

## ANNUAL REPORT 2019

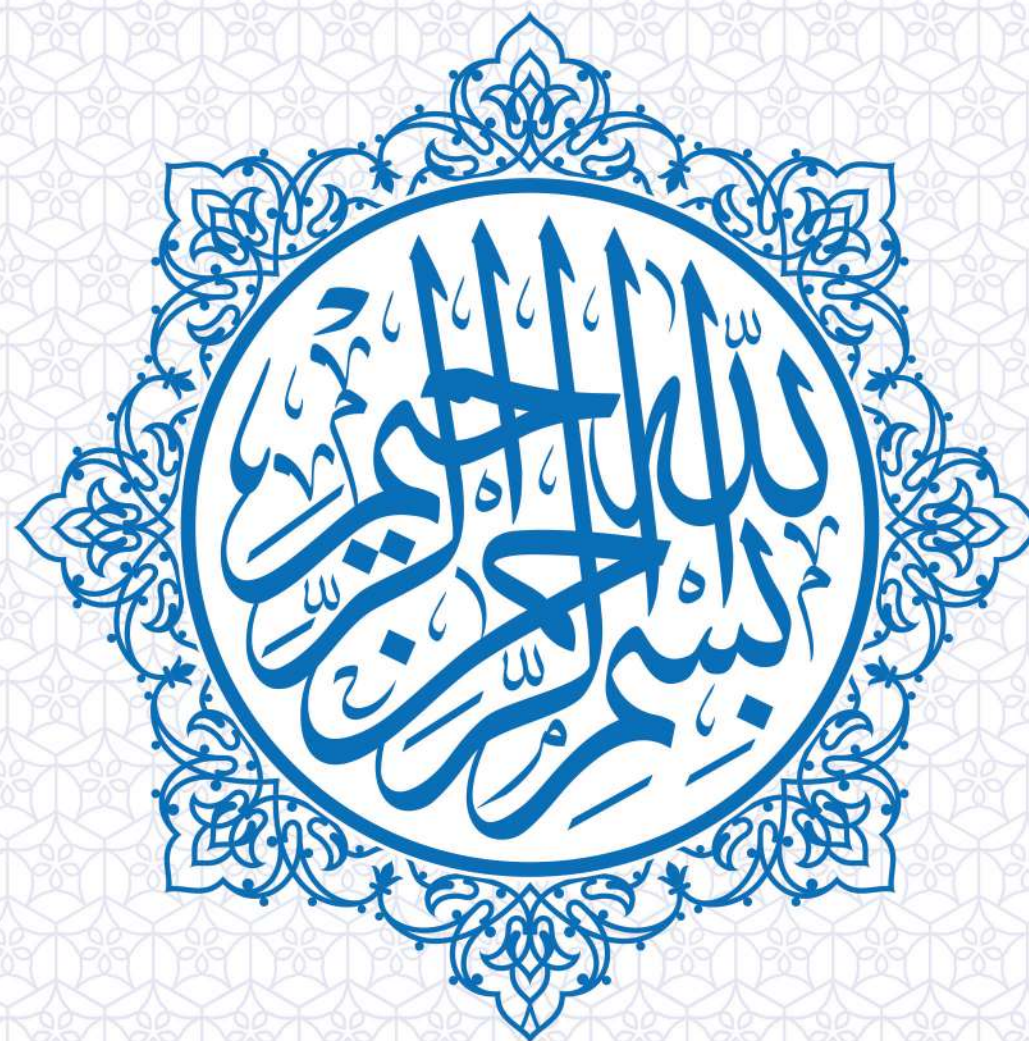
### CORPORATE OFFICE

📍 59-T, Phase 2 DHA, Lahore | 📞 +92-42-111-222-642 | 🌐 [www.mcbislamicbank.com](http://www.mcbislamicbank.com)

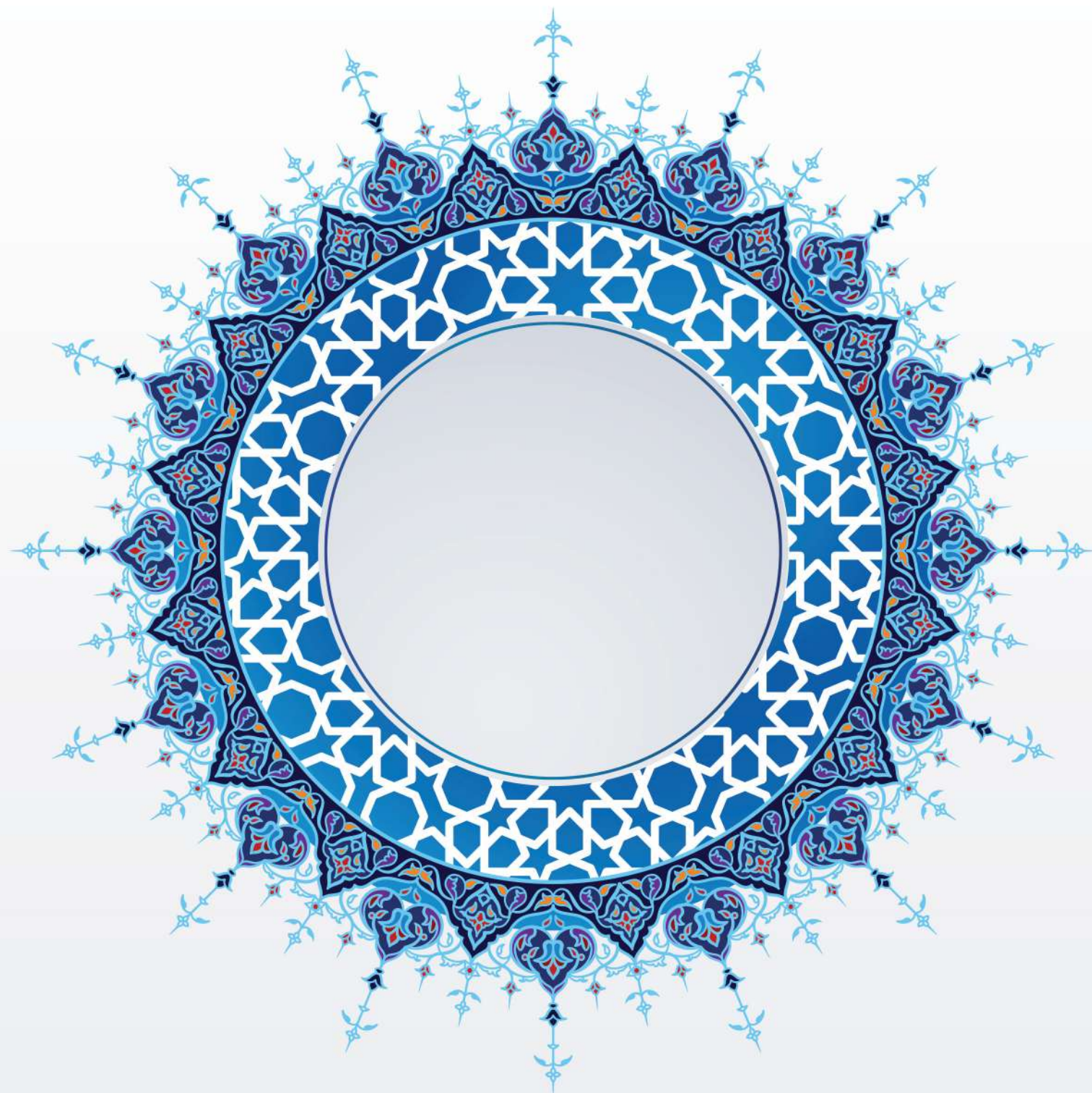


Annual Report 2019







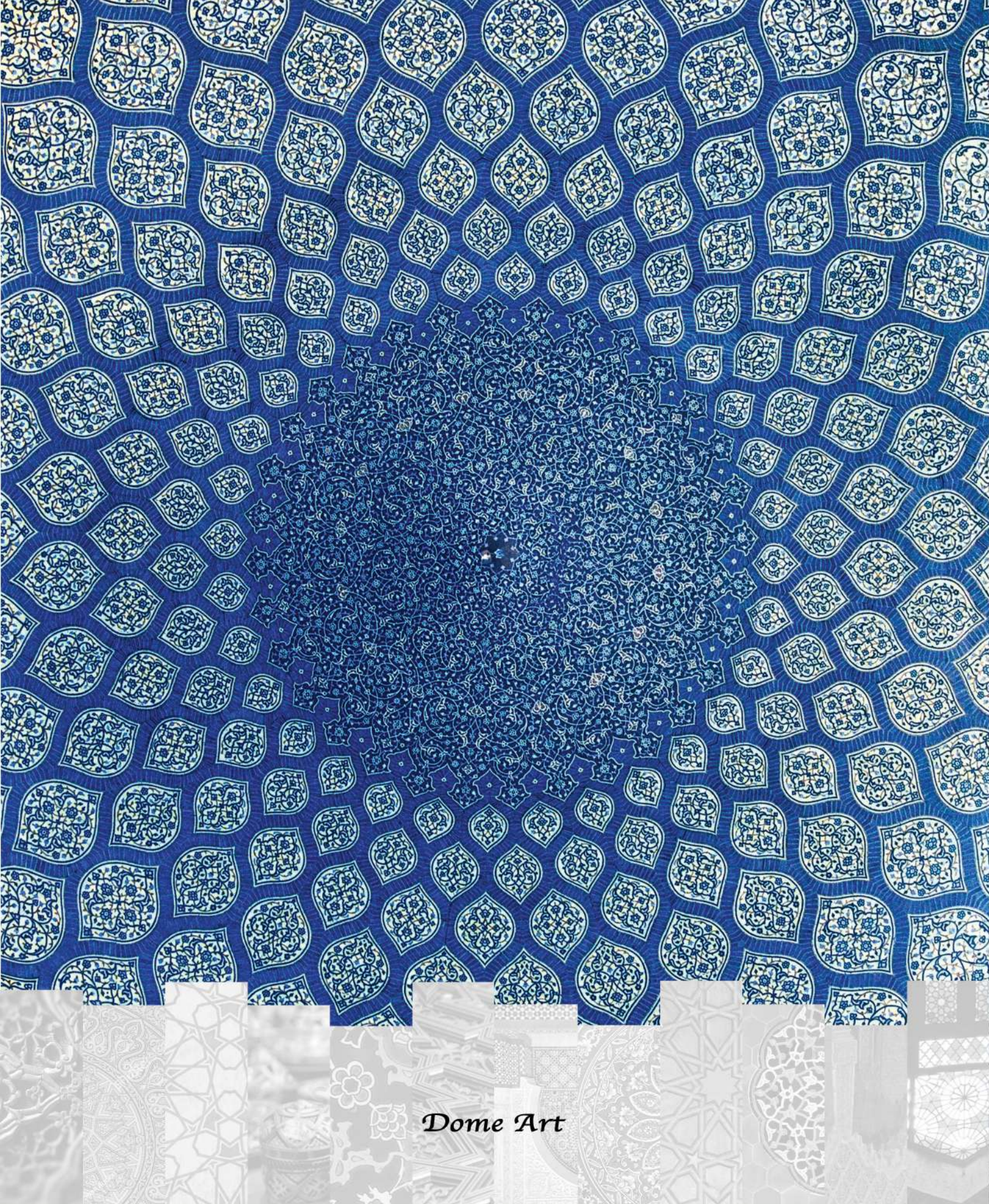


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## ABOUT

# 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 185 branches backed by 187 On-Site and Off-Site network of ATMs. The Bank offers EMV enabled Debit Cards, IOS and Android based native Mobile Apps and Internet Banking services. Moreover, the Bank has also developed its suite of Cash Management services, including Payment upon Identification (PUI), Cash & Instrument Collection, Cash in Transit Services (CIT), Corporate Internet Banking by acquiring Oracle Banking Digital Experience (OBDX) and also working on development of product suit for Employee Banking under Cash Management umbrella.

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





*Interior Design Blue Mosque*

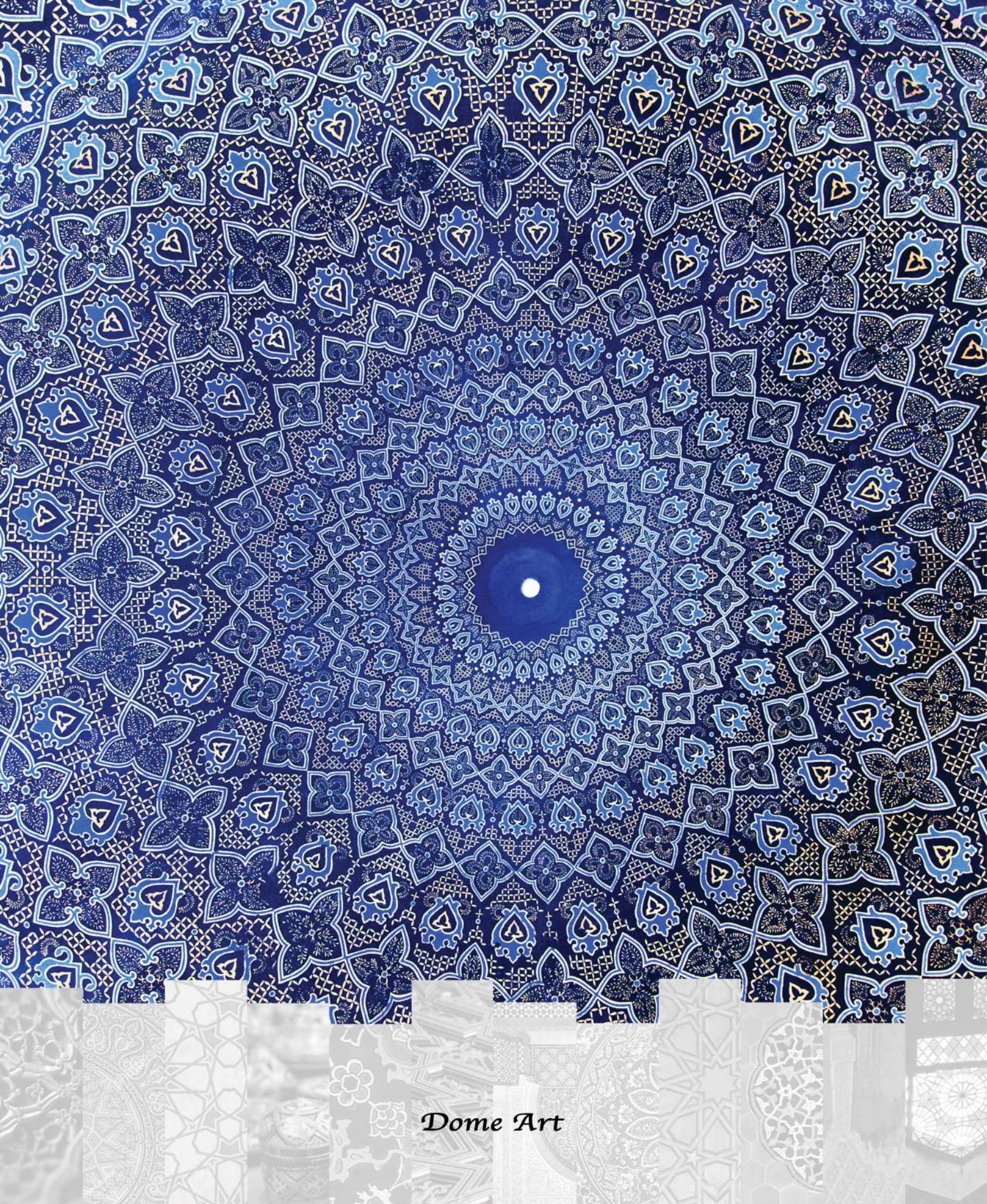
## WHAT IS **ISLAMIC BANKING**

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

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

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





## MISSION STATEMENT

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

*Dome Art*





## 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.

*Wall Tile Islamic Decoration*





*Traditional Islamic Architecture*

## 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.





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## CORPORATE STRATEGY

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

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



## CORPORATE INFORMATION

### Board of Directors

Mr. Raza Mansha (Chairman)	Non-Executive Director
Dr. Khalid Zaheer	Independent Director
Ms. Seema Aziz	Independent Director
Mr. Ahmed Ebrahim Hasham	Non-Executive Director
Mr. Ibrahim Shamsi	Non-Executive Director
Mr. Aftab Ahmad Khan	Non-Executive Director
Mr. Omair Safdar	Non-Executive Director
Mr. Muhtashim Ahmad Ashai	President / CEO

### Board Audit Committee

Dr. Khalid Zaheer	Chairman
Ms. Seema Aziz	Member
Mr. Aftab Ahmad Khan	Member
Mr. Omair Safdar	Member

### Human Resource & Remuneration Committee

Dr. Khalid Zaheer	Chairman
Mr. Raza Mansha	Member
Mr. Aftab Ahmad Khan	Member
Mr. Omair Safdar	Member

### Risk Management & Portfolio Review Committee

Mr. Omair Safdar	Chairman
Mr. Ahmed Ebrahim Hasham	Member
Mr. Ibrahim Shamsi	Member
Mr. Muhtashim Ahmad Ashai	Member

### Board Evaluation Committee

Dr. Khalid Zaheer	Chairman
Mr. Omair Safdar	Member

### Business Strategy & Service Quality Review Committee

Mr. Raza Mansha	Chairman
Mr. Aftab Ahmad Khan	Member
Mr. Ahmed Ebrahim Hasham	Member
Ms. Seema Aziz	Member
Mr. Muhtashim Ahmad Ashai	Member

### Board I.T. Committee

Mr. Raza Mansha	Chairman
Dr. Khalid Zaheer	Member
Mr. Ibrahim Shamsi	Member
Mr. Muhtashim Ahmad Ashai	Member

### Shari'ah Board

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

● **Chief Financial Officer**  
Syed Iftikhar Hussain Rizvi

● **Company Secretary**  
Ms. Maimoona Cheema

● **Head of Internal Audit**  
Mr. Muhammad Tariq Gondal

● **Legal Advisor**  
M/s Imtiaz Siddiqui & Associates,  
Advocates & Solicitor

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

● **Registered Office**  
59-T Commercial, Phase-II, DHA, Lahore

● **Website**  
[www.mcbislamicbank.com](http://www.mcbislamicbank.com)

*Wood Carving Design*





*Calligraphy Art*

CREDIT  
**RATING**

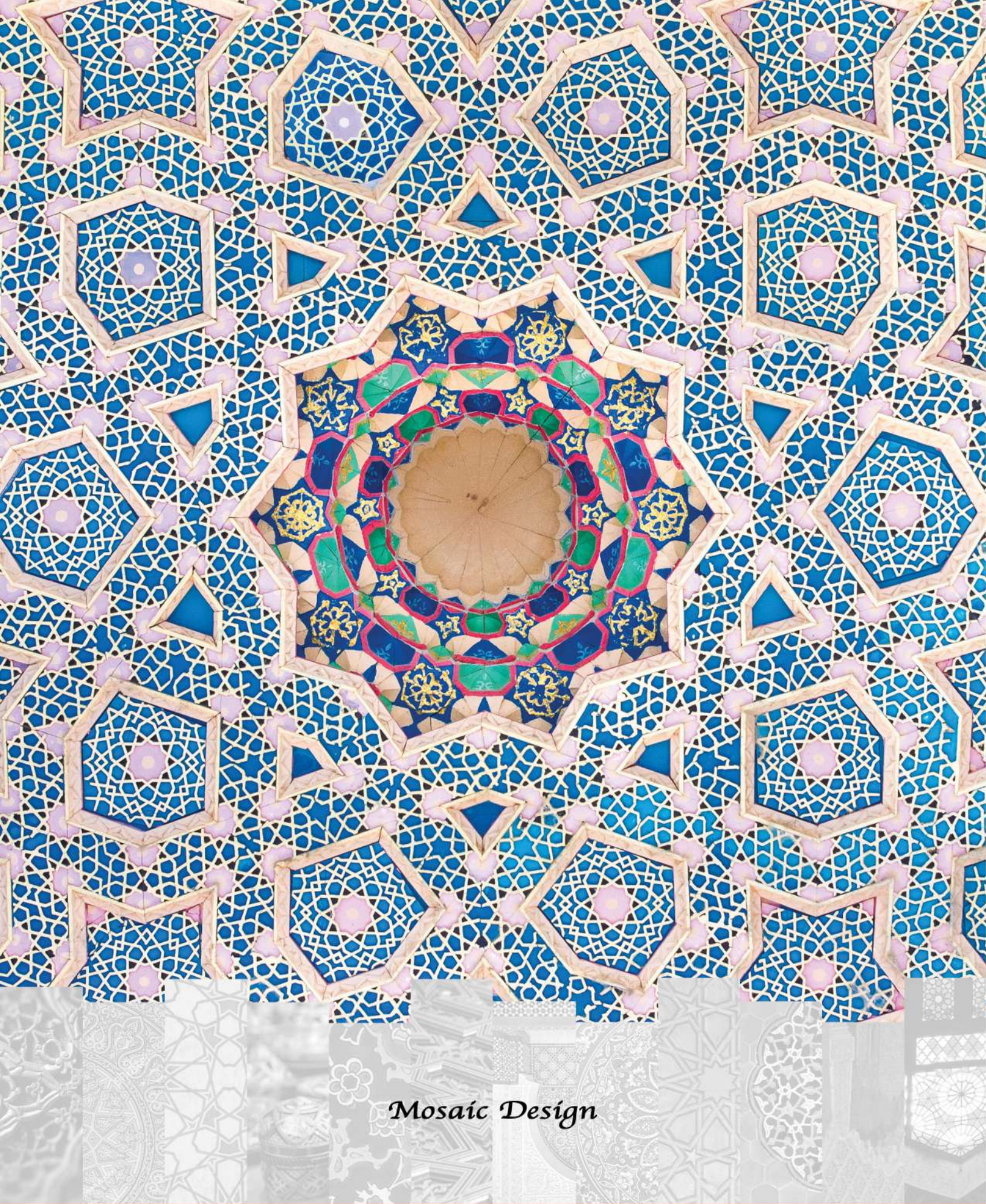
Long Term

**A**

Short Term

**A - 1**





Mosaic Design

# PRODUCTS & 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

1

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

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

## DIGITAL BANKING

2

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

- |   |   |
|---|---|
| MIB Qadar Debit Cards<br>MIB Internet Banking<br>SMS Notification Service<br>Corporate Internet Banking | MIB Phone Banking<br>MIB Mobile App<br>MIB ATMs network |
|---|---|



## CONSUMER FINANCE

3

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.





## MICROFINANCE

4

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



## SME BANKING

5

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

MCB Islamic Bank offers following SME Banking services:

- 1) Short Term / Working Capital Financing
- 2) Medium / Long Term Financing
- 3) Trade or Guarantee
- 4) State Bank of Pakistan Islamic Financing / Refinancing Schemes
- 5) Risk participation with financial partners
- 6) Awareness sessions for SME Customers on financial and non-financial advisory services with SMEDA, Chamber of commerce and trade associations.

## COMMERCIAL BANKING

6

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

Commercial financing business offers following range of products to branches customers in coordination with Shari'ah structuring & Product development under the guidance of worthy Shari'ah board.

- 1) Trade based financing (funded & non-funded)
- 2) Cash Management & Remittance services
- 3) SBP's refinance schemes
- 4) Working capital & long term financing
- 5) Letter of Guarantees

## CORPORATE BANKING

7

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 building long-term sustainable relationships.

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

Our Corporate Banking relationship teams also liaison with Product Management & Shari'ah Structuring, 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, Commodity Salam, Finished Goods Musawamah, and Musharakah Running Finance for catering to balance sheet (working Capital) needs of Corporates / Commercial / MNCs for managing their day-to-day funding needs.

### ● Medium & Long Term Finance

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

### ● Trade Services

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

#### i. Export Services

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

#### ii. Import Services

- Letter of Credit
- Import Financing

## CASH MANAGEMENT SERVICES

8

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.

## OTHER MIB SERVICES

9

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

- Remittance Service
- Forex Services
- PRISM Services



BOARD OF  
**DIRECTORS**



**IBRAHIM SHAMSI**  
Non-Executive Director

**DR. KHALID ZAHEER**  
Independent Director

**SEEMA AZIZ**  
Independent Director

**RAZA MANSHA**  
Chairman

**MUHTASHIM AHMAD ASHAI**  
President & CEO

**AFTAB AHMAD KHAN**  
Non-Executive Director

**OMAIR SAFDAR**  
Non-Executive Director

**AHMED EBRAHIM  
HASHAM**  
Non-Executive Director





**Mr. 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's degree from the University of Pennsylvania, USA.

#### Other Directorships

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

#### 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.



#### Ms. Seema Aziz

##### Independent Director

Ms. Seema Aziz has been a Director of MCB Islamic Bank Limited since February 2019. She is an entrepreneur and social activist who has been working for the cause of education in Pakistan since 1988. She is the Founder and Chairperson of CARE Foundation, the largest non-governmental organization in Pakistan, educating nearly 300,000 students through 890 schools. She is also on the Board of Sefam (Pvt.) Ltd.

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



#### Other Directorships

- Sefam (Pvt.) Ltd.
- Sarena Textile Industries (Pvt.) Ltd.
- Sarena Apparel (Pvt.) Ltd.
- S-Luxe (Pvt.) Ltd.
- Anokhee (Pvt.) Ltd.
- S-Entertainer PK (Pvt.) Ltd.
- Ali Embroidery Mills (Pvt.) Ltd.
- Jaz Hatari (Pvt.) Ltd.
- CARE Foundation



### 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. Ltd.
- Nishat (Chunian) Ltd.
- Nishat (Aziz Avenue) Hotels and Properties Ltd.
- Nishat Hospitality (Pvt.) Ltd.
- Nishat (Raiwind) Hotels and Properties Ltd.
- Nishat Energy Ltd.
- Nishat Chunian Power Ltd.
- MCB Financial Services Ltd.
- Nishat Hotels and Properties Ltd.
- Lalpir Solar Power (Pvt.) Ltd.
- Security General Insurance Co. Ltd.



### Mr. Omair Safdar

#### Non-Executive Director

Mr. Omair Safdar has more than 16 years of experience in the banking industry. He has been associated with MCB Bank for the past decade, and currently heads the Capital Markets Division of the Bank. Omair holds a Bachelor's Degree in Economics from LUMS and is also a CFA Charter holder. He has thorough understanding of business, risk and investment dynamics, having been involved in Retail, Corporate, Investment Banking and Capital Markets transactions across industrial sectors and national boundaries. He currently serves on a number of Management Committees in MCB Bank including Credit, Investment and Write-Off.

#### Other Directorships

- MCB NBCO CJSC (Former MCB Leasing Azerbaijan)



### 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 the Usman Institute of Technology. He is a graduate in International Relations (IR) and Economics from Tufts University, USA.

#### Other Directorships

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



### Mr. 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.
- AA. Joyland (Pvt.) Ltd.
- Joyland (Pvt.) Ltd.
- Siddiq sons Tin Plate Ltd.
- Siddiq sons Denim Mill Ltd.
- Siddiq sons Energy Ltd.
- Adamjee Insurance Company Ltd.
- Cotton Web (Pvt.) Ltd.





## Mr. Muhtashim Ahmad Ashai

### President & CEO

Mr. Muhtashim Ahmad Ashai joined MCB Islamic Bank Limited on March 29, 2019. He had over twenty-seven years of professional experience in the banking sector in Pakistan, Singapore, Japan and China. Previously, he held the position of Senior Executive Vice President and Group Head of Corporate Finance and International Banking Group at MCB Bank Limited. He graduated with a BSc Degree in Electrical Engineering from University of Engineering & Technology Lahore and completed his MBA from Lahore University of Management Sciences followed by an International Management Program at McGill University, Montreal, Canada.

### Other Directorships

- MCB NBCO CJSC (Former MCB Leasing Azerbaijan)



*Floral Pattern*





*Mughal Art*

## BOARD COMMITTEES

The Board has constituted six committees as given below:

- Board Audit Committee
- Human Resource & Remuneration Committee
- Risk Management & Portfolio Review Committee
- Business Strategy & Service Quality Review Committee
- Board IT Committee
- Board Evaluation Committee

### BOARD AUDIT COMMITTEE

(Meetings held: 4)

#### Composition:

1. Dr. Khalid Zaheer – Chairman
2. Ms. Seema Aziz
3. Mr. Aftab Ahmad Khan
4. Mr. Omair Safdar

#### Terms of Reference:

The main terms of reference of the Committee are:

- Facilitate Board in establishing an unambiguous & observable 'tone at the top' for strong and effective system of internal controls based on & supported by strong ethical practices, culture, processes and technological systems. Review and recommend for BOD approval, comprehensive policies, procedures, in line with International Auditing Standards.
- Review and approve Internal Audit Charter (IAC) in accordance with SBP guidelines.
- Determination of appropriate measures to safeguard the bank's assets.
- Reviewing of quarterly, half-yearly and annual financial statements of the bank, prior to their approval by the Board of Directors, focusing on:
  1. Major judgmental areas
  2. Significant adjustments resulting from the audit
  3. The going concern assumption
  4. Any changes in accounting policies and practices
  5. Compliance with applicable accounting standards
  6. Compliance with listing regulations, other statutory and regulatory requirements
  7. Significant related party transactions
  8. Compliance with applicable Shari'ah rulings
  9. All related party transactions
- Reviewing of preliminary announcements of results prior to publication.



- 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).
- Reviewing of Client Service Report / Management Letter issued by external auditors and management's response thereto.
- Ensuring coordination between the internal and external auditors of the bank.
- Making recommendation to the Board of Directors for the appointment of external auditors including External Shari'ah Auditor(s), their removal, audit fees, the provision by the external auditors of any service to the bank in addition to audit of its financial statements.
- 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.
- Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto.
- 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.
- 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.
- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and/or Shari'ah Board (if required) and to consider remittance of any matter to the external auditors or to any other external body.
- 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.
- Determination of compliance/Shari'ah compliance with relevant statutory requirements.
- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- Consideration of any other issue or matter as may be assigned by the Board of Directors.
- Approval of Shari'ah audit Plan after review by the Shari'ah Board.
- Approval of Internal Audit plan and budgets pertaining to Inter Audit & RAR Group.
- Receive and review summary of reported violations identified through internal audit activities and follow-up actions taken by management to ensure that audit observations/recommendations receive proper and timely attention by senior management. The AC will also review the trends of audit observation from multiple dimensions to have deep insights into state of internal controls and must set specific, time bound action points/indicators to monitor improvements.
- Report to board any significant matters identified by IAF/external auditors that warrant board's immediate attention.
- Review effectiveness of whistle blowing procedures for receiving (through internal or external sources) complaints/concerns regarding business ethics/conduct practices, governance & risk management practices, controls over financial reporting, auditing practices etc. The AC will ensure that such concerns are treated confidentially and that the reporting employee(s) are protected and not penalized in any manner whatsoever. The AC will ensure that employees remain aware of i) existence of such procure of such procedures, ii) the procedure to utilize it and iii) are encouraged to be a 'whistleblower'.
- Provide its fullest support to IAF and internal auditors to perform their mandated activities independently and in objective manner.

## HUMAN RESOURCE & REMUNERATION COMMITTEE

(Meetings held: 3)

### Composition:

- Dr. Khalid Zaheer - Chairman
- Mr. Raza Mansha
- Mr. Aftab Ahmad Khan
- Mr. Omair Safdar

### Terms of Reference:

The main tasks of the Committee are to ensure that:

- 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.
- Ensure implementation of Bank's Remuneration Policy.
- Appropriate criteria are adopted for annual performance appraisal of the President & his direct reports.
- 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.
- HRRC may periodically review MIB's HR Policy through peer analysis either through in house resource or any external consultant.
- To review selection, evaluation, compensation (including retirement benefits if any) and succession planning of the CEO and recommend to the Board for approval.
- 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.
- HRRC shall monitor implementation of approved training & development policy.
- 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:

- Mr. Omair Safdar - Chairman
- Mr. Ahmed Ebrahim Hasham
- Mr. Ibrahim Shamsi
- Mr. Muhtashim Ahmad Ashai

### Terms of Reference:

- 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.
- Monitor bank's progress towards risk management related projects on as and when required basis.
- Review and recommend to Board, bank's Risk Appetite Statement and Compliance Program as and when required.



- 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.
- Review Minutes of Compliance Committee of Management (CCM) to ascertain its effectiveness in Managing Compliance Risk.
- 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.
- To engage with CCO on Half Yearly basis, to discuss issues faced by the Compliance Function in the implementation of board approved Compliance Program.
- 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.
- To ensure that CCO has proper stature, authority, resources, support, independence and capacity to offer his objective opinions to Senior Management and Board on Compliance Risks.

#### BUSINESS STRATEGY & SERVICE QUALITY REVIEW COMMITTEE

(Meetings held: 5)

1. Mr. Raza Mansha - Chairman
2. Mr. Ahmed Ebrahim Hasham
3. Ms. Seema Aziz
4. Mr. Aftab Ahmad Khan
5. Mr. Muhtashim Ahmad Ashai

##### Terms of Reference:

The main tasks of the Committee shall be to ensure that:

- 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.
- Review the strategies, policy and procedures/frameworks related to the bank's strategic initiatives, service quality, customers' complaint management, and fair treatment of customers.
- To review Bank's Annual Budget prepared by the management and recommend it for approval by the BOD.
- To monitor the performance of the bank against approved strategy / budget on a quarterly basis.
- Recommend policy changes to align service delivery with expectations of the customers, vision of the bank and innovations in the market.
- Provide policy guidance (inculcate values those recognize the importance of customer orientation at all phases of product design and service lifecycle).
- Provide strategic direction to instill a culture that recognizes the importance of complaints as an opportunity to improve and take corrective measures.
- Monitor the bank's progress towards achieving its objectives in terms of service delivery and customer satisfaction.
- Receive periodic reports on issues and achievement on Conduct Assessment Framework.
- Receive annual assessment of Conduct Assessment Framework for review and approval, along with proposed as well as actual improvements introduced.

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

#### BOARD IT COMMITTEE

(Meetings held: 3)

##### Composition:

1. Mr. Raza Mansha - Chairman
2. Dr. Khalid Zaheer
3. Mr. Ibrahim Shamsi
4. Mr. Muhtashim Ahmad Ashai

##### Terms of Reference:

- 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.
- 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.
- 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.
- 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.
- 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: 1)

##### Composition:

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

##### Terms of Reference:

The main tasks of the Committee shall be to ensure that:

- Formulation of criteria for performance evaluation of overall Board, its Committees, Individual Directors, Independent Directors, Chairperson and the President in the form of a framework.
- Carrying out performance evaluation of the overall Board, its Committees, Independent Directors, Individual Directors, Chairperson and the President.
- To identify weak areas required to improve Board's and Board Committee effectiveness.
- Recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge and skills (as and when required).
- Reviewing (as and when required), the composition of the existing Board and its Sub-Committees and recommending amendment to the composition.





## PERFORMANCE EVALUATION OF BOARD OF DIRECTORS

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

The Board of Directors recognizes that along with numerous other functions and responsibilities, it also has a duty of care and loyalty towards the Bank, to act honestly in the interests of the Bank and exercise its role with complete integrity and care. The Board therefore established a Board Evaluation Committee in 2015 to evaluate the performance of the overall Board, its Committees, performance of the Chairperson, Independent Directors and Individual Directors and of the President once in a calendar year with the help of a detailed criteria formulated in line with the requirements of the State Bank of Pakistan and the Securities & Exchange Commission of Pakistan (SECP).

