closing balance	-	12,263	92,318	490,514	-	13,103	83,778	314,132
Fixed assets - Capital work in progress								
Advance paid against purchase of property	20,000	-	-	-	20,000	-	-	-
Other assets								
Profit receivable	-	-	1,630	4,374	-	-	843	4,442
Prepaid expenses	-	-	-	21,869	-	-	-	5,242
Rent receivable	-	-	-	-	17,154	-	-	-
Receivable under scheme of merger	6,303	-	-	-	500	-	-	-
Receivable under home remittance	13,945	-	-	-	1,686	-	-	-
Receivable under ATM transactions	-	-	-	66,557	-	-	-	22,200
Other receivable	-	-	150	-	-	-	1,210	-
	20,248	-	1,780	92,800	19,340	-	2,053	31,884
Due to financial institutions								
Opening balance	524,590	-	-	-	-	-	-	-
Addition during the year	40,942,611	-	-	-	21,688,514	-	-	-
Repaid during the year	(40,835,850)	-	-	-	(21,163,924)	-	-	-
Closing balance	631,351	-	-	-	524,590	-	-	-
Deposits								
Opening balance	-	628	53,386	379,888	-	430	19,633	151,783
Addition during the year	-	46,565	196,910	8,756,755	-	41,382	216,732	10,859,956
Withdrawn during the year	-	(41,705)	(228,632)	(8,590,528)	-	(41,184)	(182,979)	(10,631,851)
Transfer in / (out) - net	-	-	(38)	(157,021)	-	-	-	-
Closing balance	-	5,488	21,626	389,094	-	628	53,386	379,888
Other Liabilities								
Profit payable	12,143	-	-	1,411	7,550	-	112	589
Accrued expenses	3,056	-	-	9,421	-	9,450	9,532	17,900
Rent payable	-	-	-	-	11,910	-	-	-
Other liabilities	2,305	110	55	1,169	2,455	-	370	777
	17,504	110	55	12,001	21,915	9,450	10,014	19,266
Contingencies and Commitments								
Letter of Credit	-	-	-	663,838	-	-	-	559,646
Letter of Guarantee	-	-	-	790,886	-	-	-	688,212
Commitment to extend credit	-	-	-	25,040	-	-	-	-
Forward exchange contract								
Purchase	1,516,079	-	-	-	369,872	-	-	-
Sale	605,589	-	-	-	208,597	-	-	-
Unrealized gain on forward exchange contract - net	10,196	-	-	-	5,092	-	-	-
Transactions during the year								
Income								
Profit return earned	-	445	3,861	38,899	-	538	2,859	20,265
Commission earned	-	-	-	10,486	-	-	-	2,501
Rental income	8,855	-	-	-	8,229	-	-	-
Other income	-	-	21	-	-	-	-	-
	8,855	445	3,882	49,385	8,229	538	2,859	22,766
Expense								
Profit return expensed	118,887	1	797	6,373	59,239	-	1,535	6,714
Commission expense	174	-	-	-	-	-	-	-
Advertisement expense	3,056	-	-	-	-	-	-	-
Rental expense	27,873	-	-	-	6,297	-	-	-
Takaful expense	-	-	-	86,770	-	-	-	36,139
Security expense	-	-	-	47,494	-	-	-	41,194
Other expense	120	900	-	21	-	740	-	4
	150,110	901	797	140,658	65,536	740	1,535	84,051
Other transactions during the year								
Fee paid	-	790	-	-	-	740	-	-
Managerial remuneration paid	-	38,563	146,987	-	-	44,796	125,992	-
Contribution paid to provident fund	-	-	-	81,321	-	-	-	53,662
Re-imbursement under home remittance payments	1,722,855	-	-	-	90,575	-	-	-
Proceeds under scheme of merger	22,214,180	-	-	-	-	-	-	-
Proceeds from issue of Share Capital	1,200,000	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	25	-	-	-	32	-
Investment made in securities	-	-	-	-	-	-	-	411,795
Proceeds from sale of securities	-	-	-	-	-	-	-	431,701
Disbursement made against advance salary	-	-	1,085	-	-	-	1,230	-
Repayment made against advance salary	-	-	2,445	-	-	-	1,050	-
Repayment made against expenses	6,140	-	-	-	15,760	-	-	-
Foreign currency purchase	19,345,617	-	-	-	9,531,438	-	-	-
Foreign currency sale	11,344,980	-	-	-	4,112,461	-	-	-
Letter of Credit issued	-	-	-	2,297,576	-	-	-	3,308,224
Letter of Guarantee issued	-	-	-	135,664	-	-	-	528,644

	2018	2017
Rupees in thousands		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	9,937,242	9,832,379
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	8,516,609	8,923,630
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	8,516,609	8,923,630
Eligible Tier 2 Capital	146,374	490
Total Eligible Capital (Tier 1 + Tier 2)	8,662,983	8,924,120
Risk Weighted Assets (RWAs):		
Credit Risk	58,995,689	31,253,054
Market Risk	3,325,247	4,296,273
Operational Risk	2,864,988	1,934,626
Total	65,185,924	37,483,953
Common Equity Tier 1 Capital Adequacy ratio	13.07%	23.81%
Tier 1 Capital Adequacy Ratio	13.07%	23.81%
Total Capital Adequacy Ratio	13.29%	23.81%

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 are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

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

Ratio	Year End December 31,					As at Dec 31,	
	2013	2014	2015	2016	2017	2018	2019
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

The Minimum Capital Requirement of the Bank stands at Rs.10 Billion and is in compliance with the required capital adequacy ratio including CCB (11.90% of the risk-weighted assets) through improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

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

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

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 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. 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, a simple, transparent and non-risk based Leverage Ratio is being introduced 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.

