

PSX-100(5F)2022/11
March 08, 2022

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Dear Sir,

SUB: TRANSMISSION OF ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2021
MCB BANK LIMITED

We have to inform you that the Annual Report of MCB Bank Limited (the "Bank") for the year ended **December 31, 2021** has been transmitted through PUCARS and is also available on Bank's website.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours sincerely,



Muhammad Imran
Department Head
Corporate Affairs Division

Encl: As above

MEERA PAIGHAM PAKISTAN

ANNUAL REPORT 2021







میرا پیغام پاکستان

CELEBRATING THE JOURNEY

As one of Pakistan's leading and most trusted financial institutions, MCB Bank shares a unique bond with Pakistan that can be traced back 75 years ago, when both came into existence in the same year. MCB Bank and Pakistan have filled the pages of history together through a journey of growth and prosperity - and the best is yet to come.



About the Report

Adoption and Statement of Adherence with the International Integrated Reporting Framework

In the course of its operations a commercial organization receives various inputs and converts them into value for itself and its stakeholders. This value creation can be over different time frames; short, medium and long. An integrated report describes this value creation process concisely including the business model, strategies, governance, processes, risks and opportunities.

Since MCB is one of the largest Commercial Bank and plays a vital role in the economy of the country. It also makes its presence felt at the grassroots level with its sprawling network of branches and its wide customer base. Therefore, it has an impact far beyond the bottom line. Being the Bank with one of the largest customer base it is imperative; therefore, that the Bank reassures its stakeholders that it is safeguarding the public interest.

Adoption of International Integrated Reporting Framework depends on the individual circumstances of an entity. The Bank has adopted the Integrated Reporting Framework to give an overview of Bank's philosophy to explain connection between its financial and non-financial information, which would enhance the user's understanding as to how the Bank is working to improve its performance keeping in view the stakeholder's interests. The business strategy information is linked directly to business activities and non-financial information, and provides explanations accordingly.

Integrated framework is still considered to be a practice in its early stages. We will continue to improve the information produced to make it even easier to understand, while taking into account the opinion of stakeholders reading this report.

Scope and Boundary of Reporting

Boundary	Contents	Scope
Integrated Reporting boundary	- Organizational Overview - Performance & Position - Strategic & Resource Allocation - Risk and Opportunities - Corporate Governance - Sustainability & Corporate Social Responsibility - Stakeholders Relationship & Engagement - Excellence in Corporate Reporting	- Integrated reporting framework - Banking Companies Ordinance 1962 - Companies Act, 2017 - Listed Companies (code of corporate governance) Regulations, 2019.
Financial Reporting Boundary	- Unconsolidated financial statements - Consolidated Financial Statements	- International Financial Reporting Standards - Banking Companies Ordinance 1962 - Companies Act, 2017 - Directives issued by SBP & SECP

Reporting Period

The Bank's Annual Report 2021 covers the 12-month period from January 01, 2021 to December 31, 2021 and is consistent with our usual annual reporting cycle for financial and integrated reporting. Material events, if any, after this date and up to the board approval date of 10th February, 2022 have also been included. The most recent previous report was dated December 31, 2020.

External Assurance

Independent External Auditors, Messrs A.F. Ferguson & Co have assured the MCB Bank Financial Statements. As required by the regulators, these Auditors are rotated every five years to ensure their independence and objectivity.

Key Concepts

- **Materiality and material matters**

The Bank applies the principle of materiality in assessing what information should be included in its integrated report. This report therefore focuses particularly on those issues, opportunities and challenges that impact materially on MCB and its ability to be a sustainable business that consistently delivers value to shareholders and key stakeholders.

Identifying our potential material matters is a bank wide responsibility and requires input from all business units and divisions and an assessment of the risks and opportunities in our operating environment.

- **Our CAPITALs**

Our relevance as a bank today and in the future and our ability to create long-term value are interrelated and fundamentally dependent on the forms of capital available to us (inputs), how we use them (value-adding activities), our impact on them and the value we deliver (outputs and outcomes)

o Financial	o Manufactured
o Intellectual	o Social and relationships
o Human	o Natural

CONTACT

For further clarification and feedback on this report, please contact vide email: investor.relations@mcb.com.pk

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Vision

To be the leading financial services provider, partnering with our customers for a more prosperous and secure future.

Mission

We are a team of committed professionals, providing innovative and efficient financial solutions to create and nurture long-term relationships with our customers. In doing so, we ensure that our shareholders can invest with confidence in us.



نئے دُنیا بنائے گا



جہاں تک وقتے جائے گا



STRATEGIC OBJECTIVES

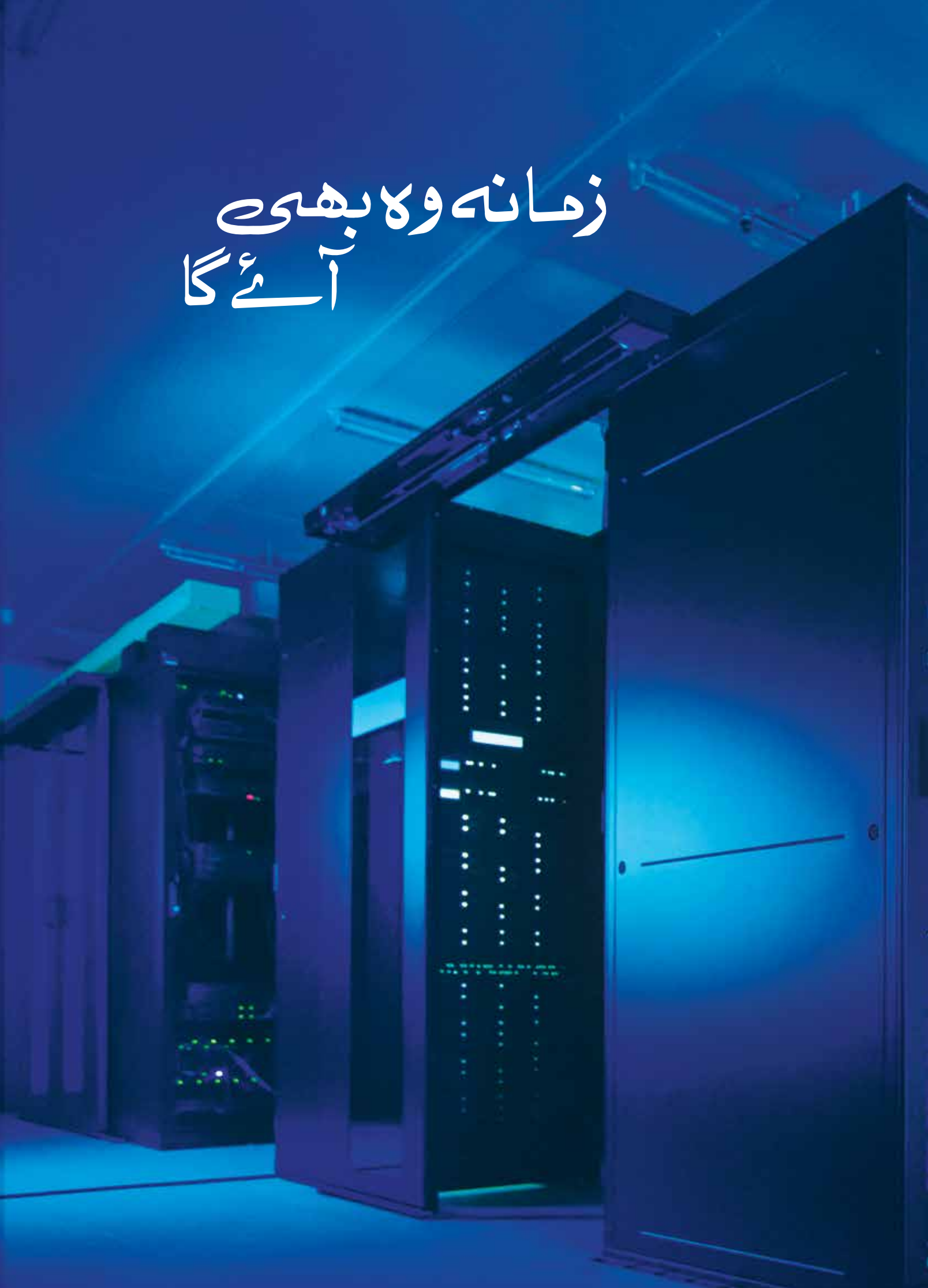
Delivering remarkable returns to stakeholders, sustainable performance, exceeding market and shareholder expectations.

Providing value added services through operational expansion, geography and upgraded system.

Building a corporate culture of equality, trust and team spirit as we remain dedicated to being a socially responsible organization.



زمانہ وہاں بھی
آئے گا



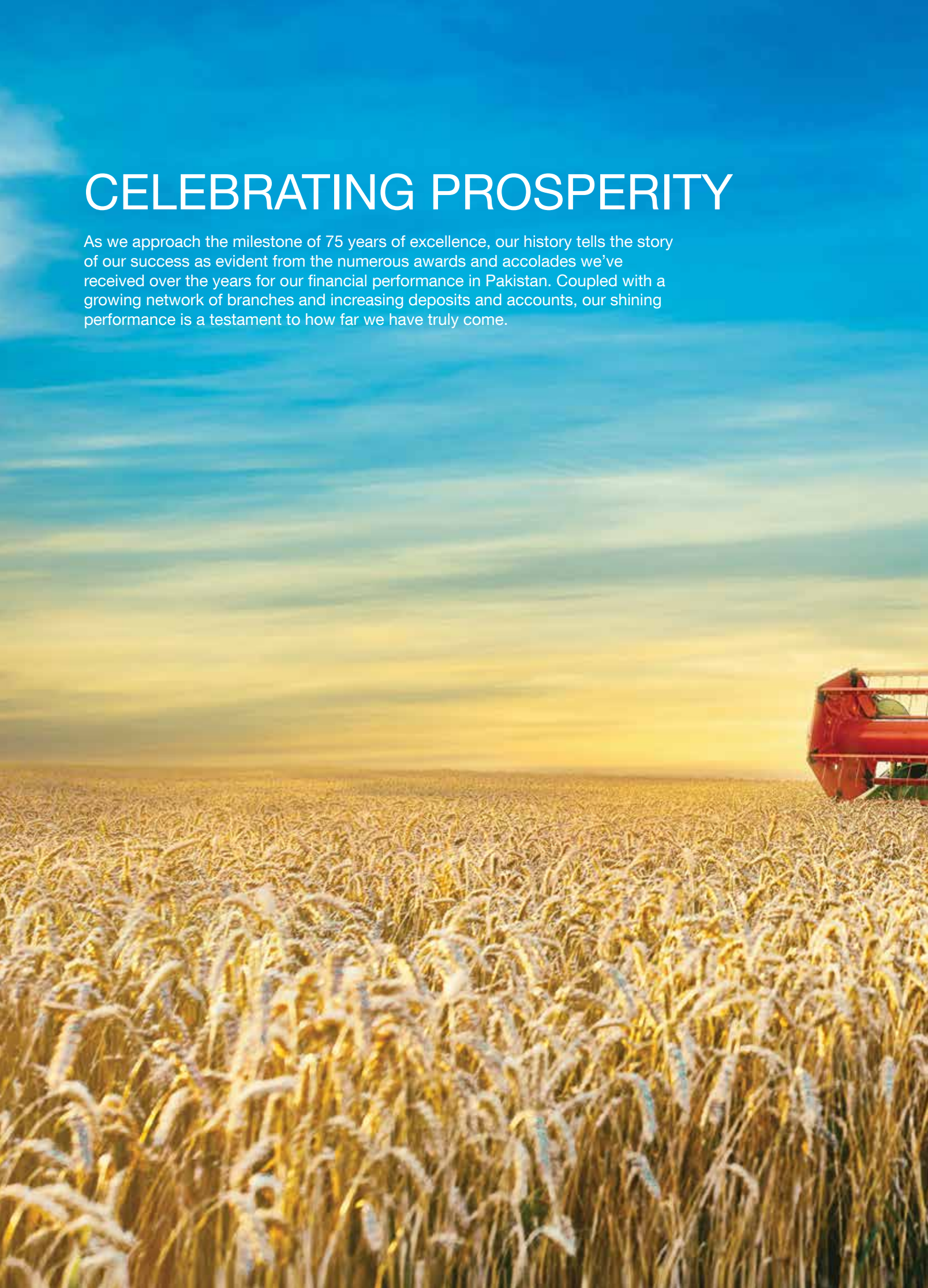
CELEBRATING VISION

MCB Bank has a progressive vision that looks to the future of banking, recognizing the technological revolution in the world around us. We are proud to be a proponent of digital transformation in the Pakistani banking industry, leading the upgrade to the digital era of banking and providing our customers with a cutting-edge digital experience.



CELEBRATING PROSPERITY

As we approach the milestone of 75 years of excellence, our history tells the story of our success as evident from the numerous awards and accolades we've received over the years for our financial performance in Pakistan. Coupled with a growing network of branches and increasing deposits and accounts, our shining performance is a testament to how far we have truly come.



اُجالا بڑے چھائے گا



حبیبہ ری حبیبہ



CELEBRATING INCLUSIVITY

MCB Bank strives to be inclusive to all, following a no-discrimination policy and extending the same care and devotion to each customer and employee irrespective of gender, caste or creed. We cherish the diversity of our customers and employees, celebrating people from different backgrounds to create an environment where all individuals are valued equally.



CELEBRATING PEACE & HARMONY

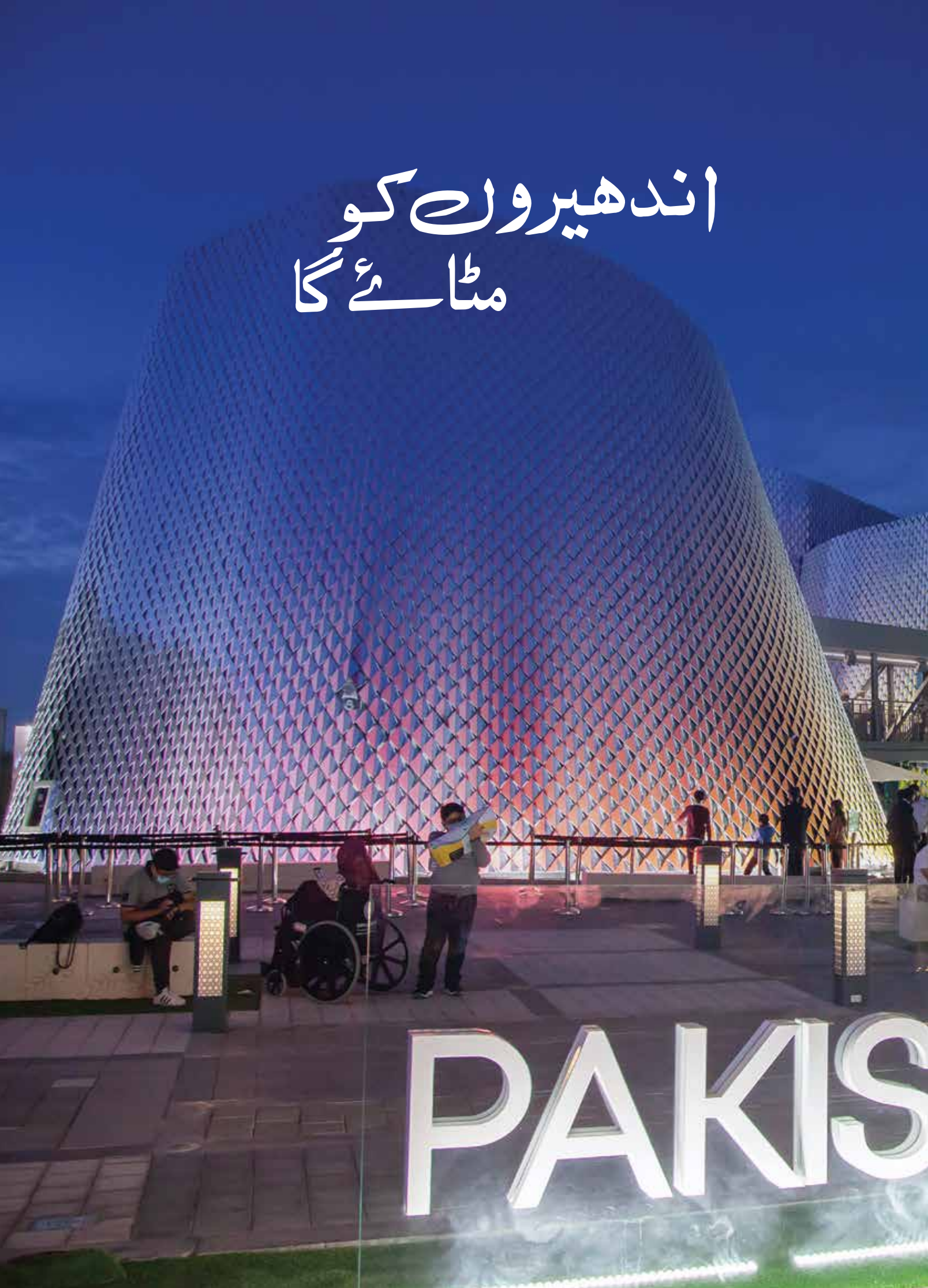
As the heart of the South Asian Subcontinent, Pakistan is home to a rich and diverse population with roots that go back over thousands of years. MCB Bank has always endeavored to foster peace and harmony by working together for the betterment of our society and our country and unifying a single brotherhood under the flag of Pakistan.