As per the requirements of the State Bank of Pakistan Guidelines on Performance Evaluation of the Board of Directors, the Board evaluation process has to be undertaken either by the Board's nominated committee or an independent service provider appointed by the Board. The Board opted for an in-house evaluation approach for the year 2019.

### Criteria for Performance Evaluation

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

"1" represents as "Strong"

"2" represents as "Satisfactory"

"3" represents as "Fair"

"4" represents as "Marginal"

"5" represents as "Un-satisfactory"

### Evaluation by External Consultant

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

### Board Evaluation FTY 2019

The Board Evaluation Committee of the Board duly evaluated the performance of the overall Board of Directors, its Committees, the Chairman, individual and Independent Directors and the President/CEO and found that the Board including its directors and CEO has efficiently fulfilled their vested roles and responsibilities towards stakeholders as well as the management to steer the Bank in the right direction.

*Geometric Design*



# MANAGEMENT



SITTING (Left to Right)

- OMER KHALID LASHARI**  
Group Head - Corporate  
Investment Banking & FI
- FARHAN BAIG**  
Head of Retail Banking
- MUHTASHIM AHMAD ASHAI**  
President/CEO

STANDING (Left to Right)

- KASHIF AHMED**  
Group Head -  
Compliance &  
Controls
- SALMAN QUTB**  
Group Head -  
Human Resource  
Management
- AZHAR NAZIR**  
Chief Information  
Officer
- M. HAMID YASIN**  
Group Head -  
Consumer &  
Microfinance
- MUFTI SYED  
SABIR HUSSAIN**  
Resident Shari'ah Board  
Member / Head - Shari'ah  
Compliance Department
- M. TARIQ GONDAL**  
Group Head -  
Internal Audit  
& Risk Asset Review

SITTING (Left to Right)

- SYED IFTIKHAR HUSSAIN RIZVI**  
Chief Financial Officer
- SYED SALMAN ALI**  
Group Head -  
Treasury & FXG

STANDING (Left to Right)

- M. ALI ANSARI**  
Group Head -  
Business Distribution
- USMAN AJMAL**  
Group Head -  
Product Management  
& Shari'ah Structuring
- KHAWAJA KHALIL SHAH**  
Chief Risk Officer
- M. SAEED RAJA**  
Group Head -  
Operations
- MAIMOONA CHEEMA**  
Company Secretary &  
Head of Legal





**Mr. Muhtashim Ahmad Ashai**  
President/CEO

Mr. Muhtashim Ahmad Ashai joined MCB Islamic Bank Limited on March 29, 2019. He had over twenty-seven years of professional experience in the banking sector in Pakistan, Singapore, Japan and China. Previously, he held the position of Senior Executive Vice President and Group Head of Corporate Finance and International Banking Group at MCB Bank Limited. He graduated with a BSc Degree in Electrical Engineering from University of Engineering & Technology Lahore and completed his MBA from Lahore University of Management Sciences followed by an International Management Program at McGill University, Montreal, Canada.

## **Mr. Farhan Baig** Head of Retail Banking

Mr. Farhan Baig, Head of Retail Banking is an MBA from Bristol University, UK. He has a vast experience of 22 years in Corporate and Investment, Islamic and Retail banking.

Farhan has strong aptitude for recognizing and applying policies and procedures and has successfully managed a large portfolio of deposit, loans and trade during his various assignments. He has delivered exceptional results in business growth and profitability through team building and innovative product development. He has last served MCB bank in the capacity of Business Head of the two large business areas, Central & North and has displayed exponential growth in all segments. He has also served in Dubai Islamic Bank as country Head SME & Middle markets and served Habib Bank in its Corporate and Investment banking group.



## **Mr. Omer Khalid Lashari** 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. He holds MBA from Lahore University of Management Sciences (LUMS).

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

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

Khalil has around 27 years of banking experience most of which is in corporate / investment 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.







## Syed Iftikhar Hussain Rizvi

### Chief Financial Officer

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

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

## Mr. Muhammad Ali Ansari

### Group Head – Business Distribution

Mr. Muhammad Ali Ansari, as Group Head Business Distribution manages MIB's network of Branches, Wealth Management and Commercial /SME financing. Ali Ansari has been working in the Retail banking arena for more than 19 years and has extensive experience in managing Branch Banking, Business Development Channels, and Wealth Management businesses.

He started his career with a foreign commercial bank after completing his bachelor's degree in Business Administration, 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.



## Mr. Kashif Ahmed

### Group Head – Compliance and Controls

Mr. Kashif Ahmed is a fellow member of the Institute of Chartered Accountants of Pakistan with more than 25 years of work experience including over 14 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.



## Mr. Azhar Nazir

### Chief Information Officer

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



## Mr. Muhammad Hamid Yasin

### Group Head – Consumer and Microfinance

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

## Mr. Salman Qutb

### Group Head – Human Resource Management

Mr. Salman Qutb holds a Master's Degree in Business Administration from Lahore University of Management Sciences (LUMS) and Bachelors of Engineering from University of Engineering and Technology, Lahore, Pakistan. He possesses an overall professional experience of over twenty-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 Saeed Raja

### Group Head – Operations



Mr. M. Saeed Raja leads the Operations Group of MCB Islamic Bank Ltd. Core responsibilities of the group includes Centralized Branch Operations, Centralized Trade Operations, Consumer Finance Operations, Centralized Credit Operations, Treasury Operations, Swift Operations, System parameterization & Static Data Management of Core Banking system and allied applications, Centralized Reconciliation, Vendor Management & Outsourcing arrangements, Fund Settlement, Cash Processing Centers, Centralized Inward Clearing, Centralized FCY Remittances & Business Process Development & Re-Engineering.

Saeed has a diversified experience of over 29 years in the areas of Retail, Corporate and Islamic Banking. He is a diversified banker with core competences of branch Operations, centralized Operations, credits, foreign trade, business development & expansion, internal control, business process re-engineering & management and core banking system implementation.

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

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

## Syed Salman Ali

### Group Head – Treasury & FXG

Syed Salman Ali has over 34 years of extensive experience of national and international Treasuries especially of Islamic Banking. Currently, he is looking after Treasury and Capital Market as a Group Head since last four years at MCB Islamic Bank Limited. He established the Bank's treasury & FI and allied formations converting Islamic banking Division to full-fledged Islamic bank.

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



## Mr. Muhammad Tariq Gondal

### Group Head – Internal Audit & Risk Asset Review

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



## Mr. Usman Ajmal

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

Mr. 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.



## Ms. Maimoona Cheema

### Company Secretary & Head of Legal

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

Ms. 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.



## 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 20 years of teaching, 13 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhassus-Fil-Fiqh, M.A Islamic Studies, M.Phil in Islamic Banking & Finance and M.S (I.T) degrees. He is enrolled in PhD. on Islamic Banking and Finance from International Islamic University, Islamabad (IIUI).

He is ex-member of Shari'ah Advisory Board of SECP, Member of the Committee on Accounting and Auditing Standards of ICAP and invitee participant of Shari'ah Advisory Committee of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he was member of review committee for Urdu translation of AAOIFI Shari'ah standards. He is author of 25 books on Islamic economics & banking and other social issues. He is also delivering lectures in different Dar-ul-Ulooms and Universities.







*Floral Decoration*

## KEY

# EXECUTIVES

**Mr. Muhtashim Ahmad Ashai**

President/CEO

**Mr. Farhan Baig**

Head of Retail Banking

**Mr. Omer Khalid Lashari**

Group Head – Corporate, Investment  
Banking & FI

**Mr. Khawaja Khalil Shah**

Chief Risk Officer

**Syed Iftikhar Hussain Rizvi**

Chief Financial Officer

**Mr. Kashif Ahmed**

Group Head – Compliance and Controls

**Mr. Muhammad Hamid Yasin**

Group Head – Consumer and Microfinance

**Mr. Muhammad Ali Ansari**

Group Head – Business Distribution

**Mr. Azhar Nazir**

Chief Information Officer

**Mr. Salman Qutb**

Group Head – Human Resource Management

**Mr. Muhammad Saeed Raja**

Group Head – Operations

**Syed Salman Ali**

Group Head – Treasury & FXG

**Mr. Muhammad Tariq Gondal**

Group Head – Internal Audit & Risk Asset Review

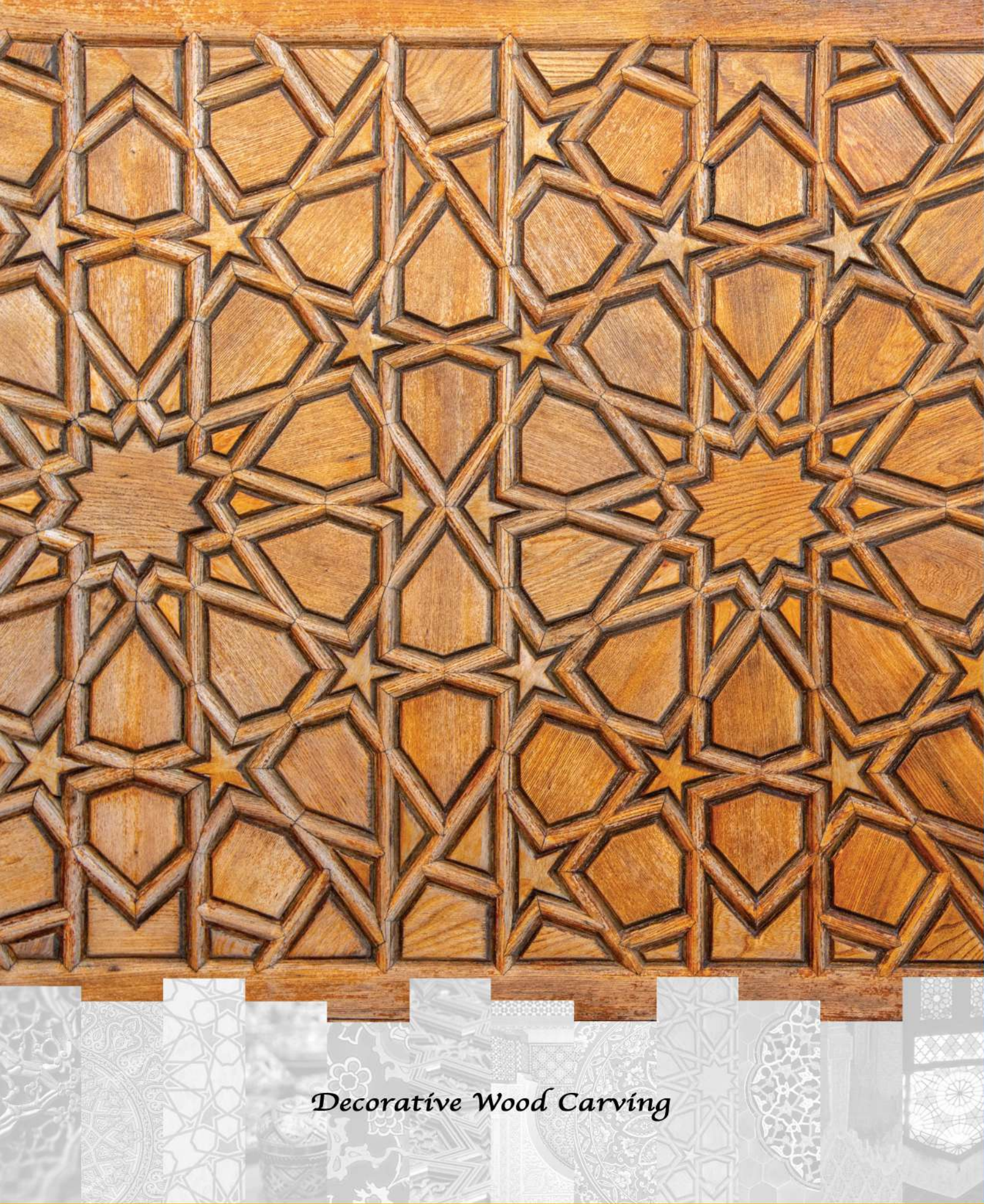
**Mr. Usman Ajmal**

Group Head – Product Management &  
Shari'ah Structuring

**Ms. Maimoona Cheema**

Company Secretary & Head of Legal





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# SHARI'AH BOARD

## MEMBERS



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

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

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





**Prof. Mufti Munib-ur-Rehman**  
Chairman Shari'ah Board

Prof. Mufti Munib-ur-Rehman, working with MCB Islamic Bank since September 2015, is a renowned Shari'ah scholar with a vast 47 years' teaching and 32 years' Fatawa issuance experience. He remained the member of Shari'ah Advisory Board of Securities and Exchange Commission of Pakistan (SECP) for three terms and the member of the Council of Islamic Ideology Pakistan (CIIP), he is rendering voluntary services for the country since 2001 as Chairman Central Moon Sighting Committee Pakistan. He served as Director of Islamic Studies, Hong Kong in 1985. He is the president of Tanzeem-ul-Madaris Ahle Sunnat Pakistan & Secretary General of Ittihad-e-Tanzeemat-e-Madaris Pakistan. He participated in international seminars in Saudi Arabia, UK, Norway, USA, Canada, Kazakhstan, Turkey and other countries.

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

## Mufti Syed Sabir Hussain

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

Mufti Syed Sabir Hussain, working with MCB Islamic Bank Ltd. since September 2015, is a prominent Shari'ah Scholar and experienced Islamic Banker with 20 years of teaching, 13 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhassus-Fil-Fiqh, M.A Islamic Studies, M.Phil. in Islamic Banking & Finance and M.S (I.T) degrees. He is enrolled in PhD. on Islamic Banking and Finance from International Islamic University, Islamabad (IIUI).

He is ex-member of Shari'ah Advisory Board of SECP, Member of the Committee on Accounting and Auditing Standards of ICAP and invitee participant of Shari'ah Advisory Committee of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he was member of review committee for Urdu translation of AAOIFI Shari'ah standards. He is author of 25 books on Islamic economics & banking and other social issues; He is also delivering lectures in different Dar-ul-Ulooms and Universities.



## Mufti Nadeem Iqbal

### Shari'ah Board Member

Mufti Nadeem Iqbal is the Shari'ah Board Member. He is senior teacher and Mufti at Dar-ul-Uloom Amjadia, Karachi and currently heading Dar-ul-Ifta. He has 28 years' experience of teaching Islamic Jurisprudence and 16 years' experience of issuing Fatawa (Shari'ah Opinions). He has 14 years' experience in Islamic Banking. He holds Master's Degree in Islamic Studies from University of Karachi, Takhusus-Fil-Fiqh from Dar-ul-Uloom Amjadia, Karachi, Fazil Dars-e-Nizami, and Fazil Shahada-tul-Almia. He gave his services as Resident Shari'ah Board Member/Shari'ah Advisor at Soneri Bank's Islamic Banking Division for thirteen years. He is visiting faculty member at Sheikh Zayed Islamic Centre, University of Karachi and Hamdard University, Karachi. He is writer of several books including Islamic Jurisprudence.







Islamic Decorative Art

# ROLE OF SHARI'AH BOARD

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

## Meetings of Shari'ah Board held in 2019

Sr. No.	Quarter	Date of Meeting	Meeting Attended (Yes / No)		
			Chairman	Member	RSBM
1	Q1	29-Mar-19	Yes	Yes	Yes
2	Q2	18-Jun-19	Yes	Yes	Yes
3	Q3	26-Sep-19	Yes	Yes	Yes
4	Q4	19-Dec-19	Yes	Yes	Yes

## Meetings of Shari'ah Board-Board of Directors held in 2019

Sr. No.	Half Year	Date of Meeting	Meeting Attended (Yes / No)		
			Chairman	Member	RSBM
1	1st	23-Apr-19	Yes	Yes	Yes
2	2nd	19-Dec-19	Yes	Yes	Yes



#### Membership on Shari'ah Board of other Companies

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



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*Mosaic Design*

## CHAIRMAN'S MESSAGE

I am pleased to present this report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Bank's objectives. MCB Islamic Bank has witnessed another year of growth while establishing a solid financial standing in line with the Bank's strategy. Year 2019 has seen our bank to consolidate and further build on the last year's significant network expansion, with strengthening core deposit, balance sheet spreads and additional capital to leap forward towards a sound financial position.

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 market opportunities and to vigilantly enhance the portfolio to obtain sustainable positive results. Our results for the year have shown promising signs with great potential to grow in coming years. In addition, we have a solid commitment for playing our constructive role towards the growth of Islamic financial system in Pakistan.

Pakistan has witnessed a deteriorated economic situation during 2019. Owing to the government's quest for structural economic reforms including an improved tax to GDP ratio, controlled fiscal deficit, and floating exchange rate regime along with the documentation of the economy and measures to curtail money laundering have all combined to bring down the GDP growth to 3.3% in the year 2019, as compared to 5.5% in 2018. We believe that 2020 will be the year when Pakistan's economy will start its growth curve again provided the stabilizing measures in terms of policy and administration taken by the government and SBP materialize. However, further immediate efforts are required to tackle the continuously rising inflation and the industrial economic revival.

Islamic banking has now become an integral part of global financial system and still growing at a reasonably good pace. According to Financial Stability Report 2019 issued by Islamic Financial Services Board (IFSB), the total worth of the Islamic Financial Services Industry (IFSI) increased to US\$ 2.19 trillion in 2018 on the back of significant improvement across the three sectors of Islamic Banking, the Islamic Capital Market and Takaful. In Pakistan, Islamic Banking sector though growing steadily, is yet to tap the paramount growth potential available. The market share of domestic Islamic banking industry stands at 13.8% in terms of banking assets and 16.1% in total deposits, while its network has expanded to over 2,900 branches across the country. Despite the challenges we anticipate in the future, we are confident that our bank will continue to grow towards greater heights of success.

The great role our Board of Directors is playing in steering the Bank towards becoming a success story is worth noting. The MIB Board has displayed great acumen and unmatched standards of ethical and professional conduct in the oversight and management of the organization. This dedication has proved to be invaluable for preserving the interests of our shareholders. The Board has ensured good corporate governance by maintaining high levels of professional and business conduct, implementing effective internal controls and audit functions including risk management framework. It has successfully steered and executed the Bank's strategy while ensuring that the vision, mission and core values of the Bank are never compromised upon. It has also closely reviewed policy related matters with long term implications as per regulatory obligations which also meet the Bank's operational requirements. Board Sub-Committees have been duly constituted with a defined scope of work to ensure that they perform their prescribed functions precisely and efficiently as per their mandate and respective terms of reference.

With our diversified Board of Directors, unparalleled emphasis on service and excellence, we endeavor to succeed and thrive, no matter the conditions or environment.

**Raza Mansha**  
Chairman







*Decorative Motif on Plate*

## PRESIDENT'S MESSAGE

Despite the adverse economic conditions prevailing in the country, the Bank's financial results for the Year 2019 has shown significant improvement depicting the dedication and hard work of our talented and capable team. 2019 was the year of consolidation for our Bank after embarking upon remarkable branch network expansion during the previous year. Our progress throughout the year reflects our clear vision and well defined strategy of emphasizing on quality assets, backed by low cost deposit and containment of costs.

The Bank posted a growth of 12% in its Deposit base with a healthy CASA mix of 76.9%, and non-remunerative Deposit constituting 33.24% of the total Deposit mix as at end of Dec '19. It is worth noting that while the increased benchmark rate during the Year 2019 has made it harder to bring in non-remunerative deposit, the resultant improvement in the industry's margin has positive impact on the profitability. On the asset side, although the investments went up by 28% during the Year 2019, our net financing witnessed a decline of 18% mainly due to CAR constraints and management's approach to focus on quality assets. We continue to prudently manage risk throughout the Bank while maintaining a strong risk management culture, and efforts have been made for improvements in credit quality across commercial and corporate portfolios. The Bank posted an after-tax loss of Rs.244 million for the year, decreasing by 78% from Rs.1,096 million loss at the end of Dec '18. This is a significant improvement especially keeping in view the weak capital market performance and the Bank's incremental expansion costs. The Bank's sound financial position was reaffirmed by the Pakistan Credit Rating Agency (PACRA), which maintained the Bank's medium to long-term rating as "A" and the short-term rating as 'A-1' with positive outlook.

Our improving results are demonstrative of the competent execution of our strategies and assure us that we are indeed on the right track to achieve and deliver on future goals and milestones. The Bank is successfully preparing to benefit from the stable outlook of the Pakistan's banking system. In spite of the difficult operating conditions for Pakistan banks amid tight monetary policies, the economic activity in the country would be supported by ongoing infrastructure projects and improvements in power generation and internal security.

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

The current economic instability, commodity price fluctuations, tax reforms, rising inflation, and tight monetary policy are amongst the many challenges being faced by the economy and banking sector. However, with the best professional management and a proactive approach, we possess the ability to take the Bank towards sustainable growth.

Lastly, I would like to acknowledge the guidance of the Chairman, and Board of Directors for their contribution in making 2019 a successful year for the Bank. The dedication and hard work of our team strengthens our commitment to serve our customers with increased diligence and interest. With our energy, team work, and unity of purpose, I have no doubt that we will be able to go the extra mile to meet and exceed the expectations of our shareholders, customers, employees and regulators.

**Muhtashim Ahmad Ashai**  
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) for the year ended December 31, 2019.

Rupees in Million			
Statement of Financial Position	2019	2018	Growth (%)
Deposits	81,854	73,307	12%
Total Assets	105,017	94,894	11%
Investments – net	16,310	12,714	28%
Islamic Financing – net	51,310	62,907	-18%
Shareholders' Equity (including revaluations)	10,467	10,070	4%
Profit & Loss Account	2019	2018	Growth (%)
Operating income	4,337	2,303	88%
Operating and other expenses	4,503	3,088	46%
Loss before provisions	(166)	(785)	-79%
Provisions against financing and investments	200	896	-78%
Loss before taxation	(366)	(1,680)	-78%
Loss after taxation	(244)	(1,096)	-78%
Basic / diluted loss per share - Rs.	(0.22)	(0.99)	-78%

### Bank's Performance

In 2019, the Bank continued its active focus on managing its economic capital prudently to attain consistent growth in deposit base and high quality assets despite multiple challenges being faced by the Banking sector due to weak macro-economic conditions in the country. The margins remained compressed due to re-pricing lag between earning assets and liabilities, along with rising cost of doing business, increasing regulatory and compliance costs, tax imposition, and implementation of new International Financial Reporting Standards even though the SBP's policy rate was at rising trend.

The Bank has shown a sustainable performance both at business and financial fronts due to support of its optimal organizational structure, multi-dimensional risk management framework and effective compliance with regulatory instructions. **Alhamdulillah, the Bank has made a profit before tax of Rs.59 million for 2nd Half of 2019.**

During the year bank expanded its branch network by nine more branches and reached at total branches to 185. Our active liability team has successfully delivered with respect to low cost deposit mobilization. The Bank's deposit portfolio with a decent growth of 12% on year-on-year basis touched at Rs.81.8 billion from Rs.73.3 billion in 2018. The Bank not only successfully expanded its new to bank accounts by 35 thousand but also maintained an optimal cost of funds 6.28% through strong relationship management and better customer experience. The Bank's continued focus on the accumulation of no and low-cost Deposits has resulted in a healthy CASA mix at 76.9%, with non-remunerative Deposit constituting 33% of total Deposit mix as at end of Dec '19. This position promises well to support future earnings, in view of the expectation of decrease in policy rate during the next year.

The Bank's asset base has reached to Rs.105 billion as at end of Dec '19, with an 11% increase against Rs.94.9 billion at the end of Dec '18. While the investments witnessed a notable growth of 28%, closed at Rs.16.3 billion as at Dec 31, 2019 against Rs.12.7 billion at Dec 31, 2018, the net financing of the Bank decreased by 18% over

*Geometric Design*



the year to close at Rs.51 billion. The main impediment behind selective financing has been the CAR constraint, along with the Bank's prudent approach to focus on asset quality, rationalization with respect to maximum yields & customers composition and minimizing the risk of portfolio infection. The overall industry's advances growth remained subdued due to rising challenges of credit risk.

On profitability side, the Bank manifested significant improvement despite a dull performance of the capital market and additional impact of adopting the International Financial Reporting Standard (IFRS) 16 – Leases. The Bank's gross revenue stood at Rs.10.2 billion in 2019 as compared to Rs.4.6 billion in 2018, showing a promising growth of 122%. Return on earning assets stood at a robust level of 11.5% while the cost of funds was at 6.39% resulting in a net spread of 5.17% for the year under review.

Operating expenses increased by 46% mainly due to the full current period impact of 90 branches which were taken over/merged w.e.f. Jun 02, 2018 last year coupled with high inflationary pressures, significant currency devaluation, and higher compliance related regulatory charges.

During the year under review, the Bank adopted the International Financial Reporting Standard IFRS 16 - "Leases", which has introduced the concept of recognizing right of use (ROU) assets and corresponding lease liabilities on the Balance Sheet of the lessee. Implicit profit expense amortized on lease liabilities and depreciation on ROU assets led to additional charge of Rs.816 million in total whereas reversal of rental expense led to decline of Rs.536 million in the operating expenses, resulting in net loss of Rs. 280 million for the period.

The Bank's loss before provisions during the year was Rs.166 million. However, barring the aforementioned net additional impact of Rs.280 million booked under IFRS-16, business as usual profit before provisions amounts to Rs.114 million compared to loss of Rs.785 million in the comparative period; representing a significant improvement of 115%. Further, the provision charge during the period mainly represents the provisions against capital market portfolio amounting to Rs.199.8 million.

In view of the above developments, poor capital market performance and carrying the expansion cost; gradually increasing Balance Sheet spreads enabled the Bank's P&L improved significantly and posted an after tax loss of Rs.244 million for the period under review against loss of Rs.1,096 million for the corresponding period, representing a healthy decrease of 78%. The improvement in the Bank's profitability is also evident from loss per share after tax for the period, which came down considerably to Rs.0.217 for the period against Rs.0.987 in the same period of last year.

### Economic Review

In 2019, Global growth came down to 2.4 % for the Year 2019 against 3% of 2018 as per World Bank mainly due to US-China trade tensions, Brexit fears, US-Iran uncertain relationship and slow economic activities in both advanced and emerging markets.

On domestic front, the country's economy faced a significant slowdown within stringent policy actions taken by both the Government and SBP, as part of the ongoing macroeconomic stabilization measures. Challenges like maintenance of stable foreign exchange reserves, containment of fiscal deficit & high inflation levels, monetary policy issues and rupee devaluation have resulted in decline of GDP growth rate to 3.3% for FY'19 against 5.5% in FY'18.

Overall fiscal deficit reached to a record high 8.9% of GDP in FY'19 despite Government's efforts to contain the currents spending. However, during the first half of FY20, increase of tax revenue collections by 16% over the same period last year and public sector development programs of Rs. 300 billion is expected to support the economic recovery and sustainable growth thereafter.

Balance of Payments continued to improve with current account and trade deficits has drastically reduced to USD 2.2 billion and USD 9.8 billion at Dec'19 from USD 8.6 billion and USD 16.2 billion at Dec'18 respectively. Workers' remittances increased to USD 22.2 billion during CY 2019 from USD 21.1 billion in CY 2018. Consequently, the FX reserves increased to USD 17.9 billion at Dec'19 from USD 13.8 billion at Dec'18, a rise of 29.7%. Other positive elements in this regard are the IMF's Extended Fund Facility availed in Year 2019 and deferred payment oil imports from Saudi Arabia. These factors led to ease out some pressure on the exchange rate which stood at PKR 155/USD on closing Dec '19 with an 11.5% devaluation over the year.

Strong inflationary pressures built up during the Year 2019. CPI was recorded at 12.6% on YoY basis in Dec'19 as compared to 5.4% during the corresponding month of last year. Rising inflation combined with deteriorating fiscal imbalance resulted in an increase in the benchmark Policy Rate to 13.25% from 10% during the Year 2019.

On the other hand, the stock market has shown a mix performance, bearish trend in first half of CY'19 and a relatively bullish sentiment towards the end of CY'19 attributed to investor confidence being restored gradually regarding macro-economic outlook. KSE-100 Index closed at 40,735 points in Dec '19, as compared to 37,067 points in Dec'18.

In 2019, Islamic banking industry continues to broaden its outreach trying to compete effectively with conventional banks through increasing range of products and higher quality services. Total assets and deposits were at Rs. 2,995 billion (market share of 13.8%) and Rs. 2,407 billion (market share of 16.1%) respectively by the end of Sep'19. Branch network closed at 2,979 branches on Sep'19.

### Corporate and Financial Reporting Framework

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, except for the changes in accounting policies as described in Note 5(a) to the Financial Statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed and explained.
- No dividend/bonus shares have been declared for the year.
- There is no doubt upon the Bank's ability to continue as going concern.
- The directors of the Bank are in compliance with respect to training requirements.
- 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 Dec 31, 2019 amounted to Rs.243.3 million.
- There is no overdue statutory payment on account of taxes, duties, levies and charges.

### Compliance with Listed Companies

#### (Code of Corporate Governance) Regulations, 2019

The requirements of the Code of Corporate Governance set out by the Securities and Exchange Commission of Pakistan in the Listed Companies (Code of Corporate Governance) Regulations, 2019 relevant for the year ended December 31, 2019 have been adopted by the Bank. A statement to this effect is annexed with the report.

### Internal Control Framework

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

### 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

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



align the Risk Management Framework with the international best practices and the guidelines of State Bank of Pakistan.

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

The Bank's market risk management unit is responsible for management of Basel related ratios, annual Internal Capital Adequacy Assessment, annual behavioral study and quarterly stress testing for market & liquidity risks as part of regulatory regime. The Bank also calculates Value at Risk for various market risk parameters assessment.

Asset-Liability Management Framework/Liquidity Strategy & Contingency Funding Plan are in place, to ensure that the Bank can meet its liquidity needs on a timely basis while optimizing contribution towards the profitability of the Bank. Asset Liability Committee at management level is responsible for oversight of the assets and liabilities management function.

Operational risk at the Bank is managed through diversified data collection mechanism which includes but not limited to data for Operational Losses, Near Miss Events, Control Breach Data, internal / external / compliance / regulatory observations and Risk Control & Self-Assessment exercise etc. to present a quarterly overview of significant events before Board's Risk Management and Portfolio Review Committee. Further, various bank wide training sessions are conducted to create risk awareness among the staff.

Fraud risk is monitored through a specialized unit which also operates a 24x7 call center to track usage of digital banking transactions. A Business Continuity Policy has been implemented and related imperative are monitored by Business Continuity Management Committee.

IT security risks are being mitigated through various automated solutions for monitoring of data base logs, patch management and cyber threats; along with the annual internal and external vulnerability assessment and penetration testing. The Bank aims to further strengthen the related risk mitigating measures.

#### Charity Funds Management

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

No late payment penalties are taken from the customers in line with the Shari'ah approved principles. However, customers have to contribute towards a charity account in case of late payment to disincentives misuse of the system. Also, if during a Shariah audit, a transaction is identified where the process defined to ensure Shariah compliance is not followed, income of such a transaction is transferred to charity account. During 2019, a total of Rs.22.5 million was paid from the charity account on behalf of the customers and to purify the non-compliant income to different charitable organizations as detailed in Note 19.2.1 to Financial Statements.

#### Trading of Shares of the Bank

Bank is currently a non-listed concern; hence no trades in the shares of the Bank were carried out by the Directors, executives and their spouses and minor children during the Year 2019.

#### Board Committees

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

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

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

DIRECTORS	STATUS		Membership					
			BAC	HR & RC	RM & PRC	BITC	BEC	BSSQRC
Raza Mansha	Non-Executive	Male	-	✓	-	✓	-	✓
Aftab Ahmad Khan	Non-Executive	Male	✓	✓	-	-	-	✓
Ibrahim Shamsi	Non-Executive	Male	-	-	✓	✓	-	-
Omair Safdar	Non-Executive	Male	✓	✓	✓	-	✓	-
Ahmed Ebrahim Hasham	Non-Executive	Male	-	-	✓	-	-	✓
Dr. Khalid Zaheer	Independent	Male	✓	✓	-	✓	✓	-
Seema Aziz	Independent	Female	✓	-	-	-	-	✓
Muhtashim Ahmad Ashai	President & CEO	Male	-	-	✓	✓	-	✓

#### Meetings of the Board of Directors and Sub-committees:

Details for the meetings of the BOD and sub-committees held during the Year 2019 along with attendance are as below:

DIRECTORS	Attendance						
	BOD	BAC	HR & RC	RM & PRC	BITC	BEC	BSSQRC
Raza Mansha	6/6	-	3/3	-	3/3	-	3/5
Aftab Ahmad Khan	4/6	2/4	2/2	0/1	-	-	3/5
Ibrahim Shamsi	5/6	1/1	-	3/4	3/3	-	1/1
Omair Safdar	4/6	3/4	3/3	4/4	-	1/1	1/1*
Ahmed Ebrahim Hasham	4/6	-	1/1	2/3	1/1	1/1	3/4
Dr. Khalid Zaheer	4/6	4/4	3/3	-	1/2	0/1	-
Seema Aziz	3/5	2/3	-	-	-	-	1/4
Muhtashim Ahmad Ashai	5/5	-	-	3/3	2/3	-	4/4

\*attended as special invitee.

#### Directors' Remuneration

Non-executive directors including independent directors are paid a reasonable and appropriate remuneration for attending the Board and/or its committee meetings which is disclosed in the Note 37 to the Financial Statements.

This remuneration is not at a level that could be perceived to compromise independence. No fee is paid to the directors who do not attend a meeting. Similarly, fee is not paid for the proposals considered through circulation.

#### Director's Training Program

Most of the Board Members either have minimum education and experience as required under Regulation 19 (2) for exemption from Directors Training Program, or has already completed Directors Training Program pursuant to the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. During the year, the Board has arranged Directors' Training program for Ms. Seema Aziz and Mr. Muhtashim Ahmad Ashai.

Till Dec 31, 2019, the following directors have attended Directors Training Program from SECP approved institutions:

- Mr. Ahmed Ebrahim Hasham
- Mr. Omair Safdar
- Ms. Seema Aziz
- Mr. Muhtashim Ahmad Ashai



## Change in Directors

Mrs. Shahima Rehman was elected as female independent director during the elections of the Board of Directors on Oct 08, 2018 however she resigned from the position on Nov 12, 2018. To fill the casual vacancy, Ms. Seema Aziz was appointed as new female independent director on the Board of Directors on Feb 26, 2019.

Mr. Ali Muhammad Mahoon, President/CEO of MCB Islamic Bank Limited resigned from his position, which was accepted by the Board of Directors w.e.f. Mar 11, 2019. Mr. Muhtashim Ahmad Ashai was appointed as the new President/CEO of the Bank on Mar 29, 2019. Subsequent to year ended Dec 31, 2019, Mr. Muhtashim Ahmad Ashai resigned from his position which was accepted by the Board of Directors on Jan 24, 2020 subject to notice period as per regulatory requirement/clearance from SBP. Fit & Proper Test documents of the nominated/successor will be submitted soon with SBP.

## Pattern of Shareholding

As of Dec 31, 2019 the seven (07) non-executive directors hold one share each, while remaining 1,154,999,993 shares of the Bank are held by the Parent Company i.e. MCB Bank Ltd.

