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Subject: Credit Risk Policy - Request for One-off approval to Exceed Bank Deposit limit in Income Fund with Bank Islami

Dear Sir

We request approval for exception in limit on placement of deposit for 23 days with Bank Islami in our Income Fund.

We need to move entire fund cash into Bank Islami while our Credit Policy restricts max deposit to Bank Islami at 50% of assets.

Reasons for Exception Request

1. Quarter End Attractive rate for a limited period – Offer for Higher Return (11.25% vs. 10.75% to 10.90%)
2. Relatively smaller fund (Rs. 4.2BN)
3. Fund Strategy is dominantly based on deposits
4. Daily Product Deposit – Not a term placement

Overall, Bank enjoys strong balance sheet and a comfortable position above minimum Capital Adequacy Ratio.

Key financial aspects of the bank;

- BIPL has showed good deposit growth in the past few years. It showed a deposit growth of 24.0% in CY20 and 21.6% in CY21.
- The Net Infection Ratio has steadily declined from 3.5% in CY17 to 1.0% in CY21. It's total coverage is 89.6% as of CY21.
- The ROE of the bank has improved driven by improvement in deposit mix and deposit growth. Its ROE has improved to 10.1% in CY21 compared to single digits ROE in the last 3 years.
- The CAR as of 31 Dec 21 stands at 14.2% compared to regulatory requirement of 12.5% (excluding Covid-19 Relaxation).

	CY16	CY17	CY18	CY19	CY20	CY21
Assets	181,994	217,234	216,833	283,096	336,297	408,390
Gross Advances	89,637	130,488	129,328	144,720	145,338	196,377
Investments	46,643	42,364	39,237	55,194	95,240	124,838
Deposits	153,826	179,002	184,430	228,827	283,641	344,788
Equity	13,066	14,227	15,276	19,696	19,895	22,511
Net Income	647	1,690	324	1,087	1,703	2,131
Gross Infection Ratio	16.2%	12.1%	11.9%	10.6%	12.1%	8.7%
Net Infection Ratio	3.1%	3.5%	3.6%	1.8%	1.7%	1.0%

Coverage Ratio	83.5%	73.7%	72.5%	84.9%	87.2%	89.6%
Cost of Funds	3.7%	3.0%	3.2%	5.9%	4.8%	3.7%
Yield on Earning Assets	7.0%	6.4%	7.0%	12.0%	10.3%	7.6%
NIMs	3.3%	3.4%	3.8%	6.1%	5.5%	3.9%
Return on Equity	5.3%	12.4%	2.2%	6.2%	8.6%	10.1%
Capital Adequacy Ratio (Tier I)	10.0%	10.0%	11.2%	11.7%	12.3%	10.8%
Capital Adequacy Ratio (Total Capital)	13.6%	13.6%	15.1%	15.0%	16.1%	14.2%

Regards

Asim

Muhammad Asim, CFA

CIO

MCB ArifHabib Savings