اصح کاپیغام



اندھیروں کو مٹائے گا



CELEBRATING PARTNERSHIPS

A fundamental belief imbued in the philosophy of MCB Bank is the strength of partnerships. Over the years, we have nurtured existing relationships and forged new alliances to create a network of successful partnerships. From partnerships to facilitate national progress, to CSR programs for creating social impact, and collaborations with national and international organizations to provide exclusive opportunities to customers, our network continues to grow stronger



Core Values

Integrity

We are the trustees of public funds and serve our community with integrity. We believe in being the best at always doing the right thing. We deliver on our responsibilities and commitments to our customers as well as our colleagues.

Innovation

We encourage and reward people who challenge the status quo and think beyond the boundaries of the conventional. Our teams work together for the smooth and efficient implementation of ideas and initiatives.

Excellence

We take personal responsibility for our role as leaders in the pursuit of excellence. We are a performance driven, result oriented organization where merit is the only criterion for reward.

Customer Centricity

Our customers are at the heart of everything we do. We thrive on the challenge of understanding their needs and aspirations, both realized and unrealized. We make every effort to exceed customer expectations through superior services and solutions.

Respect

We respect our customers' values, beliefs, culture and history. We value the equality of gender and diversity of experience and education that our employees bring with them. We create an environment where each individual is enabled to succeed.

تعاونی ہے تعاونی ہے



Awards

2021 Asset AAA Sustainable Capital Markets Country
2021 Asset AAA Sustainable Capital Markets Country
2021 Asset AAA Sustainable Capital Markets Country
2021 FinanceAsia's Country Awards
2021 ICAP and ICMAP
2021 ICAP and ICMAP
2021 SAFA Awards

2020 ABF Corporate & Investment Banking Awards
2020 ABF Corporate & Investment Banking Awards
2020 Asset AAA Infrastructure Awards
2020 Asset AAA Islamic Finance Awards
2020 Asset AAA Islamic Finance Awards
2020 Asset AAA Islamic Finance Awards
2020 Asiamoney Awards
2020 Asiamoney Awards
2020 ICAP and ICMAP
2020 SAFA Awards

2019 Asset Triple A Infrastructure Awards
2019 Asset Triple A Infrastructure Awards
2019 Asian Banking & Finance Corporate & Investment Banking Awards
2019 Asian Banking & Finance Corporate & Investment Banking Awards
2019 Asiamoney
2019 FinanceAsia
2019 ICAP and ICMAP
2019 SAFA Awards

2018 Asset Triple A Islamic Finance Awards
2018 Asset Triple A Infrastructure Awards
2018 Asset Triple A Infrastructure Awards

2018 Asset Triple A Infrastructure Awards
2018 Asset Triple A Infrastructure Awards
2018 Asiamoney Best Bank Awards
2018 FinanceAsia Country Awards for Achievement
2018 ICAP & ICMAP

2017 Euromoney Awards
2017 ICAP and ICMAP
2017 Assets AAA Islamic Finance Awards
2017 Assets AAA Infrastructure Awards
2017 Assets AAA Infrastructure Awards
2017 Assets AAA Infrastructure Awards
2017 Asiamoney Silk Road Finance Awards
2017 Asiamoney Silk Road Finance Awards
2017 Asian Banker Awards
2017 FinanceAsia Achievement Awards
2017 Assets AAA Country Awards
2017 CFA 14th Excellence Awards
2017 SAFA Awards
2017 SAFA Awards

2016 Euromoney Awards
2016 1st Pakistan Banking Awards
2016 Finance Asia Country Awards
2016 ICAP and ICMAP
2016 First Global Awards
2016 Assets AAA Country Awards
2016 SAFA Awards
2016 SAFA Awards

2015 CFA 12th Excellence Awards
2015 Finance Asia Country Awards
2015 ICAP and ICMAP
2015 SAFA Awards

2014 The Asset Triple A
2014 The Asset Triple A
2014 CFA 11th Excellence Awards
2014 CFA 11th Excellence Awards
2014 Asiamoney Awards
2014 The Asian Banker (USA)
2014 ICAP and ICMAP
2014 SAFA Awards

2013 The Asset Triple A
2013 The Asset Triple A
2013 ICAP and ICMAP
2013 LK Domain Registry Sri Lanka
2013 Lanka Clear Pvt. Limited
2013 SAFA Awards

Best loan adviser in South Asian Region & Regional Awards
Best Structured Finance Deal in South Asian Region & Regional Awards
Best equity-Linked Deal & Regional Awards
Best Bank in Pakistan
Best Corporate Report Award 2020 – Winner
Overall Best Corporate Report Award 2020 – Winner
Joint 2nd Runner up Best Presented Annual Report 2020 - Banking Sector

Best Equity Deal of the Year- Pakistan
Syndication Loan of the Year- Pakistan
Telecom Deal of the Year in Pakistan
Best Corporate Sukuk
Best Acquisition Financing
Best Syndicated Loan
Overall Most Outstanding Company in Pakistan
Most Outstanding Company – Financials Sector in Pakistan
Best Corporate Report Award 2019 – Winner
Joint 1st Runner up Best Presented Annual Accounts 2019 - Banking Sector

Transport Deal of the Year
Utility Deal of the Year
Equity Deal of the Year – Pakistan
Mergers and Acquisitions Deal of the Year – Pakistan
Most Outstanding Company in Pakistan – Financial Sector
FinanceAsia Country Awards – Best Bank Pakistan
Best Corporate Report Award 2018 – Winner
Certificate of Merit 2018 – Private Bank Category

Best Islamic Loan Adviser, Pakistan
Project Finance House of the Year, Pakistan
Renewable Energy Deal of the Year – Solar, Pakistan to MCB Bank Limited, MCB Bahrain & MCB Dubai
Oil and Gas Deal of the Year, Pakistan
Telecom Deal of the Year, Pakistan
Best Domestic Bank
Best Bank in Pakistan
Best Corporate Report Award 2017 - Winner

Best Investment Bank in Pakistan
Best Corporate Report Award 2016 - Winner
Best Project Finance House in Pakistan
Project Finance House of the Year in Pakistan
Renewable Energy Deal of the Year
Transport Deal of the Year
Best Regional Bank in South Asia for Belt & Road Initiative (BRI)
Best Bank in South Asia for Belt & Road Initiative (BRI)
Strongest Bank in Pakistan
Best Pakistan Deal, IPO of Pakistan Stock Exchange
Best Equity Pakistan IPO of Pakistan Stock Exchange
Runner Up - Corporate Finance House of the Year
Certificate of Merit Best Presented Accounts 2016 - Banking Sector
Certificate of Merit SAARC Anniversary Awards for Corporate Governance

Best Bank in Pakistan 2016
Best Bank for Corporate Finance & Capital Market Development
Best Bank in Pakistan 2016
Best Corporate Report Award 2015 - Winner
Most Innovative Investment Bank for Islamic Finance
Best Micro Finance Deal for National Rural Support Programme
Certificate of Merit Best Presented Accounts 2015 - Banking Sector
Certificate of Merit SAARC Anniversary Awards for Corporate Governance

Most Stable Bank of the Year 2014
Best Bank in Pakistan 2015
Best Corporate Report Award 2014 - Winner
Winner of Best Presented Annual Accounts 2014 - Banking Sector

Best Bank - Pakistan
Best Domestic Bank - Pakistan
Best Bank of the Year 2013 – Large Bank
Most Stable Bank of the Year 2013
Best of the Best Domestic Bank
Strongest Bank in Pakistan 2014
Best Corporate Report Award 2013 - Winner
1st Runner up Best Presented Annual Accounts 2013 - Banking Sector

Best Domestic Bank - Pakistan
Best Islamic Deal
Best Corporate Report Award 2012 - Winner
Best Website Award
T+1 Cheque Clearing Award
Certificate of Merit Best Presented Annual Accounts 2012 - Banking Sector

2012 The Asset Triple A
2012 Euromoney
2012 NFEH
2012 ICAP and ICMAP
2012 World Finance
2012 Pakistan Centre for Philanthropy
2012 SAFA Awards

2011 CFA Association Pakistan
2011 CFA Association Pakistan
2011 Euromoney
2011 ICAP / ICMAP
2011 SAFA Awards

2010 The Asian Banker
2010 The Asian Banker
2010 MMT
2010 ICAP / ICMAP
2010 SAFA Awards

2009 Asiamoney
2009 The Asset

2008 Euromoney
2008 Euromoney
2008 Asiamoney

2006 Asiamoney
2006 Euromoney

2005 Asiamoney
2005 Euromoney

2004 Euromoney
2004 Asiamoney

2003 Euromoney

2001 Euromoney

2000 Euromoney

Best Domestic Bank - Pakistan
Best Bank in Pakistan
CSR Business Excellence Award "Best Media Coverage"
2nd Best Corporate Report Award 2011 - Banking Sector
Best Commercial Bank - Pakistan
PCP Corporate Philanthropy Award
2nd Runner up Best Presented Annual Accounts 2011 - Banking Sector

Most Stable Bank of the Year
Best Bank of the Year
Best Bank in Pakistan
Best Corporate Report Award 2010 - Winner
Joint 2nd Runner up Best Presented Annual Accounts 2010 - Banking Sector

Strongest Bank in Pakistan
Leadership Achievement Award
Best Bank Led MMT Service
Best Corporate Report Award 2009 - Winner
Certificate of Merit Best Presented Annual Accounts 2009 - Banking Sector

Best Domestic Bank in Pakistan
Best Domestic Bank in Pakistan

Best Bank in Asia
Best Bank in Pakistan
Best Domestic Bank in Pakistan

Best Domestic Bank in Pakistan
Best Bank in Pakistan

Best Domestic Bank in Pakistan
Best Bank in Pakistan

Best Bank in Pakistan
Best Domestic Bank in Pakistan

Best Bank in Pakistan

Best Bank in Pakistan

Best Bank in Pakistan



Products & Services

MCB Digital Account opening for Resident Pakistanis

In line with Bank's core strategy and in compliance with State Bank of Pakistan's digital onboarding framework, the bank has introduced digital account opening solution (MCB e-Account) for Resident Pakistani individuals to enhance digital financial services. By following a few simple steps on the Digital portal, potential customers can submit an account opening application.

Through this service, the bank offers a wide range of existing segment-based products alongside of introducing digital liability products (MCB Asaan Digital, MCB Asaan Digital remittance and MCB Freelancer Digital Account). We believe that addition of this new value stream will help the bank in meeting growing digital demands and will play its role in progression in the days ahead.

MCB Liability Products

MCB Bank offers a wide variety of products and services, hence ensuring ease and freedom for the customer to bank from its branch network comprising of 1,400+ locations geographically spread across the country. The product suite caters to all types of customer segments' banking needs ranging from individuals to corporate entities. Below are the main categories of liability products followed by product wise details.

MCB Current Deposit Products Category

For complete day-to-day banking needs, MCB Current Deposit menu is offered in local and foreign currency and is designed to provide valued customers with transactional accessibility and flexibility for all their financial dealings.

MCB Savings Deposit Products Category

MCB Bank offers a wide array of local and foreign currency savings products that cater to their daily saving and transactional needs. With multiple profit payment options, the savings deposit menu offers attractive profit rates on various savings products.

MCB Term Deposit Products Category

MCB Term Deposits offer attractive short / medium / long term investment options with flexibility, convenience and security. With various tenors, multiple currency and profit payout options, customers can choose the one that best suits their needs. For further convenience, facility of rollover and renewal is also available. Additionally, these term deposits can also be collateralized to avail credit facilities.

In order to meet the needs of MCB Bank's diverse clientele, the Bank is offering a plethora of products perfectly suited for each segment's needs:

- **MCB One Current Account:** A unique all-in-one tiered product that caters to the checking account needs of all customer segments and demographics. MCB One Current Account is a holistic financial solution that provides free services (banker's cheque, cheque book, debit card, intercity transactions, SMS facility, e-statement). These unique benefits vary based on average monthly account balances. This has become one of our most iconic products and is making significant contributions to our current deposit growth.



ہمیں آگے برے پائے گا



- **Roshan Digital Account:** Roshan Digital Account (RDA) is a flagship initiative of State Bank of Pakistan. It is a tailor-made digital financial solution, designed to facilitate Non-Resident Pakistanis (NRPs) and Resident Pakistanis (with declared foreign assets). The account provides innovative banking services in Pakistan including but not limited to digital payments, savings investments (Naya Pakistan Certificates) and donations (Roshan Samaji Khidmat). MCB Bank is offering both current and savings variants to its customers. For the first time in Pakistan, NRPs are being provided the opportunity to remotely open an account through a digital process without the need to visit a bank/ branch in-person. Enhancement in RDA proposition is a continuous objective of the regulator and MCB Bank. Introduction of Roshan Apni Car and Roshan Apna Ghar initiatives have empowered Resident Pakistanis to fulfill their dreams. MCB Bank, alongside of the framework, is offering most of the products and services free to its RDA customers which makes our proposition more lucrative.
- **MCB Smart Business Account:** A business account variant offering free services & transaction facilities without any balance maintenance requirement. The account is targeted towards business entities in a more segmented and focused manner.
- **MCB Salary Club Account:** A unique product offering targeted towards institutions / companies to manage payroll by getting employee accounts opened with MCB Bank. MCB Salary Club Account has both Current and Savings variants through which employees can avail various free benefits including insurance coverage & discounts on different services.
- **MCB Ladies Account:** MCB Ladies Account is targeted specifically towards women with the main objective to create a niche for females of Pakistan and give them the freedom of managing their own finances with a sense of security and independence. This product offers various benefits including free insurance with a unique blend of health, accident, critical illness and death coverage along with attractive discounts on other services. The merchandise is feminist in its design / colors and the customer is given multiple options to choose a cheque book or a debit card of choice.
- **MCB Senior Citizens Account:** MCB Senior Citizens Account comes in both Current and Savings variants and aims to provide exclusive privileges in order for our elderly customers to take care of their financial needs with ease, while providing discounts on a wide array of services. 50% discount on numerous services can be availed by opening up a MCB Senior Citizens Account
- **MCB Pensioners Account:** MCB Pensioners Account comes in both Current and Savings variants and allows account holders to live their lives to the fullest and face the future with confidence. This account is designed especially to cater to the financial needs of pensioners and is in compliance with regulatory governance. 50% discount on numerous services can be availed by opening up a MCB Pensioners Account.
- **MCB Asaan Account:** A current deposit account with simplified account opening requirements is designed to extend benefits of financial services to unbanked segments of society. This product aims to improve economic growth of potential customers under the financial inclusion initiative of State Bank of Pakistan.
- **MCB 365 Savings Gold Account:** This account enables customers to enjoy attractive returns on their deposits on a monthly basis. Special saving rates are offered to entities / institutions / corporates on maintaining large deposits intermittently.
- **MCB Burqraftaar Remittance Account:** This is a promising product to serve home remittance consumers with security, convenience, and accessibility. Remitters from various countries are provided access to multiple money exchange companies from where they can remit directly in MCB Burqraftaar Remittance Account instantly. Also, the bank provides more than 100 dedicated remittance centers across the country where the beneficiaries can collect cash in person. Further, the account offers withholding tax exemptions on cash withdrawal, free debit card, insurance coverage to both the remitter and beneficiary.
- **MCB Asaan Remittance Account** is another initiative by the SBP under the financial inclusion program to provide secure home remittance inflows. The account is available in the Current variant only and is targeted towards unbanked/under-banked remittance beneficiaries of Pakistan, with simplified account opening requirements. This product not only increases the Bank's product portfolio but also fulfills its fiduciary responsibility of documenting the economy and inculcating a saving habit in its customers.
- **MCB E-Statements:** MCB Bank's E-Statement initiative adds an additional layer of convenience for our digital savvy customers. This service is free for all customers and provides easier access to banking information when needed without visiting the branch. This service also augments Bank efforts to reduce use of paper and facilitate Green Banking guidelines issued by SBP.

MCB Privilege Banking

Privilege Banking takes pleasure in taking you on a journey of superior high-end customer services, a rewarding in branch experience, a wide array of financial services, investment opportunities and transactional convenience, via dedicated, contemporary and service-oriented sales force. These multi-dimensional banking relationships experience positions privilege segment customers at unparalleled advantages that put them ahead of others. The Privilege relationship managers are skilled personalized bankers, geared to manage, grow and retain customer's wealth and focuses on increasing the customer relationship span. MCB Bank has eight dedicated Privilege Centers waiting to welcome you in Karachi, Lahore, Islamabad, Faisalabad, Rawalpindi and Multan with plans to expand to even more locations.