	2018	2017
	Rupees in thousands	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	8,516,609	8,923,630
Total Exposures	112,806,919	58,052,067
Leverage Ratio	7.55%	15.37%

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. Going forward LCR at any given month should not be less than 100%.

	2018	2017
	Rupees in thousands	
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	16,245,706	10,076,000
Total Net Cash Outflow	14,292,812	6,766,052
Liquidity Coverage Ratio	113.66%	148.92%

Net Stable Funding Ratio (NSFR)

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding on ongoing basis. Banks are required to maintain NSFR requirement of at least 100% on an ongoing basis from December 31, 2017.

	2018	2017
	Rupees in thousands	
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	65,452,794	34,350,286
Total Required Stable Funding	42,777,651	22,423,462
Net Stable Funding Ratio	153.01%	153.19%

42.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time is available at:
<https://www.mcbislamicbank.com/investor-relations/financial-reports/financial-report-2018/>

43 RISK MANAGEMENT

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

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

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

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

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

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

- Credit Risk Management (including Credit Risk Review & Control)
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management
- Cyber Security Risk Management

43.1 Credit Risk

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

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

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

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

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

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

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

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

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

The Bank creates specific provision against Non- Performing Financings (NPFs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer, small entities and micro financings made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on financings.

Management of Non Performing Financing

Non performing financings are handled by Special Asset Management Department.

Stress Testing

Credit Risk stress testing is a regular exercise. Bank's 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 or by assessing its resulting affect on capital adequacy inline with SBP requirements.

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

43.1.1 Due from financial institutions

Credit risk by public / private sector

	Gross Placements		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in thousands					
Public / Government	-	-	-	-	-	-
Private	4,675,000	1,400,000	-	-	-	-
	4,675,000	1,400,000	-	-	-	-

43.1.2 Investment in securities

Credit risk by industry sector

	Gross Investments		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in thousands					
Power (electricity), Gas, Water, Sanitary	805,000	1,035,000	-	-	-	-
Others	1,159,936	-	-	-	-	-
	1,964,936	1,035,000	-	-	-	-

Credit risk by public / private sector

	Gross Investments		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in thousands					
Public/ Government	1,159,936	-	-	-	-	-
Private	805,000	1,035,000	-	-	-	-
	1,964,936	1,035,000	-	-	-	-

43.1.3 Islamic financing and related assets

Credit risk by industry sector

	Gross Financing		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in thousands					
Agriculture, Forestry, Hunting and Fishing	1,522,956	2,215,759	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-
Textile	8,181,292	2,433,649	-	-	-	-
Chemical and Pharmaceuticals	2,481,728	2,146,568	-	-	-	-
Cement	2,440,705	596,154	-	-	-	-
Sugar	4,335,993	3,517,224	-	-	-	-
Footwear and Leather garments	198,269	10,013	-	-	-	-
Automobile and transportation equipment	1,015,600	133,067	-	-	-	-
Electronics and electrical appliances	1,253,263	1,426,128	-	-	-	-
Construction	1,541,117	1,464,094	-	-	-	-
Power (electricity), Gas, Water, Sanitary	2,449,405	1,100,000	-	-	-	-
Wholesale and Retail Trade	880,724	498,615	699	729	699	729
Exports/Imports	-	9,678	-	-	-	-
Transport, Storage and Communication	10,282,770	5,577,808	-	-	-	-
Financial	1,284,534	562,799	-	-	-	-
Insurance	12,250	-	-	-	-	-
Services	594,142	22,399	-	-	-	-
Individuals	2,950,418	729,987	10,007	-	49	-
Others	21,496,898	8,870,681	60	-	10	-
	62,922,064	31,314,623	10,766	729	758	729

Credit risk by public / private sector

	Gross Financing		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in thousands					
Public/ Government	10,877,257	6,564,016	-	-	-	-
Private	52,044,807	24,750,607	10,766	729	758	729
	62,922,064	31,314,623	10,766	729	758	729

43.1.4 Contingencies and Commitments

Credit risk by industry sector

	2018	2017
Rupees in thousands		
Agriculture, Forestry, Hunting and Fishing	470,997	227,142
Textile	2,940,903	1,199,137
Chemical and Pharmaceuticals	1,240,251	333,541
Cement	416,671	480,999
Sugar	96,616	-
Footwear and Leather garments	174,165	8,296
Automobile and transportation equipment	204,987	373,980
Electronics and electrical appliances	599,076	609,538
Construction	238,942	726,993
Power (electricity), Gas, Water, Sanitary	229,234	127,277
Wholesale and Retail Trade	1,668,471	341,359
Exports/Imports	-	17,429
Transport, Storage and Communication	2,410,659	22,289
Financial	303,716	-
Services	272,120	211,054
Others	6,112,042	3,178,067
	<u>17,378,850</u>	<u>7,857,101</u>
Credit risk by public / private sector		
Public/ Government	-	-
Private	<u>17,378,850</u>	<u>7,857,101</u>
	<u>17,378,850</u>	<u>7,857,101</u>