## 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, 2020.

## Future Outlook

The near term challenges to Pakistan's economy continue to persist with the rising inflation, a high fiscal deficit and low foreign exchange reserves. The banking sector outlook remains challenging in view of expected suppressed economic activity and resultant risks to asset quality, weak credit expansion, inflationary pressures on the cost of doing business, regulatory tightening and evolving customer experience dynamics. However, the prudent fiscal and monetary measures would be anchoring the market sentiment and improving the inflation outlook in support of economic activities of the country.

Despite the challenging external environment, the Bank intends to continue with its strategy of long-term sustainable profitability through focus on generating no and low-cost Deposits, high earning assets, containment of operating expenses and better service quality. The Bank believes in building a professionally competent workforce and intends to continue investment in human resources by providing them learning and development opportunities.

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

## Acknowledgment

On behalf of the Board of Directors and management, I wish to express 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 03, 2020

## مستقبل کی پیش بینی:

پاکستان کی معیشت کے لیے بڑھتے ہوئے افراط زر، بلند ترین مالی خسارہ اور زرمبادلہ کے کمزور ذخائر کے باعث مستقبل قریب میں چیلنجز برقرار ہیں۔ بینکاری کے شعبہ کی پیش بینی، معاشی سرگرمیوں پر متوقع دباؤ اور اس کے نتیجے میں اثاثہ جات کے معیار سے متعلقہ خدشات، قرض کی محدود وسعت، کاروبار کرنے کی لاگت میں افراط زر کے دباؤ، انضباطی سختی اور صارفین کی بدلتی ضروریات کے تناظر میں مشکلات کا شکار ہے۔ تاہم مالیاتی اور انضباطی دانشمندانہ اقدامات مارکیٹ کے اعتماد اور افراط زر کی پیش بینی کو بہتر بنانے اور ملک میں معاشی سرگرمیوں کے فروغ کے لیے اہم کردار ادا کر سکتے ہیں۔

ایک مشکل بیرونی ماحول کے باوجود بینک کم یا بغیر لاگت کے ڈیپازٹس کے حصول، زیادہ پیداواری اثاثہ جات، کاروباری اخراجات میں کمی اور اعلیٰ معیار کی خدمات فراہم کرنے پر خصوصی ارتکاز کے ذریعے اپنی طویل المدت پائیدار منافع کی حکمت عملی کو جاری رکھنے کے لیے پُر عزم ہے۔ بینک پیشہ وارانہ طور پر قابل افرادی قوت کو تعمیر کرنے پر یقین رکھتا ہے اور انکو سیکھنے اور ترقی کے مواقع فراہم کرنے کے ذریعے اپنے افرادی وسائل میں سرمایہ کاری کا خواہشمند ہے۔

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

## تسلیم و تحسین:

بورڈ آف ڈائریکٹرز کی جانب سے میں اپنے صارفین، کاروباری شراکت داروں اور شیئرز ہولڈرز کا اگے مسلسل اعتماد اور تعاون پر تہ دل سے شکور ہوں۔ میں اسٹیٹ بینک آف پاکستان، سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر انضباطی اداروں کی جاری معاونت اور رہنمائی پر بھی انکابے حد شکور 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 منشا

چیرمین

03 فروری 2020



## بورڈ کی کمیٹیاں:

بورڈ آف ڈائریکٹرز نے بینک کے متعلقہ خصوصی شعبہ جات کی جانچ و پڑتال کے لیے مختلف ذیلی کمیٹیوں کی تشکیل کی ہے جن کی تفصیل مندرجہ ذیل ہے:

- بورڈ آڈٹ کمیٹی (بی اے سی)
- ہیومن ریسورس اینڈ ریمونریشن کمیٹی (Remuneration) (ایچ آر & آر سی)
- رسک مینجمنٹ اینڈ پورٹ فولیو ریویو کمیٹی (آر ایم & پی آر سی)
- بورڈ انفارمیشن ٹیکنالوجی کمیٹی (بی آئی ٹی سی)
- بورڈ اویلیویشن کمیٹی (ایو ایل سی)
- بزنس اسٹریٹجی اینڈ سروس کوالٹی ریویو کمیٹی (بی ایس ایس کیو آر سی)

ان کمیٹیوں کے ممبران کی تفصیل مندرجہ ذیل ہے:

ممبر شپ						حیثیت		ڈائریکٹرز
BSSQRC	BEC	BITC	RM & PRC	HR & RC	BAC			
✓	-	✓	-	✓	-	مرد	نان ایگزیکٹو	رضاء منشاء
✓	-	-	-	✓	✓	مرد	نان ایگزیکٹو	آفتاب احمد خان
-	-	✓	✓	-	-	مرد	نان ایگزیکٹو	ابراہیم ششی
-	✓	-	✓	✓	✓	مرد	نان ایگزیکٹو	عمیر صفدر
✓	-	-	✓	-	-	مرد	نان ایگزیکٹو	احمد ابراہیم ہشام
-	✓	✓	-	✓	✓	مرد	آزاد	ڈاکٹر خالد ظہیر
✓	-	-	-	-	✓	خاتون	آزاد	سیماء عزیز
✓	-	✓	✓	-	-	مرد	پریذیڈنٹ/سی ای او	مہتمم احمد شہابی

## بورڈ آف ڈائریکٹرز اور ذیلی کمیٹیوں کی میننگنگ:

سال 2019ء کے دوران بورڈ آف ڈائریکٹرز اور ذیلی کمیٹیوں کے منعقد کیے گئے اجلاس اور انکی حاضری کی تفصیل مندرجہ ذیل ہے:

حاضری							ڈائریکٹرز
BSSQRC	BEC	BITC	RM & PRC	HR & RC	BAC	BOD	
3/5	-	3/3	-	3/3	-	6/6	رضاء منشاء
3/5	-	-	0/1	2/2	2/4	4/6	آفتاب احمد خان
1/1	-	3/3	3/4	-	1/1	5/6	ابراہیم ششی
1/1*	1/1	-	4/4	3/3	3/4	4/6	عمیر صفدر
3/4	1/1	1/1	2/3	1/1	-	4/6	احمد ابراہیم ہشام
-	0/1	1/2	-	3/3	4/4	4/6	ڈاکٹر خالد ظہیر
1/4	-	-	-	-	2/3	3/5	سیماء عزیز
4/4	-	2/3	3/3	-	-	5/5	مہتمم احمد شہابی

\* خصوصی دعوت پر شرکت کی

## ڈائریکٹرز کے معاوضے:

تمام نان ایگزیکٹو ڈائریکٹرز بشمول آزاد ڈائریکٹرز کو بورڈ اور ایسا اسکی ذیلی کمیٹیوں کے اجلاسوں میں شرکت کے عوض نہایت معقول اور مناسب معاوضہ دیا جاتا ہے جس کی تفصیل مالیاتی گوشواروں کے نوٹ 37 میں مہیا کی گئی ہے۔

یہ معاوضے اس درجہ کے نہیں ہوتے کہ کسی کی آزاد حیثیت کے بارے میں کسی مفاہمت یا سمجھوتے کا تاثر بھی مل سکے۔ اجلاس میں شرکت نہ کرنے والے ڈائریکٹرز کو کوئی فیس نہیں ادا کی جاتی۔ اسی طرح کسی تجویز کی سرکولیشن کے ذریعے منظوری کی بھی کوئی ادائیگی نہیں کی جاتی۔

## ڈائریکٹرز ٹریننگ پروگرام:

زیادہ تر بورڈ ممبران ریگولیشن (2) 19 کے تحت ڈائریکٹرز کی ٹریننگ کے پروگرام سے استثناء کے مطلوبات کے مطابق کم از کم تعلیم اور تجربہ رکھتے ہیں یا لٹریٹ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تحت ڈائریکٹرز کی ٹریننگ کے پروگرام کو مکمل کر چکے ہیں۔ سال 2019ء کے دوران بورڈ نے محترمہ سیماء عزیز اور جناب مہتمم احمد شہابی کے لیے ڈائریکٹرز ٹریننگ پروگرام کا انتظام کیا۔

31 دسمبر 2019 تک مندرجہ ذیل ڈائریکٹرز ایس ای سی پی (SECP) کے منظور شدہ ادارے سے ڈائریکٹرز ٹریننگ پروگرام مکمل کیا:

- جناب احمد ابراہیم ہشام
- جناب عمیر صفدر
- محترمہ سیماء عزیز
- جناب مہتمم احمد شہابی

## ڈائریکٹرز کی تبدیلی:

08 اکتوبر 2018 کو بورڈ کے ڈائریکٹرز کے انتخابات کے دوران محترمہ شمیمہ رحمان کو بطور ڈائریکٹر منتخب کیا گیا۔ تاہم 12 نومبر 2018 کو انہوں نے اپنی اس پوزیشن سے استعفیٰ دے دیا۔ محترمہ شمیمہ رحمان کے متبادل کے طور پر 26 فروری 2019 کو محترمہ سیماء عزیز کو بورڈ کے ڈائریکٹرز میں نئی خاتون آزاد ڈائریکٹر کی حیثیت سے منتخب کیا گیا۔

جناب علی محمد مامون، پریذیڈنٹ/سی ای او ایم سی بی اسلامک بینک لمیٹڈ نے اپنے عہدہ سے استعفیٰ دے دیا جو کہ بورڈ آف ڈائریکٹرز نے 11 مارچ 2019 کی قابل اطلاق تاریخ سے منظور کر لیا۔ 29 مارچ 2019 کو جناب مہتمم احمد شہابی کو بینک کے نئے پریذیڈنٹ/سی ای او کے طور پر تعینات کیا گیا۔ 31 دسمبر 2019 کو اختتام پزیر سال کے بعد جناب مہتمم احمد شہابی نے اپنے عہدہ سے استعفیٰ دے دیا جو کہ بورڈ آف ڈائریکٹرز نے، اسٹیٹ بینک آف پاکستان کے مطلوبہ ضوابط/کلیئر انس اور نوٹس کی مدت سے مشروط، 24 جنوری 2020 کی قابل اطلاق تاریخ سے منظور کر لیا۔ ان کے مجاز جانشین کے فٹ اور پراپر ٹیسٹ (Fit and Proper) کی دستاویزات اسٹیٹ بینک آف پاکستان کو جلد ہی جمع کروادی جائیں گی۔

## حصص کی نمائندگی کی ترکیب:

31 دسمبر 2019 تک بینک کے سات (07) نان ایگزیکٹو ڈائریکٹرز کے پاس فی کس ایک (01) حصص رہا۔ جبکہ باقی 1,154,999,993 حصص بینک کی مالک کمپنی ایم سی بی بینک لمیٹڈ کی ملکیت میں رہے۔

## آڈیٹرز:

ریٹائرنگ آڈیٹرز میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، اگلی مدت کے لیے اہلیت کے باعث دوبارہ تقرری کے خواہشمند ہیں۔ آڈٹ کمیٹی کے مشورے کے مطابق بورڈ آف ڈائریکٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کو 31 دسمبر 2020 پر اختتام پزیر سال کیلئے قانونی (Statutory) آڈیٹرز تجویز کرتے ہیں۔



- فنانشل اسٹیمٹس کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کو مد نظر رکھا گیا ہے اور اس سے کسی بھی انحراف کو وضاحت کے ساتھ سالانہ اکاؤنٹس میں بیان کیا گیا ہے۔

- 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۔

- بینک کے ڈائریکٹرز ٹریننگ کے تمام مطلوبات کی مکمل پابندی کرتے ہیں۔

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

- اندرونی انضباط کا نظام مضبوط و خدوخال 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 2019 تک پروویڈینٹ فنڈ کی سرمایہ کاری کی قدر بمطابق غیر آڈیٹڈ اکاؤنٹس 243.3 ملین روپے رہی۔

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

## لسٹڈ (Listed) کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی تکمیل:

بینک نے 31 دسمبر 2019 کو اختتام پذیر سال سے متعلق کوڈ آف کارپوریٹ گورننس کی مطلوبہ شرائط، جن کا تعین سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان نے لسٹڈ (Listed) کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 میں کیا ہے، کی تکمیل کی ہے۔ اس ضمن میں مقررہ بیانیہ اس سالانہ رپورٹ میں شامل ہے۔

## انٹرنل کنٹرول (اندرونی انضباط) کا فریم ورک:

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

## کریڈٹ ریٹنگ:

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

## خداشات کا انتظام: (رиск مینجمنٹ فریم ورک)

خداشات کے تدارک کا نظام، گورننس اور ادارے کی انتظامی ہیئت، پالیسی اور طریقہ کار، خداشات کے تعین کے اسلوب، آلات، سسٹمز، خطرات کی پہچان، نشاندہی، رپورٹنگ اور متحرک میکنزم جو کہ بینک کی مخصوص ہدایات اور بورڈ آف ڈائریکٹرز کی جانب سے متعین کاروباری ہدف اور بینک کے حجم اور گنجائش جو کہ خداشات کے تدارک کے نظام کی آزادانہ ہیئت کو یقینی بناتے ہوئے ان کو جانچنے، پرکھنے، قابو پانے اور خداشات کو اخذ کرنے والے اولین کردار یعنی کاروبار فراہم کرنے والے گروپس، کی جانب سے ان کا احاطہ کرنے سے مکمل مطابقت رکھتا ہو، پر مشتمل ہوتا ہے۔ بینک اپنے خداشات کے تدارک کے نظام کو بہترین عالمی طریقہ کار اور اسٹیٹ بینک آف پاکستان کے فراہم کردہ رہنمائی کے اصولوں کے مطابق ہم آہنگ کرنے کے لیے پرعزم ہے۔

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

بینک کا مارکیٹ رиск مینجمنٹ یونٹ انضباطی تقاضوں کو پورا کرتے ہوئے مارکیٹ اور سیال پذیری کے خداشات کے لیے باسل (BASEL) سے متعلق تناسب، سرمائے کی موزونیت کا سالانہ داخلی جائزہ، سالانہ کردار سازی کی تحقیق اور سرمایہ سٹرپس ٹیسٹنگ (STRESS TESTING) کے عمل کو ادا کرنے کا پابند ہے۔ مختلف منڈیوں سے جڑے خداشات کے امور کے تجزیے کے لیے بینک ویلیو ایٹ رиск (Value at Risk) کا تخمینہ بھی لگاتا ہے۔

اثاثہ جات۔ واجبات کے انتظام کا فریم ورک / لیکویڈیٹی اسٹریٹیجی اینڈ کنٹینجمنسی فنڈنگ پلان

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

بینک کے کاروباری خداشات کا تدارک متنوع ڈیٹا (DATA) کو اکٹھا کرنے کے میکنزم بشمول (مگر ان تک ہی محدود نہیں) کاروباری نقصانات کا ڈیٹا، نیرمس ایونٹس (Near Miss Events)، کنٹرول بریک (CONTROL BREACH) ڈیٹا، داخلی / بیرونی / تعمیلی / انضباطی مشاہدوں اور خداشات پر قابو پانے اور خود تشخیصی مشقیں شامل ہیں، کے ذریعہ کیا جاتا ہے تاکہ بورڈ کی رиск مینجمنٹ اور ریویو کمیٹی کے سامنے نمایاں واقعات کا سرمایہ جائزہ پیش کیا جاسکے۔ مزید برآں پورے بینک میں ٹریننگ سیشنز کا انعقاد کیا جاتا ہے تاکہ شاف کو خداشات سے آگہی فراہم کی جاسکے۔

فراڈ (دھوکہ دہی) کے خداشات کی ایک مخصوص یونٹ کے ذریعے نگرانی کی جاتی ہے جو ایک 24 x 7 کال سینٹر کو بھی چلاتا ہے تاکہ ڈیجیٹل بینکاری کے لین دین کے استعمال کا کھوج لگایا جاسکے۔ ایک بزنس کوئی نیوٹی پالیسی (Bussiness Continuity Policy) کا نفاذ کیا گیا ہے اور اس سے متعلقہ ناگزیریت کو بزنس کوئی نیوٹی مینجمنٹ کمیٹی (Bussiness Continuity Management Committee) کے ذریعے جانچا جاتا ہے۔

آئی ٹی سیکورٹی کے خداشات کا تدارک ڈیٹا بیس لاگز (Data Base Logs)، پیج مینجمنٹ اور سائبر تھریٹس (Patch Management and Cyber Threats) کی نگرانی کے خود کار نظام کے ذریعے کیا جاتا ہے جس میں اندرونی اور بیرونی حساسیت کا جائزہ اور اس میں مداخلت کی ٹیسٹنگ (Testing) بھی شامل ہے۔ بینک اپنے خداشات کے تدارک کے اقدامات کو مزید مستحکم کرنے کا اعادہ رکھتا ہے۔

## خیراتی فنڈز کا انتظام:

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

شریعت کے متفقہ اصولوں کی روشنی میں صارفین سے ادائیگی میں تاخیر کے کوئی چار جز نہیں لیے جاتے تاہم، نظام کے غلط استعمال کو روکنے کے لیے صارفین کو تاخیری ادائیگی کی پاداش میں ایک خیراتی اکاؤنٹ میں شمولیت اختیار کرنی پڑتی ہے۔ علاوہ ازیں اگر شریعہ آڈٹ کے دوران کسی ایسے لین دین کی نشاندہی ہو جائے جہاں طریقہ کار کے اختیار کرنے میں شریعت سے انحراف کیا گیا ہو تو ایسے لین دین سے حاصل ہونے والی تمام آمدنی بھی خیراتی اکاؤنٹ میں شامل کر دی جاتی ہے۔ سال 2019 میں صارفین کی جانب سے اور غیر تعمیلی آمدنی کو پاک کرنے کے لیے کل 22.5 ملین روپے کی رقم مختلف خیراتی اداروں کو ادا کی گئی جس کی تفصیل مالیاتی اسٹیمٹس کے نوٹ 19.2.1 میں واضح کی گئی ہے۔

## بینک کے حصص کی ٹریڈنگ / کاروبار:

بینک فی الوقت ایک غیر لسٹڈ ادارہ ہے۔ لہذا اس کے ڈائریکٹرز، عہدہ داران اور ان کے شریک حیات اور نا بالغ بچوں میں سے کسی نے بھی سال 2019 میں بینک کے حصص کا کوئی کاروبار نہیں کیا۔



اور ان سے تعلقات کے مضبوط انتظام کے باعث اپنے سرمائے کی لاگت کو بھی 6.28 فیصد کی شرح پر برقرار رکھنے میں بھی کامیاب رہا ہے۔

بینک اپنی توجہ بغیر یا کم لاگت کے ڈیپازٹس کے حصول پر مسلسل برقرار رکھے ہوئے ہے جس کی بدولت کاسا (CASA) کی شرح 76.9 فیصد کی مضبوط سطح پر رہی جس میں دسمبر 2019 کے اختتام تک غیر پیداواری ڈیپازٹس کی شرح کل ڈیپازٹس کی شرح کا 33 فیصد رہی۔ یہ صورتحال آئندہ سال میں پالیسی ریٹ میں متوقع کمی کے تاثر میں مستقبل میں آمدنی کے حصول کے لیے معاون ثابت ہوگی۔

بینک کے بنیادی اثاثہ جات دسمبر 2018 کے اختتام کی 94.9 بلین روپے کی سطح سے 11 فیصد کے اضافہ کے ساتھ دسمبر 2019 کے اختتام تک 105 بلین روپے تک جا پہنچے۔ جبکہ سرمایہ کاری 31 دسمبر 2018 کے 12.7 بلین روپے کے حجم کی نسبت 28 فیصد کی قابل قدر نمو کے ساتھ 31 دسمبر 2019 تک 16.3 بلین روپے پر درج ہوئی۔ بینک کے خالص قرضہ جات اس سال میں 18 فیصد کی کمی کے ساتھ 51 بلین روپے پر ریکارڈ ہوئے۔ کار (CAR) پروڈاؤ اور اس کے ساتھ ساتھ بینک کی اپنے اثاثہ جات کے معیار پر خصوصی توجہ، زیادہ آمدنی کے حصول کے عمل کی درنگی اور صارفین کی جامعیت اور اپنے پورٹ فولیو کے متاثر ہونے کے کم سے کم خدشات جیسے عوامل، قرضہ جات کے اس انتخاب کے پیچھے بنیادی رکاوٹ کا باعث رہے۔ کریڈٹ رسک کے بڑھتے ہوئے چیلنجز کی بدولت صنعت کے مجموعی قرضہ جات کی ترقی زبوں حالی کا شکار رہی۔

بینک نے منافع کے حوالہ سے کیپٹل مارکیٹ کی ناقص کارکردگی اور عالمی مالیاتی رپورٹنگ اسٹینڈرڈ (IFRS - 16) لیزز (LEASES) کو اختیار کرنے کے اضافی اثرات کے باوجود نمایاں طور پر بہتری کا مظاہرہ کیا ہے۔ بینک کی کل آمدنی سال 2018 کی 4.6 بلین روپے کی سطح سے 122 فیصد کے شاندار اضافہ کے ساتھ 31 دسمبر 2019 تک 10.2 بلین روپے تک جا پہنچی۔ پیداواری اثاثہ جات کی آمدنی کی شرح 11.5 فیصد کی مضبوط سطح پر درج ہوئی جبکہ سرمائے کی لاگت کی شرح 6.39 فیصد رہی جس کے نتیجے میں اس زیر تجزیہ سال میں خالص سپریڈ 5.17 فیصد کی شرح پر ریکارڈ ہوا۔

کاروباری اخراجات میں 46 فیصد کا اضافہ ہوا جس کی بنیادی وجہ 90 برانچوں (جن کو گزشتہ سال 02 جون 2018 سے موخر انضمام 1 حاصل کیا گیا تھا) کے رواں مدت کے اثرات اور اس کے علاوہ بڑھتے ہوئے افراط زر کے دباؤ، کرنسی کی قدر میں نمایاں تقلیم اور زیادہ تعمیل سے متعلق انتظامی اخراجات تھے۔

اس زیر نظر سال کے دوران، بینک نے عالمی مالیاتی رپورٹنگ اسٹینڈرڈ (IFRS - 16) لیزز (LEASES) کا نفاذ کیا ہے۔ جس میں لیس (کرایہ دار - LESSEE) کے میزانیہ میں "اثاثہ جات کے استعمال کے حق" اور لیز (LEASE) کے واجبات کے تقابلی اندراج کے تصور کو پیش کیا گیا ہے۔ لیز کے واجبات پر وقف شدہ مکمل اخراجات اور استعمال کے حق سے متعلقہ اثاثہ جات کی فرسودگی کے باعث کل 816 بلین روپے کے اضافی اخراجات کا تعین کیا گیا ہے۔ جبکہ کرایہ داری کے اخراجات میں کوئی کمی بدولت کاروباری اخراجات میں 536 بلین روپے کی کمی درج ہوئی۔ جس کے نتیجے میں اس مدت میں 280 بلین روپے کا خالص نقصان درج ہوا۔

سال کے دوران بینک کے نقصان قبل از پروویژنز (Provisions) کا حجم 166 بلین روپے رہا۔ تاہم (IFRS - 16) کے مندرجہ بالا 280 بلین روپے کے خالص اضافی اثر کو نظر انداز کرتے ہوئے عمومی کاروباری منافع قبل از پروویژنز کا تعین گزشتہ تقابلی مدت کے 785 بلین روپے کے نقصان کے تناسب میں 115 فیصد کی نمایاں ترقی کے ساتھ 114 بلین روپے پر درج کیا گیا۔ علاوہ ازیں اس عرصہ کے دوران پروویژن کے اخراجات میں زیادہ تر کیپٹل مارکیٹ کے پورٹ فولیو سے متعلقہ 199.8 بلین روپے کی پروویژنز کا شمار کیا گیا ہے۔

مذکورہ بالا عوامل، کیپٹل مارکیٹ کی ناقص کارکردگی اور اپنی وسعت کے فروغ پر کئے گئے اخراجات کے اندراج، میزانیہ کے بتدریج بہتر ہوتے ہوئے سپریڈز کے باعث بینک کے نفع و نقصان میں نمایاں بہتری آئی ہے اور گزشتہ تقابلی عرصہ کے 1,096 بلین روپے کی سطح سے 78 فیصد کی توانا افزائش کے ساتھ نقصان بعد از ٹیکس کی سطح 244 بلین روپے پر درج کی گئی۔ بینک کے منافع میں بہتری کا اندازہ اس مدت میں نقصان بعد از ٹیکس فی حصص سے بھی ظاہر ہوتا ہے جو کہ گزشتہ سال کے اسی عرصہ کی 0.987 روپے فی حصص کی سطح کی نسبت نمایاں کمی کے ساتھ 0.217 روپے فی حصص پر درج کیا گیا۔

## معاشی جائزہ:

ورلڈ بینک کے مطابق سال 2019 میں امریکہ اور چین کے تجارتی تناؤ، بریگزٹ کے خدشات، امریکہ اور ایران کے مابین غیر یقینی تعلقات اور ترقی یافتہ اور ابھرتی ہوئی منڈیوں میں سست روی کا شکار معاشی سرگرمیوں کے باعث عالمی نمو سال 2018 کی 3 فیصد کی شرح کی نسبت سال 2019 کے دوران، کمی کے ساتھ 2.4 فیصد پر شمار کی گئی۔

داخلی محاذ پر ملک کی معیشت کی رفتار میں حکومت اور اسٹیٹ بینک آف پاکستان دونوں کی جانب سے میکرو اکنامک استحکام کے لیے مسلسل اقدامات اور کڑی پالیسی کارروائیوں کی وجہ سے نمایاں کمی دیکھی گئی۔ غیر ملکی زرمبادلہ کے ذخائر میں استحکام کو برقرار رکھنے، مالیاتی خسارے اور بڑھتے ہوئے افراط زر کو قابو کرنے، مانیٹری (مالیاتی) پالیسی کے معاملات اور کرنسی کی قدر میں تقلیم جیسے چیلنجز کی بدولت جی ڈی پی کی شرح نمو مالی سال 2018 کی 5.5 فیصد کی شرح کی نسبت کمی کے ساتھ مالی سال 2019 میں 3.3 فیصد پر پورٹ ہوئی۔

حکومت کے جاری مصارف کو محدود رکھنے کے اقدامات کے باوجود سال 2019 میں مجموعی مالی خسارہ جی ڈی پی کی 8.9 فیصد کی بلند ترین شرح پر درج ہوا۔ تاہم مالی سال 2020 کے پہلے ششماہی عرصہ کے دوران ٹیکس کی وصولیوں میں گزشتہ تقابلی مدت کی نسبت 16 فیصد کے اضافے اور 300 بلین روپے کے عوامی ترقیاتی پروگرامز کی مستقبل میں معاشی بحالی اور پائیدار ترقی میں معاون ہونے کی توقع کی جاسکتی ہے۔

ادائیگیوں کے توازن میں بہتری جاری ہے جس میں کرنٹ اکاؤنٹ اور تجارتی خسارہ تیزی سے کم ہوتے ہوئے دسمبر 2018 کی 8.6 بلین امریکی ڈالر اور 16.2 بلین امریکی ڈالر کی بالترتیب سطح سے دسمبر 2019 تک بالترتیب 2.2 بلین امریکی ڈالر اور 9.8 بلین امریکی ڈالر پر درج ہوا۔ افرادی ترسیلات زر سال 2018 کی 21.1 بلین امریکی ڈالر کی نسبت سال 2019 میں بڑھتے ہوئے 22.2 بلین امریکی ڈالر پر شمار ہوئیں۔ چنانچہ غیر ملکی زرمبادلہ کے ذخائر دسمبر 2018 کی 13.8 بلین امریکی ڈالر کی سطح سے 29.7 فیصد کے اضافہ کے ساتھ 17.9 بلین امریکی ڈالر تک جا پہنچے۔ اس بارے میں دیگر مثبت پہلو آئی ایم ایف کی توسیع شدہ قرض کی سہولت جس کو سال 2019 میں حاصل کیا گیا اور سعودی عرب کی جانب سے تیل کی درآمد کی تاخیری ادائیگی رہے۔ ان عوامل کی بدولت شرح تبادلہ پر جاری دباؤ میں کچھ آسانی پیدا ہوئی اور امریکی ڈالر کے مقابلہ میں پاکستانی روپے کی شرح دسمبر 2019 کے اختتام پر 155 روپے فی امریکی ڈالر پر ریکارڈ کی گئی جو کہ سال کے دوران کرنسی کی قدر میں 11.5 فیصد کی تیزی کا مظہر ہے۔

سال 2019 میں افراط زر کا شدید دباؤ رہا۔ دسمبر 2019 میں سی پی آئی (CPI) گزشتہ سال کی اسی تقابلی مدت کی 5.4 فیصد کی شرح کی نسبت 12.6 فیصد درج ہوا۔ بڑھتے ہوئے افراط زر اور بگڑتے ہوئے مالی عدم توازن کے نتیجے میں سال 2019 کے دوران بیٹج مارک پالیسی ریٹ 10 فیصد سے بڑھ کر 13.25 فیصد کی شرح پر پہنچ گیا۔

دوسری طرف شاک مارکیٹ میں ملی جلی کارکردگی دیکھی گئی۔ سال 2019 کی پہلی ششماہی میں ناموافق جبکہ سال 2019 کے اختتام پر قدرے بہتری کا رجحان رہا جو کہ سرمایہ کاروں کے میکرو اکنامک پیش بینی کے بارے میں اعتماد کی بتدریج بحالی سے منسوب کیا جاسکتا ہے۔ کے ایس ای (KSE) - 100 انڈیکس دسمبر 2018 میں 37,067 پوائنٹس کے مقابلہ میں دسمبر 2019 تک 40,735 پوائنٹس پر بند ہوا۔

سال 2019 میں اسلامی بینکاری کی صنعت اپنی بڑھتی ہوئی پراڈکٹس کی اقسام اور اعلیٰ معیار کی خدمات کے ذریعے روایتی بینکوں سے نبرد آزما ہے۔ کل اثاثہ جات اور ڈیپازٹس کا حجم ستمبر 2019 تک بالترتیب 2,995 بلین روپے (مارکیٹ شیئر 13.8 فیصد) اور 2,407 بلین روپے (مارکیٹ شیئر 16.1 فیصد) پر درج کیا گیا۔ برانچ نیٹ ورک ستمبر 2019 تک 2,979 برانچوں تک جا پہنچا۔

## کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک:

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

- بینک کے 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 ماسوائے اکاؤنٹنگ پالیسیوں میں تبدیلی کے جن کا تذکرہ مالیاتی اسٹیٹمنٹس کے

نوٹ (a) 5 میں کیا گیا ہے۔ اور اکاؤنٹنگ کے تخمینے موزوں اور محتاط اندازوں پر مبنی ہیں۔



## 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 2019 کو اختتام پذیر سال کی رپورٹ آپ کے سامنے پیش کر رہا ہوں۔

ملین روپے			
مالیاتی اسٹیمینٹس کی حیثیت (پوزیشن)	2019	2018	نمو (%)
ڈیپازٹس	81,854	73,307	12%
کل اثاثہ جات	105,017	94,894	11%
سرمایہ کاری۔ خالص	16,310	12,714	28%
اسلامی فنانسنگ۔ (خالص)	51,310	62,907	-18%
حصص یافتگان کی اکیویٹی (سرمایہ) بشمول تحفہ نو	10,467	10,070	4%
نفع و نقصان کا اکاؤنٹ	2019	2018	نمو (%)
آپریٹنگ (کاروباری) آمدنی	4,337	2,303	88%
آپریٹنگ (کاروباری) و دیگر اخراجات	4,503	3,088	46%
نقصان قبل از پروویژنز	(166)	(785)	-79%
فنانسنگ اور سرمایہ کاری کے لیے پروویژنز	200	896	-78%
نقصان قبل از ٹیکس	(366)	(1,680)	-78%
نقصان بعد از ٹیکس	(244)	(1,096)	-78%
بنیادی تحلیل شدہ نقصان فی شیئر (حصص) روپے	(0.22)	(0.99)	-78%

### بینک کی کارکردگی:

سال 2019 میں، ملک کی کمزور میکرو اکنامک صورتحال کے سبب بینکاری کے شعبہ کو درپیش متعدد خدشات کے باوجود، بینک نے اپنے ڈیپازٹس کی اساس اور اعلیٰ معیار کے اثاثہ جات میں پائیدار ترقی کے حصول کے لیے اپنے معاشی سرمایہ کے پُر از حکمت انتظام پر بھرپور توجہ جاری رکھی۔ پیداواری اثاثہ جات اور واجبات کے مابین قیمتوں کی تشخیص نو میں تفاوت اور اس کے ساتھ کاروبار کرنے کی لاگت میں اضافہ، انضباطی اور تعمیلی لاگوں میں بڑھتی، محصولات کا نفاذ اور نئے عالمی مالیاتی رپورٹنگ اسٹینڈرڈ کا اطلاق جی کہ اسٹیٹ بینک آف پاکستان کی پالیسی ریٹ میں اضافہ کے رجحان کے باوجود، مارجنز پر دباؤ برقرار رہا۔

بینک نے اپنے موزوں انتظامی ڈھانچے، کثیرالجہت خدشات کے تدارک کے نظام اور انضباطی ہدایات کی مکمل تعمیل کی بدولت کاروباری اور معاشی محاذ پر ایک مضبوط کارکردگی کا مظاہرہ کیا ہے۔ الحمد للہ بینک نے سال 2019 کے دوسری ششماہی میں 59 ملین روپے کا قفل از ٹیکس منافع حاصل کیا ہے۔

اس سال کے دوران بینک نے اپنے برانچ نیٹ ورک میں 9 برانچوں کا اضافہ کیا ہے جس کے بعد بینک کی کل برانچوں کی تعداد 185 تک جا پہنچی ہے۔ ہماری سرگرم لابیٹی ٹیم (Liability Team) نے کم لاگت کے ڈیپازٹس کے حصول کو کامیابی سے ہمکنار کیا ہے۔ بینک کے ڈیپازٹ پورٹ فولیو میں سال بہ سال کی بنیاد پر 12 فیصد کی متاثر کن ترقی ہوئی جو کہ 2018 کے 73.3 ملین روپے کی نسبت 81.8 ملین روپے پر درج کئے گئے ہیں۔ بینک نے ناصرف اپنے بینک اکاؤنٹس میں 35 ہزار نئے کھاتوں کا اضافہ کیا ہے بلکہ صارفین کے بہتر تجربے

Floral Pattern



# FINANCIAL SUMMARY

## FINANCIAL DATA

### STATEMENT OF FINANCIAL POSITION

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

### PROFIT AND LOSS ACCOUNT

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

### OTHERS

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

### KEY RATIOS

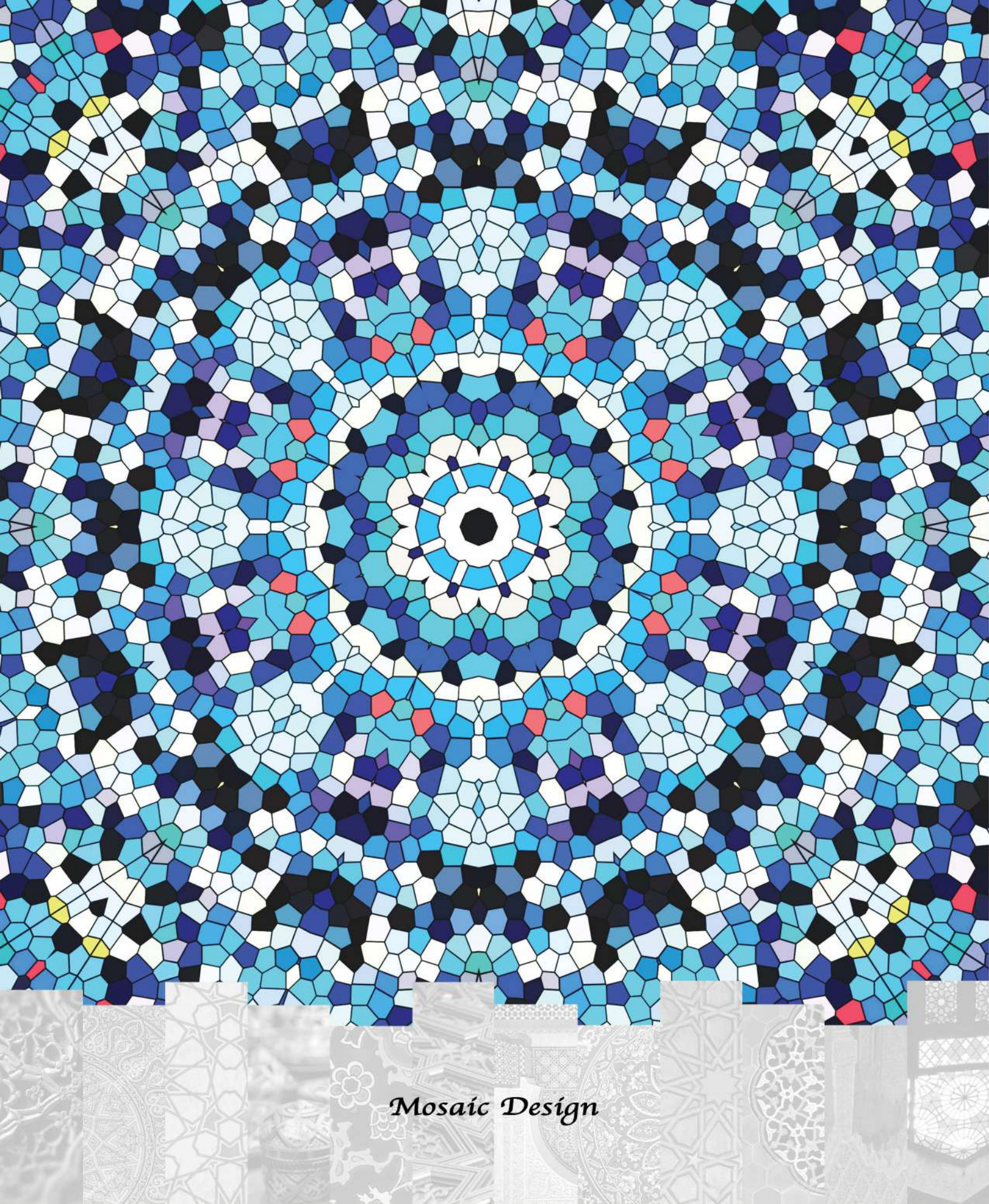
Capital adequacy ratio	13.82%	13.19%	23.81%	39.74%	46.50%
(Loss) / profit before tax ratio	-3.71%	-39.92%	-17.03%	7.46%	15.32%
(Loss) / profit after tax ratio	-2.47%	-26.04%	-12.76%	5.23%	13.90%
Income / expense ratio	96.54%	73.28%	87.69%	106.82%	116.77%
Return of average equity (ROE)	-2.44%	-11.09%	-2.64%	0.79%	0.52%
Return of average assets (ROA)	-0.24%	-1.49%	-0.65%	0.45%	0.77%
Return of average earning assets	11.55%	6.70%	6.99%	6.79%	6.34%
Cost of deposit	6.28%	3.37%	3.15%	3.34%	3.17%
Cost of fund	6.39%	3.87%	3.60%	3.54%	3.26%
Gross Financing to Deposit ratio	62.73%	85.83%	96.28%	113.27%	133.01%
Infection ratio	0.74%	0.02%	0.00%	0.01%	0.01%
CASA to Deposit ratio	76.86%	86.06%	79.19%	58.67%	60.68%
Book value per share including revaluation surplus	9.06	8.99	9.63	10.27	9.98
Basic / diluted (loss) / earnings per share after tax - Rupees	(0.217)	(0.987)	(0.263)	0.080	0.052

### NON-FINANCIAL DATA

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

Geometric Pattern





*Mosaic Design*

## SERVICE QUALITY

MCB Islamic Bank aspires to bring consistency and maintain the service standards for its existing as well as prospective customers, it also strives to incorporate principles of fairness in all the dealings enabling its customers to improve their financial knowledge and skills to make the right financial choices.