MCB Agri Financing Products

Agriculture finance business of the Bank has embraced a new & progressive outlook as a result of various initiatives. The bank has strengthened its Agri. financing structure in terms of required delegation of approving authority and deployment of dedicated Human Resources at the branch level. A well-equipped, trained & experienced team of agriculture marketing officers has been put in place to facilitate farmers on their door steps, for completion of documents and revenue related formalities, along with providing them awareness on banking facilities, products and financial management.

The performance and size of the Bank's Agri. portfolio is gradually expanding with a focus on encouraging mechanized farming. Moreover, insurance arrangements are in place to provide risk coverage to crops/tractors & equipment. Farmers are availing credit facilities to meet input needs for poultry, dairy and fish farms apart from crops. All credit proposals are processed as per standard guidelines of credit policy of the bank and approved on merit.

MCB Bank fully supports all Government and State Bank of Pakistan initiatives for promotion and steady flow of credit to the farmers. This lends support to the national cause of food security for the people of Pakistan and to exploit the potential of agriculture sector. Efforts are made to enhance outreach to growers through innovative lending including value chains and processing units. MCB Bank will continue to support agriculture sector in line with its policy by remaining an active partner supporting progressive farmers by providing credit for all types of farm and non-farm activities. The microcredit needs of small farmers are met through extending credit lines to NGOs/MFIs supported through digital services, thus serving the cause of financial inclusion.

The Agri. financing products offered cover requirements of both production and development needs of farm & non-farm activities. The farmers may need long term finance to undertake development projects or there may be working capital requirements. Long term financing needs are met through Term Finance whereas working capital requirements are met by production finance.

Shadabi Plan: Covers agriculture loan products for the production requirements of farm & non-farm activities of the farming community. Financing products extended under this category are Agriculture Running Finance-Revolving (ARF-R), Agriculture Production Finance (APF) and Agriculture Production Finance-Growers (APF-G). All working capital needs of non-farm are also covered under Shadabi Plan through APF/ARF.

Khushali Plan: Agri Development Finance (ADF) caters to the credit needs of farmers, generally long term, pertaining to the development projects related to both farm & non-farm sectors. Under Khushali Plan, different products are offered to cater to sector specific credit needs. The products offered are ADF (Tractor Finance), ADF (Aabari Finance), ADF (Dairy & Meat finance), ADF (Murghbani Finance), ADF (Baghbani Finance), ADF (Mahigeri Finance) and ADF (Zari Technology Finance).

The amount of finance sanctioned depends upon the genuine credit requirement of the farmer and collateral. Non-farm credit (poultry, dairy[including value chains], fisheries, & others) and financing for land leveling/development, heavy equipment, agriculture machinery, vehicles/transport for Agriculture purpose are covered under this plan.

High Efficiency Irrigation System (HEIS): The Financing Product for "High Efficiency Irrigation System (HEIS)" facilitates farmers in availing the subsidy provided under the provincial government schemes aimed at conservation of water and avoiding wastage of the precious resource. Drip and sprinkler irrigation systems are referred to as High Efficiency Irrigation Systems, (HEIS) which enable timely application of water and other inputs i.e. fertilizers, nutrients etc. as per plant requirements at various stages of growth. The HEISs are versatile in their applicability and provide complete control in irrigation operations. HEISs can be practiced on a variety of soil conditions e.g. uneven topography, odd field configurations, rolling sandy areas, etc. and are best suited for variety of crops such as orchards, vegetables, cotton, maize, sugarcane, wheat, fodder, gram etc.

Governments of Punjab and Sindh are subsidizing these high efficiency irrigation systems to farmers by contributing 60% of the total project cost and remaining 40% cost sharing by the farmers. Under HEIS Financing,

MCB will provide financing to the extent of 80% of farmer's share towards installation of HEIS. The purpose of HEIS financing scheme is to facilitate farmers in adoption of high efficiency irrigation system, which in turn would help them in efficient utilization of water & other resources to improve per acre yield. The solar/renewable energy requirements of farmers for agriculture purposes are also fully supported.

There may be other development projects proposed by the farmers falling within the ambit of agriculture financing. MCB Bank is fully committed to meet all type of genuine credit needs of the farmers as a strong financial institution, concerned for and aligned with, the national cause of supporting Agriculture Sector of Pakistan.

Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (PMKJYES):

In order to provide self-employment opportunities to unemployed youth and to enable youth to avail affordable financing from banks for establishing new business or strengthening their existing business, Government of Pakistan has launched Prime Minister's Kamyab Jawan Lending Program across the country. MCB is also offering different agricultural products under the scheme. Mainly Tractor Finance (ADF-Tractor-Kamyab Jawan) is being offered for purchase of tractor for farm mechanization. Other financing products under this scheme are ADF-Dairy-Kamyab Jawan and ADF-General-Kamyab Jawan. Short to Long Term Loan for Purchase of Dairy Animals, purchase of farm machinery & equipment's etc. is being financed under ADF-General-Kamyab Jawan where cash flows meet the repayment requirement of debt on quarterly & monthly basis as admissible under PM-KJYES are being considered.

Digital Access to record of Punjab Land Record Authority (PLRA):

MCB has signed a Service Level Agreement with Punjab Land Record Authority (PLRA) to provide online access to data for a defined scope of services under the SLA. Digital access is aimed at enabling the fast track provision of documents/information related to land record of farmers for quick decision making and sanctioning of financing facilities. The scope of services covers issuance of Fard, charge creation, and redemption. The branches are being equipped with necessary infrastructure/equipment in a phased manner for availability of online access to PLRA records. The initiative has been implemented and major Agri lending branches have started providing services to farmers. As a result of this initiative, the dream of a strong digitalized platform for dedicated support to farmers of Punjab Province for quick access to banking facilities is close to realization. MCB Bank is one of the leading banks which have started offering services to the farmers under the digitalized access to PLRA record.

Loan Origination System:

MCB Bank has procured and implemented a Loan Origination System (LOS), a parameterized solution for efficient processing in order to automate the end-to-end credit approval process, optimize the loan processing activity and to gain efficiencies. LOS has been implemented for Agri. Financing across the bank covering all Agri. Lending Branches. This has greatly helped in the fast processing and approval of farmers' requests for finance.

MCB is fully committed to support agriculture financing in line with SBP/Government policies and taking steps to enhance credit flow to the farming community through strengthening of internal systems and to ensure availability of required resources.

MCB-Signed MOU with Millat Tractors:

In order to jointly facilitate the farming community for providing finance facility for purchase of Millat tractors and implements MCB has signed MOU with Millat Tractors Limited. Under this MOU Bank will provide fast track finance facility to Millat tractor's client & Millat will provide fast track delivery for MCB booked Tractors. Millat & Bank will jointly advertise/promote their products as per mutual understanding.

MCB Consumer Lending Products

MCB Consumer Banking offers a full suite of consumer lending products to its valued customers. The Bank's current product portfolio consists of credit cards, auto loans, Fleet4U, home loans (including Mera Pakistan Mera Ghar Scheme & Low Cost Housing Scheme for Special Segments), personal loans, secured personal loans, unsecured overdraft facility and student personal loan (for LUMS MBA and MPHIL ELM students), Roshan Apni Car and Roshan Apna Ghar financing. At MCB Bank, the ideology behind our innovative Consumer financing products focuses on meeting three of our client's objectives simultaneously, i.e. affordability, convenience and lifestyle. MCB Consumer Finance products enhance the overall life experience of our customers. MCB Bank works to collaborate with targeted brands and organizations to ensure that we provide premium value added services to our clients. MCB Consumer Banking is ably assisted by strong back office support which includes Operations, Service Quality, Internal Audit, Compliance and a Legal Team that work together to ensure that the Bank operates efficiently and in the best interest of its customers under the regulatory framework.

MCB Car4U

The Bank's auto financing product, MCB Car4U, provides a one-stop financing solution to help our customers obtain the automobile of their dreams. Customers are free

to choose between used and new vehicles, manufactured locally on flexible tenors. MCB Car4U also allows customers to finance up to three cars simultaneously from MCB Bank in line with their unique needs and requirements. Both finance and lease variants are offered under Car4U financing. MCB Car4U offers auto loans to customers in 1,400+ of our branches across 85 cities. Both self-employed and salaried customers can apply for a MCB Car4U Loan with ease. The Bank offers a competitive markup rate to all customers and also offers a discounted markup rate to its existing Branch Customers. Over the years, the Bank has formed a strong network of auto-dealers, engaged in sale of both new/used cars enabling us to facilitate our customers evolving needs. MCB Bank values its credible and expansive dealer network as one of the key pillars of its success in the auto finance business.

MCB Fleet4U:

MCB Fleet4U provides financing solutions to help SE, ME, corporate and commercial entities on a limit sharing basis under the umbrella of consumer lending. Customers have an option of leasing local private vehicles, imported vehicles (new & used) (SUV), MPVs, commercial vehicles & light commercial vehicles.

MCB Home Loan

Owning a home is a dream for many. At MCB Bank, we aim to help our customers fulfill this lifelong ambition and turn their dream into reality. MCB Home Loans provides financing solutions for the purchase of a home as well as for plots and construction thereon. MCB Bank also offers a subsidized home loan product under the Government's Mera Pakistan Mera Ghar scheme and Low Cost Housing Scheme for Special Segments. Customers also have an opportunity to transfer their existing loan from any other bank to MCB Bank through a balance transfer facility. MCB Home Loan product also caters to housing needs of non-resident Pakistanis in Pakistan. MCB Home Loan product is now available across country through a network of over 700 branches supported by a team of skilled home finance specialists placed at multiple locations in the country.

MCB Credit Cards

MCB Credit Cards are secured with Chip & PIN & contactless functionality and carry world class features that provide transactional & payment convenience to our customers across the globe. Online purchases are now more secure with 3D Secure protocol. The instant SMS and E-Alert facility enables our customers to monitor their credit card transactions and be alert of potential misuse of their Credit Card. The cards are available in three different variants i.e. Classic, Gold and Platinum that cater to the diverse needs of our distinguished customers. MCB Visa

Credit Cardholders now can activate and generate their Credit Card PINs via IVR Self Service and MCB Live 24/7 hours.

Besides transactional convenience, these cards also offer payment flexibility / financial convenience to the customer via MCB Live, Utility, Telcos Other bank Credit Card payment via 1bill in addition to 0% service fee on Installment Plans, the ability to transfer balances on a lower rate or even request for a Banker's Cheque in the customer's own name or direct credit in their own MCB account & accounts in other Banks.

Credit Card Bill payments are made more convenient for customers, who can now make their Credit Card bill payments through Cash, MCB Cheque, Cheques of other Banks, over the MCB Branch counters and MCB Contact Center. They can also make payments through MCB Bank and other Bank's Digital Banking & ATM services.

MCB Personal Loan:

MCB Personal Loan is a fast, affordable and easy option to meet our customers' immediate financing needs. This is an unsecured product and does not require any security. This product is only available to salaried customers.

Roshan Digital Account – Value Added Services:

Roshan Apni Car and Roshan Apna Ghar products have been launched in line with the directives of State Bank of Pakistan to offer value added lending facilities to Roshan Digital Account holders with the ambition to provide non-resident Pakistanis more avenues of lending and investment in Pakistan. Through Roshan Apni Car product, vehicle financing facility has been offered on lien and non-lien basis on reduced markup rates (fixed & floating), priority deliveries, attractive comprehensive insurance rates. However, Roshan Apna Ghar facility is being offered to non-resident Pakistanis to purchase their own home in Pakistan. This facility is available under both variants i.e. standard and Mera Pakistan Mera Ghar scheme on lien and non-lien basis. Roshan Apna Ghar loan is being offered at very competitive/reduced markup rates.

MCB Wealth Management:

MCB Bank is among the market leaders in providing Wealth Management Services to its customers. The business is constantly evolving and expanding its product suite for both Insurance and Investment products to cater to our clients' financial requirements. We are partners with some of the leading Insurance and Asset Management companies in Pakistan to deliver innovative solutions based on customer needs, future plans and risk appetite.

MCB Bancassurance:

MCB Bank strives to help the dreams of its customers come true. Your dreams may be to give your child the best education, live a dignified life after retirement or to keep your loved ones financially secure and protected.

MCB Bancassurance plans provide you with the underlying financial security you and your family deserve. We work with our insurance partners to understand your needs based on your stage in life and provide tailor-made plans which are affordable and realistic. In addition, you and your family enjoy the peace of mind which comes from being 'Har Pal Mehfooz' in case of any unforeseen eventuality. Together with our insurance partners, we have a wide range of options available which ensure that you and your funds are in good hands. All plans are underwritten by leading insurance providers and all funds are managed by experts in the field to give you the optimal returns based on your risk preferences and stage of life. Combining the best of banking and financial solutions, MCB Bancassurance provides a one-stop solution for your convenience and security.

MCB Investment Services:

Investment Services operate with the aim to help you make the most of your wealth with investment opportunities that match your unique financial objectives. MCB Investment Services offers mutual funds managed by leading fund managers. We offer products most suited for your needs, or work with you to create a personalized solution completely focused on your expectations whilst keeping in view your risk tolerance. These products designed to offer financial liquidity/capital appreciation and assist you to meet both short- and long-term investment needs.

MCB Digital Banking Products and Services

MCB Debit Card

With global acceptance at more than 20 million merchants and 1.5 million ATMs worldwide; MCB Debit Cards is a way forward into the changing future of payments. MCB Bank is proud to have the latest dynamic Chip & PIN based Debit Cards which allow customers to have unmatched convenience, enhanced security and round-the-clock accessibility to their funds. MCB Debit Cards are accepted at 12,000+ ATMs and 45,000+ merchants nationwide, with promotional discount schemes designed to reward our users for shopping, dining, fuel, travel, health and much more. With an MCB Debit Card, one can forget the need to carry cash. The product proposition has been further enhanced with the launch of card variants like Visa Platinum, Gold, Gold Local and supplementary cards. MCB Debit card also offers multiple international and local payment scheme cards which include Visa, MasterCard and PayPak fulfilling various customer segment needs,

MCB Bank is proud to be chosen as one of the main banks to provide services to overseas Pakistani through Roshan Digital Account (RDA). MCB has started issuance of debit cards to RDA account holders as well. MCB Bank is one of the handful of banks in Pakistan who have ventured to comply themselves with the PCI DSS which is considered to be the international benchmark for card data security thus improving the overall product value proposition.

MCB ATMs

MCB Bank has one of the largest ATM networks in the country with 1,450+ ATMs which includes 164 off-site ATMs placed at commercial locations like malls, workplaces and hospitals etc. The network covers 500+ cities across the country and is steadily growing. MCB Bank has one of the best ATM uptime availability across the industry, ensured by the presence of ATM monitoring teams working 24/7, periodic ATM health checks and hardware replacements. MCB ATMs provide our customer with convenience to withdraw cash, make utility bill payments, mobile top-ups, funds transfer through its countrywide network.

Omni Channel Digital Experience - MCBLive

The Bank offer a world class Oracle-based platform MCB Live – an Omni-channel digital banking platform equipped with advanced mobile and online banking features to its customers. MCB Live provides our customers, an easy and secure way to transfer money, carry out balance inquiries, check mini-statements, buy top-ups, pay bills, and much more from the comfort of their homes 24/7/365. The new digital banking application facilitates its customers to manage and control their bank accounts, debit & credit cards; whenever and wherever they want. The launch of MCB Live marks the start of a new digital era of MCB Bank.

MCB Lite

MCB Bank received its branchless banking license 8 years ago, and formally started its branchless journey with the launch of MCB Lite in 2014. MCB Lite mobile wallet allows customers to handle their daily transactions and payments in an efficient and real time manner from one's mobile phone. Wallet can be linked with any Lite debit card (local or international payment scheme) for local, international and E-commerce use. Moreover, to support foreign remittances, the enablement of Lite Remit feature has allowed customers to receive money directly into their Lite mobile wallet from anywhere in the world. MCB Lite is all set to explore new fronts and expand its overall footprint across the branchless banking arena.

MCB Card Discounts

Caring for and giving back to our esteemed customers is what MCB Card Discounts is all about. MCB Bank is

proud to have the best discount offers for our prized MCB (Debit, Credit, Prepaid and Lite) cardholders. MCB offers a wide variety of discounts across all top retail merchants and brands ranging from dining, shopping and lodging. MCB Bank's motto i.e. 'Bank for Life' is truly personified through our MCB Card Discounts program.

MCB Alerts

MCB Bank is proud to offer its valued customers with alerts services that comprise of SMS alerts. This service allows customers to keep track of all of their banking transactions through SMS notifications. By applying to this service, customers receive real time updates whenever they conduct a transaction on any of their MCB bank accounts. It is a great way of staying updated about transactions conducted on one's account(s).

Card Acquiring (POS)

MCB Bank has a network of approximately 9,000 POS terminals deployed at key merchant locations across Pakistan. Our Point of Sale (POS) network is fully EMV compliant and accepts Visa, MasterCard, UPI, JCB and Pay-Pak card transactions from all over the world. MCB's POS Acquiring business continues to grow due to deepening of merchant relationships, round the clock support, increased POS productivity and quality of deployments.