43.1.5 Concentration of Islamic financing and related assets

The bank top 10 exposures on the basis of total (funded and non-funded expsoures) aggregated to Rs. 22,301 million (2017: Rs.16,309 million) are as following:

	2018	2017
Rupees in thousands		
Funded	19,403,942	13,920,257
Non Funded	2,897,340	2,388,985
Total Exposure	<u>22,301,282</u>	<u>16,309,242</u>

The sanctioned limits against these top 10 expsoures aggregated to Rs. 24,283 million (2017: Rs. 19,830 million).

Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision held
Rupees in thousands				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

43.1.6

Province / Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Rupees in thousands							
Punjab	79,212,955	75,987,167	2,961,934	26,092	4,078	231,470	2,214
Sindh	31,520,529	-	31,520,529	-	-	-	-
KPK including FATA	2,297	-	-	2,297	-	-	-
Balochistan	1,665	-	-	-	1,665	-	-
Islamabad	5,463,291	1,025,472	-	-	-	4,437,819	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	116,200,737	77,012,639	34,482,463	28,389	5,743	4,669,289	2,214

Province / Region	2017						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Rupees in thousands							
Punjab	63,072,104	59,706,516	3,354,051	-	-	11,537	-
Sindh	14,294,039	-	14,217,116	76,923	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	1,029,887	-	-	-	1,029,887	-	-
Islamabad	4,504,131	1,128,361	-	-	-	3,375,770	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	82,900,161	60,834,877	17,571,167	76,923	1,029,887	3,387,307	-

43.2 Market Risk

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

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

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

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

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

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

43.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in thousands						
Cash and balances with treasury banks	6,990,369	-	6,990,369	3,390,753	-	3,390,753
Balances with other banks	1,422,701	-	1,422,701	2,703,251	-	2,703,251
Due from financial institutions	4,675,000	-	4,675,000	1,400,000	-	1,400,000
Investments	1,964,936	10,749,018	12,713,954	1,035,000	8,151,213	9,186,213
Islamic financing and related assets	62,907,204	-	62,907,204	31,313,404	-	31,313,404
Fixed assets	2,619,980	-	2,619,980	2,136,975	-	2,136,975
Intangible assets	524,791	-	524,791	486,018	-	486,018
Deferred tax assets	751,065	-	751,065	289,465	-	289,465
Other assets	2,289,371	-	2,289,371	839,918	-	839,918
	84,145,417	10,749,018	94,894,435	43,594,784	8,151,213	51,745,997

43.2.2 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.

	2018			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in thousands				
United States Dollar	1,106,837	2,619,468	1,797,829	285,198
Great Britain Pound Sterling	310,338	592,076	352,023	70,285
Euro	80,793	199,114	154,072	35,752
Japanese Yen	(81,857)	119	94,545	12,570
Other currencies	23,742	-	-	23,742
	1,439,854	3,410,777	2,398,469	427,547
	2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in thousands				
United States Dollar	549,362	531,349	315,015	333,028
Great Britain Pound Sterling	124,302	113,972	-	10,330
Euro	131,501	22,197	(95,751)	13,553
Japanese Yen	23,938	-	-	23,938
Other currencies	49,678	-	30,060	19,618
	878,781	667,518	249,324	400,467

2018		2017	
Banking book	Trading book	Banking book	Trading book
Rupees in thousands			
Impact of 1% change in foreign exchange rates on			
- Profit and loss account	4,275	-	4,005
- Other comprehensive income	-	-	-

43.2.3 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. In addition to this Stress Testing and historical scenario analysis on Equities are also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

2018		2017	
Banking book	Trading book	Banking book	Trading book
Rupees in thousands			
Impact of 5% change in equity prices on			
- Profit and loss account	-	35,649	-
- Other comprehensive income	-	9,668	67,630

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

Yield rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date. Yield risk occurs when there is a mismatch between positions, which are subject to profit rate alterations within a particular time period. The Bank’s financing, placement and investment activities give rise to profit rate risk. The effect of changes in profit rate is on the Bank’s income, and resultant impact is on the Bank’s net worth.