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 Complaint Management Unit which handles and addresses customer complaints. To create enhanced visibility of complaint handling function, Bank continues to post awareness messages via various communication channels such as ATM screens, website & through awareness SMS and Emails. Our Complaint Handling and Grievance Redressal Mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. All our customers have the option of registering their complaints at any of our branches across the country, via 24/7 phone banking center, website and email.

Complaint management process at the Bank is kept as transparent as possible through registration, acknowledgement, and interim response where applicable, resolution and root cause analysis of recurring complaints. The Bank also has a complaint escalation mechanism whereby all complaints are escalated to the senior management if not resolved within the stipulated time. A total of 4,820 complaints were received by the Bank in 2019 out of which 4,769 complaints was resolved as of 31 December 2019 and the average time taken to resolve these complaints was 3 working days.





Floral Pattern

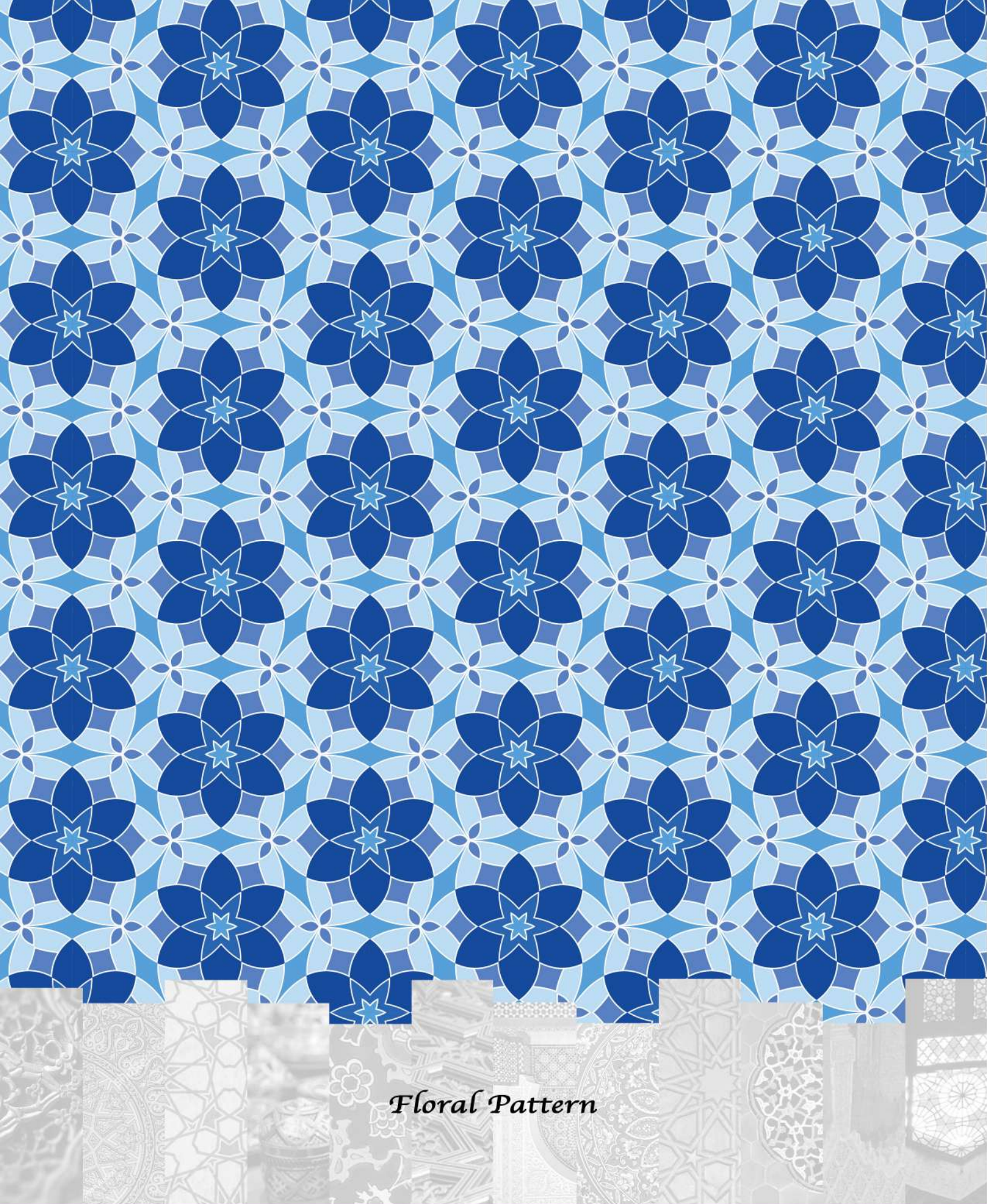
## OUTSOURCING ARRANGEMENTS

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

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

Material Outsourcing Arrangement - MCB Islamic Bank Ltd						
Sr No.	Nature of Service System/Process Activity Name	System Description	Name of Service Provider	Country of 3 <sup>rd</sup> Party Service Provider	Estimated Cost	
					One-Time	Annual Recurring (2019)
1	SWIFT Connectivity through EastNets (GWCP-Gateway Connectivity Pack with DR)	SAG, HSM, SNL & VPN	EastNets FZ-LLC	UAE - Dubai	USD 17,045.00	USD 12,631.00
2	Statement Rendition & Dispatch of Customers Intimation Letters (CNIC Expiry & Dormancy etc.)	N/A	TCS (Pvt.) Ltd.	Pakistan	N/A	PKR 4,336,112.00
			Leopards Courier Services (Pvt.) Ltd.	Pakistan	N/A	PKR 4,162,671.00





*Floral Pattern*



# GREEN BANKING

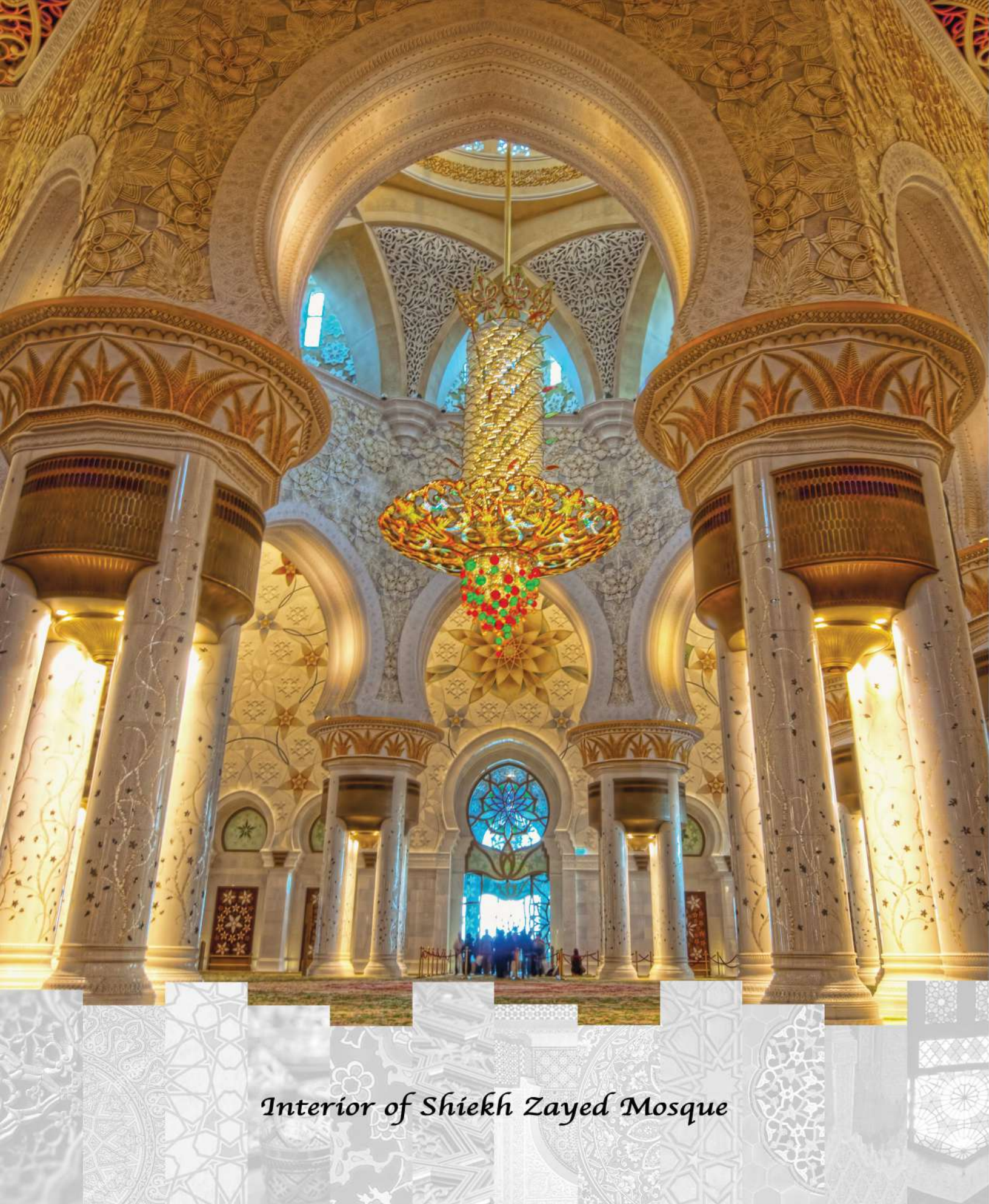
## INITIATIVES

In the light of SBP guidelines on Green Banking, the Bank has taken various steps to contribute towards environmental wellbeing within its domain. As a first step, a senior resource from HR Group and one resource from each Group have been designated as the Bank's "Chief Green Banking Officer" and "Green Liaison Officers" respectively, so that the Bank's quest to pursue its Green Banking agenda is kept alive and coordinated at all levels. Bank has also initiated installation of energy efficient DC Inverters for new as well as replacement requirements, and Solar power system at selected offices to encourage the use of renewable energy.

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

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





*Interior of Shiekh Zayed Mosque*

## REMUNERATION POLICY

The Remuneration Policy of the Bank has been prepared in the light of SBP's "Revised Guidelines on Remuneration Practices of Banking Companies - 2017" and International best practices to promote a sound culture of risk aligned compensation in a transparent manner for acquisition and retention of talent, while attaining economic viability as per stakeholder's expectations. The stipulations of the Remuneration Policy apply to all staff. The policy covers identification of Material Risk Takers (MRT), Material Risk Controllers (MRC), performance assessment through balanced score cards, compensation structure and deferral mechanism.

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

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

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

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

Balanced Score Cards are defined for all MRTs & MRCs for carrying out an objective and transparent performance assessment. These Score Card includes Goals, Key Performance Indicators (KPI) and all financial & non-financial targets. The progress against KPIs are reviewed and discussed between the President and his direct reports. Merit based increase in fixed salary is determined through a matrix formula for that performance year while the variable compensation is derived through the performance score of individual, their respective department and the overall bank. For staff classified as MRTs and MRCs, at-least 30% of their Variable remuneration shall be deferred over a period of three and two years respectively.



# REPORT OF SHARI'AH BOARD

(FOR THE YEAR ENDED DECEMBER 31, 2019)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ وَالصَّلَاةُ وَالسَّلَامُ عَلَى خَاتَمِ 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. There was availability of all Shari'ah Board Members throughout the year many meetings were held through conference calls & video conferencing. In the year 2019 formal Shari'ah Board meetings were held on the following dates:

- First Shari'ah Board Meeting – March 29, 2019
- Second Shari'ah Board Meeting – June 18, 2019
- Third Shari'ah Board Meeting – September 26, 2019
- Fourth Shari'ah Board Meeting – December 19, 2019

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. In the year 2019 Shari'ah Board's meetings with Board of Directors were held on the following dates:
  - First Shari'ah Board – Board of Directors Meeting – April 23, 2019
  - Second Shari'ah Board – Board of Directors Meeting – December 19, 2019
2. To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of MIB carried out reviews of each type of transactions, products, process flows/modus operandi and concepts under the supervision of RSBM/Head Shari'ah Compliance. In this regard, all 100 branches have been inspected for Shari'ah compliance, as per Shari'ah Compliance Program. In the year 2019 the focus was on new 90 branches. Further, as far as Shari'ah compliance review of Groups/Divisions/Departments is concerned, it has been ensured to comply with Shari'ah Compliance Program. In order to enhance the Islamic banking knowledge and expertise regarding functions of different Groups/Divisions/Departments; Shari'ah trainings were made mandatory for all staff of the Bank with the coordination of Learning & Development Department (L&D) of HRG to comply with regularity instructions.
3. Four (4) Instructions & Guidelines & Two (2) Fatawas were already issued by the Shari'ah Board of the MIB are still remained same without any changes. In the year 2019 a new Fatwa was issued by the Shari'ah Board of the MIB regarding Istisna transaction & an Instruction & Guideline was issued regarding compliance of the Shari'ah Governance Framework. All Fatawas and Instructions & Guidelines issued by Shari'ah Board of the MIB are being implemented in the MIB in true letter and spirit.
4. SCD with the coordination of management and under the supervision of RSBM/Head Shari'ah Compliance has reviewed following product documents:

#### Liability Products & Other Documents

MIB Na'mat Premium Plus Term Deposit, MIB Asaan remittance saving account & MIB Asaan remittance current account, MIB Deposit Product Manual, Liability Products Handbook, Profit & Loss to Customers Based on Customer Group Level Deposits Aggregation, Services & Charges Differentiation for Priority Banking Customers - Interim Process & Changes in some MIB Liability Products.

#### Letter of Documentary Credit

LC under Wakalah (Application & Agreements), Note for Approval-LC under Wakalah (Amendment in 'Trade Finance Manual for Imports'), Musawamah Financing (Purchase) Document, Application & Agreements for Issuance of Letter of Documentary Credit- Based on Murabaha/Musawamah.

*Dome Art*



#### Agency & Guarantee

Security Documents (Agreements of Pledge and Personal Guarantee), Agency Agreement for Physical Delivery.

#### Consumer Finance

Consumer Car Financing Product Program Amendment-Appraisal value of used car finance cases "Diminishing Musharakah Housing Finance – Revised Shari'ah Process Flows & Customer-End Documents, Customer Request for Deferral of Rental & Revised Payment Schedule Formats for Consumer Car Finance (Ijarah & Diminishing Musharakah) and Diminishing Musharakah Housing Finance, Consumer Car Finance Product Program (Renewal 2019), Diminishing Musharakah Housing Finance Product Program (Renewal-2019).

#### Murabaha & Murabaha Microfinance

Murabaha Product Manual V-2.0 & 2.01, Finished Goods Murabaha Agreements & Standard Process Flow, Revised Order Form and Revised Bank's Instructions-Murabaha, Murabaha Microfinance Facility Agreements, Agency Agreements and Process Flows, Murabaha Microfinance Product Program (Renewal – 2019), "Murabaha Microfinance End-to-End Process Manual (Renewal – 2019) and its allied formats.

#### Musawamah

Musawamah Financing (Purchase) Product Structure & Process Flow and Salient Features, Legal Agreements for Musawamah Financing (Purchase) Product, Revised Bank's Instructions-Musawamah.

#### Sukuk, Takaful & Bai Muajjal

Shari'ah Structure of Pakistan Energy Sukuk, Pakistan Energy Sukuk-All Legal Agreements & Documents, Shari'ah Structure of Pakistan Energy Sukuk – II, Pakistan Energy Sukuk II – Legal Agreements & Documents, Amendment in Master Istisna Agreements (Clause 11.01), Takaful Agreement between AICL-WTO and MIB for Housing Finance, Bai Muajjal Legal Agreements.

#### Urdu Translation

Urdu Version of Murabaha Microfinance Application Form, Urdu Versions of Murabaha Microfinance Facility Advising Letter, Customer Undertaking on Payment of Installments for Murabaha Microfinance –Urdu Version. Translation of Product Key Fact Sheets for Bullet and EMI based Financing under Murabaha Microfinance.

#### Diminishing Musharakah

Diminishing Musharakah Housing Finance Product Program Amendment Length of Occupation Criteria, Amendment in Diminishing Musharakah Housing Finance Product Program-KIBOR Benchmark, Amendment in Diminishing Musharakah Housing Finance Product Program-Post Dated Cheques, Amendment in Musharakah Running Finance (MRF) Product Manual V3.0.

#### Miscellaneous Schemes & Other Documents

Islamic Finance Facility for Storage of Agriculture Produce, Islamic Re-Finance Scheme for Working Capital Financing of SME & Low and Medium Enterprises, Islamic Re-Finance Facility for Modernization of SMEs, Islamic Finance Facility for Renewable Energy, Promotion of SME Finance-Content Material, Sale Agreement with Islamic Banks.

5. SCD has also facilitated Islamic Banking training sessions for the front and back offices staff of MIB. Further, L&D-HRG 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.
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 reports and Shari'ah Compliance checks, it is recommended that:

- i To encourage small depositors towards Islamic banking, Deposit products should be designed specifically for small/micro depositors, it will not only boost banks' deposits but will also be helpful for increasing percentage of population dealing with Islamic banking channel which is also one of the objective of IBD-SBP. Therefore, it is recommended to introduce deposit products for depositors with low savings is indispensable.
- ii In future, there shall be more Shari'ah Trainings in compliance with regulatory requirements.
- iii There should be more focus on Shari'ah trainings of Consumer finance & Microfinance.
- iv It is emphasized to encourage the Islamic Microfinance due to its requirement in the country instead of investment in Sukuk etc. Through Islamic Microfinance, Islamic Banking Industry can penetrate to grass route level to facilitate micro level traders.
- v To comply the regulatory requirement, it is strongly recommended to avoid the manual calculation & distribution of profit in Pool Management System.
- vi Usage of Islamic Banking terminologies must be ensured during MIB's Treasury, Trade and Operational activities, further compliance of Islamic banking principles must be ensured in all activities of MIB.
- vii As from November 2019, to comply the instruction of IBD-SBP, SCD is not reviewing the transaction at funding and financing stages and the responsibility of the relevant groups now has increased in this regard, therefore, it is recommended to ensure the compliance of Shari'ah Board's approved Modus Operandi/Process Flow in true letter and spirit to avoid charitization of recognized profit.

#### Conclusion:

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

- MIB has complied with Shari'ah rules and principles in the light of Fatawa, Instructions and Guidelines issued by Shari'ah Board.
- MIB has complied with SBP Inspection report in true letter and spirit.
- 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.
- MIB has a comprehensive mechanism in place to ensure Shari'ah Compliance in their overall operations.
- During the course of Shari'ah compliance, it was realized that the addition in the amount of Charity during the year was PKR 54.88 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. Details of Charity account are available in the note # 18.1. During the year, non-Shari'ah compliant income was reported through an SCD report in the last Shari'ah Board meeting of 2019, in which Shari'ah Board advised to Charitize the profit of two transactions of Microfinance.
- MIB has complied with the SBP instructions on profit and loss distribution and pool management.
- While the Bank is actively pursuing training of its human resources about various aspects of Islamic Banking & Finance through training sessions/seminars, however further improvement is required to enhance the level of awareness of Islamic Banking & Finance of the staff, management and the BOD through enhanced training mechanism for each level. The management and the BOD have made sincere efforts and appreciate the importance of Shari'ah compliance in overall operations of MIB.
- 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.

Mufti Syed Sabir Hussain  
Resident Shari'ah Board Member

وَاللَّهُ سُبْحَانَهُ وَتَعَالَى أَعْلَمُ

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

Mufti Nadeem Iqbal  
Member Shari'ah Board

Date: January 24, 2020



مشارکہ متنقصہ کے ہاوس فائننس پر ڈاکٹ پروگرام میں ترمیم (پیشہ کے اعتبار سے)، مشارکہ متنقصہ کے ہاوس فائننس پر ڈاکٹ پروگرام میں ترمیم (KIBOR کے معیار کے اعتبار سے)، مشارکہ متنقصہ کے ہاوس فائننس پر ڈاکٹ پروگرام میں ترمیم (اگلی تاریخوں کے چیکس کے اعتبار سے)، ترمیم مشارکہ جاری فائننس پر ڈاکٹ مینوکل 3.0۔

#### مختلف اسکیمیں و دیگر دستاویزات

اسلامک فائننس فیسیلیٹی برائے ذخیرہ زریعی پیداوار، اسلامک ری فائننس اسکیم ورکنگ کمیٹیٹل فائننسنگ برائے چھوٹے اور درمیانے درجے کے اداروں کی اسلامک ری فائننس اسکیم برائے چھوٹے اور درمیانے درجے کے کاروبار (SMEs) کو جدید بنانے کے لئے، اسلامک فائننس فیسیلیٹی برائے رینیو ایبل اجزی، SME فائننس کے فروغ کے مشمولات، اسلامک بینکس کے ساتھ خریداری کا معاہدہ۔

(۵) شریعہ کپلائنس اور شریعہ ٹریڈنگ ڈیپارٹمنٹ نے بینک کے فرنٹ آفس اور بیک آفس اسٹاف کے لئے اسلامی بینکاری کی ٹریڈنگ کے کئی پروگرامز منعقد کئے ہیں۔ مزید برآں اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ سرکلر (نمبر ۲۰۱۸/۲ بتاریخ ۲۹ جون ۲۰۱۸) پر عملدرآمد کو یقینی بنانے کے لئے اقدامات کئے گئے۔ لہذا ایک پراثر اور جامع پروگرام L&D-HRG کی طرف سے ترتیب دیا گیا، جس کے تحت بینک کے ہر درجہ کے فرنٹ آفس اور بیک آفس اسٹاف کو اسلامی بینکاری کی ٹریڈنگ دی گئی۔ شریعہ ٹریڈنگ پروگرامز کے لئے بینک کے ملازمین کی خدمات حاصل کی گئیں۔

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

#### سفارشات

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

الف۔ مائیکرو لیول کے صارفین کو اسلامک بینکنگ کی طرف راغب کرنے کے لئے، ڈیپازٹ پر ڈاکس بنانے کی سفارش کرتا ہے۔ یہ بینک کے ڈیپازٹ میں اضافے کے ساتھ ساتھ اسلامک بینکنگ سے فائدہ حاصل کرنے والے افراد کی تعداد میں بھی اضافے کا باعث ہوگا، جو کہ اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کے مقاصد میں ایک اہم مقصد بھی ہے۔ اس لئے ان پر ڈاکس کو بنانا گزیر ہے۔

ب۔ مستقبل میں اسٹاف کے لئے مزید شریعہ ٹریڈنگ پروگرام منعقد کئے جائیں، جو اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی ہدایات کے مطابق ہوں۔

ج۔ مستقبل میں زیادہ توجہ کمزور فائننس اور مائیکرو فائننس کی شریعہ ٹریڈنگ پر دی جائے۔

د۔ شریعہ بورڈ اس پر زور دیتا ہے کہ مائیکرو فائننس کو اس کی ضرورت کی بنیاد پر، صکوک میں سرمایہ کے مقابلے میں زیادہ فروغ دیا جائے۔ اسلامک مائیکرو فائننس کے ذریعے اسلامی بینکاری کی صنعت مائیکرو لیول کے تاجروں کی سہولت کے لئے عملی سطح تک جاسکتی ہے۔

ه۔ شریعہ بورڈ ریگولیٹری ہدایات کی تعمیل کے لئے پر زور سفارش کرتا ہے کہ پول منجمنٹ سسٹم میں دستی حساب کتاب اور منافع کی تقسیم سے ہر صورت میں بچا جائے۔

و۔ ایم آئی بی کے ٹریڈری، ٹریڈ اور آپریشنل سرگرمیوں کے دوران اسلامی بینکاری کی اصطلاحات کے استعمال کو یقینی بنایا جائے اور ایم آئی بی کی تمام سرگرمیوں کے دوران اسلامی بینکاری اصولوں کی تعمیل کو یقینی بنایا جائے۔

ز۔ نومبر ۲۰۱۹ء میں، اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی ہدایات کی تعمیل کے ضمن میں شریعہ کپلائنس ڈیپارٹمنٹ فنڈنگ اور فائننسنگ کے مراحل پر ٹرانزیکشن کی جانچ پڑتال نہیں کر رہا اور اب اس سلسلے میں متعلقہ گروپس کی ذمہ داری میں اضافہ ہوا ہے، لہذا، شریعہ بورڈ کے ٹرانزیکشن کے منظور کردہ طریقہ کار کی تعمیل کو اصل روح کے ساتھ یقینی بنایا جائے، تاکہ کمائے ہوئے منافع کو چیرائی ہونے سے بچایا جاسکے۔

شریعہ بورڈ نے بیرونی اور اندرونی شریعہ آڈٹ اور شریعہ کپلائنس کی رپورٹس کو دیکھنے کے بعد اصلاحی اقدامات کے لئے ہدایات دیں، لہذا شریعہ بورڈ کے مطابق:

● ایم آئی بی نے شریعہ بورڈ کے جاری کردہ فتاویٰ جات اور ہدایات ولاحقہ عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔

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

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

● شریعہ کپلائنس کو یقینی بنانے کے لئے ایم آئی بی کے پاس ایک جامع طریقہ کار موجود ہے۔

● مالی معاملات کے شریعہ کپلائنس کے دوران یہ معلوم ہوا کہ ایم آئی بی نے مختلف مدت سے ۵۴۸۸ ملین کی غیر شرعی آمدنی حاصل کی، جسے چیرائی اکاؤنٹ میں ڈال دیا گیا ہے۔ علاوہ ازیں بینک نے ایم آئی بی کی چیرائی پالیسی اور اسٹیٹ بینک آف پاکستان کے اصولوں کے مطابق شریعہ بورڈ سے منظور شدہ مختلف خیراتی اداروں کو چیرائی اکاؤنٹ سے رقم ادا کی۔ چیرائی کی تفصیلات کے لئے دیکھئے نوٹ #18.1۔ سال ۲۰۱۹ء میں شریعہ بورڈ کے آخری رسمی اجلاس میں شریعہ کپلائنس ڈیپارٹمنٹ کی ایک مائیکرو فائننس کی رپورٹ میں غیر شرعی منافع پر مطلع کیا گیا، جس پر شریعہ بورڈ نے مائیکرو فائننس کی ان دو ٹرانزیکشنز کے منافع کو چیرائی کرنے کا حکم دیا ہے۔

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

● اگرچہ بینک قتال طریقے سے اپنے افراد کو اسلامی بینکاری اور مالیاتی نظام کے بارے میں تربیت دے رہا ہے، تاہم افراد کا 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 کپلائنس کی اہمیت کو تسلیم کیا ہے۔

● 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 اور سینئر منتظمین اور اسلامی بینکاری انڈسٹری کی مخلصانہ کوششوں سے ان شاء اللہ

اسلامی بینکاری نظام کی مزید پیشرفت، ترقی اور خوشحالی کا متمنی ہے۔

## وَاللّٰهُ سُبْحَانَهُ وَتَعَالٰی اَعْلَمُ

مفتی ندیم اقبال

شریعہ بورڈ ممبر

پروفیسر مفتی فیض الرحمن

چیئر مین شریعہ بورڈ

مفتی سید صابر حسین

ریزیڈنٹ شریعہ بورڈ ممبر



بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ  
اَلْحَمْدُ لِلّٰهِ رَبِّ الْعَالَمِیْنَ وَالصَّلَاةُ وَالسَّلَامُ عَلٰی خَاتَمِ 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۔ ۲۰۱۹ء میں پورا سال شریعہ بورڈ کی خدمات ادارے کو حاصل رہیں، بینک کے معاملات کے حوالے سے شریعہ بورڈ نے ٹیلی فون اور ویڈیو کانفرنس کالز کے ذریعے بھی کئی غیر رسمی ملاقاتیں کیں، ۲۰۱۹ء میں شریعہ بورڈ کے رسمی اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

- شریعہ بورڈ کا پہلا اجلاس، ۲۹ مارچ ۲۰۱۹ء
- شریعہ بورڈ کا دوسرا اجلاس، ۱۸ جون ۲۰۱۹ء
- شریعہ بورڈ کا تیسرا اجلاس، ۲۶ ستمبر ۲۰۱۹ء
- شریعہ بورڈ کا چوتھا اجلاس، ۱۹ دسمبر ۲۰۱۹ء

(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 (شریہ بورڈ) ایم آئی بی کے شریعہ کمپلائنس کی مجموعی صورت حال کے بارے میں ایک رپورٹ جمع کرانے کے ذمہ دار ہیں۔ ۲۰۱۹ء میں شریعہ بورڈ کا بورڈ آف ڈائریکٹرز کے ساتھ رسمی اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

- شریعہ بورڈ - بورڈ آف ڈائریکٹرز کا پہلا اجلاس، ۲۳ اپریل ۲۰۱۹ء
- شریعہ بورڈ - بورڈ آف ڈائریکٹرز کا دوسرا اجلاس، ۱۹ دسمبر ۲۰۱۹ء

(۲) رپورٹ میں ظاہر کردہ امور کے مطابق اپنی رائے دیتے ہوئے عرض یہ ہے کہ ایم آئی بی کے شریعہ کمپلائنس ڈیپارٹمنٹ نے ریزیڈنٹ شریعہ بورڈ ممبر/ایڈ شریعہ کمپلائنس ڈیپارٹمنٹ کی زیر نگرانی تمام قسم کے مالی معاملات، پروڈکٹس، معاملات کے مراحل اور نظریات کا جائزہ لیا ہے۔ اس حوالے سے شریعہ کمپلائنس پروگرام کے تحت ایم آئی بی کی تمام 100 برانچوں کا شرعی اعتبار سے جائزہ لیا گیا ہے۔ جبکہ اس سال نئی ۹۰ برانچز کا شرعی اعتبار سے جائزہ ترجیحی بنیادوں پر لیا گیا نیز گروپس/ڈویژنز/ڈیپارٹمنٹس کے شرعی اعتبار سے جائزے کے لئے شریعہ کمپلائنس پروگرام کی تعمیل کی گئی۔ اسلامی بینکاری کے بارے میں تمام گروپس/ڈویژنز/ڈیپارٹمنٹس کی ان کے کام کی نوعیت کے اعتبار سے معلومات اور مہارت کو بڑھانے کی غرض سے بالعموم اسلامی بینکاری اور بالخصوص پروڈکٹ کی تربیت ہیومن ریسورس ڈیپارٹمنٹ کے تعاون سے تمام اسٹاف کے لئے لازم قرار دی گئی ہے تاکہ ریگولیٹری ہدایات کی ترجیحی بنیادوں پر تعمیل ہو سکے۔