Internet Acquiring (MCB eGate)

MCB e-Gate is a world-class online payment gateway service, formed as a result of MCB's partnership with MasterCard International. MCB e-Gate equips online businesses to accept payments reliably and securely from both credit as well as debit cards and currently facilitates more than 600+ online merchants, directly and indirectly. The online card acquisition footprint has grown and continues to grow substantially worldwide and MCB Bank is playing an integral part in developing the e-commerce market in the country. Further, to improve online shopping and merchant experience for e-commerce, MCB e-Gate payment system has now been upgraded from Mastercard Internet Gateway Service (MIGS) to Mastercard Payment Gateway Services (MPGS) which is fast, reliable and supports multiple payment modes. It also comes with the range of other value added features including Real time fraud prevention and supports Mobile Commerce.

MCB Contact Center

The human voice is still valued as the most trusted and relevant form of communication medium by a majority of our clients. This has inspired us to constantly improve our service and upgrade our MCB Contact Center to the world's best CISCO Platform. This proactive upgrade has enabled us to enhance service delivery across multiple

channels while allowing us to address specific needs of our esteemed customers. MCB Contact Center is equipped with a team of trained professionals who offer a wide array of financial and non-financial services in multiple regional languages around the clock. The customers are further facilitated through self-services modes like Interactive Voice Response (IVR), Self Service Channel and our Live Chat facility. The Contact Center not only serves and strives to retain MCB Bank customers but also cross-sells and up-sells a number of products and services as well.

CFIBG Products and Services

MCB Bank's Home Remittance brand, MCB Burqraftaar was amongst the largest remittance payout brands in Pakistan in 2021. Our contribution through MCB Burqraftaar is not only limited to the bank's growth but we are also proud to be one of the biggest contributors to the national interest of the country by promoting remittances through legal channels. MCB Bank has managed to build an extensive network of partners across the globe to ensure overseas Pakistanis can send money to their families back home.

- **MCB Burqraftaar Cash (Cash in Hand)** is available via MCB Bank's entire branch network. Payments can be made from any of MCB's 1,400+ branches to walk-in customers.
- **MCB Burqraftaar Transfer (Straight to Account)** enables overseas Pakistanis to send their remittances to their loved ones in Pakistan through our hassle-free straight to account credit service.
- **MCB Lite Remit** allows beneficiaries to receive money from their loved ones directly into their Mobile Wallet, from our global network of remittance partners. Money can be conveniently withdrawn from MCB Lite Card through MCB Bank branches, MCB ATMs, 1Link ATMs, or use the funds through the MCB Lite mobile App and POS terminals.
- **MCB Asaan Remittance Account** is targeted towards unbanked / under-banked Remittance Beneficiaries of Pakistan with simplified/relaxed account opening requirements and procedures.
- **MCB Burqraftaar Remittance Account** is targeted towards inward remittance beneficiaries in Pakistan with a unique feature of exemption on withholding tax on all cash withdrawal transactions of any amount via cheques from all MCB Bank branches & country-wide ATMs.

MCB Home Remittance is continuously working to design new products and facilities for the ease and convenience of remitters and beneficiaries.

MCB Transaction Banking: Transaction Banking (TBD) provides a wide range of value-added collection and payment services to large corporations through

the Bank's vast network of real-time branches. TBD provides structured and customized collection products enabling customers to realize their sales proceeds swiftly from across the country, supported by real-time MIS reports.

Corporate Collection and Payment

- **MCB CollectPlus:** Collection through a deposit of cash, same branch and local clearing instruments in designated MCB Bank Branches.
- **MCB RemitPlus:** Collection through a confirmed and secured receipt, without the involvement of the clearing process.
- **SIDA:** Collection through direct debit of dealers' accounts maintained at the branch.
- **MCB DebitPlus:** Collection through direct debit of dealers' account maintained at the branch by TBD via a one-time instruction from the dealer/distributor and email instruction from the customer.
- **MCB PayPlus:** Payment by IFT/IBFT/Bankers cheques/RTGS by emailing the relevant file/instructions to TBD.
- **TBD - FI Cash Management:** We offer unique cash management solutions to our local Correspondent Banks and Non-Bank Financial Institutions to meet their particular requirements for fund collection, payment, reconciliation, and reporting.
- **Online Fund Transfer (OFT):** This web-based electronic fund transfer facility has been designed to enable a large network of franchises/dealers/distributors to conduct real-time branchless transactions through a secured MCB Bank website.
- **Dividend Warrant Management:** The Bank provides a complete and comprehensive dividend solution to customers through electronic transfers to shareholders accounts & processing of warrants through MCB Bank branches, followed by complete reconciliation. Foreign dividends are also managed end to end by TBD
- **Sub Clearing Arrangement:** MicroFinance banks that do not have operating licenses for clearing can now rely on MCB Bank to act as their sub-clearing agent for processing transactions through NIFT
- **Payment Station:** Corporate Payment Station "MCB Pay Direct" offers a real-time comprehensive payment and transfer mechanism for corporate and large business entities. This allows our customers to virtually execute A2A, Cash Payments, Bankers Cheque, IBFT, RTGS, and Report Printing.
- **Viewing Module for Electronic Bank Guarantees:** A viewing module that will enable corporates to view Electronic Bank Guarantees of their dealers/distributors issued in their favor via SWIFT MT-760. Corporates will

have the option to view the reports on their personal devices. The corporates can view swift message MT-760 & reports any time through the given portal. Only authorized individuals of corporates can view the reports to ensure confidentiality. The benefits of the system include:-

- Convenient and user friendly interface
- Secure online viewing of electronic Bank Guarantees by company's authorized staff through TBD portal
- Complete and verified detail of Electronic Bank Guarantees along with swift message MT-760
- **Sub Collection Account (SCA):** An account which facilitates the dealers/distributors of our corporate clients who do not have an account with MCB bank. Dealers/Distributors who are maintaining their accounts at other banks will be able to deposit to MCB Bank through online mode i.e. IFT/ IBFT/RTGS/ATM and the respective information will also be available on a real-time basis for corporates. All funds available in SCA will be transferred to Main Collection Account (MCA) of TBD customer by day end (or on a regular interval during the day). The benefits of sub collection account include:-
 - Real time MIS Reports
 - Funds identification of dealers/distributors who do not have an account with MCB Bank.
 - Online method so dealers/distributors need not need to go to MCB branch to deposit.
- **Digital Debit Plus:** An innovative digital banking solution where SIDA instructions of companies can now be done online for corporate convenience. Using this facility corporates can access TBD's system through which they can execute their SIDA and obtain real time MIS of their transactions. They can process orders placed by dealers/distributors across Pakistan through any MCB accounts using TBD portal with convenience from their office premises. The facility will be provided to only the authorized users of the company for them to conduct their transactions. The benefits of Digital Debit Plus include:-
 - Real time MIS Reports for corporates
 - SMS alerts for the dealers once Digital SIDA executed
 - No need for corporates to visit MCB branch to execute SIDA

Our Corporate Banking team works in conjunction with Transaction Banking to facilitate customer requirements for collections, payments, dealer finance, electronic dividends, and bulk salary processing.

- **Corporate IVR for Collections:** MCB introduced a new platform for Dealers, Distributors, and Franchisees to conduct transactions without the need to visit

MCB branches, by using our existing CRM and IVR channel. The product provides security in terms of cash-carrying and also allows the dealers/distributors to conduct transactions even after banking hours i.e. 24/7. It ensures a smooth flow of regular transactions and provides the bank with higher profits and lower operational expenses and transaction costs. The addition of this channel has also helped us in reducing our cash handling cost and will subsequently encourage dealers to open accounts with MCB.

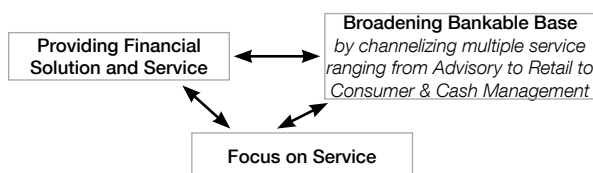
- **Tax & Duties Payments to FBR:** Now MCB Customers can pay their FBR Tax and Duties securely and conveniently through MCB Transaction Banking “Over-the-Counter” at any MCB branch as well as through “TBD MCB PayPlus” by sending us their tax payment details on a secured file. Our Corporate customers can also pay their taxes and duties through “TBD MCB PayDirect” 24x7 and from anywhere in the world. Under FBR payments, MCB offers real-time integration with 1-Link and CBS with complete security and a two-step authorization process. Complete transaction details are ensured through computer-processed receipt, instant SMS alert, and detailed MIS for the branch / back office.

Banker to the Issue for IPO/SPO's & Right Shares:

We provide efficient & effective processing for both IPO/SPOs & Right Share Mandates. Our branches are well-trained in handling collections for both these products. The information mentioned in the forms is matched with funds collected and after reconciliation; these are transferred to the respective company. MCB Bank's TBD team works jointly with Investment Banking Team on various IPO/SPOs & Rights Shares to facilitate clients.

MCB Corporate Banking Finance: MCB Bank's Corporate Banking Finance is equipped with a professional and devoted relationship management team having a presence in 5 cities (namely Karachi, Multan, Faisalabad, Lahore, and Islamabad) across Pakistan is providing structured financial services through dedicated Corporate Centers/Branches.

The corporate Team operates in 3-dimensional approaches within the defined goals of the organization.



- **Financial Services and Solutions:** MCB Corporate Banking provides access to diversified financing options, including working capital loans, term loans, trade based finance services (bank guarantees, Import Letter of Credits, import and export services, bill

discounting / negotiation, Export finance both in USD and PKR, State Bank of Pakistan export refinance and Long Term Finance, Import finance both in USD and PKR), dollar-based loans, financing under SBP schemes and depository options are also offered under various schemes.

- **Broadening Bankable Base:** Our Corporate Banking team works in close liaison with our Investment Banking team to facilitate clients with advisory and arrangement services for equity, debt and project finance offered through our Investment Banking Division. Similarly, our Corporate Banking team works in conjunction with Transaction Banking, Retail, and Consumer Team to facilitate their requirements for collections, payments, dealer finance, electronic dividends, bulk salary processing, and various consumer-related products for their employees and shareholders.
- **Focus on Service:** Dedicated Corporate Branches are available in 5 cities Karachi, Multan, Faisalabad, Lahore, and Islamabad to cater business needs of corporate relationships through the support of the Corporate Relationship Management Team.

MCB Investment Banking: MCB Investment Banking offers a full suite of Investment Banking services ranging from equity & advisory, syndications and debt capital markets to Project and structured finance. MCB Investment Banking works in close coordination with Corporate and Retail Banking to facilitate their clients with its services.

MCB Project and Structured Finance: MCB Project and Structured Finance is a 'Non-recourse' or 'Limited Recourse' financing, where the lenders base their credit decision primarily on the cash flows of the project, concerning repayment of the project debts. Risks are carefully allocated amongst various stakeholders.

MCB Syndicated Loans and Debt Capital Markets: MCB Syndicated Loans and Debt Capital Markets involve arrangement, underwriting and placement services for debt financing requirements by large corporate and institutional clients to other financial institutions or through the debt capital markets.

MCB Quasi Equity / Hybrid Instruments: MCB Quasi Equity/Hybrid Instruments are structured and tailor-made products incorporating specific customer requirements based on debt and/or equity components including unsecured nature instruments, subordinated nature types, cumulative/noncumulative dividend payments types, equity play component instruments, etc.

MCB Equity Capital Raising: MCB Equity Capital Raising relates to raising capital for our clients by offering

common or preferred equity to the public or private investors, through initial public offers, offers for sale, rights issues and private equity placements and underwriting of equity issues in the Capital Market.

MCB Advisory Services: Financial and Capital Raising Advisory provides our clients with financial advisory services for mergers and acquisitions, privatization, project finance, commercial structuring support and access to capital resources to assist companies successfully finance their business/project.

Strategic Investments and Acquisitions Division evaluates potential investments, both minority and majority stakes in different financial institutions, and then proceeds with the execution on the advice of the Board of Directors. Strategic acquisitions also evaluate operations of different subsidiaries/businesses and with the Board of Directors' consent can proceed with divestments of businesses that are deemed non-core businesses. This Division also maintains a relationship with strategic investors.

MCB Trade Products

Trade Products provide a wide range of standard as well as tailor-made products and solutions to trade customers from all walks of life. Despite having an inventory of standard to market products in refined shape, specific new-to-market products include:

- **Quick-LC:** A simple and easy to use mechanism, internal design of desktop application, allowing customers to type-in, e-mail and print out an LC application form, reducing cost and hassle while improving TAT and input accuracy.
- **X-Flex:** A solution which facilitates external export business for customers in cases where transport documents (Bill of Lading) are not available at the counters of MCB's discounting / financing branch on the date of extending financing.
- **TRIMS:** Facilitates the financing of inland trade through the involvement of MCB Bank at both ends thereby allowing an exporter to get receivables discounted on non-recourse basis, i.e. the exporter receives payment in a given time (in less than 48 hours) after performing obligations.
- **Econ-LC:** A product program which allows drafts/bills of exchange to be waived as a requirement under LCs available by negotiation resulting in reduction in overall transaction cost for importers.
- **Avalization (Export):** A global product designed to facilitate the financing of export by allowing an Exporter (Seller) to discount the receivables under credit granted to a counter party, i.e. Importer (Buyer), without taking payment risk on the Importer (Buyer) under a contract (non-LC transactions).

- **Avalization (Import):** A product which facilitates delivery of import documents (and goods) against importer's acceptance under contracts (without opening of LC) hence offers savings associated with fees and commissions.
- **China LC Confirmation Programme:** Under this program the branches of MCB's partner bank located in Hong Kong and China add "Confirmation" to MCB LCs on "Free of Cost" basis thus increasing acceptability of MCB's Import LCs and facilitate import customers.
- **Europe LC Routing Program:** Under this program the branches of MCB's partner bank located in UK will be handling LC transaction originated by MCB under special arrangements which includes advising, confirmations, bill discounting and UPAS transactions.

MCB Sri Lanka - Products and Services

Current Account - Take account of things that matter!

MCB Bank Current account allows our customers to distinguish themselves in the financial market with a secure and faster cheque clearing process, allowing them to carry out their transactions with a greater level of confidence.

Privilege Current Account – Feel prioritized and privileged! MCB Bank Privilege Current Account offers a range of personal and business banking solutions that are specially tailored to meet our customers' emerging needs.

Savings Account - The smarter your savings, the higher your returns!

MCB Savings Account is designed to encourage customers to maintain a healthy account balance, which keeps growing day by day. Tier based interest rates enable customers to enjoy an attractive return on their funds. Customers have the freedom to utilize their funds to meet their day to day financial needs with no restrictions to the number of transactions they perform.

Fixed Deposits -The safe way to save!

Fixed Deposit Accounts are designed to suit the diversified investment requirements of our customers. Starting from 7 Days Call Deposits, our product range extends to Term Deposits that can be fixed up to 4 years. Further, we offer the option of obtaining the interest at maturity or specific interim periods (monthly/quarterly) depending on the customer's requirement for funds.

MCB Kidz Club - Pave the future for your child!

Children are the wealth of our nation. We offer ample encouragement and incentives to assure them of a secure future. MCB Kidz Club Account offers an attractive interest

rate coupled with a wonderful gift scheme based on the account balance. This encourages parents and children to grow their account balance to enjoy the financial return, as well as to collect gift items on reaching specific account balances.

Foreign Currency Accounts - When you need financial diversity!

MCB customers can save in any designated foreign currency and enjoy attractive returns. Further, we offer a wide range of account types for personal and business clients under special schemes approved by the Department of Foreign Exchange of the Central Bank of Sri Lanka.

MCB Debit Card – Introducing more convenience!

MCB Bank has been providing financial services to its valued customers since 1994. To further enhance this relationship, MCB signed up with the partnership of Lanka Pay and JCB for the introduction of Debit Card, providing our valuable customers the facility to shop with convenience. Debit Card also provides access to customer accounts through a shared network of over 4,500 ATMs Island wide.

Virtual Banking – Smart & secure access 24/7!

Virtual Banking helps customers stay updated on their account activities from wherever they are, and carry out their banking transactions at a time that is convenient for them, instead of restricting themselves to standard banking hours.

MCB Mobile – Upgrade to the future

MCB Mobile is the flagship technology product of MCB Bank's innovative digital banking services. MCB Mobile App is designed with a user-friendly interface to provide convenience in conducting payments and secured financial and non-financial transactions.

Safe Deposit Lockers - Where safety is a promise!

We pride ourselves in offering our customers ease of mind and this is yet another service that highlights our commitment to providing everything necessary to accommodate their needs. We offer various types of lockers depending on customer requirements that may include protecting their documents, jewelry, or any other valuables.

Home Remittance – Transferring happiness to your Homeland!

MCB Home Remittance is a simple and dependable way of sending money to your loved ones in Sri Lanka from anywhere in the world. With a wide network of worldwide remittance partners (including the partners of MCB

Bank Pakistan), we ensure the fastest and safest money transfer.

Trade Services – Trading becomes convenient & faster!

MCB Trade Services empower individuals and businesses to reach their highest potential by streamlining and customizing processes and product portfolio. We ensure that a comprehensive range of trade products and services will enable you to do your business successfully. A specialized product called 'Avalization Imports' is also available under trade services portfolio to facilitate trade transactions under Collection terms.