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

2018		2017	
Banking book	Trading book	Banking book	Trading book
Rupees in thousands			
Impact of 1% change in profit rates on			
- Profit and loss account	105,313	37,406	31,117
- Other comprehensive income	-	-	39,787

2018											
Effective Yield / Profit rate %	Total	Exposed to Yield / Interest risk									Non-profit bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Rupees in thousands											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	6,990,369	-	-	-	-	-	-	-	-	-	6,990,369
Balances with other banks	1,422,701	979,332	-	-	-	-	-	-	-	-	443,369
Due from financial institutions	4,675,000	4,675,000	-	-	-	-	-	-	-	-	-
Investments	12,713,954	131,412	6,687,191	312,163	-	3,516,900	1,159,936	-	-	-	906,352
Islamic financing and related assets	56,281,414	406,876	27,206,270	13,308,117	4,265,694	-	-	-	-	-	11,094,457
Other assets	1,983,533	-	-	-	-	-	-	-	-	-	1,983,533
	84,066,971	6,192,620	33,893,461	13,620,280	4,265,694	3,516,900	1,159,936	-	-	-	21,418,080
Liabilities											
Bills payable	1,303,992	-	-	-	-	-	-	-	-	-	1,303,992
Due to financial institutions	7,800,628	6,587,409	1,131,350	-	-	-	-	-	-	-	81,869
Deposits and other accounts	73,307,185	47,578,612	-	-	-	-	-	-	-	-	25,728,573
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,405,338	-	-	-	-	-	-	-	-	-	2,405,338
	84,817,143	54,166,021	1,131,350	-	-	-	-	-	-	-	29,519,772
On-balance sheet gap	(750,172)	(47,973,401)	32,762,111	13,620,280	4,265,694	3,516,900	1,159,936	-	-	-	(8,101,692)
Off-balance sheet financial instruments											
- forward foreign exchange contracts	2,237,365	838,896	966,511	431,958	-	-	-	-	-	-	-
Off-balance sheet gap	2,237,365	838,896	966,511	431,958	-	-	-	-	-	-	-
Total Yield / Profit Risk Sensitivity Gap		(47,973,401)	32,762,111	13,620,280	4,265,694	3,516,900	1,159,936	-	-	-	
Cumulative Yield / Profit Risk Sensitivity Gap		(47,973,401)	(15,211,290)	(1,591,010)	2,674,684	6,191,584	7,351,520	7,351,520	7,351,520	7,351,520	

2017 - Restated											
Effective Yield / Profit rate %	Total	Exposed to Yield/ Interest risk									Non-profit bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Rupees in thousands											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	3,390,753	-	-	-	-	-	-	-	-	-	3,390,753
Balances with other banks	2,703,251	2,161,145	-	-	-	-	-	-	-	-	542,106
Due from financial institutions	1,400,000	1,400,000	-	-	-	-	-	-	-	-	-
Investments	9,186,213	643,433	1,135,000	1,571,874	-	2,784,334	1,698,980	-	-	-	1,352,592
Islamic financing and related assets	26,800,314	8,725,398	10,938,555	3,544,904	1,664,655	-	-	-	-	-	1,926,802
Other assets	712,319	-	-	-	-	-	-	-	-	-	712,319
	44,192,850	12,929,976	12,073,555	5,116,778	1,664,655	2,784,334	1,698,980	-	-	-	7,924,572
Liabilities											
Bills payable	314,210	-	-	-	-	-	-	-	-	-	314,210
Due to financial institutions	7,926,790	4,449,590	3,257,500	219,700	-	-	-	-	-	-	-
Deposits and other accounts	32,690,808	23,770,035	-	-	-	-	-	-	-	-	8,920,773
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,177,100	-	-	-	-	-	-	-	-	-	1,177,100
	42,108,908	28,219,625	3,257,500	219,700	-	-	-	-	-	-	10,412,083
On-balance sheet gap	2,083,942	(15,289,649)	8,816,055	4,897,078	1,664,655	2,784,334	1,698,980	-	-	-	(2,487,511)
Off-balance sheet financial instruments											
Commitments in respect of:											
- forward foreign exchange contracts	186,795	231,139	(8,705)	(35,639)	-	-	-	-	-	-	-
Off-balance sheet gap	186,795	231,139	(8,705)	(35,639)	-	-	-	-	-	-	-
Total Yield / Profit Risk Sensitivity Gap		(13,221,029)	10,222,903	5,798,109	3,406,673	-	-	-	-	-	-
Cumulative Yield / Profit Risk Sensitivity Gap		(13,221,029)	(2,998,126)	2,799,983	6,206,656	6,206,656	6,206,656	6,206,656	6,206,656	6,206,656	

Reconciliation of assets and liabilities exposed to yield / profit rate risk with total assets and liabilities											
Restated											
2018											
2017											
Rupees in thousands											
Total financial assets as per note 43.2.5	84,066,971	44,192,850									
Add: Non financial assets											
Islamic financing and related assets	6,625,790	4,513,090									
Fixed assets	2,619,980	2,136,975									
Intangible assets	524,791	486,018									
Deferred tax assets	751,065	289,465									
Other assets	305,838	127,599									
Total assets as per Statement of Financial Position	94,894,435	51,745,997									
Total financial liabilities as per note 43.2.5	84,817,143	42,108,908									
Add: Non financial liabilities											
Deferred tax liability	-	-									
Other liability	7,778	6,310									
Total liabilities as per Statement of Financial Position	84,824,921	42,115,218									

43.3 Operational Risk

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

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

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

Operational risk 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 key elements in the operational risk management process are:

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

Operational Risk identification at MIB is based on utilization of diversified tools included but not limited to internal and external loss data, process reviews, internal / external audit / regulatory inspection observations, expert judgment, risk indicators such as customer complaints, staff turn-over, system downtimes and self-assessment etc. Since scope of operational risk spreads across different functions of the bank , roles and responsibilities regarding operational risk management also spread across all the groups in the bank. Governance structure involved in management of operational risk is as follows:

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

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.