(۳) ایم آئی بی کے شریعہ بورڈ کی جاری کردہ چار ہدایات ولائحہ عمل اور دو فتاویٰ جات بغیر کسی تبدیلی کے ابھی بھی موجود ہیں۔ اس سال ۲۰۱۹ء میں ایم آئی بی کے شریعہ بورڈ نے استصناع کے لین دین کے حوالے سے نیا فتویٰ اور شریعہ گورننس فریم ورک کی تعمیل کی غرض سے ہدایات ولائحہ عمل جاری کئے۔ 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 ریزیڈنٹ شریعہ بورڈ ممبر/ایڈ شریعہ کمپلائنس ڈیپارٹمنٹ کی زیر نگرانی ان تمام پروڈکٹ کی دستاویزات کا جائزہ لیا:

لائسنس لینڈ پر پروڈکٹس و دیگر دستاویزات

ایم آئی بی نعمت پریمیم پلس ٹرم ڈیپازٹ، ایم آئی بی آسان ریمیننس سیونگ اکاؤنٹ، ایم آئی بی آسان ریمیننس کرنٹ اکاؤنٹ، ایم آئی بی ڈیپازٹ پروڈکٹ مینول، لائسنس لینڈ پر پروڈکٹس بینڈ بک، صارف کے نفع و نقصان کو گروپ کی بنیاد پر جمع کرنا، بینک کے ترجیح یافتہ صارفین کی خدمات کے چار جز میں فرق اور پہلے سے منظور شدہ چند لائسنس لینڈ پر پروڈکٹس میں تبدیلی۔

لیٹر آف ڈائریکٹری کریڈٹ

لیٹر آف کریڈٹ وکالہ کی بنیاد پر (درخواست نامہ اور معاہدات)، نوٹ برائے لیٹر آف کریڈٹ وکالہ کی بنیاد پر (ٹریڈ فنانس کے درآمدات کے مینوئل میں ترمیم)، مساومہ فنانسنگ (خریداری کی دستاویزات)، مرابحہ اور مساومہ کی بنیاد پر لیٹر آف کریڈٹ جاری کرنے کا درخواست نامہ اور معاہدات۔

وکالت اور ضمانت

حفاظتی دستاویزات کا معاہدہ (رہن اور ذاتی ضمانت کے معاہدات)، اشیاء کی فراہمی کی وکالت کا معاہدہ۔

کنزیومر فنانس

کنزیومر کار فنانس کی پروڈکٹ کے پروگرام میں ترمیم استعمال شدہ کار کی صورت میں، مشارکہ متناقصہ کی بنیاد پر ہاوس فنانسنگ کا طریقہ کار اور صارف کے لئے دستاویزات، کنزیومر کار فنانس صارف کی جانب سے کرایہ میں تاخیر کا درخواست نامہ اور نظر ثانی شدہ ادائیگی کا نظام الاوقات (اجارہ اور مشارکہ متناقصہ)، مشارکہ متناقصہ ہاوس فنانسنگ، کنزیومر کار فنانس کی پروڈکٹ کے پروگرام ۲۰۱۹ء پر نظر ثانی، مشارکہ متناقصہ ہاوس فنانسنگ پروگرام ۲۰۱۹ء پر نظر ثانی۔

مرابحہ اور مرابحہ مائیکرو فنانس

مرابحہ پروڈکٹ مینوئل 2.0 اور 2.01، تیار اشیاء کے مرابحہ کا معاہدہ اور طریقہ کار، نظر ثانی شدہ مرابحہ کا آڈر فارم اور بینک کی ہدایات، مرابحہ مائیکرو فنانس فیس لینڈ کا معاہدہ، وکالت کا معاہدہ اور طریقہ کار، مرابحہ مائیکرو فنانس کی پروڈکٹ کے پروگرام ۲۰۱۹ء پر نظر ثانی، مرابحہ مائیکرو فنانس کی پروڈکٹ کے مینوئل اور اس سے ملحقہ دستاویزات ۲۰۱۹ء پر نظر ثانی۔

مساومہ

مساومہ فنانسنگ (برائے خریداری) کی پروڈکٹ کی تشکیل، طریقہ کار اور نمایاں خصوصیات، مساومہ فنانسنگ (خریداری) کی پروڈکٹ کے قانونی معاہدات، نظر ثانی شدہ بینک کی ہدایات۔

صکوک، کفائل اور بیج موئل

پاکستان انرجی صکوک کی شریعت کی بنیاد پر تشکیل، پاکستان انرجی صکوک کے تمام قانونی معاہدات اور دستاویزات، پاکستان انرجی صکوک-II کی شریعت کی بنیاد پر تشکیل، پاکستان انرجی صکوک-II کے تمام قانونی معاہدات اور دستاویزات، ترمیم ماسٹر معاہدہ استصناع (شق نمبر ۱۰۱ء)، ایم آئی بی اور AICL-WTO کا کفائل کا معاہدہ برائے ہاوس فنانس، بیج موئل کے قانونی معاہدات۔

اُردو ترجمہ

مرابحہ مائیکرو فنانس درخواست نامہ، مرابحہ مائیکرو فنانس فیس لینڈ ایڈوائزنگ لیٹر، مرابحہ مائیکرو فنانس کے صارف کی طرف سے قسطوں کی ادائیگی کا وعدہ، مرابحہ مائیکرو فنانس کی پروڈکٹ کے کلیدی حقائق کی فہرست برائے یکشت ادائیگی اور ای ایم آئی۔





*Fresco Designs*

## NOTICE OF 6<sup>th</sup> ANNUAL GENERAL MEETING OF MCB ISLAMIC BANK LIMITED

Notice is hereby given that the 6<sup>th</sup> Annual General Meeting of MCB Islamic Bank Limited (the 'Bank') will be held on Wednesday, March 18, 2020 at 04:30 PM at 339-Z Block, DHA Phase III, Lahore to transact the following businesses:

### Ordinary Business:

- To confirm the minutes of the 5th Annual General Meeting held on March 25, 2019.
- To receive, consider and adopt the Annual Audited Financial Statements of the Bank for the year ended December 31, 2019 together with Directors' and Auditors' Reports thereon and Chairman's Review Report.
- To appoint auditors of the Bank for the year ending December 31, 2020 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 re-appointment.

### Special Business:

- To consider and, if thought fit, to pass, with or without modifications, an ordinary resolution to approve Remuneration Policy for Board of Directors, Board Committees and Executive Directors (as required under BPRD Circular No. 03 of 2019 of State Bank of Pakistan).
- To consider and, if thought fit, to pass, with or without modifications, a resolution as special resolution to approve amendments in the Memorandum and Articles of Association of the Bank.

(Attached to this Notice is a Statement of Material Facts concerning the above-mentioned special business and draft special resolutions, as required under Section 134(3) and Section 140 of the Companies Act, 2017).

By Order of the Board

February 25, 2020

Lahore

Ms. Maimoona Cheema

Company Secretary

### Notes:

- Members whose names appear in the register of members on March 18, 2020 will be entitled to attend the proceedings of the meeting.
- A member entitled to attend and vote at the Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote instead of him/her at the meeting. No person shall act as a proxy, who is not a member. Corporate entity can appoint a person who is not a member in terms of Section 138 of the Companies Act, 2017.
- 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.
- 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.
- If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.
- The Bank has placed its audited financial statements for the year ended 31 December, 2019 on its website: [www.mcbislamicbank.com](http://www.mcbislamicbank.com)



Item No. 5 of the Notice

**Remuneration Policy for BOD, Committees and Executive Directors**

State Bank of Pakistan issued a BPRD Circular No. 03 of 2019 dated August 17, 2019 pertaining to the amendments in Prudential Regulations G-1. As per the said Circular the Banks/DFIs were required to formulate a comprehensive and transparent remuneration policy for the Chairman and other Directors and shall be approved by the shareholders of the bank/DFI on pre or post facto basis in the annual general meeting.

The Board of Directors updated Remuneration Policy for the BOD, Board Committees and Executive Directors on August 06, 2019 which was earlier formulated on October 23, 2018. As per the requirement of aforementioned SBP's Circular, it is proposed to consider and, if thought fit, to pass the following resolution as an ordinary, with or without modifications, to approve Remuneration Policy for BOD, Committees and Executive Directors:

**"RESOLVED THAT** Remuneration Policy for Board of Directors, Board Committees and Executive Directors, be and is hereby approved, as was approved by the Board of Directors"

The Directors / Chief Executive of the Bank have no interest, directly or indirectly, in this Special Business and/or Special Resolution except in their capacities as directors/Chief Executive/shareholders as has been detailed in the pattern of shareholding annexed to the Directors' Report and the entitlements to the remuneration.

Item No. 6 of the Notice

**Amendments in the Memorandum of Association and Articles of Association**

The existing Articles of Association of the company have been redrafted to align the same with the provisions of the Companies Act, 2017. Further, the Memorandum of Association is also proposed to be amended to replace the reference of repealed Companies Ordinance with the Companies Act, 2017.

Also, the remuneration of Directors for attending Board meetings was fixed at Rs.10,000/- by Article 75 of the Articles of Association of the Bank. The said amount was fixed at the time of inception of the Bank and is not commensurate to the duties and obligations of the directors. In view thereof, the Board of Directors proposed an amendment in Article no. 75 of the Articles of Association of the Bank. The main objective of this amendment was to make the Article general instead of fixing an amount and the remuneration may be fixed by the director whenever the need arises.

A draft of the amended Articles of Association identifying the changes proposed therein, bearing the initials of the Company Secretary for the purpose of identification, is enclosed herewith.

For the purpose aforesaid, it is proposed to consider and, if thought fit, to pass the following resolution as a special resolution, with or without modifications, to amend the Memorandum of Association and Articles of Association of the Bank:

**"RESOLVED THAT** the proposed amendments in Memorandum and Articles of Association of the Bank as laid before the members, bearing the initials of the Company Secretary for the purpose of identification be and is hereby approved and adopted."

**"FURTHER RESOLVED THAT** the Chief Executive Officer and / or Company Secretary of the Bank be and is hereby authorized to, singly, do all acts, deeds and things, take any and all necessary steps, to fulfill the legal, corporate and procedural formalities and file all necessary documents/returns as deemed necessary on this behalf and the matters ancillary thereto to fully achieve the object of the aforesaid resolution."

**RESOLVED FURTHER THAT** the Chief Executive and Company Secretary be and are hereby singly authorized to do all acts, deeds and things and take all steps and necessary actions ancillary and incidental including filing of requisite documents and returns as may be required with the Registrar of Companies and complying with all other regulatory requirements so as to effectuate the alteration in the Memorandum and Articles of Association of the Bank and implementing this resolution.

**RESOLVED FURTHER THAT** the aforesaid alteration in the Memorandum and Articles of Association of the Company shall be subject to any amendment, modification, addition or deletion as may directed by the SECP, which amendment, modification, addition or deletion shall be deemed part of this special resolution without the need for passing a fresh special resolution."

The Directors / Chief Executive of the Bank have no interest, directly or indirectly, in this Special Business and/or Special Resolution except in their capacities as directors/Chief Executive/shareholders as has been detailed in the pattern of shareholding annexed to the Directors' Report and the entitlements to the remunerations.

**Comparative Analysis**

In order to enable the members to compare the existing Memorandum and Articles of Association with the proposed Memorandum and Articles of Association, a blackline draft identifying the proposed changes in the documents along with reasons and justifications for the proposed changes, bearing the initials of the Company Secretary for the purposes of identification is being circulated with this notice to serve as a comparative analysis.

**Reasons for Alteration in Memorandum and Articles of Association:**

The existing Articles of Association of the company have been redrafted to align the same with the provisions of the Companies Act, 2017. Further, the Memorandum of Association is also proposed to be amended to replace the reference of repealed Companies Ordinance with the Companies Act, 2017. The reasons of each change in the articles of association is mentioned in the attached comparative analysis.

**Availability of Relevant Documents and Inspection**

A copy of the Board Remuneration Policy and copies of the existing and proposed Memorandum and Articles of Association indicating the proposed amendments are available for inspection at the registered office of the Bank from 9.00 a.m. to 5.00 p.m. on any working day, upto the last working day before the date of the Annual General Meeting. The same shall also be available for inspection by the members in the Annual General Meeting.

**Statement of the Board of Directors**

We, the members of the Board of Directors of the Company hereby confirm that the proposed amendments/alterations in the Memorandum and Articles of Association of the Company are in line with the applicable provisions of the laws and regulatory framework.

**Chairman**

Board of Directors



# STATEMENT ON INTERNAL CONTROLS

YEAR 2019

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 Control System evolves continuously and hence its evaluation is an ongoing process. This statement on internal controls is based on the management's assessment towards various aspects of the Internal Control 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 along with 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 of the Bank and facilitate in implementing policies, processes and procedures to manage this risk. Furthermore, based on the observations and weaknesses identified by the Internal and External Auditors, 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. The Bank has adopted top down approach for Risk Assessment. Further, the Bank has also adopted the Integrated Framework on Internal Controls issued by the Committee on Sponsoring Organization of the Treadway Commission (COSO) for implementation in light of the SBP's Internal Control Guidelines. Risk Management Function is also actively engaged in creating risk awareness through staff training sessions in the areas of Operational Risk, Fraud Risk and Business Continuity / Disaster Recovery Planning.

In accordance with SBP's directives, the Bank has completed all stages of Internal Controls over Financial Reporting (ICFR) roadmap and Long Form Reports (LFR) on the assessment of Bank's ICFR for the years 2017 and 2018 issued by the External Auditor have 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, 2019.

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.



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



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



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



**Syed Iftikhar Hussain Rizvi**  
Chief Financial Officer

Date: **January 20, 2020**





## 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 four meetings, during the year 2019. 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 Internal Audit Charter, 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.
- Performance Appraisal of Head of Internal Audit & RAR.
- Review of Management Letter issued by External Auditors along with management response.
- Recommendation of scope and appointment of external auditors, including finalization of audit and consultancy fee, if any.
- Review of Statement on Internal Control Systems, prior to endorsement by the BOD.

Lahore  
Date: February 03, 2020

  
Chairman Audit Committee  
MCB Islamic Bank Limited

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## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES

(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

MCB ISLAMIC BANK LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2019

This statement is being presented in accordance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (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:

- At present Board includes seven (07) elected Directors and one (01) Executive Director:

A	Male	7
B	Female	1

- The composition of the Board is as follows:

Sr. No.	Category	Names of Directors
A	Independent Directors	Dr. Khalid Zaheer Ms. Seema Aziz
B	Non-Executive Directors	Mr. Raza Mansha Mr. Aftab Ahmad Khan Mr. Ahmed Ebrahim Hasham Mr. Ibrahim Shamsi Mr. Omair Safdar
C	Executive Directors (President & CEO)	Mr. Muhtashim Ahmad Ashai
D	Female Director	Ms. Seema Aziz

Explanation: Determination of number of Independent Directors comes to 2.33 (Rounded to 2) which is based on seven elected Directors.

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



8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Most of the Board Members either have minimum education and experience as required under Regulation 19 (2) for exemption from Directors Training Program, or have already completed Directors Training Program pursuant to the requirements of the Regulations. During 2019, the Board has arranged Directors' Training program for Ms. Seema Aziz and Mr. Muhtashim Ahmad Ashai.
10. During the year, there was no any such appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The board has formed following committees comprising of members given below:

A Board Audit Committee		
	Dr. Khalid Zaheer	Chairman
	Ms. Seema Aziz	Member
	Mr. Omair Safdar	Member
	Mr. Aftab Ahmad Khan	Member
B Human Resource & Remuneration Committee		
	Dr. Khalid Zaheer	Chairman
	Mr. Raza Mansha	Member
	Mr. Aftab Ahmad Khan	Member
	Mr. Omair Safdar	Member
C Business Strategy & Service Quality Control Committee		
	Mr. Raza Mansha	Chairman
	Ms. Seema Aziz	Member
	Mr. Aftab Ahmad Khan	Member
	Mr. Ahmed Ebrahim Hasham	Member
	Mr. Muhtashim Ahmad Ashai	Member
D Risk Management & Portfolio Review Committee		
	Mr. Omair Safdar	Chairman
	Mr. Ibrahim Shamsi	Member
	Mr. Ahmed Ebrahim Hasham	Member
	Mr. Muhtashim Ahmad Ashai	Member

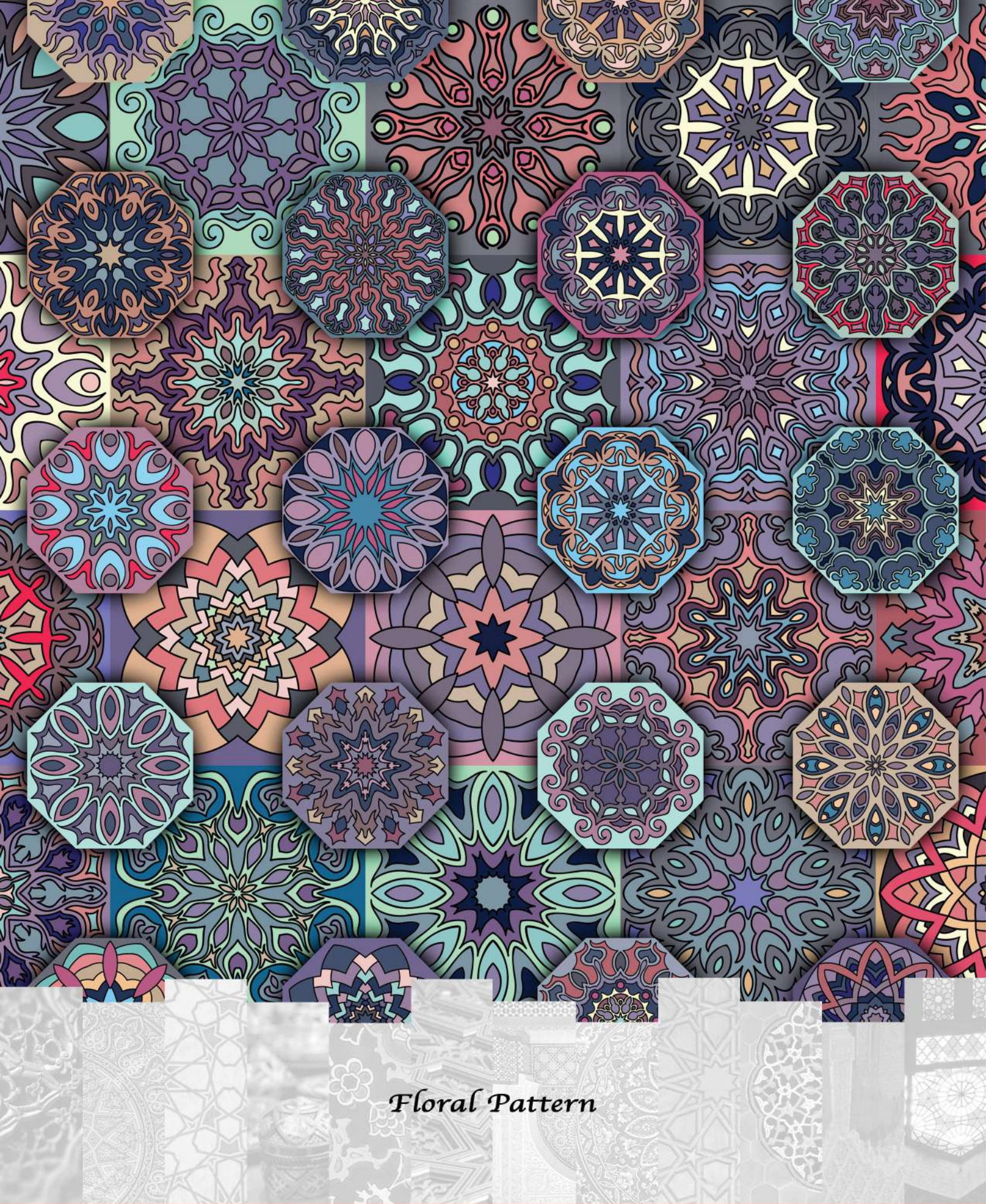
E Board I.T. Committee		
	Mr. Raza Mansha	Chairman
	Dr. Khalid Zaheer	Member
	Mr. Ibrahim Shamsi	Member
	Mr. Muhtashim Ahmad Ashai	Member
F Board Evaluation Committee		
	Dr. Khalid Zaheer	Chairman
	Mr. Omair Safdar	Member

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

  
**Muhtashim Ahmad Ashai**  
 President / CEO  
 MCB Islamic Bank Limited  
 February 03, 2020

  
**Raza Mansha**  
 Chairman  
 MCB Islamic Bank Limited  
 February 03, 2020





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INDEPENDENT

## AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF MCB ISLAMIC BANK LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of MCB Islamic Bank Limited ("the Bank") for the year ended 31 December 2019, in accordance with the requirements of regulation 36(2) of the Regulations, 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 undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2019.

Lahore

Date: February 14, 2020

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.





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INDEPENDENT

## AUDITOR'S REPORT

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

### Opinion

We have audited the annexed financial statements of MCB Islamic Bank Limited ("the Bank"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit and 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 and 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 2019 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. The other information comprises the information included in the Bank's Annual Report but does not include the financial statements and our auditors' report thereon.

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

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

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

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

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.



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:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, the 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;
- c) Investments made, expenditure incurred and guarantees extended during the year were in accordance with the

objects and power of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

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

Lahore

Date: February 14, 2020

  
KPMG Taseer Hadi & Co.  
Chartered Accountants





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## FINANCIAL STATEMENTS





**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**


	Note	2019	2018
		Rupees in thousands	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	10,252,547	6,990,369
Balances with other banks	7	8,822,985	1,422,701
Due from financial institutions	8	5,851,664	4,675,000
Investments - net	9	16,309,800	12,713,954
Islamic financing and related assets - net	10	51,309,967	62,907,204
Fixed assets	11	5,779,772	2,552,600
Intangible assets	12	719,723	592,171
Deferred tax assets - net	13	921,017	751,065
Other assets - net	14	5,049,786	2,289,371
		105,017,261	94,894,435
<b>LIABILITIES</b>			
Bills payable	16	973,627	1,303,992
Due to financial institutions	17	4,127,526	7,800,628
Deposits and other accounts	18	81,853,511	73,307,185
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities - net		-	-
Other liabilities	19	7,595,796	2,413,116
		94,550,460	84,824,921
<b>NET ASSETS</b>		<b>10,466,801</b>	<b>10,069,514</b>
<b>REPRESENTED BY</b>			
Share capital	20	11,550,000	11,200,000
Reserves	21	26,444	26,444
Surplus on revaluation of assets - net of tax	22	422,326	132,272
Accumulated loss		(1,531,969)	(1,289,202)
		<b>10,466,801</b>	<b>10,069,514</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		23	


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

  
 Syed Iftikhar Hussain Rizvi  
 Chief Financial Officer

  
 Mr. Muhtashim Ahmad Ashai  
 President/Chief Executive

  
 Mr. Omair Safdar  
 Director


  
 Dr. Khalid Zaheer  
 Director


  
 Mr. Aftab Ahmad Khan  
 Director


**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**


	Note	2019	2018
		Rupees in thousands	
Profit / return earned	24	9,848,819	4,208,875
Profit / return expensed	25	5,855,061	2,304,950
Net spread earned		3,993,758	1,903,925
<b>OTHER INCOME</b>			
Fee and commission income	26	294,491	162,245
Dividend income		75,383	58,031
Foreign exchange income		63,685	148,228
(Loss) / gain on securities	27	(109,983)	17,738
Other income	28	19,743	13,020
Total other income		343,319	399,262
Total income		4,337,077	2,303,187
<b>OTHER EXPENSES</b>			
Operating expenses	29	4,478,636	3,083,172
Workers welfare fund		-	-
Other charges	30	24,386	4,582
Total other expenses		4,503,022	3,087,754
Loss before provisions		(165,945)	(784,567)
Provisions and write offs - net	31	199,814	895,646
Extra ordinary / unusual items		-	-
<b>LOSS BEFORE TAXATION</b>		(365,759)	(1,680,213)
Taxation	32	(122,147)	(584,231)
<b>LOSS AFTER TAXATION</b>		<u>(243,612)</u>	<u>(1,095,982)</u>
<b>Rupees</b>			
<b>Basic and diluted loss per share - after tax</b>	33	<u>(0.217)</u>	<u>(0.987)</u>


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

  
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 Director


  
 Mr. Aftab Ahmad Khan  
 Director





**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**


	2019	2018
	Rupees in thousands	
Loss after taxation for the year	(243,612)	(1,095,982)
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Movement in surplus / (deficit) on revaluation of investments	247,001	514,950
Related deferred tax asset / (liability)	(86,450)	(180,233)
	160,551	334,717
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Movement in surplus on revaluation of operating fixed assets	148,977	-
Related deferred tax liability	(18,629)	-
	130,348	-
<b>Total comprehensive income / (loss)</b>	<b>47,287</b>	<b>(761,265)</b>


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

  
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 Director


  
**Dr. Khalid Zaheer**  
 Director


  
**Mr. Aftab Ahmad Khan**  
 Director


**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**


	Share Capital	Statutory Reserve	Surplus / (deficit) on revaluation of		Accumulated Loss	Total
			Investments	Fixed Assets		
	Rupees in thousands					
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
Loss after taxation for the year ended December 31, 2019	-	-	-	-	(243,612)	(243,612)
Other comprehensive income - net of tax	-	-	160,551	130,348	-	290,899
	-	-	160,551	130,348	(243,612)	47,287
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(845)	845	-
Transactions with owners, recorded directly in equity						
Issue of right shares	350,000	-	-	-	-	350,000
Balance as at December 31, 2019	11,550,000	26,444	108,504	313,822	(1,531,969)	10,466,801


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

  
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 Director

  
**Dr. Khalid Zaheer**  
 Director

  
**Mr. Aftab Ahmad Khan**  
 Director



## CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		Rupees in thousands	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(365,759)	(1,680,213)
Less: Dividend income		75,383	58,031
		(441,142)	(1,738,244)
<b>Adjustments</b>			
Depreciation - Owned assets	11.2	286,448	214,441
Depreciation - Right of use of assets	29	442,016	-
Depreciation - Ijarah assets	10.4.1	992,687	548,717
Amortization	12	111,650	90,482
Unwinding of liability against right of use assets	25	374,201	-
Provision and written off - net	31	199,814	895,646
Unrealized loss / (gain) on forward exchange contracts - net		22,812	(167,501)
Gain on sale of fixed assets - net	28	(161)	(208)
(Loss) / gain on sale of securities - net	27	109,983	(17,738)
		2,539,450	1,563,839
		2,098,308	(174,405)
<b>(Increase)/decrease in operating assets</b>			
Due from financial institutions		(1,176,664)	(3,275,000)
Islamic financing and related assets		10,582,005	(32,156,158)
Other assets		(2,915,763)	(982,608)
		6,489,578	(36,413,766)
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		(330,365)	(224,428)
Due to financial institutions		(3,591,233)	(208,031)
Deposits and other accounts		8,546,326	18,698,051
Other liabilities		2,120,700	915,170
		6,745,428	19,180,762
		15,333,314	(17,407,409)
		(139,375)	(42,962)
Income tax paid		15,193,939	(17,450,371)
<b>Net cash generated from / (used) in operating activities</b>			
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(9,934,368)	(3,427,344)
Net investments in held-to-maturity securities		(1,310,891)	(929,936)
Dividend received		75,383	78,407
Proceeds from scheme of merger		-	22,214,180
Proceeds from sale of securities		7,609,162	480,324
Investments in fixed assets		(476,164)	(522,121)
Proceeds from sale of fixed assets		518	634
Investments in intangible assets		(239,202)	(129,255)
<b>Net cash (used in) / generated from investing activities</b>		(4,275,562)	17,764,889
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital	20	350,000	1,200,000
Payment against ROU asset		(524,046)	-
<b>Net cash generated from financing activities</b>		(174,046)	1,200,000
<b>Increase in cash and cash equivalents during the year</b>		10,744,331	1,514,518
Cash and cash equivalents at the beginning of the year		8,331,201	6,094,004
Cash and cash equivalents acquired under scheme of merger		-	722,679
<b>Cash and cash equivalents at the end of the year</b>	34	19,075,532	8,331,201

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



Syed Iftikhar Hussain Rizvi  
Chief Financial Officer



Mr. Muhtashim Ahmad Ashai  
President/Chief Executive



Mr. Omair Safdar  
Director



Dr. Khalid Zaheer  
Director



Mr. Aftab Ahmad Khan  
Director

## NOTES TO AND FORMING PART OF THESE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

### 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 185 branches in Pakistan (December 31, 2018: 176 branches). The Registered Office of the Bank is situated at 59 Block T, Phase II, DHA, Lahore Cantt and Principal Office is situated at 339 Block Z, Phase III, DHA Lahore Cantt.

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

### 2 BASIS OF PRESENTATION

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

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

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

### 3 STATEMENT OF COMPLIANCE

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

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

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

The State Bank of Pakistan has deferred the applicability of IFAS 3 'Profit and Loss Sharing on Deposits', through BPRD Circular No.04 dated February 25, 2015, International Financial Reporting Standard 9, 'Financial Instruments' through BPRD Circular No. 04 of 2019 dated October 23, 2019 and International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002.

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



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

The Bank has adopted "IFRS 15 Revenue from Contracts with Customers" and "IFRS 16 Leases" effective 01 January 2019. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Bank has adopted IFRS 15 from 01 January 2019. The timing or amount of income from contracts with customers was not impacted by the adoption of IFRS 15, accordingly, the adoption of this standard has no material impact in these financial statements. The impact of adoption of IFRS 16 on the Bank's financial statements is disclosed in note 5 (a).

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, 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.

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

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2020:

	Effective date (annual periods beginning on or after)
IFRS 3, Business Combinations - (Amendments)	January 1, 2020
IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

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

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

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 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 unconsolidated financial statements.

## 4 BASIS OF MEASUREMENT

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

#### Measurement of fair values

The Bank has an established control framework with respect to the measurement of fair values. The management regularly reviews significant observable and unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. The valuation of financial assets and financial liabilities are categorized and disclosed in note 38 keeping in view the measurement requirements specified in note 3.1.

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

### 4.3 Critical accounting estimates and judgments

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

#### a) Classification of investments

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

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

#### b) Provision / Impairment against Investments

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

#### c) Provision against Islamic financing and related assets

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

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in note 5.5.2.

#### d) Taxation

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

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

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

#### f) Lease term

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



## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year except for the changes explained in note 5 (a).

### 5 (a) Change in accounting policy

IFRS 16 introduces an on balance sheet accounting model for long term Ijarahs (short-term and having underlying assets of low value continue to be treated as Ijarah of Musta'jir under IFAS 02). Musta'jir recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding Ijarah liability representing its obligations to make Ujah (lease) payments. However, accounting for Ijarah of Muj'ir (lessors) remains the same as required under IFAS 02 i.e. Muj'ir continue to present assets subject to Ijarah according to the nature of the asset, distinguished from the assets in own use.

The Bank has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, using modified retrospective approach.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of Ijarahs of Musta'jir which had previously been shown off-balance sheet. These liabilities were measured as the present value of the remaining Ijarah payments, discounted using the Bank's incremental borrowing rate. The associated right-of use assets were measured at the amount equal to the Ijarah liability, adjusted by the amount of prepaid Ujah payments recognised in the statement of financial position immediately before the date of initial application.

The Ijarah liability is subsequently measured at amortized cost using the effective borrowing rate. The right-of-use assets are depreciated on a straight line basis over the Ijarah term. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The change in accounting policy affected the following items in the statement of financial position as on January 01, 2019:

- Right-of-Use (RoU) assets recognized as Fixed assets – increased by Rs 2,937.162 million which includes prepayments of Rs. 141.839 million; previously, included in advances, deposits, advance rent and other prepayments as at December 31, 2018.

- Lease liabilities recognized as Other liabilities – increased by Rs 2,795.322 million.

The impact on profit and loss account for the year ended December 31, 2019 is an increase in loss after tax by Rs. 181.766 million and loss per share by Rs. 0.16.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

### 5.1 Business acquisition

Business acquisition from Group companies are recognized at carrying values.

### 5.2 Cash and cash equivalents

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

### 5.3 Funds due to / from financial institutions

#### Bai Mu'ajjal

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

#### Musharaka / Mudaraba / Wakala

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

## Musharaka with State Bank of Pakistan under IERS

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.

### 5.4 Investments

The Bank classifies its investments as follows:

#### a) Held for trading

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

#### b) Available for sale

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

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

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

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

#### c) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity. Bai-Mu'ajjal receivables from Government of Pakistan are stated at cost. Investments classified as 'held to maturity' are carried at amortized cost less accumulated impairment losses, if any.

### 5.4.1 Provision / impairment

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

### 5.5 Islamic financing and related assets

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

#### Murabaha

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

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



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

#### **Istisna**

In Istisna financing, the Bank 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.

#### **Salam**

In Salam financing, the Bank pays full in advance to its customer for buying specified goods / commodities to be delivered to the Bank within an agreed time. The goods are then sold and the amount financed is received back by the Bank alongwith profit.

#### **Ijarah**

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

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

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

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

#### **Diminishing Musharaka**

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

#### **Running Musharaka**

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

### **5.5.2 Provision**

Islamic financing and related assets are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer, Small Enterprise (SEs) and Micro financings made in accordance with the requirements of the Prudential Regulations issued by SBP 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.

## **5.6 Fixed and Intangible assets**

### **5.6.1 Fixed assets**

#### **5.6.1.1 Capital work-in-progress**

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

#### **5.6.1.2 Property and equipment**

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

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

Depreciation on all fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

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

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

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

### **5.6.2 Intangible assets**

#### **5.6.2.1 Advance against purchase of software**

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

#### **5.6.2.2 Computer software**

Computer 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.

### **5.6.3 Impairment**

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



## 5.7 Leases

During the year, the State Bank of Pakistan vide its BPRD Circular Letter No. 8 dated April 30, 2019 and BPRD Circular No. BPRD/RPD/2019/17 dated July 26, 2019 has directed all Islamic Banks to apply IFRS 16- "Leases" in all Ijarah (lease) contracts where the Islamic Banks act in capacity of Mustajir (lessee) and accordingly, the Bank has adopted the standard.

IFRS 16 introduces an on balance sheet accounting model for long term Ijarahs (short-term and having underlying assets of low value continue to be treated as Ijarah of Musta'jir under IFAS 02). Musta'jir recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding Ijarah liability representing its obligations to make Ujrah (lease) payments. However, accounting for Ijarah of Muj'ir (lessors) remains the same as required under IFAS 02 i.e. Muj'ir continue to present assets subject to Ijarah according to the nature of the asset, distinguished from the assets in own use.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of Ijarahs of Musta'jir which had previously been shown off-balance sheet. These liabilities were measured as the present value of the remaining Ijarah payments, discounted using the Bank's incremental borrowing rate. The associated right-of use assets were measured at the amount equal to the Ijarah liability, adjusted by the amount of prepaid Ujrah payments recognised in the statement of financial position immediately before the date of initial application.

The Ijarah liability is subsequently measured at amortized cost using the effective borrowing rate. The right-of-use assets are depreciated on a straight line basis over the Ijarah term. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

Payments associated with short-term Ijarahs and having low-value assets are recognized on a straight-line basis as an expense in profit or loss.

## 5.8 Deposits

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

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

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

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

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

## 5.9 Pool Management

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

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

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

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

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

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

## 5.10 Taxation

### Current

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

### Deferred

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

## 5.11 Staff retirement benefits

### Defined contribution plan

The Bank operates a recognised contributory provident fund scheme for all its permanent employees. Equal monthly contributions are made both by the Bank and its permanent employees, to the Fund at the rate of 8.33% of the basic salaries of employees. However, an employee has an option to increase his/her contribution upto 15% but the Bank will still contribute 8.33% of the employee's basic salary. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.