SME & Corporate Banking

We offer diversified finance options for Small/Medium Entrepreneurs and Corporate customers to achieve success in their business. These financing options range from Overdrafts, Leasing for vehicle and machinery, Working Capital Loans, Term Loans, Trade Finance, and Structured Project Financing to cater to the evolving needs of our Business Banking customers. A wide range of Treasury products including Forward Contracts, Repurchase Agreements, Spot Contracts, and Treasury Bills are also offered under investment options.

UAE - Products and Services

MCB UAE has an array of customized business products for its wholesale customers that include Business Accounts, Finance & Trade products. These services are aimed at fulfilling the day to day needs of the businesses at competitive yet flexible prices.

Avalization

The "Avalization (Export)" product has been designed to facilitate the financing of exports by allowing an Exporter (Seller) to discount its receivables under credit granted to a counterparty i.e. Importer (Buyer), without taking payment risk on the Importer (Buyer); through the involvement of banks at both ends, the Exporter (Seller) receives its payment a few days after performing its obligations under a contract (and not under a letter of credit) entered into with the Importer (Buyer) instead of waiting for the full tenor of the credit period granted to the Importer (Buyer). The receivables are secured by a bill of exchange or promissory note accepted by the obligor (the person who is liable for the payment of the receivable). By way of credit enhancement, these receivables are further backed by the guarantee or commitment of the obligor's bank who becomes the end obligor.

MCB Current Deposit Account

It is designed to provide our wholesale customers with transactional convenience and flexibility. Choices of local

(AED) and International currencies (USD/GBP/EUR) are available at attractive options for our business customers with a low minimum balance.

365 Savings Business Gold Account

Transactional flexibility in a Savings account, 365 days Gold Account provides the choice of local (AED) and International currencies (USD/GBP/EUR). This account will grow savings at an attractive interest rate for 365 days while giving the flexibility to use these funds for business transactional needs as well. This is an attractive option for business customers with a high balance and with requirements of transactional flexibility.

Term Deposit

Term Deposit products are available in a choice of local (AED) and International currencies (USD/GBP/EUR). Tenor options can be chosen between 1, 3, 6, and 12 months. It is an attractive option for our business customers with short to mid-term investment opportunities.

Demand Finance

It is financing for a fixed period repayable either in periodic installments or in a lump sum, at a future date. An attractive option for business customers that require financing against fixed assets such as plant and machinery, land, building, etc.

Overdraft

Overdraft facility allows businesses to access additional funds for day to day business expenses. The overdraft facility will charge interest only on the daily outstanding balance from the Current Account above the credit amount available.

Bills Discounting

Our discounting solution is for clients who are looking to fund their working capital requirements. While discounting, the bank buys the bill (i.e. bill of exchange or promissory note) before it is due. The transaction is practically an advance against the security of the bill and the discount represents the interest on the bill from the date of purchase of the bill until it is due for payment.

Post-dated Cheque Discount Facility

Cheque Purchase Discount Facility from MCB Bank takes away the hassle of waiting for post-dated cheques (30-120 days) to clear while letting businesses concentrate on completing their transactions.

Finance against Trust Receipts (FATR)

Financing against Trust Receipts enables our customers to honor payments to their suppliers by letting the bank pay on their behalf without reducing customer's credibility.

The customer simply has to submit a Trust Receipt (TR) Letter which contains a statement of receiving goods on the Bank's behalf and promising to pay the Bank on a deferred basis.

Financing against Receivables

Financing against Receivables is available in the form of Invoice discounting. Invoice Discounting is a form of asset based finance that enables a business with evidence to release cash tied up in an invoice to its debtors/buyers.

- Discounting of Export Bills for Collection – A borrowing mechanism available to raise finances for an agreed specific tenor. Where the bank buys the export bill at a discounted price, the exporter gets the amount from the bank while submitting export documents.
- Discounting of Bills under Export LC - A borrowing mechanism available to raise finances against documents drawn on buyers for an agreed specific tenor. Discounting of Bills under Export LC is available for customers who wish to sell such bills to the bank at a discount rate under the condition of not claiming anything from customers (without recourse).

Guarantees

The Bank stands as a guarantor for its client ensuring that the liabilities of a debtor will be met. Generally, a Guarantee is issued on cash collateral or against some security as collateral.

Letter of Credits

A bank guaranteeing on behalf of its customer that a buyer's payment to a seller will be received on time and for the correct amount. Generally, a Letter of Credit is issued for Sight and Usance terms against some security/collateral.

Internet Banking

MCB Bank has implemented Oracle's Flex Cube Direct Banking which comes with enhanced securities, a user friendly interface, and a host of functionalities/services. Our state of the art Internet Banking allows clients, through a maker checker concept, the convenience of conducting Inter-Bank Funds Transfer as well as Cross Border Funds Transfer at anytime from anywhere in the world simply by logging on to www.online.mcbae.com.

Wages Protected System

MCB Bank offers a Wages Protected system (WPS) in MCB UAE that enables our customers to route their salary transactions for their employees by using MCB's services.

Bahrain – Products and Services

MCB Bahrain started its operations with limited business activities in 1995 to focus mainly on LC reimbursements.

Subsequently, the Unit diversified its business activities in different areas. At present, MCB Bahrain engages in the following activities.

MCB Current Account

MCB Bahrain's Current Account is structured to provide our customers with transactional convenience and flexibility. Accounts are opened in international currencies (USD/GBP/EUR) with a low minimum balance.

MCB Savings Account

MCB Bahrain offers saving accounts in International currencies (USD/GBP/EUR) to customers. It offers an attractive interest rate on deposits while giving them the flexibility to use the funds for transactional needs. It is an attractive option for customers that have a high balance and a requirement for transactional flexibility.

Term Deposit

Term Deposits are available in international currencies (USD/GBP/EUR). Customers can choose tenor based on their needs. It is an attractive option for customers with short to mid-term investment opportunities.

Syndicated Transactions

MCB Bahrain can participate in both Islamic and conventional syndicated transactions. The branch participates in various regional transactions for corporates, financial institutions, and sovereign entities. Moreover, the bank is engaged in risk-sharing transactions with other reputed banks in the region for confirmation/discounting of trade instruments.

Loans and Advances

MCB Bahrain provides loans and trade facilities to its bilateral clients. MCB Bahrain financed short-term or long-term funded facilities to its clients. Also, the branch can structure project-specific financing for its clients in the region.

Trade Finance

MCB Bahrain provides all types of funded & non-funded trade finance facilities to its clients including all types of letters of Credit, advising, confirmation, discounting of credit, documentary collection, bill discounting, and issuance of bank guarantees.

Treasury

MCB Bahrain has been an active treasury investing in various fixed income securities. The branch can invest in both Islamic and conventional instruments. Our portfolio traded sovereign euro bonds, International Sukuk, and Treasury bills. Bahrain branch can provide plain-vanilla FX solutions to its trade clients. Quote for other liquidity instruments such as SWAPS, short term borrowing/

placements, and forwards can be inquired from the treasury front office.

MCB Islamic Bank Limited

Products and Services:

MCB Islamic Bank Ltd. offers a wide array of Halal and RIBA free Islamic Banking products and services to meet the requirements of individuals and businesses alike.

Deposit Products:

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

Current

MCB Islamic Hidayat Current Account
 MCB Islamic Basic Banking Account
 MCB Islamic Asaan Current Account
 MCB Islamic Asaan Remittance Current Account
 MCB Islamic Asaan Remittance Current Account
 MCB Islamic Asaan Digital Current Account*
 MCB Islamic Asaan Digital Remittance Current Account*
 MCB Islamic Niswaan Current Account
 MCB Islamic Freelancer Digital Current Account*
 MCB Islamic Freelancer Digital Foreign Currency Current Account*

Saving

MCB Islamic Imaan Saving Account
 MCB Islamic Barkat Saving Account
 MCB Islamic Asaan Current Account
 MCB Islamic Barkat Saving Premium Account
 MCB Islamic Barkat Super Saving Account
 MCB Islamic Asaan Saving Account
 MCB Islamic Asaan Remittance Saving Account
 MCB Islamic Asaan Digital Saving Account*
 MCB Islamic Shandaar Account
 MCB Islamic Rozana Bachat Saving Account
 MCB Islamic Rozana Bachat Saving Plus Account
 MCB Islamic Rozana Bachat Saving Premium Account
 MCB Islamic Rozana Bachat Super Saving Account
 MCB Islamic Atfaal Saving Account
 MCB Islamic Niswaan Saving Account
 MCB Islamic Freelancer Digital Saving Account*
 MCB Islamic Imaan Foreign Currency Saving Account
 MCB Islamic Freelancer Digital Foreign Currency Saving Account*

Term Deposits

MCB Islamic Na'mat Term Deposit

MCB Islamic Na'mat Plus Term Deposit

MCB Islamic Na'mat Premium Plus Term Deposit

MCB Islamic Aasoodgi Term Deposit

MCB Islamic Financial Institutions Term Deposit

MCB Islamic Na'mat Plus Foreign Currency Term Deposit

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

Digital Banking:

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

MCB Islamic Qadar Debit Cards	MCB Islamic Phone Banking
MCB Islamic Internet Banking	MCB Islamic Mobile App
SMS Notification Service	MCB Islamic ATMs network
Loyalty & Alliances	NIFT ePay

Consumer Finance:

MCB Islamic Bank offers Halal and RIBA Free Housing Finance (Rihayesh Finance) and Car Finance (MICAR) products to provide Shari'ah compliant housing and vehicle financing solutions to individuals. Under the 'Mera Pakistan Mera Ghar Scheme', an initiative by the Government of Pakistan, MCB Islamic Bank Limited is also offering Diminishing Musharakah based Shari'ah compliant convenient and subsidized housing finance options to its customers at affordable rates.

Microfinance:

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

SME Financing:

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

The Bank offers following SME Banking services:

1. Short Term / Working Capital Financing
2. Medium / Long Term Financing

3. Trade Finance

4. Bank Guarantee

5. Risk participation arrangement with financial partners

6. SBP refinance schemes

7. 'Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme' to enable youth to avail affordable financing for establishing new business or strengthening an existing one

8. Awareness sessions for SME Customers on financial and non-financial advisory services with SMEDA, Chamber of commerce and trade associations.

Commercial Banking:

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

Commercial financing business offers following range of products to its customers:

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

Agriculture Financing:

MCB Islamic Bank is extending Agriculture financing to its customers by leveraging existing financing channels.

Corporate Banking:

MCB Islamic Bank's Corporate Banking team is focused on providing a range of diverse financial services (including tailor made customer's specific solutions) to corporate clients (including multinational and public entities) by partnering with them and building long-term sustainable relationships.

Our dedicated teams within Corporate Banking are situated in offices located in Karachi, Lahore, Islamabad 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 in liaison with Product Management & Shari'ah Structuring, Treasury, Cash Management, Trade, Investment Banking and Consumer Banking departments develop and deliver offerings that are used across diverse businesses.

The Bank offers a complete range / array of Shari'ah compliant products for both Corporate and Commercial banking sectors which can be classified as follow:

• Trade Services

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

i. Export Services

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

ii. Import Services

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

SBP Financing / Refinancing Schemes:

State Bank of Pakistan (SBP) offers various Financing / Refinancing facilities to support industrial growth and exports with the aim to promote the overall economic development of the country. These schemes provide financing to targeted industries at subsidized rates for increasing their production capacity and meeting their working capital requirements. Moreover, SBP also introduced certain schemes to support the industry with regards to the challenges being faced in post-pandemic scenario. Accordingly, the Schemes available through MCB Islamic Bank are:

- Islamic Export Refinance Scheme (IERS)
- Islamic Long Term Financing Facility (ILTFF)
- Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises (IWCF)
- Islamic Financing Facility for Storage of Agricultural Produce (IFFSAP)

- Islamic Refinance Facility for Modernization of SMEs (IRFMS)
- Islamic Financing Facility for Renewable Energy (IFRE)
- Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs (IRCGS-WE)

Liquidity Management / Treasury Products

• Mudarabah-based Acceptance / Placement

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

• Musharakah-based Acceptance / Placement

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

• Wakalah-based Acceptance / Placement

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

• Foreign Currency Transaction – Ready & Forward

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

1. Ready Transaction – Deal Date and Maturity Date are same.
2. Forward Transaction – based on Wa'ad (unilateral Promise) If the Deal Date & Maturity Date are different, then the transaction will be considered as forward as per the rules of Shari'ah.

کئی نسلوں
کے محنت ہے



Corporate Information

Board of Directors

Mian Mohammad Mansha	Chairman
Mr. S. M. Muneer	Vice-Chairman
Mr. Muhammad Tariq Rafi	Director
Mian Umer Mansha	Director
Mrs. Iqraa Hassan Mansha	Director
Mr. Muhammad Ali Zeb	Director
Mr. Mohd Suhail Amar Suresh bin Abdullah	Director
Mr. Yahya Saleem	Director
Mr. Salman Khalid Butt	Director
Mr. Masood Ahmed Puri	Director
Mr. Shahzad Hussain	Director
Mr. Shariffuddin Bin Khalid	Director
Mr. Shoaib Mumtaz	President & CEO

Audit Committee:

Mr. Shahzad Hussain	Chairman
Mian Umer Mansha	Member
Mr. Muhammad Ali Zeb	Member
Mr. Shariffuddin Bin Khalid	Member

Chief Financial Officer:

Mr. Hammad Khalid

Company Secretary (Acting):

Mr. Farid Ahmad

Auditors:

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

Legal Advisors:

M/s. Khalid Anwer & Co.
Advocates & Legal Consultants

Registered /Principal Office:

MCB Building, 15-Main Gulberg,
Jail Road, Lahore, Pakistan.

Contact us:

UAN: + 92 42 111 000 622
E-mail: investor.relations@mcb.com.pk
Visit us: www.mcb.com.pk

Registrar's and Share Registration Office(s):

Head Office:

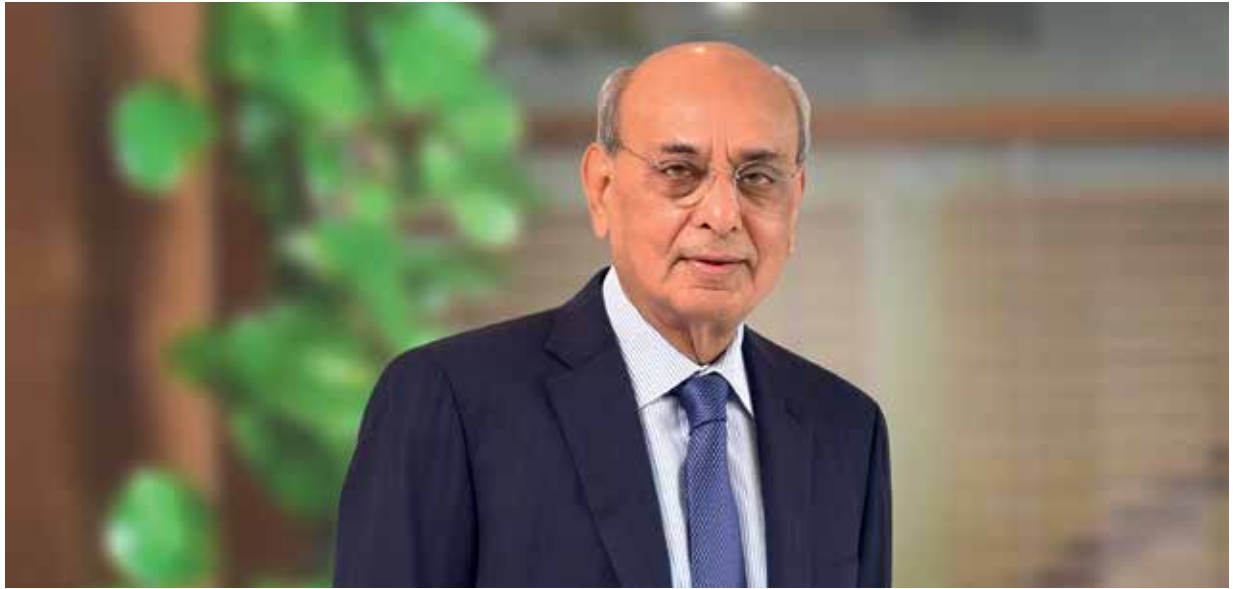
M/s. THK Associates (Pvt.) Limited
Plot No. 32-C, Jami Commercial Street 2,
D.H.A., Phase VII, Karachi, Pakistan.

Branch Office:

M/s. THK Associates (Pvt.) Limited
Siddique Trade Centre,
Office No. PL-29, PL Floor,
72 Main Boulevard Gulberg -2,
Lahore, Pakistan.

Board of **Directors**





Mian Mohammad Mansha

Chairman

Mian Mohammad Mansha started his career at the age of 24 as the CEO for Nishat Mills Limited. At present, the business group is one of the leading and most diversified in South East Asia, having presence in Textile, Cement, Insurance, Banking, Financial Services, Power Generation, Hotel & Hospitality, Dairy, Paper Products, Retail Commerce, Real Estate, Agriculture, Aviation and Automotive sectors. It operates in various countries across the globe including Sri Lanka, Azerbaijan, UAE, USA, Hong Kong and Bahrain. The Nishat Group is one of the largest private sector employers, exporters and tax contributors in Pakistan.