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

MIB is focusing on the following risk mitigation tools:

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

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

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

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

- Internal Fraud
- External Fraud

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

Operational Risk-Disclosures Basel II Specific

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

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

Business Continuity Planning & Health, Safety & Environment:

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

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

Fraud Risk Management:

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

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

Information Technology Security:

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

- Risk Assessment of all Information systems is carried out so that all vulnerabilities are identified and mitigated proactively.
- All authorized external access to MIB Information systems is reviewed and authorized accordingly.
- All IT Compliance initiatives are lead and completed within MIB.
- Creation and review of all frameworks, such as Risk Management Framework, Information Security Governance Framework, Cyber Security Framework, within MIB. Information Security Office further ensures adherence to these frameworks by ITG.

43.4 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.

43.4.1 Maturities of assets and liabilities

43.4.1.1 Maturities of Assets and Liabilities - based on contractual maturity

2018											
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
6,990,369	1,747,592	1,747,592	1,747,592	1,747,592	-	-	-	-	-	-	-
1,422,701	355,675	355,675	355,675	355,675	-	-	-	-	-	-	-
4,675,000	-	4,675,000	-	-	-	-	-	-	-	-	-
12,713,954	906,352	-	-	-	3,391,509	4,924,642	167,860	115,833	167,860	3,850,955	-
62,907,204	1,564,394	1,140,403	1,099,323	1,098,155	2,065,017	2,065,017	16,106,813	6,145,367	4,636,788	5,498,900	1,493,990
2,619,980	-	-	-	21,454	20,708	21,598	65,655	68,181	69,200	273,373	1,493,990
524,791	-	-	-	8,011	8,011	8,055	24,165	24,165	24,165	96,660	1,493,990
926,240	-	-	-	-	850	1,938	-	-	7,582	559,910	1,493,990
2,289,371	286,171	286,171	286,171	286,171	228,937	228,937	228,937	228,938	228,938	355,960	1,493,990
95,069,610	4,860,185	8,204,842	3,488,762	3,517,059	3,650,015	7,250,187	16,593,430	6,582,484	5,134,533	10,279,798	10,674,326
1,303,992	325,998	325,998	325,998	325,998	-	-	-	-	-	-	-
7,800,628	81,670	-	2,900,000	1,700,000	1,331,350	350,000	1,437,408	-	-	-	-
73,307,185	63,086,306	1,016,816	692,979	2,690,007	2,938,064	1,130,332	460,936	440,600	763,034	32,397	6,800
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
175,175	96	674	674	1,444	2,888	2,888	8,664	8,664	8,664	115,748	1,991
2,413,116	603,279	603,279	603,279	603,279	-	-	-	-	-	-	-
85,000,096	64,099,549	1,946,767	4,522,930	5,320,728	4,272,302	1,483,220	1,907,008	449,264	771,698	148,145	48,905
10,069,514	(59,239,365)	6,258,075	(1,034,169)	(1,803,670)	(622,287)	5,766,967	14,686,422	6,133,220	4,362,835	10,131,653	7,659,991
Net assets											
11,200,000											
Share capital											
Reserves											
Surplus on revaluation of assets - net of tax											
Accumulated loss											
26,444											
132,272											
(1,289,202)											
10,069,514											

2017 - Restated											
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
3,390,753	847,688	847,688	847,688	847,688	-	-	-	-	-	-	-
2,703,251	675,813	675,813	675,813	675,813	-	-	-	-	-	-	-
1,400,000	-	1,400,000	-	-	-	-	-	-	-	-	-
9,186,213	1,352,593	-	-	-	3,792,208	57,500	110,472	57,500	1,258,568	3,120,278	2,034,925
31,313,404	478,479	372,290	241,165	386,531	1,478,120	8,921,020	8,921,020	1,315,261	1,108,246	3,191,641	3,319,941
2,136,975	-	-	-	14,145	14,138	14,133	47,012	46,630	45,946	181,029	167,984
486,018	-	-	-	6,368	6,368	6,368	19,214	19,214	19,214	76,856	167,984
430,187	-	-	-	-	-	-	-	-	209,056	221,131	221,131
839,918	85,153	85,153	85,153	85,153	170,306	170,306	79,346	39,674	39,674	-	-
51,886,719	3,439,726	3,380,944	1,849,819	2,015,698	3,983,020	1,726,427	9,177,064	1,478,279	2,680,704	6,569,804	5,820,837
Liabilities											
314,210	78,552	78,552	78,553	78,553	-	-	-	-	-	-	-
7,926,790	1,274,590	1,274,590	1,175,000	2,000,000	1,200,000	2,048,200	229,000	-	-	-	-
32,690,808	25,887,654	3,186,609	318,390	432,856	682,121	220,420	1,418,739	388,666	103,561	34,478	15,500
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
140,722	-	-	-	6,315	-	12,629	18,943	-	37,886	41,276	1,300
1,183,410	295,853	295,853	295,853	295,853	-	-	-	-	-	-	-
42,255,940	26,262,059	4,835,604	1,867,796	2,813,577	1,882,121	2,281,249	1,666,682	388,666	141,447	75,754	16,800
9,630,779	(22,822,333)	(1,454,660)	(17,977)	(797,879)	2,100,899	(554,822)	7,510,382	1,089,613	2,539,257	6,494,050	5,804,037
Net assets											
10,000,000											
Share capital											
Reserves											
Deficit on revaluation of assets - net of tax											
Accumulated loss											
26,444											
(201,600)											
(194,065)											
9,630,779											