## 5.12 Acceptances

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

## 5.13 Provisions and contingent assets and liabilities

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

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

## 5.14 Foreign currencies

### 5.14.1 Transactions and balance

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

### 5.14.2 Commitments

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

## 5.15 Revenue recognition

- Profit on investments in Sukuks is recognised on time proportion basis. Where Sukuks (excluding those classified as held for trading) are purchased at a premium or discount, such premiums / discounts are amortised through the profit or loss account using the effective yield method.
- Profit from Musharaka placements with financial institutions is recognised on time proportion basis.
- Profit from Bai-Mu'ajjal is recognised on 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 to which it arises.

## 5.16 Assets acquired in satisfaction of claims

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

## 5.17 Financial instruments

### 5.17.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position includes cash and balances with treasury banks, balances with other banks, due from financial institutions, investments, Islamic financings and related assets (excluding inventories), other assets (excluding balances related to tax), bills payables, due to financial institutions, deposits and other liabilities (excluding balances related to tax). The particular recognition methods adopted for significant financial assets and liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

### 5.17.2 Offsetting

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

## 5.18 Dividend distribution and appropriation

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

## 5.19 Earnings / (loss) per share

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

## 5.20 Segment reporting

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

### 5.20.1 Business segments

#### - Business Distribution

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

#### - Corporate Banking

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

#### - Consumer Banking

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

#### - Micro Banking

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

#### - Treasury Operations

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

### 5.20.2 Geographical segments

The Bank operates only in Pakistan.



Note	2019	2018
	Rupees in thousands	
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>		
In hand		
- local currency	2,095,419	1,963,099
- foreign currencies	600,249	561,844
	2,695,668	2,524,943
With the State Bank of Pakistan (SBP) in		
- local currency current account	6.1	5,647,262
- foreign currency current accounts		3,429,560
cash reserve account	6.2	253,486
special cash reserve account	6.3	297,462
US\$ clearing account		68,772
	619,720	511,817
With National Bank of Pakistan in		
- local currency current account		1,276,497
Prize Bonds		13,400
	10,252,547	6,990,369

**6.1** The local currency current account is maintained with SBP under the Cash Reserve Requirement of section 22 of Banking Companies Ordinance, 1962. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as prescribed by the SBP from time to time.

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

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

Note	2019	2018
	Rupees in thousands	
<b>7 BALANCES WITH OTHER BANKS</b>		
In Pakistan		
- deposit account	7.1	4,378,142
		979,332
Outside Pakistan		
- current account		4,444,843
		443,369
		8,822,985
		1,422,701

**7.1** This represents savings accounts carrying profit at expected rates ranging from 3.00% to 12.54% per annum (2018: 0.03% to 9.95% per annum).

Note	2019	2018
	Rupees in thousands	
<b>8 DUE FROM FINANCIAL INSTITUTIONS</b>		
<b>Secured</b>		
Bai Muajjal receivable - with State Bank of Pakistan	8.1	3,371,664
		-
<b>Unsecured</b>		
Musharaka arrangements	8.2	2,480,000
		4,675,000
		5,851,664
		4,675,000

**8.1** This represents Bai Muajjal with State Bank of Pakistan carrying profit at average rate of 10.34% per annum (2018: Nil) and having maturity till February 07, 2020.

**8.2** This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 10.80% to 11.00% per annum (2018: 9.25% to 9.55% per annum) and having maturity till January 20, 2020.

	2019	2018
	Rupees in thousands	
<b>8.3 Particulars of due from financial institutions</b>		
- local currency	5,851,664	4,675,000
- foreign currencies	-	-
	5,851,664	4,675,000

## 9 INVESTMENTS

### 9.1 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

2019			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands			

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

2,700,827	-	-	2,700,827
575,000	-	-	575,000
3,275,827	-	-	3,275,827

17,202,043	1,059,172	166,929	16,309,800
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2018			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands			

#### Available-for-sale securities

Federal Government securities  
Shares  
Non Government securities

#### Held-to-maturity securities

Federal Government securities  
Non Government securities

#### Total Investments

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

1,159,936	-	-	1,159,936
805,000	-	-	805,000
1,964,936	-	-	1,964,936

13,675,929	881,903	(80,072)	12,713,954
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### 9.2 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

2019			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in thousands			
10,842,666	-	(8,095)	10,834,571
56,404	-	711	57,115
2,700,827	-	-	2,700,827
1,908,146	1,059,172	175,625	1,024,599
854,000	-	1,309	855,309
840,000	-	(2,621)	837,379
17,202,043	1,059,172	166,929	16,309,800



	2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in thousands			
<b>Federal Government securities</b>				
GOP Ijarah Sukuks	8,366,893	-	(41,185)	8,325,708
WAPDA Sukuks	85,187	-	22	85,209
Bai Mu'ajjal	1,159,936	-	-	1,159,936
<b>Shares</b>				
Listed companies	1,831,580	881,903	(43,325)	906,352
<b>Non Government securities</b>				
Listed	1,159,000	-	4,367	1,163,367
Un listed	1,073,333	-	49	1,073,382
<b>Total Investments</b>	<b>13,675,929</b>	<b>881,903</b>	<b>(80,072)</b>	<b>12,713,954</b>

9.2.1 There were no investment given as collateral as at December 31, 2019 (2018: Nil).

### 9.3 Provision for diminution in value of investments

	2019	2018
	Rupees in thousands	
Opening balance	881,903	-
Charge for the year	177,269	881,903
Closing balance	1,059,172	881,903

### 9.4 Quality of Available for Sale Securities

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

#### Federal Government Securities - Government guaranteed

	2019	2018
	Cost Rupees in thousands	
GOP Ijarah Sukuks	10,842,666	8,366,893
WAPDA Sukuks	56,404	85,187
Unlisted - AAA (2018: AAA)	10,899,070	8,452,080

#### Shares

Listed		
Automobile Assembler	154,313	154,313
Cable & Electric Goods	136,403	136,403
Engineering	266,165	266,165
Fertilizer	171,055	167,693
Oil & Gas Marketing Companies	308,072	285,187
Paper & Board	308,108	308,108
Pharmaceuticals	161,717	161,716
Power Generation & Distribution	99,803	186,607
Refinery	94,081	94,081
Textile Composite	91,354	71,307
Oil & Gas Exploration Companies	116,705	-
Chemical	370	-
	1,908,146	1,831,580

#### Non Government Securities

Listed		
A+	129,000	129,000
AA-	150,000	225,000
	279,000	354,000
Un listed		
AA	740,000	973,333
A	100,000	100,000
	840,000	1,073,333
	13,926,216	11,710,993

### 9.5 Particulars relating to Held to Maturity securities are as follows:

#### Federal Government Securities - Government guaranteed

Note	2019	2018
	Cost Rupees in thousands	
9.5.1 Bai Mu'ajjal	2,700,827	1,159,936
<b>Non Government Securities</b>		
Listed		
AA+	575,000	805,000
	3,275,827	1,964,936

9.5.1 Bai Muajjal receivable	9.5.1.1	3,768,188	1,605,938
Less: Deferred Income		1,067,361	446,002
Bai Muajjal at cost		2,700,827	1,159,936

9.5.1.1 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.

9.5.2 The market value of non Government securities classified as held-to-maturity as at December 31, 2019 amounted to Rs.578.398 million (2018: Rs.814.422 million).

### 10 ISLAMIC FINANCING AND RELATED ASSETS - NET

	Note	Performing		Non performing		Total	
		2019	2018	2019	2018	2019	2018
		Rupees in thousands					
Murabaha	10.1	7,605,280	17,096,368	4,550	759	7,609,830	17,097,127
Musawamah	10.2	2,000	-	-	-	2,000	-
Istisna	10.3	2,603,493	1,793,878	-	-	2,603,493	1,793,878
Salam		111,287	4,118	-	-	111,287	4,118
Ijarah	10.4	4,878,702	4,269,903	2,698	-	4,881,400	4,269,903
Running Musharaka	10.5	16,669,096	19,441,575	-	-	16,669,096	19,441,575
Diminishing Musharaka	10.6	17,802,303	19,047,410	374,179	10,007	18,176,482	19,057,417
Staff finance	10.7	1,293,082	1,258,046	-	-	1,293,082	1,258,046
<b>Islamic financing and related assets - gross</b>		50,965,243	62,911,298	381,427	10,766	51,346,670	62,922,064
Less: Provision against non-performing							
Islamic financing and related assets							
- Specific		-	-	(3,340)	(758)	(3,340)	(758)
- General		(33,363)	(14,102)	-	-	(33,363)	(14,102)
	10.10	(33,363)	(14,102)	(3,340)	(758)	(36,703)	(14,860)
<b>Islamic financing and related assets - net of provisions</b>		50,931,880	62,897,196	378,087	10,008	51,309,967	62,907,204

	Note	2019	2018	
		Rupees in thousands		
10.1	<b>Murabaha</b>			
- Murabaha financing	10.1.1	4,671,163	7,334,021	
- Murabaha inventory		2,649,423	6,625,790	
- Advances against Murabaha financing		239,244	3,056,316	
- Murabaha financing under Islamic export refinance scheme	10.1.5	-	-	
- Advances against Murabaha financing under Islamic export refinance scheme		50,000	81,000	
		<u>7,609,830</u>	<u>17,097,127</u>	
10.1.1	Murabaha receivable - gross	10.1.2	5,005,449	7,674,572
	Less: Deferred Murabaha income	10.1.4	334,286	340,551
	Murabaha financing		<u>4,671,163</u>	<u>7,334,021</u>



Note	2019	2018
	Rupees in thousands	
<b>10.1.2</b> Movement in Murabaha receivable during the year:		
Opening balance	7,674,572	4,860,060
Sales during the year	25,845,273	23,655,655
Adjusted during the year	(28,514,396)	(20,841,143)
	<u>5,005,449</u>	<u>7,674,572</u>
<b>10.1.3</b> Murabaha sale price during the year	25,845,273	23,655,655
Murabaha purchase price during the year	(24,447,190)	(22,644,766)
	<u>1,398,083</u>	<u>1,010,889</u>
<b>10.1.4</b> Deferred Murabaha income		
Opening balance	340,551	158,456
Arising during the year	1,398,083	1,010,889
Recognised during the year	(1,404,348)	(828,794)
	<u>334,286</u>	<u>340,551</u>
<b>10.1.5</b> Murabaha receivable under Islamic export refinance scheme - gross	10.1.6	-
Less: Deferred income	10.1.8	-
Murabaha financing under Islamic export refinance scheme		-
<b>10.1.6</b> Movement in Murabaha receivable under IERS during the year:		
Opening balance	-	101,575
Sales during the year	-	242,026
Adjusted during the year	-	(343,601)
	<u>-</u>	<u>-</u>
<b>10.1.7</b> Murabaha sale price under Islamic export refinance scheme during the year	-	242,026
Murabaha purchase price under Islamic export refinance scheme during the year	-	(239,601)
	<u>-</u>	<u>2,425</u>
<b>10.1.8</b> Deferred Murabaha income under Islamic export refinance scheme		
Opening balance	-	1,075
Arising during the year	-	2,425
Recognised during the year	-	(3,500)
	<u>-</u>	<u>-</u>
<b>10.2 Musawamah</b>		
- Musawamah inventory	2,000	-
	<u>2,000</u>	<u>-</u>
<b>10.3 Istisna</b>		
- Istisna financing	60,146	-
- Istisna inventory	616,127	-
- Advances against Istisna financing	1,052,399	594,687
- Istisna financing under Islamic export refinance scheme	56,929	24,244
- Advances against Istisna financing under Islamic export refinance scheme	817,892	1,174,947
	<u>2,603,493</u>	<u>1,793,878</u>
<b>10.4 Ijarah financing and related assets</b>		
- Net book value of assets in Ijarah under IFAS 2	10.4.1	4,190,369
- Advances against Ijarah		691,031
	<u>4,881,400</u>	<u>4,269,903</u>

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

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

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						
1,662,346	1,588,759 (368,748)	2,882,357	603,033	321,939 (270,691)	654,281	2,228,076
788,327	543,461 (128,132)	1,203,656	363,380	226,778 (106,501)	483,657	719,999
2,450,673	2,132,220 (496,880)	4,086,013	966,413	548,717 (377,192)	1,137,938	2,948,075

**10.4.2 Future Ijarah payments receivable**

2019			
Not later than 1 year	Later than 1 year and not later than 5 years	Over Five years	Total
Rupees in thousands			
Ijarah rental receivables	3,094,930	3,085,207	72,419
			6,252,556

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
			3,160,297

	2019	2018
	Rupees in thousands	
<b>10.5 Running Musharaka</b>		
- Running Musharaka financing	14,854,096	18,285,575
- Running Musharaka financing under Islamic export refinance scheme	1,815,000	1,156,000
	<u>16,669,096</u>	<u>19,441,575</u>
<b>10.6 Diminishing Musharaka</b>		
- Diminishing Musharaka financing	17,511,215	15,347,739
- Advances against Diminishing Musharaka financing	665,267	3,709,678
	<u>18,176,482</u>	<u>19,057,417</u>
<b>10.7 Staff finance</b>		
- Staff vehicle finance under Diminishing Musharaka	230,096	213,215
- Staff housing finance under Diminishing Musharaka	1,062,986	1,044,831
	<u>1,293,082</u>	<u>1,258,046</u>
<b>10.8 Particulars of Islamic financing and related assets - gross</b>		
In local currency	51,346,670	62,922,064
In foreign currency	-	-
	<u>51,346,670</u>	<u>62,922,064</u>



10.9 Islamic financing and related assets include Rs. 381.427 million (2018: Rs. 10.766 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non-performing Islamic financing and related assets	Provision	Non-performing Islamic financing and related assets	Provision
Rupees in thousands				
<b>Domestic</b>				
Other Assets Especially Mentioned	14,754	-	9,832	-
Substandard	7,703	1,797	235	59
Doubtful	358,105	678	-	-
Loss	865	865	699	699
	381,427	3,340	10,766	758

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

	2019			2018		
	Specific	General	Total	Specific	General	Total
Rupees in thousands						
Opening balance	758	14,102	14,860	729	490	1,219
Charge for the year	3,383	19,261	22,644	59	13,612	13,671
Reversals	(99)	-	(99)	(30)	-	(30)
	3,284	19,261	22,545	29	13,612	13,641
Amounts written off	(702)	-	(702)	-	-	-
Closing balance	3,340	33,363	36,703	758	14,102	14,860

10.11 As allowed by the SBP, the Bank has availed benefit of forced sale value (FSV) in determining the provisioning against non-performing Islamic financing and related assets as at December 31, 2019. Had the benefit not been taken by the bank, the specific provision against non-performing Islamic financing and related assets would have been higher by Rs.178.374 million (December 31, 2018 : NIL). The additional benefit on the Bank's statement of profit and loss arising from availing the FSV benefit - net of tax amounts to Rs 115.943 million as at December 31, 2019 (December 31, 2018: Nil). However, the additional impact on profitability arising from availing the benefit of forced sales value is not available for payment of cash or stock dividends to shareholders.

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

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

	2019			2018		
	Specific	General	Total	Specific	General	Total
Rupees in thousands						
In local currency	3,340	33,363	36,703	758	14,102	14,860
In foreign currency	-	-	-	-	-	-
	3,340	33,363	36,703	758	14,102	14,860

#### 11 FIXED ASSETS

	Note	2019	2018
Rupees in thousands			
Capital work-in-progress	11.1	112,863	206,869
Property and equipment	11.2	2,778,073	2,345,731
Right of use of assets	11.5	2,888,836	-
		5,779,772	2,552,600
<b>11.1 Capital work-in-progress</b>			
Civil works		25,610	96,620
Advance to suppliers and contractors		83,351	85,887
Others		3,902	24,362
		112,863	206,869

#### 11.2 Property and Equipment

2019						
Freehold land	Building on freehold land	Lease hold Improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total

Rupees in thousands

At January 1, 2019						
Cost / Revalued amount	730,867	463,354	270,543	112,985	1,081,665	70,369
Accumulated depreciation	-	(15,648)	(95,298)	(21,004)	(237,210)	(14,892)
Net book value	730,867	447,706	175,245	91,981	844,455	55,477

#### Year ended December 2019

Opening net book value	730,867	447,706	175,245	91,981	844,455	55,477
Additions	1,381	11,212	181,867	47,608	307,582	20,520
Movement in surplus on assets revalued during the year	95,752	53,225	-	-	-	-
Disposals	-	-	-	(54)	(303)	-
Depreciation charge	-	(10,173)	(61,814)	(15,857)	(185,268)	(13,336)
Closing net book value	828,000	501,970	295,298	123,678	966,466	62,661

#### At December 31, 2019

Cost / Revalued amount	828,000	502,206	452,410	160,470	1,387,986	90,889
Accumulated depreciation	-	(236)	(157,112)	(36,792)	(421,520)	(28,228)
Net book value	828,000	501,970	295,298	123,678	966,466	62,661

Rate of depreciation (%)	0	Upto 50 years	20	10	10 to 25	20
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2018						
Freehold land	Building on freehold land	Lease hold Improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total

Rupees in thousands

At January 1, 2018						
Cost / Revalued amount	707,584	348,675	214,451	62,232	704,174	29,563
Accumulated depreciation	-	(7,530)	(50,317)	(10,255)	(95,037)	(6,893)
Net book value	707,584	341,145	164,134	51,977	609,137	22,670

#### Year ended December 2018

Opening net book value	707,584	341,145	164,134	51,977	609,137	22,670
Additions	23,283	114,679	56,092	23,992	229,348	40,805
Acquisitions under scheme of merger	-	-	-	27,071	148,680	-
Disposals	-	-	-	(268)	(158)	-
Depreciation charge	-	(8,118)	(44,981)	(10,791)	(142,553)	(7,998)
Closing net book value	730,867	447,706	175,245	91,981	844,454	55,477

#### At December 31, 2018

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

Rate of depreciation (%)	0	Upto 50 years	20	10	10 to 25	20
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**11.2.1** The land and buildings of the Bank were revalued in December 2019 by independent valuers (Tristar International Consultant (Private) Limited and Sardar Enterprises, valuation and engineering consultants) on the basis of market value. Surplus against revaluation of fixed assets net off deferred tax as at December 31, 2019 amounts to Rs.313.822 million.

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2019 would have been as follows:

	Rupees in thousands
Land	595,876
Building	376,516

**11.3** The gross carrying amount (cost) of fully depreciated / amortized assets that are in use as at December 31, 2019 are as follows:

	Rupees in thousands
Lease hold Improvements	13,699
Electrical, office and computer equipments	44,406
Furniture and fixtures	2,654
Vehicles	2,040

#### 11.4 Details of disposal of operating fixed assets

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

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

Note	2019	2018
	Rupees in thousands	
Balance as 31 December	-	-
Effect of initial application of IFRS 16 as at 01 January 2019	2,937,162	-
Addition during the year	393,690	-
Depreciation charge for the year	(442,016)	-
Balance as at 31 December 2019	2,888,836	-
<b>12 INTANGIBLE ASSETS</b>		
Advance against purchase of software	155,595	71,060
Computer software	564,128	521,111
	719,723	592,171
<b>12.1 Computer software</b>		
<b>At January 1</b>		
Cost	664,711	536,029
Accumulated amortisation	(143,600)	(53,119)
Net book value	521,111	482,910
<b>Year ended December 31</b>		
Opening net book value	521,111	482,910
Additions:		
- directly purchased	154,667	129,604
Amortisation charge	(111,650)	(90,482)
Other adjustment	-	(921)
Closing net book value	564,128	521,111
<b>At December 31</b>		
Cost	819,378	664,711
Accumulated amortisation	(255,250)	(143,600)
Net book value	564,128	521,111
Rate of amortisation	14.28%	14.28%
Useful life	3 -7 Yrs	3 -7 Yrs

**12.1.1** This includes Core banking system of the Bank at carrying value of Rs. 220.973 million (2018: Rs.252.210 million) and having remaining useful life of 5 years (2018: 6 years).

## 13 DEFERRED TAX ASSETS / (LIABILITY) - NET

2019			
At Jan 01, 2019	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2019
Rupees in thousands			
<b>Deductible temporary difference</b>			
Tax losses carried forward	806,991	135,775	-
Minimum tax	88,851	152,884	-
Deficit on revaluation of investments - net	28,025	-	(28,025)
Provision against Islamic financing and related assets	21	842	-
Workers welfare fund	797	-	-
	924,685	289,501	(28,025)
			1,186,161
<b>Taxable temporary difference</b>			
Surplus on revaluation of fixed assets	(25,818)	455	(18,629)
Surplus on revaluation of investments	-	-	(58,425)
Accelerated tax depreciation	(147,802)	(14,925)	-
	(173,620)	(14,470)	(77,054)
	751,065	275,031	(105,079)
			921,017

2018			
At Jan 01, 2018	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2018
Rupees in thousands			
<b>Deductible temporary difference</b>			
Tax losses carried forward	189,882	617,109	-
Minimum tax	31,249	57,602	-
Deficit on revaluation of investments - net	208,258	-	(180,233)
Provision against Islamic financing and related assets	-	21	-
Workers welfare fund	797	-	-
	430,186	674,732	(180,233)
			924,685
<b>Taxable temporary difference</b>			
Surplus on revaluation of fixed assets	(26,273)	455	-
Accelerated tax depreciation	(114,448)	(33,354)	-
	(140,721)	(32,899)	-
	289,465	641,833	(180,233)
			751,065

## 14 OTHER ASSETS

	2019	2018
	Rupees in thousands	
Profit / return accrued in local currency	2,434,000	1,058,880
Advances, deposits, advance rent and other prepayments	164,697	267,118
Advance taxation (payments less provisions)	11,097	24,606
Branch adjustment account	40,206	-
Receivable against ATM transactions	156,474	288,577
Receivable under home remittances	11,851	13,945
Mark to market gain on forward foreign exchange contracts	-	169,697
Acceptance	2,194,173	409,429
Others	37,288	57,119
	5,049,786	2,289,371

## 15 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2019 (2018: Nil).



		2019	2018
		Rupees in thousands	
<b>16</b>	<b>BILLS PAYABLE</b>		
	In Pakistan	973,627	1,303,992
	Outside Pakistan	-	-
		<u>973,627</u>	<u>1,303,992</u>
<b>17</b>	<b>DUE TO FINANCIAL INSTITUTIONS</b>		
	In Pakistan	4,127,526	7,718,759
	Outside Pakistan	-	81,869
		<u>4,127,526</u>	<u>7,800,628</u>
<b>17.1</b>	<b>Particulars of due to financial institutions with respect to currencies</b>		
	In local currency	4,127,526	7,718,759
	In foreign currencies	-	81,869
		<u>4,127,526</u>	<u>7,800,628</u>
<b>17.2</b>	<b>Details of due to financial institutions - Secured / Unsecured</b>		
	<b>Secured</b>		
	Musharaka with the State Bank of Pakistan under Islamic Export Refinance Scheme	17.2.1	2,650,821
			1,987,408
	<b>Unsecured</b>		
	Musharaka arrangements	17.2.2	1,380,853
	Musharaka arrangements with other institution		95,853
	Overdrawn nostro		-
			81,869
		<u>4,127,527</u>	<u>7,800,628</u>

**17.2.1** These Musharaka arrangements are on a profit and loss sharing basis maturing between January 01, 2020 to June 29, 2020 (2018: February 24, 2019 to June 26, 2019) and are secured against demand promissory notes executed in favour of the SBP. A limit of Rs. 2,760 million has been allocated to the Bank by SBP under Islamic Export Refinance Scheme.

**17.2.2** This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 8.5% to 9.0% per annum (2018: 9.40% to 9.80% per annum) and having maturity till January 15, 2020.

## 18 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
	Rupees in thousands					
<b>Customers</b>						
Current deposits	20,470,659	1,721,169	22,191,828	20,498,978	1,599,388	22,098,366
Savings deposits	31,630,709	2,085,896	33,716,605	29,634,547	1,705,967	31,340,514
Term deposits	15,049,977	72,099	15,122,076	5,040,187	104,191	5,144,378
Others	4,918,750	-	4,918,750	3,690,026	-	3,690,026
	<u>72,070,095</u>	<u>3,879,164</u>	<u>75,949,259</u>	<u>58,863,739</u>	<u>3,409,546</u>	<u>62,273,284</u>
<b>Financial Institutions</b>						
Current deposits	98,729	1,605	100,334	73,166	1,206	74,372
Savings deposits	1,986,733	1,554	1,988,287	5,885,028	-	5,885,028
Term deposits	3,815,631	-	3,815,631	5,074,501	-	5,074,501
	<u>5,901,093</u>	<u>3,159</u>	<u>5,904,252</u>	<u>11,032,695</u>	<u>1,206</u>	<u>11,033,901</u>
	<u>77,971,188</u>	<u>3,882,323</u>	<u>81,853,511</u>	<u>69,896,434</u>	<u>3,410,752</u>	<u>73,307,185</u>

	2019	2018
	Rupees in thousands	
<b>18.1</b>	<b>Composition of deposits</b>	
	Individuals	35,007,567
	Government (Federal and Provincial)	7,692,691
	Public Sector Entities	268,859
	Banking Companies	1,037,961
	Non-Banking Financial Institutions	4,866,288
	Private Sector	32,980,145
		<u>81,853,511</u>
		<u>73,307,185</u>

**18.2** This includes deposits eligible to be covered under takaful arrangements amounting to Rs.51,165.607 million (2018: Rs.40,534.489 million).

	Note	2019	2018
		Rupees in thousands	
<b>19</b>	<b>OTHER LIABILITIES</b>		
	Profit / return payable in local currency	19.1	679,292
	Profit / return payable in foreign currencies		9,437
	Accrued expenses		333,136
	Income received in advance		71,091
	Acceptance		2,194,173
	Branch adjustment account		-
	Payable under inter-bank fund transfer		3,805
	Advance receipt against Islamic financing and related assets		6,154
	Charity fund balance	19.2	57,782
	Security deposits against Ijarah financing		1,005,930
	Retention money payable		-
	Payable under purchase of securities		-
	Withholding tax, Federal excise duty and other payable		21,685
	Mark to market loss on forward foreign exchange contracts		22,812
	Liability against ROU asset	19.3	3,039,168
	Others		151,331
			<u>7,595,796</u>
			<u>2,413,116</u>

**19.1** It includes Rs. 10.086 million (2018: Rs. 8.916 million) in respect of profit / return accrued on Musharaka with SBP under Islamic Export Refinance Scheme.

	Note	2019	2018
		Rupees in thousands	
<b>19.2</b>	<b>Reconciliation of charity fund balance</b>		
	Opening balance	25,402	5,513
	Additions during the year		
	- Received from customers against late payment	45,958	25,548
	- Dividend purification amount	7,383	2,133
	- Profit on charity saving account	1,539	308
		<u>54,880</u>	<u>27,989</u>
	Charity paid during the year	19.2.1	(22,500)
			(8,100)
	Closing balance	<u>57,782</u>	<u>25,402</u>



Note	2019	2018
	Rupees in thousands	
<b>19.2.1 Charity was paid to the following institutions:</b>		
Arthritis Care	1,000	-
Aziz Jehan Begum Trust for the Blind	1,000	700
Care Foundation Pakistan	-	700
Chiniot Anjuman Islamia	-	600
Family Welfare Society	1,000	600
Fast – NU Chiniot – Faisalabad Campus	-	600
Fatmid Foundation	1,000	700
Indus Hospital	2,000	-
Infaq Memorial Trust	1,000	700
Layton Rehmatullah Benevolent Trust	2,000	-
Mind Organization	1,000	-
Pink Ribbon	5,000	-
Rising Sun Education & Welfare Society	-	700
Sindh Institute of Urology & Transplantation (SIUT)	2,000	700
Shaukat Khanam Memorial Cancer Hospital	2,000	1,000
The Citizens Foundation	2,000	600
The Lahore Hospital Welfare Society	500	500
The Patient Behood Society for AKUH	1,000	-
	<u>22,500</u>	<u>8,100</u>

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

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

## 20 SHARE CAPITAL

### Authorised capital

2019	2018		2019	2018
			Rupees in thousands	
<b>Number of shares</b>				
<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

2019	2018		2019	2018
			Rupees in thousands	
<b>Number of shares</b>				
		Fully paid in cash		
1,120,000,000	1,000,000,000	Balance at beginning of the year	11,200,000	10,000,000
35,000,000	120,000,000	Issued during the year - right shares	350,000	1,200,000
<u>1,155,000,000</u>	<u>1,120,000,000</u>	Balance at end of the year	<u>11,550,000</u>	<u>11,200,000</u>

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

Note	2019	2018
	Rupees in thousands	
<b>21 RESERVES</b>		
Statutory Reserves	<u>26,444</u>	<u>26,444</u>

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

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

Surplus / (deficit) arising on revaluation of:

- Fixed assets
- Available for sale securities

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

- Fixed assets
- Available for sale securities

### 22.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as January 1

Recognised during the year

Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax

Related deferred tax liability on incremental

depreciation charged during the year

Surplus on revaluation of fixed assets as at December 31

Less: Related deferred tax liability on:

revaluation as at January 1

revaluation recognised during the year

incremental depreciation charged during the year

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

Available for sale securities

Listed shares

Sukuks

Related deferred tax asset

## 23 CONTINGENCIES AND COMMITMENTS

Guarantees

Commitments

Other contingent liabilities

### 23.1 Guarantees:

Performance guarantees

Other guarantees

### 23.2 Commitments:

Documentary credits and short-term trade-related transactions

Letters of credit

Commitments in respect of:

Forward foreign exchange contracts

Commitments for acquisition of:

Fixed assets

Intangible assets

Other commitments

Note	2019	2018
	Rupees in thousands	
22.1	357,814	210,137
22.2	166,929	(80,072)
	<u>524,743</u>	<u>130,065</u>
22.1	(43,992)	(25,818)
22.2	(58,425)	28,025
	<u>(102,417)</u>	<u>2,207</u>
	<u>422,326</u>	<u>132,272</u>
	210,137	211,437
	148,977	-
	(845)	(845)
	(455)	(455)
	<u>357,814</u>	<u>210,137</u>
	25,818	26,273
	18,629	-
	(455)	(455)
	<u>43,992</u>	<u>25,818</u>
	<u>313,822</u>	<u>184,319</u>
	175,625	(43,325)
	(8,696)	(36,747)
	<u>166,929</u>	<u>(80,072)</u>
	(58,425)	28,025
	<u>108,504</u>	<u>(52,047)</u>

2019	2018
Rupees in thousands	

23.1	6,467,046	3,092,537
23.2	11,498,973	18,593,888
23.3	431,439	425,820
	<u>18,397,458</u>	<u>22,112,245</u>
23.1	3,431,726	1,099,947
	3,035,320	1,992,590
	<u>6,467,046</u>	<u>3,092,537</u>
23.2		
	7,818,321	11,639,176
23.2.1	3,363,957	4,693,353
	-	10,395
	8,940	29,647
23.2.2	307,755	2,221,317
	<u>11,498,973</u>	<u>18,593,888</u>



	Note	2019	2018
		Rupees in thousands	
<b>23.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		882,210	3,465,359
Sale		2,481,747	1,227,994
		<u>3,363,957</u>	<u>4,693,353</u>
<b>23.2.2 Other Commitments</b>			
Commitments to extend credit	23.2.2.1	<u>307,755</u>	<u>2,221,317</u>
<b>23.2.2.1</b> Other than those stated above, the Bank makes commitment(s) to extend credit in the normal course of business including related parties but these being revocable commitments do not attract any penalty or expense if the facility is unilaterally withdrawn.			

	Note	2019	2018
		Rupees in thousands	
<b>23.3 Other contingent liabilities</b>			
Claims against the Bank not acknowledged as debt		<u>431,439</u>	<u>425,820</u>

This includes claim by a third party against the Bank, amounting to Rs.425.820 million which is being contested in the Court of law. The suit has been disposed off by the Court vide Order dated May 10, 2019 wherein the status quo has been ordered to be maintained with respect to bank guarantee and the matter has been referred to arbitration with the consent of the parties. However the Bank has not received any official notice to attend the arbitration proceedings till date.

In addition to the above, this includes claim by a customer against the bank amounting to Rs.5.6 million which is pending before the court.

**23.4** The Sindh Revenue Board (SRB) has issued order under "Sindh Sales Tax on Services Act, 2011", for the year 2016 thereby raising demand of Rs.0.642 million. The Bank has filed appeal before Commissioner of Inland Revenue Appeals which is pending adjudication. The management of the Bank, in consultation with its tax advisor, is confident that the decision in respect of the above matter would be in the Bank's favor and accordingly no provision has been made in these financial statements with respect thereto.