Mr. Mansha has served as Chairman of MCB Bank, after its privatization, from 1991 to mid-1995 and then from 1997 till date. Presently, he is also a member of the Board's Human Resource & Remuneration Committee, Business Strategy & Development Committee and Committee on Physical Planning & Contingency Arrangements at MCB Bank Limited. Previously, he was associated with Punjab Mineral Company (Pvt) Limited, Civil Aviation Authority, Pakistan International Airlines, Board of Investment, Punjab Board of Investment & Trade, Pakistan Industrial Development Corporation, Commonwealth Business Council UK, Int'l Advisory Board Babson College USA, National Management Foundation, Textile College Faisalabad and Government College of Faisalabad. He has also served as the Chairman for All Pakistan Textile Mills Association (APTMA) and APTMA, Punjab.

Mr. Mansha is currently serving on the Board of the Atlantic Council and is the Chair of the British Asian Trust's Advisory Council in Pakistan.

Mr. Mansha is a committed philanthropist and provides support to a number of causes, such as healthcare, education, sustainable tourism, sports, poverty alleviation and social uplift. He has provided financial assistance and support to the Punjab Institute of Cardiology, Children's Hospital & The Institute of Child Health in Lahore and Saleem Memorial Trust Hospital, besides supporting Government of Punjab in their fight against COVID-19.

Pakistan's Civil Award, the Sitara-e-Imtiaz was conferred upon him in 2004 for his contributions to industrial development of Pakistan.

Other Directorships:

- MCB Non-Bank Credit Organization, CJSC, Azerbaijan.



S. M. Muneer

Vice Chairman

With experience in sectors ranging from Tanneries, Textiles and Banking, Mr. Muneer is a consummate industrialist and a certified director. He has been awarded with The Best Export Performance trophy by the Federation of Pakistan Chamber of Commerce & Industry (FPCCI), the Gold Medallion Award by the International Export Association, UK and the Best Businessman of the Year Award by Federation of Pakistan Chamber of Commerce & Industry (FPCCI). He is also a former President of FPCCI.

In addition, he has received the 'Sitara-e-Isaar' and the 'Sitara-e-Imtiaz' in 2006 and 2007 respectively by the President of Pakistan in recognition of his outstanding public services for the cause of humanity. His contributions and achievements go beyond the economic sphere and include education as well as health-care sectors. He was awarded an Honorary Ph.D. degree (doctorate of philosophy) in January, 2009 by the Governor of Sindh. He has also been appointed as a member of the Advisory Board of Citizen Police Liaison Committee (CPLC) by the Honourable Governor Sindh.

Mr. S. M. Muneer also serves as member of Board of various educational institutions, such as Institute of Business Management and Greenwich University, Karachi, Din College, Chiniot, College of Business Management, Karachi and Institute of Behavioral Sciences (IBS), Karachi and Professional Education Foundation. He is also a member of Advisory Council of Institute of Business Administration (IBA).

He is on the Board of Shaukat Khannum Memorial Trust, Lahore, The Kidney Centre Post Graduate Training Institute and Fatimid Foundation. He is Patron-in-Chief, Korangi Association of Trade and Industry (KATI), Kashif Iqbal Thalassemia Care Centre, Trust (KITCC). Mr. Muneer is the Chairman of Chiniot Anjuman Islamia, running many hospitals, maternity homes, schools and colleges in Karachi, Faisalabad and Chiniot. He is also the Chairman of Husain Foundation (a not-for-profit organization working for improvement of cricket in Pakistan). He is also on the boards of Make-a-Wish Foundation, Legend Trust and is MCB's Nominee on the Board of Arabian Sea Country Club.

Mr. S. M. Muneer was awarded "Life Time Achievement Award" by the President of Pakistan, in 2012, and was also awarded Life Time Achievement Award in the same year in the City of Markham (Canada) by its Mayor Mr. Frank Scarpitti in the presence of members of the Parliament. He has also been awarded Who's Who recognition of Achievement Award in the field of Trade Politics by the National Council of Who's Who Pakistan in Karachi on December 29, 2018.

Other Directorships:

- Din Textile Mills Limited;
- Din Leather (Pvt) Limited;
- Din Farm Products (Pvt) Limited;
- Din Industries Limited;
- Din Global Investments Inc.



Muhammad Tariq Rafi

Director

Mr. Tariq Rafi is the Chairman of Siddiqsons Group and is a recipient of the coveted Civil Award Sitara-e-Imtiaz. He was awarded the prestigious Best Businessman award for the year 1999 and 2012, best Export Trophies between years 1980 to 2005. Mr. Tariq Rafi has been awarded the Privilege Card by the Prime Minister of Islamic Republic of Pakistan for being one of the top tax payers. He is also the Honorary Consul General of Republic of Serbia.

He is on the board of MCB Bank since its privatization and presently is the member of Board's Write-off & Waiver Committee.

Other Directorships:

- Siddiqsons Limited;
- Siddiqsons Tin Plate Limited;
- Siddiqsons Energy Limited;
- TSM Mining (Pvt) Limited;
- Central Depository Co. of Pakistan Limited.



Mian Umer Mansha

Director

Mian Umer Mansha was co-opted as a Director on the Board of MCB Bank in November 1997 and served till September 2007. Then he was elected as a Director in the Bank's 61st AGM held in March, 2009.

Presently, at MCB Bank he is the Chairman of the Board's Business Strategy & Development Committee, Information Technology Committee, Committee on Physical Planning & Contingency Arrangements and Write-off & Waiver Committee and is also a member of Audit Committee and Risk Management & Portfolio Review Committee.

In addition, he has been serving on the board of various other businesses. Mr. Umer received his Bachelor's degree from Babson College, Boston, USA.

Other Directorships:

- Nishat Mills Limited;
- Adamjee Insurance Company Limited;
- Adamjee Life Assurance Company Limited;
- Nishat Hotels & Properties Limited;
- Nishat Developers (Pvt) Limited;
- Nishat Dairy (Pvt) Limited;
- Nishat (Raiwind) Hotels and Properties Limited;
- Nishat Agriculture Farming (Pvt) Limited;
- Hyundai Nishat Motor (Pvt) Limited;
- Nishat Agrotech Farms (Pvt) Limited;
- Nishat Sutas Dairy Limited;
- National Textile Foundation.



Iqraa Hassan Mansha
Director

Mrs. Iqraa Hassan Mansha has more than 13 years diversified professional experience in Hotel Industry. She received her B.Sc. degree in International Politics from London School of Economics and M.Sc. degree in International Relations from the University of London School of Oriental and African Studies (SOAS).

She is serving in the capacity of Executive Director of Nishat Hotels and Properties Limited. She is also serving as Director on the Board of the following companies:

Other Directorships:

- Nishat (Raiwind) Hotels and Properties Limited;
- Nishat Real Estate Development Company (Pvt) Limited;
- Emporium Properties (Pvt) Limited.



Muhammad Ali Zeb
Director

Mr. Zeb is currently the CEO and Managing Director of Adamjee Insurance Company Limited. He is a fellow member of the Institute of Chartered Accountants of Pakistan and has over 24 years of diversified professional experience in the fields of Finance, Insurance & Manufacturing. He also served as council member of Insurance Association of Pakistan and Pakistan Insurance Institute. Insurance Association of Pakistan elected him as the Chairman for the year 2014 in terms of its Constitution.

He was co-opted as a Director on the Board of MCB Bank in June 2013. At MCB Bank, presently he is Chairman of the Board's Risk Management & Portfolio Review Committee and a member of Board's Audit Committee, Human Resource & Remuneration Committee, Compliance Review & Monitoring Committee, Committee on Physical Planning & Contingency Arrangements and Write-Off & Waiver Committee.

Other Directorships:

- Adamjee Insurance Company Limited;
- Adamjee Life Assurance Company Limited;
- Nishat Sutas Dairy Limited.



Yahya Saleem Director

After graduating from the Lahore University of Management Sciences (LUMS), Mr. Yahya Saleem joined the family business as director of the Nishat Chunian Group with setting up a spinning mill in 1990. The company has since diversified into weaving, home textile, power generation and entertainment sectors. NCL ranks amongst the top 5 textile companies in Pakistan.

The group ventured into the power business in 2007 with a 200 MW Independent Power Plant (IPP), Nishat Chunian Power Ltd. The IPP provides electricity to the national grid. Both the companies are listed on Pakistan Stock Exchange.

Together with his family, he has set up a Trust which is in memory of Sheikh Mohammad Saleem and has initiated setting up of a 200 bed tertiary care not-for-profit hospital in Lahore. The hospital will be built to state of the art international standards and will provide subsidized health care to the under privileged section of the city.

In 2015 he started a company by the name of NC Trading USA that is a Cotton trading company based in USA and actively sells US cotton to the leading textile mills in Pakistan.

In 2019, he was appointed as CEO and Director of NC Entertainment Private Limited which owns two Multiplexes, widely known as “Universal Cinemas”, including largest multiplex in Pakistan.



Salman Khalid Butt Director

Mr. Salman Butt is an accomplished international business executive and ex-banker. He is currently a Dubai, U.A.E. based Entrepreneur.

Mr. Salman Butt started his career with Citibank N.A. in 1985 and worked for 20 years as an international banker with Citibank N.A. and Samba Financial Group, holding several senior positions in Corporate and Investment Banking in Pakistan, Hong Kong, UK, Egypt and Saudi Arabia.

Mr. Salman Butt joined Orascom Construction Industries, Egypt (OCI Egypt) as Group CFO in 2005. OCI Egypt was a leading Egyptian multinational listed on Cairo Stock Exchange and involved in Construction, Fertilizers and Cement operations. In 2013, OCI Egypt was re-domiciled as OCI N.V. Netherlands and listed on Amsterdam Stock Exchange, where he continued as Executive Director and Group CFO from 2013 to 2017.

Mr. Salman Butt holds Masters of Business Administration degree from the University of Texas at Austin, Texas, U.S. and B.Sc. Industrial Engineering degree from Middle East Technical University, Ankara, Turkey.



Mohd Suhail Amar Suresh Bin Abdullah

Director

Mr. Suhail has over 30 years of combined global experience in the telecommunications and financial services sector specialising in IT architecture, systems and application development, regional implementation and business development. His passion in technology drives him to effectively utilise technology as a competitive advantage for enhanced customer experience.

Mr. Suhail is currently the Group Chief Technology Officer for Maybank, Malaysia's largest Financial Services Institution. His previously held positions include Managing Director of Bank Negara Malaysia's wholly-owned subsidiary Malaysian Electronic Clearing Corporation Sdn Bhd (MyClear) and Group Managing Director of Malaysian Electronic Payment System Sdn Bhd (MEPS).

Presently, Mr. Suhail is a Director on the Board of MCB Bank Limited and a member of the Board's Business Strategy & Development Committee, Risk Management & Portfolio Review Committee and Information Technology Committee. Other directorships include Maybank Shared Services Sdn Bhd, MBB Labs Pvt. Ltd. and Technology Park Malaysia Corporation, Sdn. Bhd.

Notable awards received include CIO Excellence Award 2016 by PIKOM, Bank Technology Leadership Achievement in Asia Pacific by The Asian Banker, 2017 and in December 2021, he was ranked as the top 3 CIOs in ASEAN – amongst the prestige CIO75 club awarded by (IDG) CIO.com.

His is a Fellow of the Malaysian Institute of Management, an Associate of the Asian Institute of Chartered Bankers Association and a Chartered Banker from the Asian Institute of Chartered Banker. He holds a Master of Business Administration from Charles Sturt University, Australia and an Advanced Management Program from Harvard Business School, Boston, USA.



Shahzad Hussain
Director

After passing the final exam of England Institute of Chartered Accountants, i.e., The Institute of Chartered Accountants in England and Wales (ICAEW), Mr. Shahzad Hussain returned to Pakistan from UK, in early 1980s. In Pakistan, he became a member of the Institute of Chartered Accountants of Pakistan i.e. ICAP. Later, he was elected as a member of its Council for a term of four years and also served as Vice President (North), where he chaired the ICAP's Discipline Committee, reporting to the Council.

In 1980, after serving briefly in SNGPL, he joined A. F. Ferguson and Co., a network firm of Price Waterhouse Coopers (PwC). In early 1990's he was admitted to partnership and served the firm in Audit, Tax and consultancy. In 2003, he was made Partner In-Charge of Lahore Office, where he served until his retirement in 2015.

He has vast experience in Audit, Tax practice and in consultancy. He headed many assignments, including Asian Development Bank funded assignment for Punjab Government Resource Mobilization, where he gained considerable experience in Provincial Government organization structures and procedures in various fields.



Masood Ahmed Puri
Director

Mr. Masood Ahmed Puri is a multifaceted and accomplished senior executive with competencies in strategic and business planning, risk management and sound decision-making. He is a CEO and owner of different conglomerates in the field of logistics, shipping, supply chain, restaurants and textile within the GCC region for almost 45 Years. He started his career with Vegetable Ghee Industry in Pakistan but later on switched to logistics and shipping in the year 1976. He was hired as General Manager Finance in a logistics company in Saudi Arabia from where he took off and managed the overall operations of the Company. One after another, he kept on developing new businesses in the same field as well as diversified into textiles and restaurants all within the GCC region. Overall, he carries immense experience and exposure in various fields such as finance, corporate strategy, management, operations and most importantly on business start-ups.



Shariffuddin bin Khalid

Director

Mr. Shariffuddin Khalid was appointed as an Independent Non-Executive Director of Maybank on June 14, 2018. He also serves as Chairman of the Audit Committee and member of the Compliance Committee and Sustainability Committee of the Board.

He is a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom. He has over 30 years' experience in the banking and corporate sector. He had served in key positions in the corporate services, business development, corporate communications and human resource functions.

He was part of the pioneer management team tasked with the establishment of Pengurusan Danaharta Nasional Berhad ("Danaharta") during the 1998 Asian financial crisis. He served as General Manager, Communications and Human Resource, Danaharta, from its establishment in 1998 until 2005.

He joined Bank Negara Malaysia (BNM), the Malaysian Central Bank and banking industry regulator in 2008, as the pioneer Director of the Malaysia International Islamic Finance Center. In this position, he was responsible for planning and execution of strategies to position and brand Malaysia as an international Islamic financial center. He spent nearly 10 years at BNM and his final position was Director, Strategic Communications. This entailed the provision of strategic communication advice to the BNM Governor and senior leaders, planning and execution of major media and PR campaigns as well as Parliamentary responses and all media relations and e-communications work.

His current directorship within the Maybank Group includes Maybank (Cambodia) Plc and Maybank Islamic Bhd. Currently he also sits on the Board of Marine & General Berhad, a public company listed on the Main Market of Bursa Malaysia.



Shoaib Mumtaz

President & CEO

Mr. Shoaib Mumtaz is the President & Chief Executive Officer of MCB Bank Limited. He is a seasoned professional Banker with over twenty-nine years of experience in the Industry. After having graduated from the National University (U.S.), he started his professional career at MCB Bank Limited and had progressed within the Bank to senior strategic level positions since 1992.