43.4.1.2 Maturities of assets and liabilities based on expected maturities

Assets

Cash and balances with treasury banks
Balances with other banks
Due from financial institutions
Investments - net
Islamic financing and related assets - net
Fixed assets
Intangible assets
Deferred tax assets
Other assets

Liabilities

Bills payable
Due to financial institutions
Deposits and other accounts
Liabilities against assets subject to finance lease
Sub-ordinated loans
Deferred tax liability
Other liabilities

Net assets

Share capital
Reserves
Surplus on revaluation of assets - net of tax
Accumulated loss

Assets

Cash and balances with treasury banks
Balances with other banks
Due from financial institutions
Investments - net
Islamic financing and related assets - net
Fixed assets
Intangible assets
Deferred tax assets
Other assets

Liabilities

Bills payable
Due to financial institutions
Deposits and other accounts
Liabilities against assets subject to finance lease
Sub-ordinated loans
Deferred tax liability
Other liabilities

Net assets

Share capital
Reserves
Deficit on revaluation of assets - net of tax
Accumulated loss

Liquidity Gap Reporting

Regarding behaviour of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioural study using volatility methodology. On the basis of its findings 39% of current accounts and saving accounts are bucketed into Upto 1- year maturity while 61% of current accounts saving accounts are bucketed in over 1 year maturity.

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

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

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

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

1) General Pool

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

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

Parameters associated with risk and rewards

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

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

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

Charging of expenses

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

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

2018							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%	%	Rupees in thousands
General Pool	Monthly	8.18	50.00	1,350,604	5.00	22.10	298,447

Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%		Rupees in thousands
Islamic Export Refinance (IERS)	Monthly	4.63			2.00		
Treasury Musharaka/ Mudaraba Pool	As required	7.00			6.64		
Equity Pool	Monthly	2.10					

2017							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%		Rupees in thousands
General Pool	Monthly	6.97	50.00	567,234	4.18	19.92	113,019

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

45 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and better presentation. There were no significant reclassification during the current year except as follows:

	2017	2016		
Description	Rs. In thousands		From	To
Intangible assets	486,018	375,317	Operating fixed assets	Intangible assets
Acceptances	134,755	39,505	Commitments	Other assets and Other liabilities
Deferred Murabaha income on Islamic financing and related assets	159,531	43,814	Other liabilities	Islamic financing and related assets

46 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 19, 2019 by the Board of Directors of the Bank.


ALI MUHAMMAD MAHOON
President / Chief Executive


SYED IFTIKHAR HUSSAIN RIZVI
Chief Financial Officer


RAZA MANSHA
Director


KHALID ZAHEER
Director


OMAIR SAFDAR
Director

Disposal of operating fixed assets (refer note 12.5)

Annexure - I

Description	Cost	Accumulated Depreciation	Book Value	Sales proceeds	Mode of disposal /settlement	Particulars of Buyers	Locations
Computers and office equipments	Rupees in thousands						
Laptop	20	20	-	-	Sale to employee under HR Policy	Kashif Ahmed	Karachi
Laptop	68	68	-	-	Sale to employee under HR Policy	Syed Salman Ali	Lahore
Laptop	85	85	-	-	Sale to employee under HR Policy	Syed Iftikhar Hussain Rizvi	Lahore
Smart phone	45	41	4	25	Final settlement under HR Policy	Aasim Saleem	Lahore
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	320	166	154	218	Various	Various	Various
Furniture and fixtures							
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	310	42	268	391	Bidding / Quotation	Khalid Traders	Faisalabad
	848	422	426	634			



Branch Network Federal Capital

No.	Branch Name	City
1	Jinnah Avenue Branch	Islamabad
2	F-10 Markaz Branch	Islamabad
3	G-11 Markaz Branch	Islamabad
4	Bahria Town Phase - IV Branch	Islamabad
5	Tulip Road DHA Phase II Branch	Islamabad
6	Post Mall Branch	Islamabad
7	Babar Center F-8 Markaz Branch	Islamabad
8	Trade Center F-11 Markaz Branch	Islamabad
9	E-11/3 Branch	Islamabad
10	MB City Mall I-8 Branch	Islamabad
11	PWD Employees Society Branch	Islamabad