		2019	2018
		Rupees in thousands	
<b>24 PROFIT / RETURN EARNED</b>			
Financings		7,288,776	3,419,424
Investments in			
- available for sale securities		<u>1,411,649</u>	<u>562,606</u>
- held to maturity securities		<u>400,202</u>	<u>82,370</u>
		1,811,851	644,976
Musharaka arrangements with financial institutions		555,462	97,176
Deposits with financial institutions		<u>192,730</u>	<u>47,299</u>
		<u>9,848,819</u>	<u>4,208,875</u>
<b>25 PROFIT / RETURN EXPENSED</b>			
Deposits and other accounts		4,936,521	1,648,860
Musharaka arrangements with the State Bank of Pakistan under IERS		45,860	24,067
Musharaka arrangements with other financial institutions		490,506	632,023
Musharaka arrangements with other institution		7,973	-
Unwinding of liability against right-of-use of asset	25.1	<u>374,201</u>	<u>-</u>
		<u>5,855,061</u>	<u>2,304,950</u>

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

		2019	2018
		Rupees in thousands	
<b>26 FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		12,407	9,589
Consumer finance related fees		19,584	7,326
Card related fees		67,794	41,247
Credit related fees		4,755	-
Digital banking fees		12,429	10,359
Commission on trade		71,407	49,196
Commission on guarantees		23,475	15,465
Commission on cash management		134	-
Commission on remittances including home remittances		9,439	3,340
Commission on banca takaful		70,021	25,549
Others		<u>3,046</u>	<u>174</u>
		<u>294,491</u>	<u>162,245</u>

	Note	2019	2018
		Rupees in thousands	
<b>27 GAIN / (LOSS) ON SECURITIES</b>			
Realised	27.1	<u>(109,983)</u>	<u>17,738</u>
<b>27.1</b> Realised gain / (loss) on:			
Federal Government Securities - Sukuk certificates		(78,014)	(57)
Shares		<u>(31,969)</u>	<u>17,795</u>
		<u>(109,983)</u>	<u>17,738</u>
<b>28 OTHER INCOME</b>			
Rental income		9,741	8,855
Locker rent		9,250	3,770
Gain on sale of fixed assets - net		161	208
Fees and charges recovered		<u>591</u>	<u>187</u>
		<u>19,743</u>	<u>13,020</u>
<b>29 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	29.1	2,065,081	1,319,145
<b>Property expense</b>			
Rent and taxes		72,448	412,615
Takaful expenses		35,998	54,436
Utilities cost		131,317	79,440
Security (including guards)		205,897	139,129
Repair and maintenance (including janitorial charges)		112,505	67,728
Depreciation on right-of-use assets	29.3	442,016	-
Depreciation	11.2	<u>155,773</u>	<u>109,109</u>
		1,155,954	862,457
<b>Information technology expenses</b>			
Software maintenance		91,106	57,674
Hardware maintenance		73,910	43,600
Takaful expenses		2,069	2,236
Depreciation	11.2	<u>117,339</u>	<u>97,334</u>
Amortisation	12.1	<u>111,650</u>	<u>90,482</u>
Network charges		<u>109,407</u>	<u>79,455</u>
		505,481	370,781
<b>Other operating expenses</b>			
Directors' fees and allowances		850	900
Remuneration to Shariah Board members		8,147	7,029
Legal and professional charges		43,551	37,382
Takaful expenses		68,457	19,238
Fee and subscription		1,409	2,434
Outsourced services costs	35.1	201,492	152,753
Travelling and conveyance		88,076	60,837
Repair and maintenance vehicles		1,557	1,262
NIFT clearing charges		18,655	12,390
Brokerage, commission and bank charges		15,781	20,943
Depreciation	11.2	<u>13,336</u>	<u>7,998</u>
Training and development		15,964	10,811
Postage and courier charges		52,044	42,468
Communication		16,351	9,583
Stationery and printing		66,113	44,304
Marketing, advertisement and publicity		57,711	41,420
Auditors remuneration	29.2	<u>8,841</u>	<u>7,680</u>
Entertainment		<u>41,288</u>	<u>29,500</u>
Others		<u>32,497</u>	<u>21,857</u>
		752,120	530,789
		<u>4,478,636</u>	<u>3,083,172</u>

Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs.362.341 million (2018: Rs. 166.004 million). Out of this cost, Rs. 360.555 million (2018: Rs. 164.536 million) pertains to companies incorporated in Pakistan and Rs.1.786 million (2018: Rs.1.468 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	2019	2018
		Rupees in thousands	
<b>29.1 Total compensation expense</b>			
Managerial Remuneration			
i) Fixed		799,104	612,875
ii) Variable			
a) Cash awards		80	5,185
b) Accrual / (reversal) for staff bonus		200,000	(55,605)
Contribution to defined contribution plan		55,152	39,859
Rent and house maintenance		347,802	256,942
Utilities		77,000	57,065
Medical		32,339	24,161
Conveyance and fuel		254,734	189,726
Special allowances		233,933	143,395
Leave encashment		-	651
Sales commission		10,293	5,359
Staff takaful		54,102	38,641
Others		542	891
		<u>2,065,081</u>	<u>1,319,145</u>
<b>29.2 Auditors' remuneration</b>			
Audit fee		2,100	1,925
Fee for interim review		825	825
Other certifications and services		4,110	3,850
Sales tax on services		1,024	330
Out-of-pocket expenses		782	750
		<u>8,841</u>	<u>7,680</u>

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

	Note	2019	2018
		Rupees in thousands	
<b>30 OTHER CHARGES</b>			
Penalties imposed by the State Bank of Pakistan		24,386	4,582
		<u>24,386</u>	<u>4,582</u>
<b>31 PROVISIONS &amp; WRITE OFFS - NET</b>			
Provision for diminution in value of investments	9.3	177,269	881,903
Provision against Islamic financing and related assets	10.10	22,545	13,641
Other write offs	31.1	-	102
		<u>199,814</u>	<u>895,646</u>

**31.1** This represents obsolete stamp papers, acquired under demerger scheme, written off.

	Note	2019	2018
		Rupees in thousands	
<b>32 TAXATION</b>			
Current		152,884	57,602
Deferred	13	(275,031)	(641,833)
		<u>(122,147)</u>	<u>(584,231)</u>
<b>32.1 Relationship between tax charge and accounting profit</b>			
Loss before taxation		(365,759)	(1,680,213)
Tax at the applicable rate		35%	35%
Tax on loss		<u>(128,016)</u>	<u>(588,075)</u>
Effect of:			
- permanent differences		8,535	1,604
- others		(2,666)	2,240
		<u>5,869</u>	<u>3,844</u>
Tax charge for the year		<u>(122,147)</u>	<u>(584,231)</u>

### 33 BASIC AND DILUTED LOSS PER SHARE - AFTER TAX

Loss after taxation	(243,612)	(1,095,982)
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#### Number of shares

Weighted average number of ordinary shares	1,122,684,932	1,110,136,986
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#### Rupees

Basic / diluted loss per share - after tax	(0.217)	(0.987)
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### 34 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	10,252,547	6,990,369
Balances with other banks	8,822,985	1,422,701
Overdrawn nostro	-	(81,869)
	<u>19,075,532</u>	<u>8,331,201</u>

### 34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2019	2018
	Rupees in thousands	

#### Share Capital

Balance as at January 1,	11,200,000	10,000,000
Issue of share capital in cash	350,000	1,200,000
Balance as at January 31,	<u>11,550,000</u>	<u>11,200,000</u>

#### Other liabilities

Balance as at January 1,	2,413,116	-
Payment of lease liability against right-of-use of asset	(524,046)	-
Non cash based	3,061,980	-
Cash based	2,644,746	-
Balance as at January 31,	<u>7,595,796</u>	<u>-</u>

### 35 STAFF STRENGTH

	2019	2018
	Numbers	
Permanent	1,593	1,473
On Bank contract	26	20
Bank's own staff strength at end of the year	<u>1,619</u>	<u>1,493</u>

**35.1** In addition to the above, 571 (2018: 352) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. All of these employees were working with the Bank domestically in current and prior years.

### 36 DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 1,304 (2018: 1,050) 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.

### 2019 2018

#### Rupees in thousands

Contribution made by the Bank	55,315	40,001
Contribution made by the employees	57,611	41,440
	<u>112,926</u>	<u>81,441</u>



37 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

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

Items	2018		
	President / Chief Executive Officer	Directors	Executives
Fees	-	790	-
Managerial Remuneration including bonus and awards	27,274	-	398,412
Contribution to defined contribution plan	1,486	-	25,427
Rent and house maintenance	8,021	-	147,820
Utilities	1,782	-	32,837
Medical	-	-	6,677
Conveyance	-	-	87,247
Others	-	-	104,713
	38,563	790	803,133
Number of Persons	1	7	302

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

2019									
Sr. No.	Name of Director	For Board Meetings	Meeting Fees and Allowances Paid						
			For Board Committees						
			AC	HR & RC	RM & PRC	BS & SQRC	BIT	BEC	Total Amount Paid
Rs. in '000'									
1	Raza Mansha	70	-	30	-	50	30	-	180
2	Ahmed Ebrahim Hasham	40	-	10	20	50	10	10	140
3	Omair Safdar	50	30	30	40	30	-	10	190
4	Aftab Ahmad Khan	50	20	20	-	30	-	-	120
5	Seema Aziz	30	20	-	-	10	-	-	60
6	Dr.Khalid Zaheer	50	40	30	-	-	10	-	130
7	Ibrahim Shamsi	50	10	-	30	20	30	-	140
	Total Amount Paid	340	120	120	90	190	80	20	960

2018									
Sr. No.	Name of Director	For Board Meetings	Meeting Fees and Allowances Paid						
			For Board Committees						
			AC	HR & RC	RM & PRC	BS & SQRC	BIT	BEC	Total Amount Paid
Rs. in '000'									
1	Raza Mansha	30	-	30	-	20	10	-	90
2	Ahmed Ebrahim Hasham	50	30	30	-	-	10	10	130
3	Omair Safdar	50	50	30	40	-	-	10	180
4	Aftab Ahmad Khan	40	30	20	30	40	-	-	160
5	M.U.A. Usmani	30	-	-	-	-	-	-	30
6	Dr.Khalid Zaheer	10	10	10	-	-	-	-	30
7	Ibrahim Shamsi	50	40	-	30	30	20	-	170
	Total Amount Paid	260	160	120	100	90	40	20	790

37.3 Remuneration paid to Shariah Board Members

Items	2019			2018		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
Rs. in '000'						
a. Meeting Fees and Allowances	-	-	-	-	-	-
b. Other Heads						
Basic salary	2,166	1,953	1,200	2,005	1,700	962
House rent	-	879	-	-	765	-
Utilities	-	195	-	-	170	-
Conveyance	-	1,122	-	-	817	-
Fuel	-	228	-	-	171	-
Special pay	-	241	-	-	238	-
Bonus	-	1,000	-	-	57	-
PF Employer	-	163	-	-	142	-
Medical	-	-	-	-	60	-
Total Amount	2,166	5,781	1,200	2,005	4,120	962
Total Number of Persons	1	1	1	1	1	2

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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



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

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

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

**Financial assets - disclosed**  
**but not measured at fair value**

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

**Fair value of non-financial assets**

Operating fixed assets					
(land and building)	1,329,970	-	1,329,970	-	1,329,970

**Off-balance sheet**  
**financial instruments**

Foreign exchange					
contracts purchase	882,210	-	(25,357)	-	(25,357)
Foreign exchange contracts sale	2,481,747	-	1,324	-	1,324

2018				
Fair Value				
Carrying value	Level 1	Level 2	Level 3	Total
Rupees in thousands				

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

<i>Investments</i>					
Federal Government Securities	8,410,917	-	8,410,917	-	8,410,917
Shares	906,352	906,352	-	-	906,352
Non-Government Securities	848,416	-	848,416	-	848,416
	10,165,685	906,352	9,259,333	-	10,165,685

**Financial assets - disclosed**  
**but not measured at fair value**

Investments (held to maturity)	1,964,936	-	1,964,936	-	1,964,936
Cash and balances					
with treasury banks	6,990,369	-	-	-	-
Balances with other banks	1,422,701	-	-	-	-
Due from financial institutions	4,675,000	-	-	-	-
Islamic financing					
and related assets - net	43,394,883	-	-	-	-
Other assets	1,994,815	-	-	-	-

**Fair value of non-financial assets**

Operating fixed assets					
(land and building)	1,178,573	-	1,178,573	-	1,178,573

**Off-balance sheet financial instruments**

Foreign exchange contracts purchase	3,465,359	-	213,328	-	213,328
Foreign exchange contracts sale	1,227,994	-	(43,649)	-	(43,649)

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

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

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

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

**38.2 Trust Activities**

The Bank is not engaged in any trust activities.

**39 SEGMENT INFORMATION**

**39.1 Segment Details with respect to Business Activities**

2019								
Business Distribution	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination	Total
Rupees in thousands								

**Profit and Loss**

Net spread earned	(4,732,206)	6,376,666	347,769	55,744	1,900,068	45,717	3,993,758	-	3,993,758
Inter segment revenue - net	7,718,421	(5,824,387)	(271,752)	(17,220)	(2,129,500)	524,438	-	-	-
Other income	234,930	49,731	11,953	7,593	29,088	10,024	343,319	-	343,319
Total Income	3,221,145	602,010	87,970	46,117	(200,344)	580,179	4,337,077	-	4,337,077
Segment direct expenses	(2,081,126)	(97,629)	(80,731)	(37,024)	(21,634)	(2,184,878)	(4,503,022)	-	(4,503,022)
Inter segment expense allocation	(767,438)	(9,146)	(31,621)	(16,255)	(2,275)	826,735	-	-	-
Total expenses	(2,848,564)	(106,775)	(112,352)	(53,279)	(23,909)	(1,358,143)	(4,503,022)	-	(4,503,022)
Provisions / write off	50	-	(19,284)	(3,311)	(177,269)	-	(199,814)	-	(199,814)
Profit / (loss) before tax	372,631	495,235	(43,666)	(10,473)	(401,522)	(777,964)	(365,759)	-	(365,759)

**Balance Sheet**

Cash and bank balances	4,435,470	-	-	-	14,640,062	-	19,075,532	-	19,075,532
Investments	-	825,000	-	-	15,484,800	-	16,309,800	-	16,309,800
Net inter segment placements	75,590,970	-	-	-	-	4,029,719	79,620,689	(79,620,689)	-
Due from financial institutions	-	-	-	-	5,851,664	-	5,851,664	-	5,851,664
Financing - performing	4,417,685	41,447,427	3,549,900	220,446	-	1,293,082	50,928,540	-	50,928,540
- non-performing	649	356,748	20,129	3,901	-	-	381,427	-	381,427
Others	3,327,291	2,741,874	157,006	6,873	1,193,604	5,043,650	12,470,298	-	12,470,298
<b>Total Assets</b>	87,772,065	45,371,049	3,727,035	231,220	37,170,130	10,366,451	184,637,950	(79,620,689)	105,017,261
Bills payable	973,627	-	-	-	-	-	973,627	-	973,627
Due to financial institutions	859,993	1,886,681	-	-	1,380,852	-	4,127,526	-	4,127,526
Deposits & other accounts	81,535,009	318,502	-	-	-	-	81,853,511	-	81,853,511
Net inter segment acceptances	-	40,218,683	3,193,648	241,454	35,966,904	-	79,620,689	(79,620,689)	-
Others	4,030,805	2,451,948	577,053	239	29,017	506,734	7,595,796	-	7,595,796
<b>Total liabilities</b>	87,399,434	44,875,814	3,770,701	241,693	37,376,773	506,734	174,171,149	(79,620,689)	94,550,460
Equity	372,631	495,235	(43,666)	(10,473)	(206,643)	9,859,717	10,466,801	-	10,466,801
<b>Total Equity &amp; liabilities</b>	87,772,065	45,371,049	3,727,035	231,220	37,170,130	10,366,451	184,637,950	-	105,017,261

<b>Contingencies &amp; Commitments</b>	4,748,692	10,223,226	2,643	-	(1,549,537)	8,940	13,433,964	-	13,433,964
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2018								
Business Distribution	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination	Total
Rupees in thousands								

**Profit & Loss**

Net spread earned	(1,592,103)	3,379,652	26,295	7,713	39,747	42,621	1,903,925	-	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	-	399,262
Total Income	1,479,365	227,616	(18,249)	2,738	76,693	535,024	2,303,187	-	2,303,187
Segment direct expenses	(1,410,908)	(89,850)	(48,067)	(11,686)	(17,892)	(1,509,353)	(3,087,754)	-	(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)	-	(3,087,754)
Reversal of provisions / (write off)	-	-	(12,968)	(673)	(881,903)	(102)	(895,646)	-	(895,646)
Profit / (loss) before tax	(487,199)	131,929	(100,202)	(14,100)	(825,209)	(385,432)	(1,680,213)	-	(1,680,213)



	2018								
	Business Distribution	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination	Total
	Rupees in thousands								
Balance Sheet									
Cash & Bank balances	3,352,342	-	-	-	5,060,728	-	8,413,070	-	8,413,070
Investments	-	1,545,000	-	-	11,168,954	-	12,713,954	-	12,713,954
Net inter segment placements	67,008,132	-	-	-	-	6,162,432	73,170,564	(73,170,564)	-
Due from financial institutions	-	-	-	-	4,675,000	-	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	-	62,896,438
- non-performing	-	-	10,705	61	-	-	10,766	-	10,766
Others	469,512	841,954	32,241	2,256	313,583	4,525,661	6,185,207	-	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	(73,170,564)	94,894,435
Bills payable	1,303,992	-	-	-	-	-	1,303,992	-	1,303,992
Due to financial institutions	150,019	1,837,389	-	-	5,813,220	-	7,800,628	-	7,800,628
Deposits & other accounts	72,888,033	419,152	-	-	-	-	73,307,185	-	73,307,185
Net inter segment acceptances	-	55,227,525	1,629,752	83,674	16,229,613	-	73,170,564	(73,170,564)	-
Others	1,382,024	266,871	170,496	85	52,687	540,953	2,413,116	-	2,413,116
Total liabilities	75,724,068	57,750,937	1,800,248	83,759	22,095,520	540,953	157,995,485	(73,170,564)	84,824,921
Equity	(487,199)	131,929	(100,202)	(14,100)	(877,255)	11,416,341	10,069,514	-	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	(73,170,564)	94,894,435
Contingencies & Commitments	3,293,150	11,388,563	-	-	4,508,682	465,862	19,656,257	-	19,656,257

### 39.2 Segment details with respect to geographical locations

The Bank operates in Pakistan only.

### 40 RELATED PARTY TRANSACTIONS

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

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

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

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

	2019				2018			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	Rupees in thousands				Rupees in thousands			
<b>Balances with other banks</b>								
In current accounts	6,844	-	-	-	7,928	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-
	<b>6,844</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,928</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Islamic financing and related assets</b>								
Opening balance	-	12,263	92,318	490,514	-	13,103	83,778	314,132
Addition during the year	-	-	8,236	2,633,058	-	-	39,988	1,258,648
Repaid during the year	-	(12,263)	(16,642)	(2,361,635)	-	(840)	(15,223)	(1,082,266)
Transfer in / (out) - net	-	-	(4,278)	-	-	-	(16,225)	-
Closing balance	-	-	79,634	761,937	-	12,263	92,318	490,514
<b>Fixed assets - Capital work in progress</b>								
Advance paid against purchase of property	20,000	-	-	-	20,000	-	-	-
<b>Other assets</b>								
Profit receivable	-	-	1,746	16,436	-	-	1,630	4,374
Prepaid expenses	-	220	367	22,254	-	-	150	21,869
Receivable under scheme of merger	11,282	-	-	-	17,585	-	-	-
Receivable under home remittance	11,852	-	-	-	13,945	-	-	-
Receivable under ATM transactions	-	-	-	-	-	-	-	66,557
	<b>23,134</b>	<b>220</b>	<b>2,113</b>	<b>38,690</b>	<b>31,530</b>	<b>-</b>	<b>1,780</b>	<b>92,800</b>
<b>Due to financial institutions</b>								
Opening balance	631,351	-	-	-	524,590	-	-	-
Addition during the year	22,355,349	-	-	-	40,942,611	-	-	-
Repaid during the year	(22,105,847)	-	-	-	(40,835,850)	-	-	-
Closing balance	<b>880,853</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>631,351</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deposits</b>								
Opening balance	-	5,488	21,626	389,094	-	628	53,386	379,888
Addition during the year	-	99,236	186,023	16,583,485	-	46,565	196,910	8,756,755
Withdrawn during the year	-	(72,234)	(182,995)	(15,876,040)	-	(41,705)	(228,632)	(8,590,528)
Transfer in / (out) - net	-	(7,300)	(2,611)	204,470	-	-	(38)	(157,021)
Closing balance	-	<b>25,190</b>	<b>22,043</b>	<b>1,301,009</b>	-	<b>5,488</b>	<b>21,626</b>	<b>389,094</b>
<b>Other liabilities</b>								
Profit payable	26,932	207	55	8,212	12,143	-	55	1,411
Accrued expenses	-	-	2,640	5,996	3,056	-	-	9,421
Other liabilities	-	-	-	1,583	2,305	110	-	1,169
	<b>26,932</b>	<b>207</b>	<b>2,695</b>	<b>15,791</b>	<b>17,504</b>	<b>110</b>	<b>55</b>	<b>12,001</b>
<b>Contingencies and Commitments</b>								
Letter of Credit	-	-	-	922,170	-	-	-	663,838
Letter of Guarantee	-	-	-	776,734	-	-	-	790,886
Commitment to extend credit	-	-	-	-	-	-	-	25,040
Forward exchange contract								
Purchase	803,640	-	-	-	1,516,079	-	-	-
Sale	1,240,454	-	-	-	605,589	-	-	-
Unrealized gain on forward exchange contract - net	(27,493)	-	-	-	10,196	-	-	-
<b>Transactions during the year</b>								
<b>Income</b>								
Profit return earned	-	94	3,839	66,278	-	445	3,861	38,899
Commission earned	-	-	-	49,094	-	-	-	10,486
Rental income	9,741	-	-	-	8,855	-	-	-
Other income	-	14	13	-	-	-	21	-
	<b>9,741</b>	<b>108</b>	<b>3,852</b>	<b>115,372</b>	<b>8,855</b>	<b>445</b>	<b>3,882</b>	<b>49,385</b>
<b>Expense</b>								
Profit return expensed	176,229	841	281	30,536	118,887	1	797	6,373
Commission expense	-	-	-	-	174	-	-	-
Advertisement expense	-	-	-	-	3,056	-	-	-
Rental expense	34,453	-	-	-	27,873	-	-	-
Takaful expense	-	-	-	91,332	-	-	-	86,770
Security expense	-	-	-	54,987	-	-	-	47,494
Other expense	1,019	850	-	620	120	900	-	21
	<b>211,701</b>	<b>1,691</b>	<b>281</b>	<b>177,475</b>	<b>150,110</b>	<b>901</b>	<b>797</b>	<b>140,658</b>
<b>Other transactions during the year</b>								
Fee paid	-	960	-	-	-	790	-	-
Managerial remuneration paid	-	55,182	175,416	-	-	38,563	146,987	-
Contribution paid to provident fund	-	-	-	112,926	-	-	-	81,321
Re-imbursement under home remittance payments	2,982,952	-	-	-	1,722,855	-	-	-
Proceeds under scheme of merger	-	-	-	-	22,214,180	-	-	-
Proceeds from issue of Share Capital	350,000	-	-	-	1,200,000	-	-	-
Proceeds from sale of fixed assets	-	66	53	-	-	-	25	-
Disbursement made against advance salary	-	-	800	-	-	-	1,085	-
Repayment made against advance salary	-	-	950	-	-	-	2,445	-
Payment made against expenses	23,636	-	-	142,230	6,140	-	-	-
Foreign currency purchase	35,648,100	-	-	-	19,345,617	-	-	-
Foreign currency sale	25,846,588	-	-	-	11,344,980	-	-	-
Letter of Credit issued	-	-	-	1,835,927	-	-	-	2,297,576
Letter of Guarantee issued	-	-	-	362,480	-	-	-	135,664

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#### 41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

##### Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

2019	2018
Rupees in thousands	
10,044,475	9,937,242

##### Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

8,140,251	8,449,229
-	-
8,140,251	8,449,229
455,689	146,374
8,595,940	8,595,603

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

54,303,062	58,995,689
2,931,724	3,325,247
4,974,383	2,864,988
62,209,169	65,185,924

Common Equity Tier 1 Capital Adequacy ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

13.09%	12.96%
13.09%	12.96%
13.82%	13.19%

##### 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%
<b>Total Capital</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
*CCB	0%	0%	0.25%	0.65%	1.275%	1.90%	2.50%
<b>Total Capital plus CCB</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.25%</b>	<b>10.65%</b>	<b>11.275%</b>	<b>11.90%</b>	<b>12.50%</b>

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

The Minimum Capital Requirement of the Bank stands at Rs.10 Billion and is in compliance with the required capital adequacy ratio including CCB (12.50% of the risk-weighted assets) through improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

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

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-III requirements. The Bank measures and manages Market Risk by using conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Beside conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its Treasury and FX Group. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon. Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA).

##### Leverage Ratio (LR):

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

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

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

##### Leverage Ratio (LR):

Eligible Tier-1 Capital

Total Exposures

Leverage Ratio

2019	2018
Rupees in thousands	
8,140,251	8,449,229
122,793,297	112,806,919
6.63%	7.49%

##### Liquidity Coverage Ratio (LCR)

The objective of Liquidity Coverage Ratio (LCR) is to ensure short-term resilience of the liquidity risk profile of the bank by ensuring availability of adequate High Quality Liquid Assets to survive a significant stress scenario lasting for 30 calendar days. LCR should be kept above 100% as per SBP guidelines.

##### Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio

2019	2018
Rupees in thousands	
20,622,000	16,245,706
16,912,917	14,292,812
121.93%	113.66%

##### 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.

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

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

2019	2018
Rupees in thousands	
70,542,798	65,452,794
38,070,615	42,777,651
185.29%	153.01%

41.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time are available at [http:// www.mcbislaamicbank.com/investor-relationship/financial-reports/financial-report-2019/](http://www.mcbislaamicbank.com/investor-relationship/financial-reports/financial-report-2019/)



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

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

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

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

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

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

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

42.1 Credit Risk

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

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

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

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

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

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

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

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

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

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

Stress Testing

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

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

42.1.1 Due from financial institutions

Credit risk by public / private sector

	Gross Placements		Non-performing		Provision held	
	2019	2018	2019	2018	2019	2018
Rupees in thousands						
Public / Government	3,371,664	-	-	-	-	-
Private	2,480,000	4,675,000	-	-	-	-
	5,851,664	4,675,000	-	-	-	-



#### 42.1.2 Investment in securities

##### Credit risk by industry sector

	Gross Investments		Non-performing		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in thousands					
Power (electricity), Gas, Water, Sanitary	575,000	805,000	-	-	-	-
Others	14,710,201	11,002,602	-	-	-	-
	15,285,201	11,807,602	-	-	-	-

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

	Gross Investments		Non-performing		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in thousands					
Public/ Government	14,710,201	11,002,602	-	-	-	-
Private	575,000	805,000	-	-	-	-
	15,285,201	11,807,602	-	-	-	-

#### 42.1.3 Islamic financing and related assets

##### Credit risk by industry sector

	Gross Financing		Non-performing		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in thousands					
Agriculture, Forestry, Hunting and Fishing	1,372,806	1,522,956	262,500	-	-	-
Textile	8,421,621	9,170,656	-	-	-	-
Chemical and Pharmaceuticals	2,992,436	2,495,407	-	-	-	-
Cement	1,751,603	2,440,705	-	-	-	-
Sugar	3,333,916	4,550,940	-	-	-	-
Footwear and Leather garments	209,238	198,269	-	-	-	-
Automobile and transportation equipment	735,686	2,793,600	-	-	-	-
Electronics and electrical appliances	437,865	1,253,263	-	-	-	-
Construction	1,902,332	1,541,117	-	-	-	-
Power (electricity), Gas, Water, Sanitary	1,149,412	2,449,405	-	-	-	-
Wholesale and Retail Trade	843,110	798,485	649	699	649	699
Transport, Storage and Communication	8,452,160	10,282,770	-	-	-	-
Financial	398,849	1,284,534	-	-	-	-
Insurance	37,871	12,250	-	-	-	-
Services	2,994,554	594,142	-	-	-	-
Food, Beverages and Tobacco	4,055,746	7,878,647	-	-	-	-
Paper	1,243,697	1,209,325	-	-	-	-
Steel	2,574,610	3,135,518	-	-	-	-
Shipbreaking	875,177	1,555,148	-	-	-	-
Oil Refinery	1,000,000	1,400,000	-	-	-	-
Plastic	356,202	149,816	-	-	-	-
Individuals	4,904,893	2,950,365	20,129	10,007	1,648	49
Others	1,302,886	3,254,746	98,149	60	1,043	10
	51,346,670	62,922,064	381,427	10,766	3,340	758

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

	Gross Financing		Non-performing		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in thousands					
Public/ Government	9,152,506	10,877,257	-	-	-	-
Private	42,194,164	52,044,807	381,427	10,766	3,340	758
	51,346,670	62,922,064	381,427	10,766	3,340	758

#### 42.1.4 Contingencies and Commitments

##### Credit risk by industry sector

	2019	2018
	Rupees in thousands	
Agriculture, Forestry, Hunting and Fishing	84,550	470,998
Textile	3,849,030	2,940,903
Chemical and Pharmaceuticals	934,381	1,246,703
Cement	466,920	416,672
Sugar	149,986	96,616
Footwear and Leather garments	42,251	174,166
Automobile and transportation equipment	34,962	204,987
Electronics and electrical appliances	1,429,902	599,076
Construction	1,407,178	238,942
Power (electricity), Gas, Water, Sanitary	238,858	229,235
Wholesale and Retail Trade	798,562	1,661,342
Transport, Storage and Communication	682,020	2,410,659
Financial	75,794	421,730
Insurance	2,558	-
Services	493,193	273,120
Food, Beverages and Tobacco	1,305,254	689,184
Paper	1,965	183,641
Steel	1,884,386	2,329,573
Shipbreaking	152,976	186,028
Oil Refinery	151,751	-
Plastic	121,832	86,628
Others	716,252	2,518,647
	15,024,561	17,378,850

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

Public/ Government	-	-
Private	15,024,561	17,378,850
	15,024,561	17,378,850

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

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 19,993 million (2018: Rs.22,301 million) are as following:

	2019	2018
	Rupees in thousands	
Funded	14,863,350	19,403,942
Non Funded	5,129,468	2,897,340
Total Exposure	19,992,818	22,301,282

The sanctioned limits against these top 10 exposures aggregated to Rs. 24,617 million (2018: Rs. 24,283 million).

##### Total funded classified therein

	2019		2018	
	Amount	Provision held	Amount	Provision held
	Rupees in thousands			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	-	-	-	-



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

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

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

#### 42.2 Market Risk

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

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

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

The Bank measures and manages Market Risk by using conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Bank has established a specific Market Risk Limit Policy providing guideline for assuming controlled market risk, its monitoring and management.

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

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

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

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in thousands					
Cash and balances with treasury banks	10,252,547	-	10,252,547	6,990,369	-	6,990,369
Balances with other banks	8,822,985	-	8,822,985	1,422,701	-	1,422,701
Due from financial institutions	5,851,664	-	5,851,664	4,675,000	-	4,675,000
Investments	3,275,827	13,033,973	16,309,800	1,964,936	10,749,018	12,713,954
Islamic financing and related assets	51,309,967	-	51,309,967	62,907,204	-	62,907,204
Fixed assets	5,779,772	-	5,779,772	2,619,980	-	2,619,980
Intangible assets	719,723	-	719,723	524,791	-	524,791
Deferred tax assets	921,017	-	921,017	751,065	-	751,065
Other assets	5,049,786	-	5,049,786	2,289,371	-	2,289,371
	91,983,288	13,033,973	105,017,261	84,145,417	10,749,018	94,894,435

#### 42.2.2 Foreign Exchange Risk

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

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

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

	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	35,751
Japanese Yen	(81,857)	119	94,545	12,570
Other currencies	23,742	-	-	23,742
	1,439,853	3,410,777	2,398,469	427,546



2019		2018	
Banking book	Trading book	Banking book	Trading book

Rupees in thousands

Impact of 1% change in foreign exchange rates on

- Profit and loss account
- Other comprehensive income

2,681	-	4,275	-
-	-	-	-

### 42.2.3 Equity position Risk

Bank's proprietary positions in the equity instruments expose it to the equity price risk in its trading and banking books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR analysis and stress testing of the equity portfolio are also performed and reported to senior management. The stress test for equity price risk assesses the impact of the fall in the stock market index using internal based assumptions.

2019		2018	
Banking book	Trading book	Banking book	Trading book

Rupees in thousands

Impact of 5% change in equity prices on

- Profit and loss account
- Other comprehensive income

-	34,701	-	35,649
-	16,529	-	9,668

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

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

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

2019		2018	
Banking book	Trading book	Banking book	Trading book

Rupees in thousands

Impact of 1% change in profit rates on

- Profit and loss account
- Other comprehensive income

136,338	24,844	105,313	37,406
-	-	-	-

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

Effective Yield / Profit rate %	Total	2019									Non-profit bearing financial instruments
		Exposed to Yield / Interest risk									
		Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5			
		Upto 1	to 3	to 6	Months to 1	to 2	to 3	to 5	to 10	Above	
		Month	Months	Months	Year	Years	Years	Years	Years	10 Years	

Rupees in thousands

#### On-balance sheet financial instruments

##### Assets

Cash and balances with treasury banks	10,252,547	-	-	-	-	-	-	-	-	-	10,252,547
Balances with other banks	8,822,985	4,378,142	-	-	-	-	-	-	-	-	4,444,843
Due from financial institutions	5,851,664	2,480,000	3,371,664	-	-	-	-	-	-	-	-
Investments	16,309,800	379,129	11,162,379	208,296	834,570	1,159,936	1,540,891	-	-	-	1,024,599
Islamic financing and related assets	40,336,214	18,970,684	15,291,933	3,896,306	2,177,291	-	-	-	-	-	-
Other assets	4,873,992	-	-	-	-	-	-	-	-	-	4,873,992
	86,447,202	26,207,955	29,825,976	4,104,602	3,011,861	1,159,936	1,540,891	-	-	-	20,595,981

##### Liabilities

Bills payable	973,627	-	-	-	-	-	-	-	-	-	973,627
Due to financial institutions	4,127,526	1,576,705	1,301,124	1,209,697	40,000	-	-	-	-	-	-
Deposits and other accounts	81,853,511	54,642,599	-	-	-	-	-	-	-	-	27,210,912
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,574,112	-	-	-	-	-	-	-	-	-	7,574,112
	94,528,776	56,219,304	1,301,124	1,209,697	40,000	-	-	-	-	-	35,758,651
	(8,081,574)	(30,011,349)	28,524,852	2,894,905	2,971,861	1,159,936	1,540,891	-	-	-	(15,162,670)

#### On-balance sheet gap

#### Off-balance sheet financial instruments

- forward foreign exchange contracts

(1,599,537)	(1,599,502)	(78,605)	78,570	-	-	-	-	-	-	-	-
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(1,599,537)	(1,599,502)	(78,605)	78,570	-	-	-	-	-	-	-	-
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	(31,610,851)	28,446,247	2,973,475	2,971,861	1,159,936	1,540,891	-	-	-	-	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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	(31,610,851)	(3,164,604)	(191,129)	2,780,732	3,940,668	5,481,559	5,481,559	5,481,559	5,481,559	5,481,559	-
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### 42.3 Operational Risk

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

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

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

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

The key elements in the operational risk management process are:

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

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

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

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

MIB is focusing on the following risk mitigation tools:

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

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

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

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

- Internal Fraud
- External Fraud
- Damage to Physical Assets
- Execution, delivery and process management

- Business disruption and system failure
- Employment practices and workplace safety
- Clients, products and business practices

#### Operational Risk-Disclosures Basel II Specific

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

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

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

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

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

#### Fraud Risk Management:

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

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

#### Information Technology Security:

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

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

### 42.4 Liquidity Risk

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



2019													
Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 5 years
Rupees in thousands													
10,252,547	2,563,137	2,563,137	2,563,137	2,563,137	-	-	-	-	-	-	-	-	-
8,822,985	1,111,996	3,111,996	2,111,996	2,486,996	-	-	-	-	-	-	-	-	-
5,851,664	-	500,000	-	1,980,000	3,371,664	-	-	-	-	-	-	-	-
16,309,800	1,024,599	-	-	-	-	57,500	109,574	57,500	944,144	1,494,084	1,655,891	100,000	10,866,508
51,309,967	3,696,512	1,188,880	174,809	1,433,230	4,258,637	7,101,251	10,224,961	2,175,521	222,090	3,744,110	5,040,382	6,713,499	5,334,085
5,779,772	1,278	7,669	8,947	50,294	67,520	67,520	201,258	199,975	195,783	757,831	675,602	1,137,504	2,408,358
719,723	-	-	-	11,090	11,225	11,677	35,150	35,388	35,395	141,504	134,288	232,269	71,737
1,186,161	-	-	-	-	-	-	-	863	-	210,356	974,942	-	-
5,049,786	356,952	390,349	408,701	539,756	472,937	358,496	478,242	285,561	285,561	-	-	1,473,231	-
105,282,405	8,756,474	7,762,031	5,267,590	9,064,503	8,181,983	7,596,677	11,049,185	2,754,808	1,682,973	6,347,885	8,481,105	9,656,503	18,680,688
Liabilities													
973,627	243,407	243,407	243,407	243,406	-	-	-	-	-	-	-	-	-
4,127,526	100,000	500,000	500,000	880,850	350,000	951,124	1,305,552	40,000	-	-	-	-	-
81,853,511	63,978,687	1,955,876	643,002	3,760,520	3,997,697	1,747,366	1,061,440	1,085,983	3,460,398	23,357	135,705	3,500	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
265,144	-	-	-	-	-	-	-	-	-	-	-	-	-
7,595,796	45	316	316	4,364	5,040	5,040	7,744	4,911	9,598	26,261	25,599	41,823	134,097
94,815,604	591,146	627,201	646,085	781,925	193,370	106,172	216,365	1,535,023	56,597	269,204	332,925	787,754	1,452,029
94,815,604	64,913,285	3,326,800	1,532,810	5,671,065	4,546,107	2,809,702	2,591,101	2,685,917	3,526,583	318,822	494,229	833,077	1,596,126
10,466,801	56,156,791	4,435,231	3,734,780	3,393,438	3,633,876	4,786,975	8,458,084	88,891	(1,843,610)	6,029,063	7,986,876	8,823,426	17,094,562
Net assets													
11,550,000	-	-	-	-	-	-	-	-	-	-	-	-	-
26,444	-	-	-	-	-	-	-	-	-	-	-	-	-
422,326	-	-	-	-	-	-	-	-	-	-	-	-	-
(1,531,969)	-	-	-	-	-	-	-	-	-	-	-	-	-
10,466,801	-	-	-	-	-	-	-	-	-	-	-	-	-

2018

2018

Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 5 years
Rupees in thousands													
6,990,369	1,747,592	1,747,592	1,747,593	1,747,592	-	-	-	-	-	-	-	-	-
1,422,701	355,675	355,675	355,676	355,675	-	-	-	-	-	-	-	-	-
4,675,000	4,675,000	4,675,000	-	-	-	-	-	-	-	-	-	-	-
12,713,954	906,352	-	-	-	-	4,924,642	167,660	115,833	167,660	3,650,955	1,493,990	115,000	971,462
62,907,204	1,564,394	1,140,403	1,098,323	1,098,155	3,391,509	2,065,017	16,106,613	6,145,367	4,636,788	5,496,900	5,507,416	10,013,386	4,639,733
2,552,600	-	-	-	21,454	20,708	21,598	65,655	68,181	69,200	205,998	254,998	376,428	1,448,385
592,171	-	-	-	8,011	8,011	8,055	24,165	24,165	24,165	164,040	96,532	169,512	65,515
926,240	-	-	-	-	850	1,938	187,984	187,983	7,582	559,910	355,960	-	-
2,289,371	234,993	331,730	270,565	398,679	297,363	192,061	187,984	187,983	187,993	10,279,798	7,708,896	10,674,326	7,125,095
95,069,610	4,809,006	8,250,400	3,473,157	3,629,566	3,718,441	7,213,311	16,552,487	6,541,539	5,093,588	10,279,798	7,708,896	10,674,326	7,125,095
Liabilities													
1,303,992	325,998	325,998	325,998	325,998	-	-	-	-	-	-	-	-	-
7,800,628	81,870	-	2,900,000	1,700,000	1,331,350	350,000	1,437,408	-	-	-	-	-	-
73,307,185	63,088,306	1,016,816	692,979	2,690,007	2,938,064	1,130,332	460,936	440,600	763,034	32,397	46,914	6,800	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
175,175	-	674	674	1,444	2,888	2,888	8,664	8,664	8,664	115,748	1,991	2,599	20,181
2,413,116	500,922	597,659	536,493	664,606	109,369	4,067	-	-	-	-	-	-	-
85,000,096	63,997,192	1,941,147	4,456,144	5,382,055	4,381,671	1,487,287	1,907,008	449,264	771,688	148,145	48,905	9,399	20,181
10,069,514	59,188,186	6,309,253	982,987	(1,752,489)	(663,230)	5,726,024	14,645,479	6,092,275	4,321,890	10,131,653	7,659,991	10,664,927	7,104,914
Net assets													
11,200,000	-	-	-	-	-	-	-	-	-	-	-	-	-
26,444	-	-	-	-	-	-	-	-	-	-	-	-	-
132,272	-	-	-	-	-	-	-	-	-	-	-	-	-
(1,289,202)	-	-	-	-	-	-	-	-	-	-	-	-	-
10,069,514	-	-	-	-	-	-	-	-	-	-	-	-	-

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

## 42.4.1.2 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  
Surplus 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 value at risk methodology. On the basis of its findings 9.14% of current accounts and saving accounts are bucketed into Upto 1- year maturity while 90.86% of current accounts saving accounts are bucketed in over 1 year maturity.