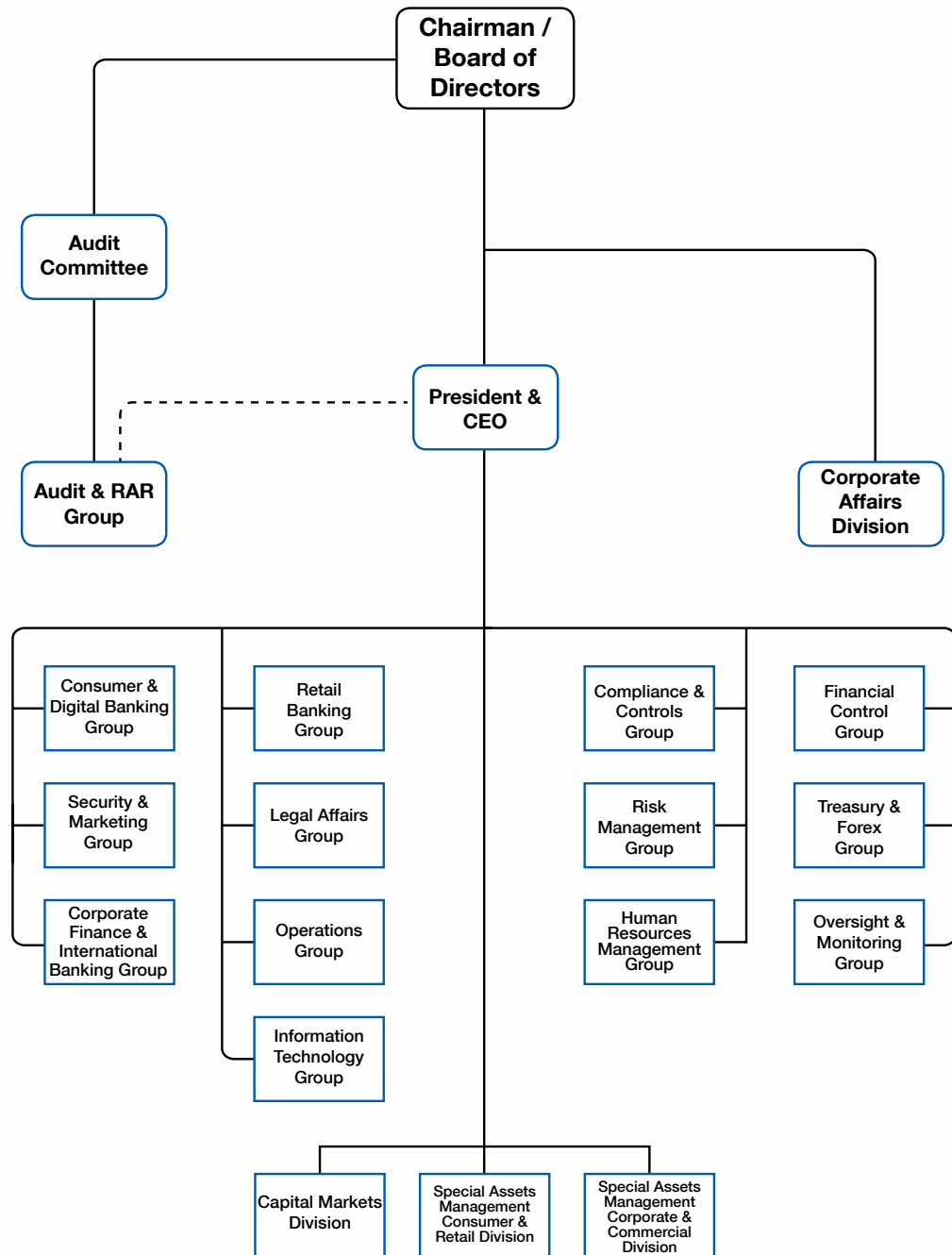
Mr. Mumtaz has comprehensive managerial work experience and excelled in various areas including Branch Operations, Credit & Risk Management, Corporate Finance, and International Banking.

Before his elevation as President & Chief Executive Officer of MCB Bank Limited, Mr. Mumtaz was leading the Bank's Domestic Corporate Banking and its International operations.

Mr. Shoaib Mumtaz also serves as Chairman Board of Trustees of MCB Employees Foundation.



Organizational Structure



- - - - Administrative Reporting
—— Functional Reporting

Leadership Team



Front Row (Left to Right):

Centre Row (Left to Right):

Back Row (Left to Right):

Farid Ahmad, Malik Abdul Waheed, Shoaib Mumtaz

Salman Y. Zaidi, Muhammad Ali, Shahzad Ishaq

Muhammad Haris Hasan, Usman Hassan, Muhammad Nauman Chughtai



Front Row (Left to Right):
Centre Row (Left to Right):
Back Row (Left to Right):

Zargham Khan Durrani, Hassan Nawaz Tarar, Natasha Ahmed
Hammad Khalid, Adnan Rashid, Kashif Ali
Abrar Aleem, Muhammad Farooq Wasi, Omair Safdar, Syed Mudassar Hussain Naqvi

Other Senior **Management**



Tahir Riaz
Country General Manager, Sri Lanka



Syed Faheem Ahmed
Country Manager, Bahrain



Aamir Khanzada
Country Manager, UAE





Entity Credit Rating

Long Term

AAA

Short Term

A1+

Corporate Profile of the Bank

MCB Bank is one of the oldest banks of Pakistan, incorporated in private sector in 1947. It was nationalized in 1974 and privatized in 1991. MCB Bank's major shareholding is owned by Nishat group a prominent business conglomerate, having diversified interests in Textiles, Cement, Banking, Insurance, Power Generation, Hotel Business, Agriculture, Dairy, Auto Manufacturing and Paper Products. To enter in international capital markets, the Bank launched its Global Depositary Receipts (GDRs) in 2006. It was the first Pakistani Bank that got its GDRs listed on the London Stock Exchange. In 2008, the Bank entered into a strategic partnership with Maybank, Malaysia, which owns 18.78% stake in MCB through Maybank International Trust (Labuan) Berhad. In 2017, Fullerton Financial Holdings (International) of Singapore through Bugis Investments (Mauritius) Pte Ltd acquired 5.49% stake in MCB under merger scheme of NIB Bank with and into MCB Bank Limited. MCB is the first Pakistani Bank which incorporated a wholly owned Islamic Banking subsidiary, MCB Islamic Bank Limited, to meet requirements of a significant segment of society for financial solutions that conform to Shariah rulings and demonstrate our confidence in the potential of the Islamic Banking industry in the country.

The Bank operates a strong and vast network of over 1400 Branches and over 1450 ATMs in Pakistan and 11 branches overseas with a footprint in UAE, Bahrain and Sri Lanka. With a customer base of over 7 million, MCB leads the banking & financial services sector in Pakistan and customers across the globe have 24/7 access to MCB Bank via our World Class Internet Banking. The Bank on consolidated basis is operating the 2nd largest network of more than 1,600 branches in Pakistan. The Bank enjoys highest local credit ratings of AAA / A1+ categories for long term and short term respectively, based on PACRA notification dated June 23, 2021.

Subsidiaries

MCB Islamic Bank Limited

Holding: 100%

Profile: Objective of the Bank is to carry on Islamic Banking Business in Pakistan 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.

MCB - Arif Habib Savings & Investments Limited

Holding: 51.33%

Profile: Asset management, investment advisory, portfolio management, equity research and underwriting.

MCB Non-Bank Credit Organization Closed Joint Stock Company

Holding: 99.94%

Profile: It leases various types of industrial equipment, public transports, real estate and retail auto.

Financial & Management Services Pvt. Limited

Holding: 95.90%

Profile: The Company is in dormant status and transferred to MCB from Ex. NIB under merger scheme. The Bank's investment in the company is fully provided.

Associates

With reference to significant holding, the following entities are associates of the Bank:

Adamjee Insurance Company Limited

Holding: 20%

Profile: The Company is engaged in the general insurance business.

Euronet Pakistan (Private) Limited

Holding: 30%

Profile: To provide outsourcing services to banks and financial institutions for Automated Teller Machine (ATM) network and managed services for Point of Sales (POS) terminal networks.



Chairman's Review

I am pleased to present this report to the shareholders of MCB Bank Limited on the effectiveness of the role played by the Board and overall performance of the Board of Directors in achieving Bank's strategic objectives.

The Board set the Bank's strategic aims to uphold and oversee the implementation of our vision, mission and core values. It demonstrated high standards of business and professional conduct in supervising and managing the affairs of the Bank. During the year, the Bank conducted an in-house performance evaluation of the Board as a whole, its Committees, the Chairman, the President & CEO and Individual Directors. The overall rating of the Board is highly encouraging, particularly in respect to its composition, expertise, effective risk management, adequate system of internal controls and audit function. In 2019, performance evaluation was made by external independent evaluator, M/s Pakistan Institute of Corporate Governance ("PICG"), as independent external evaluation is required once every three years.

The Board has always focused on the preservation of the best interests of the Bank's shareholders and has strived to maintain a balance between regulatory obligations and operational requirements. As part of this effort, the Board's properly structured Committees are in place, with each one having well-defined objectives and appropriate Terms of Reference; performing their respective roles effectively and efficiently.

Having an effective Board and professional management team is of vital importance, especially given the prevailing macroeconomic environment which is still in a state of recovery due to the enduring pandemic. While the 2nd and 3rd waves of COVID-19 brought unique challenges, which have been devastating for countries around the globe, Pakistan fared much better due to prudent and proactive policy measures followed by a managed vaccination drive. At MCB Bank, we supported the government's vaccination efforts and are proud to state that all Bank employees are now vaccinated.

It is the hallmark of the MCB Bank team to rise to the challenge and demonstrate fortitude & resilience in the face of odds. The Bank posted its highest ever Profit Before Tax of PKR 51.989 Billion in 2021 and continued its trend of declaring the highest dividend per share in Pakistan's banking industry. This is indicative of the unwavering trust of our customers and confidence of our investors and shareholders.

At MCB Bank, we are in a constant state of self-reflection, self-improvement and evolution, be it in our products and services, our management team or the way we conduct our business. The Bank has taken measured steps towards the digital transformation of our operations and service delivery. From the introduction of a new omni-channel digital banking platform, MCB Live, to providing branch staff with digital solutions to better serve our valued customers, we are striving to provide our stakeholders with agile, modern and innovative financial solutions that provide convenience and enhance their banking experience with MCB Bank.

2022 will be yet another milestone year for the Bank, as it is the year that we commemorate our 75th Anniversary which coincides with the 75th Anniversary of Pakistan from whose success we derive our own. We are confident that our best is yet to come and with our industry leading service quality and our focus on innovation and convenience, we are steadfast in our determination to strive for excellence and deliver to our stakeholders.

Mian Mohammad Mansha

Chairman

MCB Bank Limited



President's Review

2021 was another year of extraordinary global instability, presenting a mixed bag of optimism and challenges related to the recovery from COVID-19 across the globe. While the vaccines continued to offer improved immunity, the effect of Covid on the global economy continued to wreak havoc especially in the developing world as they struggled to balance budgets, while continuing to work towards economic growth and offer relief to those affected. The impact of the pandemic has touched so many throughout this period, yet has shone a bright light on our resilience as a community. As we close out this financial year, we are proud of the fortitude with which our Bank responded to the challenges, keeping a strong focus on our customers, employees, and other stakeholders.

Despite all the tribulations, MCB Bank has again demonstrated itself to be one of the best banks in the country with strong financial resilience, operational excellence, and as a responsible corporate citizen. Our bank's strength and stability are anchored by the fundamental insight - **resilience and sustainability go hand in hand**. Our focus on customers, our strong risk and financial discipline, and our diversified business model has helped us produce another year of outstanding financial performance in terms of profitability and asset base growth despite navigating the prolonged pandemic generated pressures; particularly a volatile interest rate environment and high inflation.

The Bank reported its highest Profit Before Tax of Rs. 51.99 billion (+8%) and declared a 190% cash dividend for the year, continuing with its offering of the highest dividend per share in the banking sector. Assets of the Bank grew by 12% over last year to Rs. 1.97 trillion. Strong growth in average current deposits kept compression in NIM at a minimal despite a 19% decline in the average policy rate. The fee, commission, and brokerage income registered a growth of 14% whereas dividend and foreign exchange revenue streams increased by 86% and 48% respectively. Despite sustained inflationary pressures, the Bank continues to manage an efficient operating expense base with a moderate increase of 8% over last year. Return on Assets and Return on Equity were reported at 1.65% and 19.11% respectively.

Our lending growth has been the highest in our Bank's history. The gross advances of the Bank registered historic growth of Rs. 122 billion (+24%), which was above industry growth level, to close the year at Rs. 636 billion. The corporate lending book grew by Rs. 106 billion (+31%) whereas the consumer loan portfolio attracted significant interest and grew by Rs. 9.5 billion (+32%) on the back of significant activity in the construction and auto segments. In 2021, several strategies were adopted, including the setting of group limits for large corporates, limit review exercise, and Risk Asset Acceptance Criteria (RAAC) to strengthen our credit underwriting standards and risk appetite.

The Bank successfully advised and arranged one of the largest Syndicated Term Finance Facilities for Pak Telecom Mobile Ltd. of PKR 21 Billion. During the year, MCB Bank attracted home remittance inflows of USD 3.527 billion to further consolidate its position as an important contributor to the national cause of improving flow of remittances through banking channels. As one of the leading banks in cash management, MCB Bank crossed the annual throughput milestone of Rs. 3.0 trillion in 2021.

Achieving growth in a no-cost current account base remained a key strategic objective of the Bank. Non-remunerative deposits grew by 15% to close at Rs. 563 billion; improving their mix in total deposits to 40% in absolute terms as of December 31, 2021. Current Account-Savings Account (CASA) concentration was reported at 93% whereas the total deposits of the Bank grew by 9% to close out the year at Rs. 1,412 billion, demonstrating the loyalty of our customers, earned through sustained provision of quality services.

MCB Bank continued its participation in the State Bank of Pakistan's policy measures to support the economy during COVID-19, by offering loan deferment and/or loan rescheduling and offering liquidity in Rozgar Scheme. MCB also partnered with the Central Bank to extend concessionary "Temporary Economic Refinance Facility" (TERF) for facilitation of investment in new industrial projects, as well as, capacity expansion. Apart from relief measures, to propel the construction related segments of the economy, the mandated program of Mera Pakistan Mera Ghar gained serious traction during the calendar year. The introduction of Roshan Digital Account was another key drive undertaken by the industry to facilitate our Non-Resident Pakistani segment. The inflows at MCB under the Roshan Digital Account (RDA) initiative summed up to approximately USD 216 million.

2021, targeted as the year of "History In The Making" in MCB's Digital Platform journey, witnessed the launch of "MCB Live"; a state-of-the-art platform for providing the next generation financial services. Initially, the Bank has enriched its digital offerings for the Retail segment which would be followed by a Corporate rollout.

The Bank along with its wholly-owned Islamic Bank subsidiary is operating the 2nd largest network of branches across Pakistan. During the year, our Customer Base grew to 8.4 million accounts demonstrating our customer's confidence in MCB. We continued to offer accessible banking infrastructure for differently-abled persons to support equitable access to banking and financial services. Strenuous training programs were conducted through our 'Learning and Development Centers' as employee development and training remained a priority area.

Our strong financial position was reinforced through long and short-term credit ratings of AAA [Triple A] and A1+ [A one plus], respectively, by PACRA. Our performance and customer focus earned us external recognition in many ways during 2021. The Bank's exceptional performance was recognized by the globally coveted Finance Asia's Country Awards wherein MCB Bank was declared as the "Best Bank in Pakistan" in 2021. The Annual report of MCB Bank was also adjudged 1st by the joint committee of the Institute of Chartered Accountants of Pakistan & Institute of Cost and Management Accountants of Pakistan (ICAP/ICMAP) in the financial sector category. MCB has won this award 11 times in the last 12 years, with 9 consecutive wins. For the very first time in 2021, the MCB Annual Report 2020 was also adjudged "Overall Best Corporate Report" across all industry segments.

The rise in tech- prone cyber-crime has heightened end-user fears of loss of data and money. We make no compromise on customer data security and remain engaged in raising awareness about cyber-security and malicious activity. The Bank has also enforced and ensured compliance screening of every customer, vendor, and counterpart to safeguard its business practices. The challenges of the current macroeconomic structure, intense pressure on volumes and cyber-attacks did not stop us from playing our due role in the economic development of the country.

We maintain an ethical and diverse culture because we have leaders who set a clear compelling direction and engage employees who work hard for the organization. At MCB we are building an inclusive organization to address the gender gap and allow everyone an opportunity to fulfill their career aspirations and professional goals. All this is achieved through a systematic hierarchy that enables two-way communications, programs that recognize high performance, and extensive trainings to develop and turn workers into champions and champions into Leaders. This continuous development coupled with compensation and benefits, comprising almost half of all operating expenses, shows that we highly value our employees.

Our results demonstrate that we have the right strategy and have the right talent in place to deliver consistent value for our stakeholders. MCB is well-positioned to benefit from the transformation that is taking place in the banking landscape with rising interest rates, intense pressure on volumes, and exciting technology- driven developments. However, challenges are still ahead that drive us to become faster, more responsive, and more innovative in serving our customers.

We have always believed that our team members are our most valuable resource and we want them to be with us for the long term. We invest in them by offering competitive salaries, professional training and development, leadership opportunities, and by giving them the support they need to build a career, achieve their goals, and have the resources they need to improve their lives and the lives of their families. I want to thank them for their hard work and dedication.

This year will mark our 75th Anniversary- a proud history of 75 years of service and commitment to our valued customers. We will put in our best to meet our customer's expectations, as well as, of those of our shareholders, employees and regulators. The confidence of our customers is our pride, and we are passionate to serve them with increased diligence and interest.

I would like to acknowledge the leadership of our Chairman, and Board of Directors for making 2021 yet another profitable year under their guidance. I am also grateful to our shareholders who continue to show their trust by investing in and recognizing us as a strong financial services provider and a partner. We are committed to maintaining this trust in years to come with outstanding financial performance, and work on further strengthening the culture of compliance to ethical, regulatory standards and reputational values.