Islamabad
Federal Capital - Pakistan

Branch Network Punjab

No.	Branch Name	City
1	Barq Road Attock City	Attock
2	Model Town Branch	Bahawalpur
3	Arabia Islamia Road	Burewala
4	Talagang Road Branch	Chakwal
5	Dera Ghazi khan Branch	Dera Ghazi Khan
6	Kotwali Road Branch	Faisalabad
7	Peoples Colony Branch	Faisalabad
8	Karkhana Bazar Branch	Faisalabad
9	Taj Plaza Kotwali Road	Faisalabad
10	G.T. Road Branch, Ghakhar Mandi	Ghakhar
11	G.T. Road Gujjar Khan Branch	Gujjar Khan
12	Satellite Town Branch	Gujranwala
13	Sharifpora Branch	Gujranwala
14	Bhimber Road	Gujrat
15	Hussain Plaza G.T. Road Branch	Gujrat
16	Yousaf Shah Road Branch	Jhang
17	Civil Lines Branch	Jhelum
18	Kamra Branch	Kamra
19	G.T. Road Kharian Branch	Kharian
20	Quaidabad Branch	Khushab
21	Allama Iqbal Town Branch	Lahore
22	DHA Cantt Branch	Lahore
23	Johar Town Branch	Lahore
24	Liberty Market Branch	Lahore
25	Shah Alam Market Branch	Lahore

Branch Network Punjab

No.	Branch Name	City
26	26Azam Cloth Market Branch	Lahore
27	Babar Center Circular Road Branch	Lahore
28	Badami Bagh Branch	Lahore
29	Badian Road Branch	Lahore
30	Bahria Town Branch	Lahore
31	Cavalry Ground Branch	Lahore
32	China Chowk Branch	Lahore
33	Davis Road Branch	Lahore
34	DHA Phase-II Branch	Lahore
35	Dharampura Branch	Lahore
36	Dream Garden Branch	Lahore
37	Expo Centre Branch	Lahore
38	Faisal Town Branch	Lahore
39	Garden Town Branch	Lahore
40	Gulshan-e-Ravi Branch	Lahore
41	Ichra Branch	Lahore
42	Main Boulevard Gulberg Branch	Lahore
43	Model Town C-Block Branch	Lahore
44	Mughalpura Branch	Lahore
45	Multan Road Branch	Lahore
46	Nila Gumbad Branch	Lahore
47	Nila Gumbad Branch	Lahore
48	Shahdara Branch	Lahore
49	Thokar Niaz Baig Branch	Lahore
50	Timber Market Branch	Lahore

Branch Network Punjab

No.	Branch Name	City
51	Urdu Bazar Branch	Lahore
52	Wapda Town Branch	Lahore
53	Ghalla Mandi Mandi Bahauddin Branch	Mandi Bahauddin
54	JK Sugar Mills Branch	Mian Channu
55	Chowk Shah Ruknealam Colony	Multan
56	Nawan Shaher	Multan
57	M.A Jinnah Road	Okara
58	Shahi Road Branch	Rahim Yar Khan
59	Bank Road Branch	Rawalpindi
60	Chaklala Scheme	Rawalpindi
61	Murre Road Branch	Rawalpindi
62	Wah Cantt. Branch	Rawalpindi
63	Sadiqabad Branch	Sadiqabad
64	Farid Town Branch	Sahiwal
65	Sara-i-Alamgir Branch	Sara-i-Alamgir
66	Club Road Branch	Sargodha
67	Mian Khan Road Branch	Sargodha
68	Raza Garden Branch	Sargodha
69	Lahore Road	Sheikhupura
70	Sargodha Road	Sheikhupura
71	Kashmir Road Branch	Sialkot
72	Toba Tek Sing	Toba Tek Singh

Branch Network Sindh

No.	Branch Name	City
1	Thandi Sarak Branch	Hyderabad
2	Latifabad	Hyderabad
3	Market Area Branch	Hyderabad
4	Risala Road	Hyderabad
5	Tando Adam	Hyderabad
6	United Plaza Branch	Hyderabad
7	Khalid-Bin-Waleed Road Branch	Karachi
8	Khayaban-e-Shamsheer Branch	Karachi
9	Korangi Industrial Area	Karachi
10	MCB Islamic Bank New Challi Branch	Karachi
11	North Nazimabad Branch	Karachi
12	Rashid Minhas Road Branch	Karachi
13	S.I.T.E Branch	Karachi
14	Saddar Bazar Branch	Karachi
15	Sharah-e-Faisal Branch	Karachi
16	Allama Iqbal Road, PECHS Branch	Karachi
17	Bilawal Chowk Branch	Karachi
18	Block A North Nazimabad Branch	Karachi
19	Business Arcade Branch, Shahra-e-Faisal	Karachi
20	Cloth Market Branch	Karachi
21	Darakhshan Society, Malir Halt Branch	Karachi
22	DHA Phase -I Branch	Karachi
23	DHA Phase-II Branch	Karachi
24	DHA Phase-IV Branch	Karachi
25	Dhorajee Branch	Karachi

Branch Network Sindh

No.	Branch Name	City
26	EOBI House Branch	Karachi
27	Faizan-e-Madina Branch	Karachi
28	FB Industrial Area Branch	Karachi
29	Ghafoor Chamber Saddar Branch	Karachi
30	Gul Tower Branch	Karachi
31	Gulshan e Iqbal	Karachi
32	Haroonabad Site Branch	Karachi
33	Jamshed Quarters Branch	Karachi
34	Javed Arcade Branch, Gulistan-e-Johar Branch	Karachi
35	Jodia Bazar Branch, Karachi	Karachi
36	Khayaban-E-Shahbaz Branch	Karachi
37	Kulsoom Court Branch	Karachi
38	Landhi No 6 Branch	Karachi
39	Madras Chowk Scheme 33 Branch	Karachi
40	Matco Food Branch	Karachi
41	Medicine Market Branch	Karachi
42	Model Colony Branch	Karachi
43	Muhammad Ali Society Branch	Karachi
44	Nauras Chowrangi SITE Branch	Karachi
45	Nishtar Road Branch	Karachi
46	Paper Market Branch	Karachi
47	Port Qasim Branch	Karachi
48	Khalid Bin Waleed Road Branch	Karachi
49	Saba Avenue, DHA Branch	Karachi
50	Saddar Branch	Karachi