Based on expected maturities									
2019									
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in thousands									
10,252,547	10,252,547	-	-	-	-	-	-	-	-
8,822,985	8,822,985	-	-	-	-	-	-	-	-
5,851,664	2,480,000	3,371,664	-	-	-	-	-	-	-
16,309,800	125,911	309,318	235,484	242,522	1,814,104	1,975,912	420,021	10,776,518	410,010
51,309,967	6,495,432	11,359,887	10,224,961	2,397,611	3,744,110	5,040,382	6,713,499	3,152,401	2,181,684
5,779,772	68,188	135,273	201,258	395,758	757,831	675,602	1,137,504	-	2,408,358
719,723	11,090	22,902	35,150	70,783	141,504	134,288	232,269	71,737	-
1,186,161	-	-	-	863	210,356	974,942	-	-	-
5,049,786	1,695,758	831,433	478,242	571,122	-	-	1,473,231	-	-
105,282,405	29,951,911	16,030,477	11,175,095	3,678,659	6,667,905	8,801,126	9,976,524	14,000,656	5,000,052
973,627	973,627	-	-	-	-	-	-	-	-
4,127,526	1,576,705	1,301,124	1,209,697	40,000	-	-	-	-	-
81,853,511	12,877,061	6,040,767	1,061,440	4,546,381	14,314,682	14,427,030	14,294,825	14,291,325	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
265,144	5,041	10,080	7,744	14,499	26,261	25,599	41,823	134,097	-
7,595,796	2,646,357	299,542	216,365	1,591,620	269,204	332,925	787,754	1,452,029	-
94,815,604	18,078,791	7,651,513	2,495,246	6,192,500	14,610,147	14,785,554	15,124,402	15,877,451	-
10,466,801	11,873,120	8,378,964	8,679,849	(2,513,841)	(7,942,242)	(5,984,428)	(5,147,878)	(1,876,795)	5,000,052
11,550,000	-	-	-	-	-	-	-	-	-
26,444	-	-	-	-	-	-	-	-	-
422,326	-	-	-	-	-	-	-	-	-
(1,531,969)	-	-	-	-	-	-	-	-	-
10,466,801	-	-	-	-	-	-	-	-	-
2018									
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in thousands									
6,990,369	6,990,369	-	-	-	-	-	-	-	-
1,422,701	1,422,701	-	-	-	-	-	-	-	-
4,675,000	4,675,000	-	-	-	-	-	-	-	-
12,713,954	54,380	5,033,404	222,242	419,647	3,989,173	1,632,209	253,219	790,571	319,109
62,907,204	4,902,275	5,456,526	16,106,813	10,782,155	5,498,900	5,507,416	10,013,386	2,832,250	1,807,483
2,552,600	21,454	42,306	65,655	137,381	205,993	254,998	376,428	349,255	1,099,130
592,171	8,011	16,066	24,165	48,330	164,040	96,532	169,512	65,515	-
926,240	-	2,788	-	7,582	559,910	355,960	-	-	-
2,289,371	1,235,966	489,425	187,994	375,986	-	-	-	-	-
95,069,610	19,310,156	11,040,515	16,606,869	11,771,081	10,418,016	7,847,115	10,812,545	4,037,591	3,225,722
1,303,992	1,303,992	-	-	-	-	-	-	-	-
7,800,628	4,681,870	1,681,350	1,437,408	-	-	-	-	-	-
73,307,185	10,077,750	4,068,396	460,936	20,130,126	11,577,557	11,592,073	7,703,573	3,848,387	3,848,387
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
175,175	2,888	5,776	8,663	17,327	115,749	1,991	2,599	10,091	10,091
2,413,116	2,299,680	113,436	-	-	-	-	-	-	-
85,000,096	18,366,180	5,868,958	1,907,007	20,147,453	11,693,306	11,594,064	7,706,172	3,858,478	3,858,478
10,069,514	943,976	5,171,557	14,699,862	(8,376,372)	(1,275,290)	(3,746,949)	3,106,373	179,113	(632,756)
11,200,000	-	-	-	-	-	-	-	-	-
26,444	-	-	-	-	-	-	-	-	-
132,272	-	-	-	-	-	-	-	-	-
(1,289,202)	-	-	-	-	-	-	-	-	-
10,069,514	-	-	-	-	-	-	-	-	-



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

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

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

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

##### 1) General Pool

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

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

##### Parameters associated with risk and rewards

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

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

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

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

##### 3) Treasury Musharaka / Mudaraba Pools

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

##### 4) Special Musharaka Pool

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

##### 5) Equity Pool

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

##### Charging of expenses

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

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

2019							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%	%	Rupees in thousands
General Pool	Monthly	13.36	50.00	3,710,740	8.82	31.84	1,181,467
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%		Rupees in thousands
Islamic Export Refinance (IERS) Pool	Monthly	7.92			2.00		
Treasury Musharaka/ Mudaraba Pool	As required	11.51			9.88		
Special Musharakh Pool	Monthly	8.69			8.08		
Equity Pool	Monthly	1.58					

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) Pool	Monthly	4.63			2.00		
Treasury Musharaka/ Mudaraba Pool	As required	7.00			6.64		
Equity Pool	Monthly	2.10					

#### 44 GENERAL

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

#### 45 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 03, 2020 by the Board of Directors of the Bank.

  
Syed Iftikhar Hussain Rizvi  
Chief Financial Officer

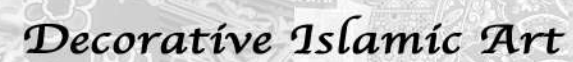
  
Mr. Muhtashim Ahmad Ashai  
President/Chief Executive

  
Mr. Omair Safdar  
Director

  
Dr. Khalid Zaheer  
Director

  
Mr. Aftab Ahmad Khan  
Director





## BRANCH NETWORK





## BRANCH NETWORK

# ISLAMABAD

Sr. #	Branches	Address	Phone No.	City
1	Jinnah Avenue Branch	52 East, Dodhy Plaza, Jinnah Avenue, Blue Area	051-2801272	Islamabad
2	F-10 Markaz Branch	F-10 Markaz, Double Road	051-2114301-04	Islamabad
3	G-11 Markaz Branch	Plot No. 33, G-11 Markaz	093-2410670-2	Islamabad
4	Bahria Town Phase-IV Branch	Bahria Heights II, Ext Bahria Town, Phase-IV	021-34184191-95	Islamabad
5	Tulip Road DHA Phase-II Branch	Plaza # 8, Street # A/62, Tulip Road, Sector A, DHA Phase-II	051-5147164	Islamabad
6	Post Mall Branch	Post Mall Building, F-7 Markaz	051-2608003, 2608018	Islamabad
7	F-8 Markaz Branch	Al-Babar Center, F-8 Markaz	051-2852653	Islamabad
8	F-11 Markaz Branch	Trade Centre, Main Double Road, F-11 Markaz	051-2107862	Islamabad
9	E-11/3 Branch	Plot No. 2, Sector E-11/3	051-2375343	Islamabad
10	MB City Mall, I-8 Branch	City Mall, Plot No. 34, I-8 Markaz	051-4862278-9	Islamabad
11	PWD Employees Society Branch	PWD Employees Housing Society, Lohi Bhair	051-5957660-2	Islamabad

## BRANCH NETWORK

# PUNJAB

Sr. #	Branches	Address	Phone No.	City
1	Barq Road Attock City Branch	Shop # B-III/37, C-152, Dr. Ghulam Gillani Barq Road	057-5700903	Attock
2	Model Town Branch	30 - Model Town-B, Block A	062-2888768	Bahawalpur
3	Arabia Islamia Road Branch	Plot No.98 Block-A, Arabia Islamia Road	0302-6999799	Burewala
4	Talagang Road Branch	B1-1/1634/1, B-1-1635, Talagang Road	0543-602050, 602051	Chakwal
5	Dera Ghazi Khan Branch	Ashraf Palaza, Block # 2, Kachehri Road	064-2460256 - 58	Dera Ghazi Khan
6	Peoples Colony Branch	668-1, Block A, Peoples Colony No.1	041-8556601	Faisalabad
7	Millat Chowk Branch	156-B, Millat Chowk, Gulistan Colony	0321-8661717	Faisalabad
8	Karkhana Bazar Branch	122 Karkhana Bazar	041-2601805	Faisalabad
9	Taj Plaza, Kotwali Road Branch	P-64 Taj Plaza, Kotwali Road	041-2604931-32	Faisalabad
10	Ghakhar Mandi Branch	G.T. Road Ghakkar, District Wazirabad	055-3886662	Ghakhar
11	Gojra Branch	Square No. 41, Killa No. 25/2, Chak No. 365 JB, Tehsil Office Road	-	Gojra
12	Gujjar Khan Branch	BIII 377 & BIII 379, G.T. Road	051-3513734	Gujar Khan
13	Sharifpura Branch	Sharifpura Chowk, G.T. Road	055-3251916-17	Gujranwala
14	Satellite Town Branch	529-C Satellite Town	055-4555091	Gujranwala
15	Bhimber Road Branch	Bhimber Road	053-3601781-83	Gujrat
16	Hussain Plaza, G.T. Road Branch	Khasra No. 625, Hussain Plaza, Chowk GTS, G.T Road, Gujrat	053-3571542, 3530287	Gujrat
17	Shandar Chowk Branch	Model Colony, Shandar Chowk	0544-627128	Jhelum
18	Yousaf Shah Road Branch	Yousuf Shah Road (Opposite District Courts)	047-7629594-91	Jhang
19	Kamra Branch	Shop No. 75, Mini Plaza, Kamra Cantt	057-2642521	Kamra
20	G.T. Road Kharian Branch	Bilal Plaza, G.T.Road, Kharian	053-7601325,7601358	Kharian



## BRANCH NETWORK

# PUNJAB

Sr. #	Branches	Address	Phone No.	City
21	Liberty Market Branch	9-C, Commercial, Liberty Market	042-35789830	Lahore
22	DHA Z Block, Phase-III Branch	339-Z Commercial, Phase III, DHA	042-35692901	Lahore
23	Shah Alam Market Branch	12-13-6 Block-A, Shah Alam Market	042-37667813	Lahore
24	Allama Iqbal Town Branch	132 Jahanzaib Block, Main Boulevard, Allama Iqbal Town	042-37813687	Lahore
25	Moulana Shaukat Ali Road Branch	87-E, Madina Heights, Maulana Shaukat Ali Road	042-35222677	Lahore
26	Main Boulevard Gulberg Branch	58 Main Boulevard Gulberg	022-2731545-46	Lahore
27	New Garden Town Branch	Shan Arcade, Civic Centre, New Garden Town	0937-870751-53	Lahore
28	Cavalry Ground Branch	Plot No 7, Cavalry Ground Commercial	042-35941840-41	Lahore
29	Dream Gardens Branch	Dream Gardens Housing Society, Off Raiwind Road	0864-210290-4	Lahore
30	Expo Centre Branch	Plot No. 587, Block H-III, Opposite Expo Centre	0852-411152-3,50	Lahore
31	PIA Housing Society Branch	PIA Housing Scheme, PIA Road	042-35468498	Lahore
32	Dharampura Branch	SE-6R-226/1, Dharampura, Allama Iqbal Road	099-2408301-04	Lahore
33	Faisal Town Branch	35-A, Block A, Faisal Town	042-37173833-38	Lahore
34	DHA Rahbar Branch	Defence Road, DHA Rahbar	0300-4283042	Lahore
35	Badian Road Branch	Abadi Dahi Hadbust, Muaza Lidhar	0423-7162813	Lahore
36	Gulshan-e-Ravi Branch	159-A, Main Boulevard, Gulshan Ravi	0423-7401870-3,4,90	Lahore
37	Nila Gumbad Branch	Plot # 12, McLagan Road, Nila Gumbad	0423-7210102	Lahore
38	China Chowk Branch	14-A, Shahrah-e-Aiwan-e-Tijarat, Old Race Course Road	042-38108056-59	Lahore
39	Davis Road Branch	Aftab Centre, 30-Davis Road	042-36287029,362869	Lahore
40	C-Block, Model Town Branch	Commercial Market, C-Block, Model Town	042-35915403-6	Lahore
41	Urdu Bazar Branch	Majahid Street, Behind Urdu Bazar, Paisa Akhbar	042-37361216	Lahore

## BRANCH NETWORK

# PUNJAB

Sr. #	Branches	Address	Phone No.	City
42	DHA T Block, Phase-II Branch	Commercial Plot # 12, Phase II, DHA	0423-5749481, 5707033	Lahore
43	Bahria Town Branch	65-A, Sector-C, Bahria Town	0423-7861591-3	Lahore
44	Thokar Niaz Baig Branch	171-A Ali Town, Main Raiwind Road	042-35963291	Lahore
45	Ichra Branch	Ichra, Main Ferozepura Road	042-37426801-5	Lahore
46	Multan Road Branch	9-A, Block Industrial, Allama Iqbal Town, Multan Road	042-37803449	Lahore
47	Shahdara Branch	Main Sheikhpura Road, Jiya Musa	042-37919160	Lahore
48	Mughalpura Branch	New Abadi, Hadbast Mouza, Baghbanpura	042-36844011-12	Lahore
49	Timber Market Branch	Timber Market	042-37722338-9	Lahore
50	Babar Center Circular Road Branch	51-Circular Road, Babar Center, Outside Akbari Gate	042-37379250	Lahore
51	Badami Bagh Branch	93-Grain Market, Badami Bagh	042-37706366	Lahore
52	Azam Cloth Market Branch	1753-Nawab Bazar, Azam Cloth Market	042-37658134	Lahore
53	Sarwar Road, Lahore Cantt. Branch	52/C-5, Sarwar Road, Cantt	042-36682075-76	Lahore
54	Samanabad Branch	Main Samanabad	-	Lahore
55	Ghalla Mandi Branch	Mandi Bahauddin	0546-509551	Mandi Bahauddin
56	JK Sugar Mills Branch	JK Sugar Mills	068-5802243	Mian Channu
57	Adda Khaliqabad Branch	Adda Khaliqabad, Tulamba, Mian Channu	-	Mian Channu
58	Shah Rukn-e- Alam Branch	17-F Chowk Shah Rukn-e-Alam Colony	061-6560451	Multan
59	Nawan Shaher Branch	Chowk Nawan Shehar	061-4573032	Multan
60	M.A Jinnah Road Branch	M.A. Jinnah Road	0307-2673036	Okara
61	Khushab Branch	Sargodhad Road	0454-710495, 710496, 710497	Khushab
62	Model Town City Centre Branch	City Centre, Model Town	068-5876049	Rahim Yar Khan



## BRANCH NETWORK

### PUNJAB

Sr. #	Branches	Address	Phone No.	City
63	Bank Road Branch	Shahbaz Plaza, Bank Road, Saddar	051-5525434	Rawalpindi
64	Chaklala Scheme III Branch	Plot No. 16, Commercial Area, Chaklala Scheme III	051-5766233	Rawalpindi
65	Murree Road Branch	North Star Plaza, 20-B, Satellite Town, Murree Road	051-4426972-3,5,6	Rawalpindi
66	Bahria Town Phase-VII Branch	Mini River View, Commercial Mall Extension II, Phase-VII, Bahria Town	-	Rawalpindi
67	Sadiqabad Branch	19/20-D, Tehsil Bazar	0943-414389	Sadiqabad
68	Farid Town Branch	Farid Town	040-4270713-16	Sahiwal
69	Sara-i-Alamgir Branch	Fazal Plaza, Main G.T. Road	0544-654932	Sarai Alamgir
70	Club Road Branch	73 Club Road, Civil Lines	048-3768633-34	Sargodha
71	Raza Garden Branch	Main Sillanwali Road, Raza Garden	048-3250682	Sargodha
72	Mian Khan Road Branch	Block 5, 110 Mian Khan Road	048-3726609, 3729623	Sargodha
73	Lahore Road Branch	Lahore Road Sheikhpura	056-3501271	Sheikhpura
74	Sargodha Road Sheikhpura Branch	Al-Hamd Plaza, Batti Chowk	056-3812456	Sheikhpura
75	Kashmir Road Branch	Sublime Chowk, Kashmir Road	0523-241491	Sialkot
76	Mall Godam Road Branch	Mall Godam Road	0946-790612-15	Toba Tek Singh
77	Wah Cantt. Branch	Civic Centre, Aslam Market	051-4902231	Wah Cantt

## BRANCH NETWORK

### SINDH

Sr. #	Branches	Address	Phone No.	City
1	Thandi Sarak Branch	River View Apartments, Thandi Sarak	022-2785486	Hyderabad
2	Saddar Bazar Branch	Main Saddar Bazar	021-36641761-2	Hyderabad
3	Latifabad Branch	United Plaza, Opposite American Hospital, Main Road, Taluka Latifabad	021-34971515	Hyderabad
4	Qasimabad Branch	Raheel Heights, Wadhu Wah Road, Qasimabad	0300-9203737	Hyderabad
5	Market Area Branch	City Survey, Market Area	022-2635072	Hyderabad
6	Risala Road Branch	Risala Road	022-2729437, 2731000	Hyderabad
7	Shahrah-e-Faisal Branch	Nice Trade Orbit, Main Shahrah-e-Faisal	021-34328469	Karachi
8	Rashid Minhas Road Branch	Plot # LM-10, Block-10-A, Near Pizza Hut, Main Rashid Minhas Road	021-34817649	Karachi
9	Khayaban-e-Shamsheer Branch	Plot # 10 C, Showroom No. 101, Khayaban-e-Shamsheer, Phase-V, DHA	021-35248771-76	Karachi
10	New Challi Branch	Shop No G-2, Muhammadi Trade tower, Altaf Hussani Road, New Challi	021-32402166	Karachi
11	S.I.T.E Branch	C 18-A, East Avenue, S.I.T.E	021-3255191-95	Karachi
12	Khalid-Bin-Waleed Road Branch	Plot # 167-A, Block-3, Khalid-Bin-Waleed Road	021-34323051	Karachi
13	Korangi Industrial Area Branch	Plot # 1-A, Sector 23, Korangi Industrial Area	021-4571861-65	Karachi
14	North Nazimabad Branch	Jasmine Heights, Plot # SC-21-A, Block H North Nazimabad	021-35122311-13	Karachi
15	Dhorajee Branch Branch	Co-operative Housing Society, Dhorajee	042-35777788	Karachi
16	FB Industrial Area Branch	KDA Scheme 16, FB Industrial Area	021-34940153-157	Karachi
17	Gulshan-e-Iqbal Branch	Sammad Tower 13- Gulshan-e-Iqbal, Main University Road	061-4573031-9	Karachi
18	Saddar Bazar Branch	State Life Building # 11, Abdullah Haroon Road, Saddar	074-4040914	Karachi
19	Muhammad Ali Society Branch	12-C/B Muhammad Ali Society	0300-2120388	Karachi



## BRANCH NETWORK

# SINDH

Sr. #	Branches	Address	Phone No.	City
20	Super Highway Branch	Main Super Highway	021-34320831-35	Karachi
21	Safoora Chowk Branch	Safoora Chowk, Scheme 36, Gulistan-e-Johar	064-2460256-58	Karachi
22	Model Colony Branch	Affandi House, Liaquat Ali Khan Road, Model Colony	0300-6616990	Karachi
23	Ghafoor Chamber Branch	Ghafoor Chamber, Off Abdullah Haroon Road, Saddar	021-35348772	Karachi
24	Madras Chowk Branch	Pioneer Tower, Madras Chowk	0331-3690485	Karachi
25	Matco Food Branch	Super Highway, Phase-1, North Karachi Industrial Area	0333-2392389	Karachi
26	Haroonabad S.I.T.E Branch	Portion No. 23-A/P.U.D179, S.I.T.E	021-32556601-2	Karachi
27	Faizan-e-Madina Branch	Alami Madani Markaz, Faizan-e-Madina, Old Sabzi Mandi	0334-3078581	Karachi
28	Medicine Market Branch	Marium Manzil, Market Quarters, Napier Road	0300-2965128	Karachi
29	Gul Tower Branch	Gul Tower, Main I.I. Chundrigar Road	021-32426413	Karachi
30	Cloth Market Branch	Bunder Quarters, Cloth Market	021-32472148-9	Karachi
31	Jodia Bazar Branch	Market Quarters, Virjee Street, Jodia Bazar	021-32443758,021-32432849	Karachi
32	Jamshed Quarters Branch	Jamshed Quarters, New M.A. Jinnah Road	021-34910571	Karachi
33	Zaibunnisa Street Branch	State Life Building # 5, Zaibunnisa Street, Saddar	021-35212102	Karachi
34	Javed Arcade Branch	Javed Arcade, Gulistan-e-Jauhar	021-34636746	Karachi
35	Shershah Branch	Plot # M-II-E-606, Shershah	021-32587581,82,83	Karachi
36	Darakhshan Society Branch	Drakhshan Society, Malir Halt	021-34115090-91	Karachi
37	Shaheed-e-Millat Road Branch	Bismillah Blessings, Main Shaheed-e-Millat Road	021-34943666	Karachi
38	Business Arcade Branch	Business Arcade, Block-6, P.E.C.H.S., Shahrah-e-Faisal	021-34326570,71,72,73	Karachi
39	Landhi No. 6 Branch	Plot # 48/1, 48/2, Area 4D, Landhi # 06, Landhi	021-5040601-5	Karachi

## BRANCH NETWORK

# SINDH

Sr. #	Branches	Address	Phone No.	City
40	Rabi Square Branch	Rabi Square, P.E.C.H.S., Khalid-Bin-Waleed Road	021-34398481	Karachi
41	EOBI House Branch	KDA Commercial Complex, Scheme 1, EOBI House, Shahrah-e-Faisal	021-34330172	Karachi
42	Port Qasim Branch	Port Operation Area, Port Qasim Authority	021-35277184	Karachi
43	Allama Iqbal Road Branch	Block-2, P.E.C.H.S., Allama Iqbal Road	021-34301817	Karachi
44	Sector 15, Korangi Industrial Branch	Sector 15, Korangi Industrial Area	021-35114148	Karachi
45	Nauras Chowrangi S.I.T.E. Branch	Shop No. 2, Plot No. B/9, Survey No. 22, S.I.T.E.	021-32562656	Karachi
46	Block A North Nazimabad Branch	Plot # SD-12, Block- A, North Nazimabad	021-36673597	Karachi
47	Bilawal Chowk Branch	Sands Apartments, KDA Scheme # 5, Khayaban-e-Saadi Road, Kehkashan, Clifton	021-35375013	Karachi
48	Saba Avenue, DHA Branch	Saba Avenue, Plot # 8-C, Badar Commercial, Street # 6, Phase-V Ext, DHA	021-35341673	Karachi
49	DHA Phase-I Branch	Phase-1, DHA	021-35386881-3	Karachi
50	Zamzama Branch	18-C, 5th Zam Zama Lane, DHA Phase-V	021-3810788	Karachi
51	Kulsoom Court Branch	Kulsoom Court, KDA Scheme # 5, Block-9, Clifton	021-38798971-77	Karachi
52	DHA Phase-IV Branch	26, 9th Commercial Street, Phase-IV, DHA	021-35885718, (6426,4181)	Karachi
53	Malir Cantt Branch	Air Defence Division, 31 Bostan Lines, Malir Cantonment	0333-2392389	Karachi
54	DHA Phase-II Branch	National Highway, Phase-II, DHA	021-38107889	Karachi
55	Paper Market Branch	Serai Quarters, Anjaar Wali Bakery, Sharah-e-Liaquat	021-32216368-69	Karachi
56	Timber Market Branch	Lea Quarters, Timber Market, Siddiqui Wahab Raod	021-32751119	Karachi
57	Nishtar Road Branch	Sweet Apartment, Mama Dhobi Compound, Shoe Market, Nishtar Road	021-32231338	Karachi
58	West Wharf Road Branch	Puri House, 4/22, West Wharf Road	021-32205422,4639	Karachi
59	Korangi Sector 7A Branch	Sector 7-A, Korangi Industrial Area	0300-2965128	Karachi



# BRANCH NETWORK

## SINDH

Sr. #	Branches	Address	Phone No.	City
60	U.P. More Branch	Sector 11-B, North Karachi	-	Karachi
61	Kunri Branch	Plot # 9 Block # 263/4, Deh Goraho	0238-558014-13	Kunri
62	Anaj Mandi Branch	Gajan Pur Road, Anaj Mandi	0244-360903-05	Larkana
63	Mirpurkhas Branch	Survey No. 773, Ward – A, Mirpurkhas Taluka	-	Mirpurkhas
64	Nawab Shah Branch	Plot No. 80, Masjid Road	023-5571261-2	Nawab Shah
65	Shahdadpur Branch	Station Road	023-5844901-2	Shahdadpur
66	Bunder Road Branch	Bunder Road	071-5615132-33	Sukkur
67	Tando Adam Branch	Plot #. 543-9, Hyderabad Road	0235-574081	Tando Adam
68	Tando Allah Yar Branch	Hyderabad Road	022-3891467-68	Tando Allahyar

# BRANCH NETWORK

## KHYBER PAKHTUNKHWA

Sr. #	Branches	Address	Phone No.	City
1	Abbottabad Branch	GM Tower, near Sethi Masjid, Mansehra Road	0822-412257	Abbottabad
2	Batkhela Branch	Pak Haider Market, next to Malakand CNG	081-2452931-3	Batkhela
3	Chitral Branch	Ataliq Bazar Bypass Road, near Bus Adda	0943-414389	Chitral
4	Kabal Branch	Hassan Plaza, Kabal Chowk	0946-755592-95	Kabal
5	Mardan Branch	RS Plaza, Shamsi Road	0946-725374	Mardan
6	Matta Branch	Mehran Khan Plaza, Main Matta Khareri	0826-420875,0826-420905	Matta
7	Mingora Branch	Opposite Bank Square, Main Bazar	0945-825571-3	Mingora
8	Arbab Road Branch	Arbab Road, The Mall	091-5272414	Peshawar
9	Dalzak Road Branch	Malik Sardar Plaza, Near Yousafabad Canal, Dalzak Road	091-5824366	Peshawar
10	Hayyatabad Branch	B-1, Phase-V, Hayatabad	091-5825305	Peshawar
11	Chowk Yadgar Branch	Haroon Plaza, Chowk Yadgar	091-2580718,2590762	Peshawar
12	Timergara Branch	Zeb Plaza, main Balambat Road	082-4660400	Timergara
13	Shahkas Branch	Spinzer Market, Wazir Dhand Shahkas, Jamrud Raod	-	Jamrud



# BRANCH NETWORK BALOCHISTAN

Sr. #	Branches	Address	Phone No.	City
1	Chaman Branch	Taj Road Chaman	0826-615429	Chaman
2	Gwadar Branch	Airport Road	0812-853127-28	Gawadar
3	Khuzdar Branch	Mir Chakar Khan Road	-	Khuzdar
4	Loralai Branch	Tehsil Road	0826-615429-30	Loralai
5	Muslim Bagh Branch	6 Station Road	-	Muslim Bagh
6	Pishin Branch	Band Road	0826-420875	Pishin
7	M.A. Jinnah Road Branch	M.A Jinnah Road	081-2824977	Quetta
8	Hazara Town Branch	Lilak Shopping Centre, Barma Road, Ali Abad, Hazar Town	046-2517327,046-2515427	Quetta
9	Sirki Road Branch	Akram Plaza, Sirki Road	0946-755593-94	Quetta
10	Choharmal Road Branch	Choharmal Road	081-2843640	Quetta
11	Mannan Chowk Branch	Mannan Chowk, M.A. Jinnah Road	081-2836204-5	Quetta
12	Turbat Branch	Main Road	085-2411153	Turbat
13	Zhob Branch	Tehsil Road	082-2412257	Zhob

# BRANCH NETWORK AZAD KASHMIR

Sr. #	Branches	Address	Phone No.	City
1	Muzaffarabad, AJK Branch	Ghari Phan Chowk, Domel Syedan	05822-921137-8, 920455	Muzaffarabad
2	Mirpur, AJK Branch	Bank Square, Allama Iqbal Road	05827-442840, 447683	Mirpur

# BRANCH NETWORK GILGIT BALTISTAN

Sr. #	Branches	Address	Phone No.	City
1	Jutial Branch	Shahrah-e-Quaid-e-Azam, Near NHA Office	0315-3084095	Gilgit





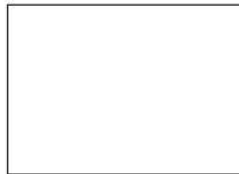
Mosaic Decoration

## FORM OF PROXY

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

\_\_\_\_\_, Limited  
I/We \_\_\_\_\_ s/w/d of \_\_\_\_\_ r/o \_\_\_\_\_  
\_\_\_\_\_ being member(s) of **MCB Islamic Bank Limited** ("the  
Company"), holding \_\_\_\_\_ Ordinary shares, do hereby appoint  
\_\_\_\_\_ s/w/d of \_\_\_\_\_  
r/o \_\_\_\_\_ who is also a Member of the Company, as my / our  
proxy to vote for me / us, and on my / our behalf at the 6<sup>th</sup> Annual General Meeting of the Company to be held on  
Wednesday, March 18, 2020 at 4:30 PM at 339-Z Block, DHA Phase III, Lahore and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2020.



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

Witness No. 1: \_\_\_\_\_  
Name : \_\_\_\_\_  
C.N.I.C. No./Passport No: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Witness No. 2 : \_\_\_\_\_  
Name: \_\_\_\_\_  
C.N.I.C. No./Passport No: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### NOTES:

#### A. General:

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



\_\_\_\_\_ لمیٹڈ

\_\_\_\_\_ میں اہم \_\_\_\_\_ ولد ازوجہ دختر

\_\_\_\_\_ ساکن

\_\_\_\_\_ بحیثیت رکن / ممبر ایم سی بی اسلامک بینک لمیٹڈ (کمپنی) اور \_\_\_\_\_ عام حصص کا / کے مالک کے طور

\_\_\_\_\_ پر مسمیٰ / مسماں \_\_\_\_\_ ولد ازوجہ دختر

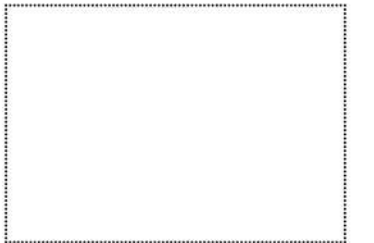
\_\_\_\_\_ ساکن

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

جو بروز بدھ مورخہ 18 مارچ 2020 کو شام 4:30 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 میرے / ہمارے لیے یہ \_\_\_\_\_ 2020 کا دن ہے۔



ممبر کے دستخط

5 روپے کی رسیدی ٹکٹ پر

گواہان:

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

\_\_\_\_\_ نام \_\_\_\_\_ نام

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

\_\_\_\_\_ پتہ \_\_\_\_\_ پتہ

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

نوٹ:

A- جنرل / (متفرق):

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

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

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