Branch Network Sindh

No.	Branch Name	City
51	Safoora Chowk Branch	Karachi
52	Sector 15, Korangi Industrial Branch	Karachi
53	Shaheed-e-Millat Road Branch	Karachi
54	Shershah Branch	Karachi
55	Super Highway Branch	Karachi
56	Timber Market Branch	Karachi
57	West Wharf Road Branch	Karachi
58	Zaibunnisa Street Branch	Karachi
59	Zamzama Branch	Karachi
60	Kunri Branch	Kunri
61	Anaj Mandi, Larkana	Larkana
62	Nawab Shah Branch	Nawab Shah
63	Shahdadpur Branch	Shahdadpur
64	Station Road Branch,Sukkar.	Sukkur
65	Memon Mohalla Sukkur Branch	Sukkur
66	Muhammadi Chowk Branch	Tando Adam
67	Tando Allah Yar Branch,Tando Allah Yar	Tando Allahyar

Branch Network Khyber Pakhtunkhwa

No.	Branch Name	City
1	Abbottabad Branch	Abbottabad
2	Batkhela Branch	Batkhela
3	Chitral Branch	Chitral
4	Kabal Branch	Kabal
5	Mardan Branch	Mardan
6	Arbab Road Branch	Peshawar
7	Chowk Yadgar Branch	Peshawar
8	Hayyatabad Branch	Peshawar
9	Karkhano Market Branch	Peshawar
10	Matta Branch	Swat
11	Mingora Branch	Swat
12	Timergara Branch	Timergara

Khyber Pakhtunkhwa
Pakistan

Balochistan

Pakistan



Branch Network Balochistan

No.	Branch Name	City
1	Chaman Branch	Chaman
2	Gwadar Branch	Gawadar
3	Loralai Branch	Loralai
4	Pishin Branch	Pishin
5	M. A Jinnah Road Branch	Quetta
6	Hazara Town Branch	Quetta
7	Sirki Road Branch	Quetta
8	Masjid Road Branch	Quetta
9	Mannan Chowk Branch	Quetta
10	Turbat	Turbat
11	Zhob	Zhob

Azad Kashmir
Pakistan



Branch Network
Azad Kashmir

No.	Branch Name	City
1	Mirpur AJK, Branch	Mirpur
2	Muzaffarabad, AJK Branch	Muzaffarabad

Gilgit Baltistan

Pakistan

Branch Network Gilgit Baltistan

No.	Branch Name	City
1	Jutial Branch	Gilgit

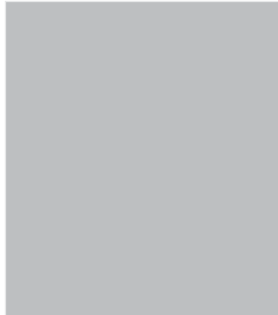
Form of Proxy

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

I/We _____ of _____ being member(s) of MCB Islamic Bank Limited ("the Company"), holding _____ Ordinary shares, do hereby appoint _____ of _____ or failing him/her _____ of _____, who is also a Member of the Company, as my / our proxy to vote for me / us, and on my / our behalf at the 5th Annual General Meeting of the Company to be held on Monday, March 25, 2019 at 10:00 AM at 339-Z Block, DHA Phase III, Lahore and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2019.

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



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

A. General:

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

نوٹ :

جزل/مترق):

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

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

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

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

پراکسی فارم

کمپنی سیکرٹری

ایم سی بی اسلامک بینک لمیٹڈ

59- ٹی بلاک فیز-II ڈی ایچ اے

لاہور

میں / ہم _____ ساکن _____

نحیث رکن / ممبر ایم سی بی اسلامک بینک لمیٹڈ (کمپنی) اور _____

عام حصص کا / کے مالک کے طور پر مسمیٰ / مسماں _____

ساکن _____ کو یا اسکی عدم دستیابی کی

صورت میں مسمیٰ / مسماں _____

ساکن _____

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

جو بروز پیر مورخہ 25 مارچ 2019 کو صبح 10 بجے 339- زیڈ بلاک، ڈی ایچ اے، فیز III، لاہور کو منعقد ہو رہا ہے،

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

گواہ کے طور پر / ہمارے لیے یہ _____ 2019 کا دن ہے۔

ممبر کے دستخط

گواہان:

5 روپے کی رسیدی ٹکٹ پر

گواہ نمبر 1: _____ گواہ نمبر 2: _____

نام _____ نام _____

شناختی کارڈ / پاسپورٹ نمبر _____ شناختی کارڈ / پاسپورٹ نمبر _____

پتہ _____ پتہ _____