Shoaib Mumtaz
President & CEO
MCB Bank Limited

MCB Overview



Branches

1426 Domestic
Branches across
Pakistan (EPZ: 1)



Global Presence

10 International
branches in 3
countries



Customers

Over 8 million
customer accounts



ATMs

Over 1450 ATMs
all across Pakistan



Market Share - Deposits

6.41% of Domestic
Industry Deposits



Market Share - Advances

5.98% of Domestic
Industry Advances



Market Share – Home Remittance

11.40%



Market Share – Trade

5.52%



Credit Rating

Long Term - AAA



Dividends

Rs. 19/share. Highest
dividend per share
across industry



Branch Network

2nd highest branch
network on group
basis (including MIB
branches)



Market Capitalization

2nd highest market
capitalization in
industry

Highlights 2021

PBT

PKR 51.99 billion
(+8%)

Non-Markup Income

PKR 20.07 billion
(+11%)

PAT

PKR 30.81 billion
(+6%)

Advances (Gross)

PKR 636 billion
(+24%)

Assets

PKR 1,970 billion
(+12%)

Investments

PKR 1,036 billion
(+2%)

Market Capitalization

PKR 182 billion
(December 31, 2021)

Winner of Best Bank in Pakistan

2021 FinanceAsia's
Country Awards

Winner of BCR - 2020 by ICAP/ICMAP

(Banking Sector
& overall)

ROA

1.65%

Deposits

PKR 1,412 billion
(+9%)

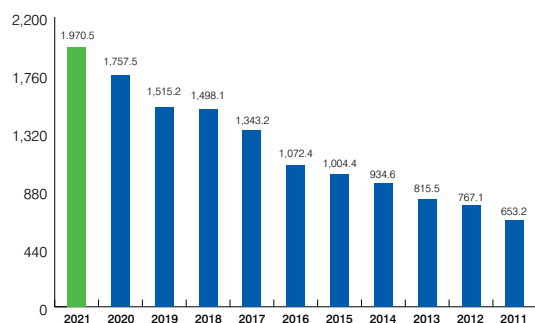
ROE

19.11%

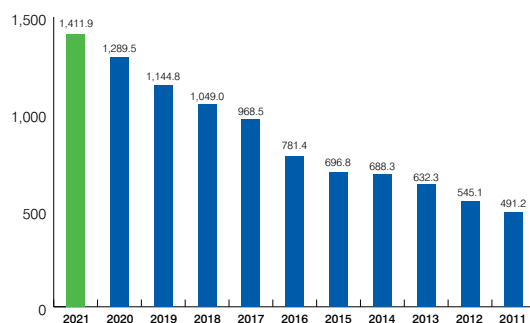
Financial Performance 2011 - 2021

10 Years Trend - Rupees in Billion

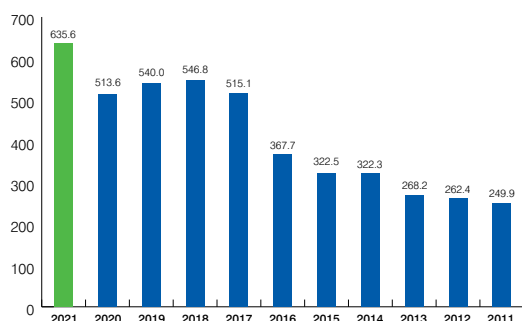
Total Assets
CAGR 11.7%



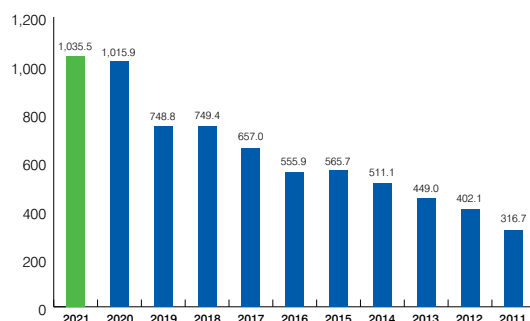
Deposits
CAGR 11.1%



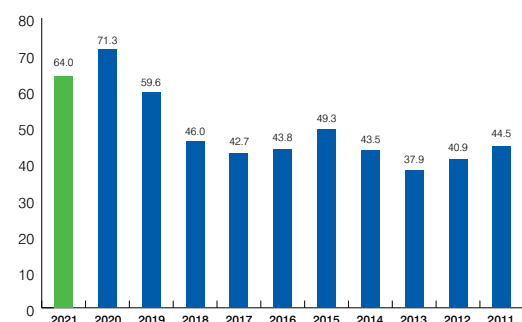
Gross Advances
CAGR 9.8%



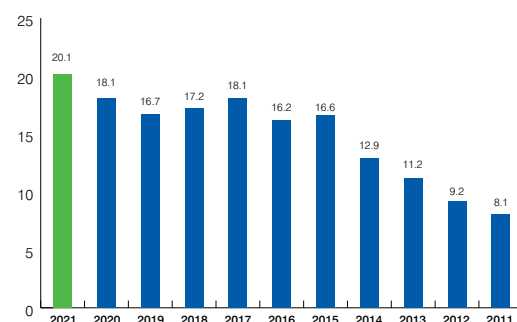
Investments
CAGR 12.6%



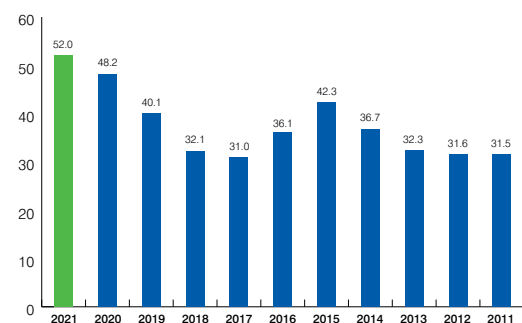
Fund Based Income
CAGR 3.7%



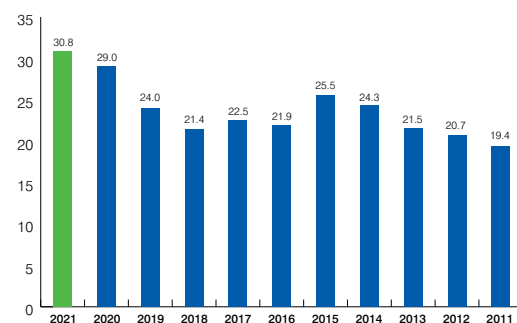
Non Markup Income
CAGR 9.5%



Profit Before Tax
CAGR 5.1%



Profit After Tax
CAGR 4.7%



Forward Looking Statement

The Annual Report of MCB Bank Limited carries forward looking statements in its different sections; since there are uncertainties related to the occurrence of future events, these should be read in conjunction for decision making by the users of the Annual Report. Forward looking statements contain words such as expect, anticipate, believe, seek, will, may, would, presume, assure, hope, so on and so forth. A forward-looking statement naturally addresses matters that are, to certain degrees, uncertain and may not happen. In most cases, a forward-looking statement is made in respect of Bank's expected income, earnings, business growth, horizontal expansion, cost structure, capital structure, dividends etc.

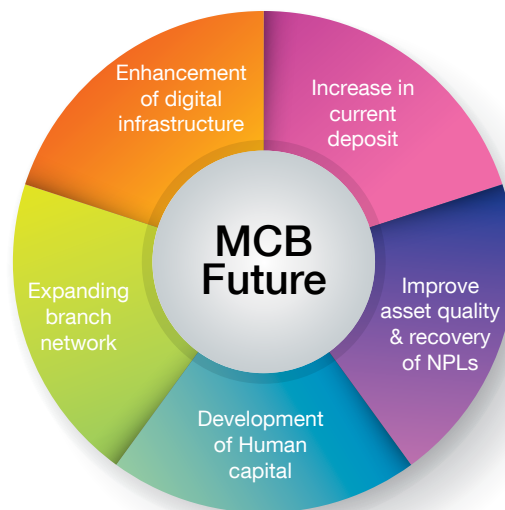
Pakistan's Economic Outlook

For the fiscal year 2022, real sector growth is being projected to recede within the range of 4-5% as the risks emanating from the wave of Omicron variant persist and the domestic demand indicators witness moderation on the back of monetary policy tightening and fiscal consolidation measures undertaken by the Government of Pakistan for countering rapidly accelerating inflation and sustaining fiscal and external imbalances.

The external outlook continues to remain uncertain and largely dependent on the eventual path of possible economic and geopolitical scenarios; on the one hand, the external account deficit could be larger if the recently witnessed resurgence in global economic activity and the ongoing conflict between Russia and Ukraine keep the commodity prices inflated while on the other hand, the deficit could subside if the home remittances sustain their traction, structural reforms boosting Pakistan's export competitiveness materialize and the fiscal consolidation associated with Finance (Supplementary) Act has a faster and more pronounced impact on import/consumer demand than anticipated.

The recently completed 6th review under IMF's extended fund facility (EFF) program bodes well for international confidence in Pakistan and adds to the government's capability to tap international markets. However, the country still remains vulnerable to the possible flare-ups of the pandemic, tighter international financial conditions as well as delayed implementation of structural reforms, hence, further re-enforcing the need for timely and consistent implementation of policy reforms to lay the ground for stronger and more sustainable growth.

MCB's Future Outlook



Pakistan's banking sector will continue to face some headwinds in 2022, on the back of slowing economic growth and rising interest rates impacting quality of assets. Considering the existing disruptions, complexities and uncertainties, the socio-economic and regulatory landscape will continue to transform rapidly; hence, further exacerbating the challenges surrounding the operating environment.

Irrespective of these facts, the Bank is committed to delivering remarkable results to its investors for the year 2022. The Bank's strategic plan, centered on the key pillars of customer centricity, geographical expansion, technology and cyber security and people development (among others), takes into consideration the evolving operating and economic scenario and paves Bank's future road map.

The outbreak of COVID-19 pandemic has further accentuated the need on banks to expedite digital adoption required for reshaping the banking services architecture in Pakistan; the transformation is imperative to support enhanced customer experiences deducible from the adoption of advanced e-banking avenues. At MCB, our proactive stance to further augment branch outreach while sustaining parallel focus on creating secure digital and alternative banking channels, by leveraging emerging technologies, shall hold us in good stead for the digital age.

We would continue to improve our asset quality, increase low cost deposit base, inculcate operational efficiencies across the entire spectrum, diversify revenue streams through continuous enrichment of service suite and leverage cross sell business opportunities with corporate client relationships to increase contribution from non-markup segment.

Credit appetite being a mainstream business line of the Bank, instigates us to avail all righteous credit extension opportunities that fall within the defined risk appetite of the institution; while proactively monitoring watch listed portfolio of the bank to minimize any further infection and ensure that recoveries are made in line with the agreements.

On the investments side, the Bank is committed to optimally manage excess liquidity through strategic re-profiling of the investment book in an evolving yield curve scenario.

We would continue to lead the market position through focused initiatives encompassing launch of innovative and customer centric solutions, penetration of emerging markets, adoption of digital banking avenues and instilling effective cost management techniques. The Bank is also investing in developing a workforce for the 'Digital Banking Age' by attracting and retaining the right skillset and competence; hence, aligning it with the evolving business dynamics.

Driving customer centricity remains a key area of focus for the next year; we will direct investments towards empowering employees to drive a pleasant service experience across all customer touch points. Also, in all our capacity and skills enhancement programs for the employees, we will continue emphasizing the need for the staff to serve customers as a means of consolidating our position as the most sought after bank in the industry. To sum up, employees' development and trainings would remain at the forefront of our strategic focus. We would acutely remain conscious in attracting and retaining the best talent pool in the industry.

We are committed in maintaining our unique positioning as a diversified financial institution with a robust heritage and strong reputation through enriched service offerings and financially viable products tailored to meet requirements of our esteemed customers; hence, enabling us to serve both our existing and next-generation customers in the coming years while simultaneously translating the underlying financial strength of the entity into profits.

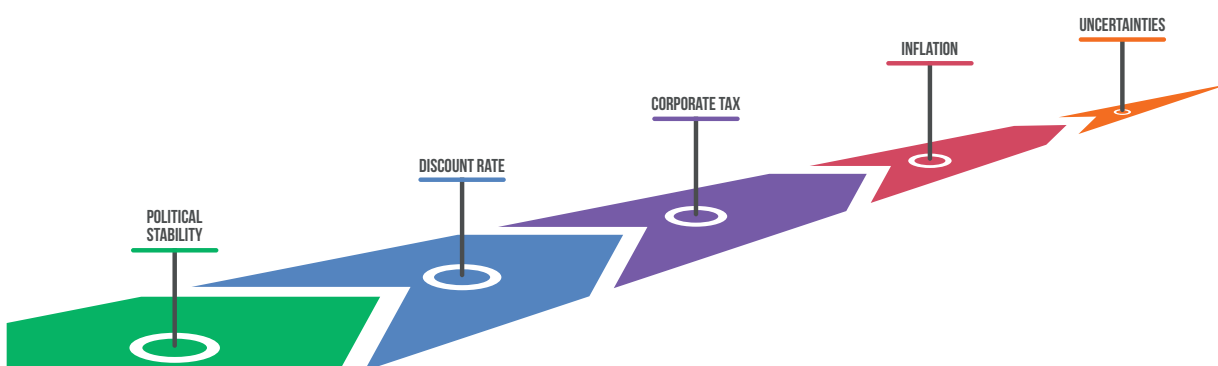
Key Projects to Support Future Performance

Details of Projects
Point of Sale procurement and deployment
Image base clearing operations
ATM go green optional receipt printing ON-US & OFF-US
QR code – acquiring & digital onboarding
Enterprise CRM solution
Implementation of Enterprise Workflow System
Development of domestic & NRP digital account opening on MCB Live
Launch of high end credit card variants
New HSM for debit and credit cards
Conversational banking
Simplify Platform for E-commerce acquiring
Enrichment of MCB Live Platform offering Corporate, Trade solutions

Quantitative Projections

Outlook	Key Risks Going Forward
Deposit mobilization to exceed growth level achieved in 2021.	Increased competitive landscape in the industry for mobilizing deposits amidst low differentiation and switching costs; leading to an inability to capitalize on the expected increase in industry deposit base on the back of increasing interest rates.
Net Interest Margin (NIM) to increase from the 2021 level.	Risk of slower than expected deposit mobilization and advances growth; increase in net interest margin not realized in line with the expected yield curve movements.
Non Markup Income to achieve double digit growth.	Risk of lower than anticipated growth as transactional volumes decline and market activities slow down due to lowering domestic demand and a resurgence in the spread of COVID-19 virus; resulting in branch closures and reduced physical interaction with the clients.
Expenses growth to be contained in single-digits.	Risk of cost-push pressures emanating from currency devaluation and higher commodity prices to translate into higher than expected growth in expenditures. However, the Bank remains committed to managing expenditures through rationalization of discretionary spend and inculcation of operational efficiencies through business process automation and implementation of strong budgetary controls.
CET1 ratio to be adequately kept within prescribed regulatory limits.	Higher Risk Weighted Assets (RWA's).
Minimizing credit infection and realizing recoveries in line with contractual stipulations.	Moderation in credit growth and increased risks to asset quality due to slowdown in economic activity.
Constant / stable dividend payout to be maintained.	Regulatory restrictions impacting dividend payout.

Uncertainties that could affect the Bank's Resource, Revenues and Operations



All forward-looking statements are, by nature, subject to risks and uncertainties, many of which are beyond control. Major factors that can affect the Bank's resource, revenues and operations are given below:

Discount rate / Monetary Policy: Based on different assessment parameters, the State Bank of Pakistan may change the monetary policy rate. Any further increase in the discount rate will initially have an adverse impact on Bank's net interest income due to the repricing lag between earning assets and liabilities. However, as the rate stabilizes, the net interest margins will improve and have a positive impact on Bank's profitability.

The impact of interest rate sensitivity on the banks profitability has been disclosed in note 45.2.4 of the financial statements.

Inflation: Inflation is considered to be a key determinant of the policy rate change. Any uptick in inflation statistics will have a material impact on the monetary policy stance along with other drivers.

Political Stability & Law and order situation: Political stability and controlled law & order situation is a pre-requisite for any economy. This, in turn, reposes investor confidence in the soils of Pakistan, making our corporates a potential investment opportunity. However, any act of terrorism or political instability can negatively impact the economy /equity market, thus resulting in decreased profitability.

Corporate Tax rate: Any increase in the corporate tax rate or imposition of an additional tax will adversely impact the profitability of the Bank.

External Environment

The Bank's external environment, including political, economic, social, technological, environmental and legal factors have an impact on business performance, strategic objectives and availability, quality and affordability of capitals. Details have been disclosed in the risks and opportunities and SWOT section of this report.

Status of Projects Disclosed in the Forward-Looking Statement of Previous Year:

Detail of last year projects	Status
Compliance Risk Management -For Domestic Operations.	Completed
MPG – Micro Payment Gateway	Completed
CAMS Upgrade (New Loan Origination System for Auto Loan)	Completed
AIMS (Audit Interactive Management System)	Completed
FCCM Upgrade & TBML Implementation	Completed
3D card security protocol implementation	In Process
Compliance Risk Management for Overseas Operations	In Process
e-kyc application updating with respect to Trade Based Money Laundering	In Process
ATM Insourcing Project (ATM Migration & Payment Scheme Certifications)	In Process
iShield - Fraud management system.	In Process
Rosetta Integration with Safewatch	In Process

Performance of the Bank against Forward-Looking disclosure of 2021 as Presented in the Annual Report 2020

Forward-looking disclosure for 2021 as presented in annual report 2020	Performance of the Bank in 2021 against forward-looking disclosure
Pakistan's banking sector will continue to navigate through the tough economic situation in the year 2021 on account of falling earning margins due to current policy rate regime and compounding risks to the asset quality given a subdued outlook for business activity and uncertainty surrounding the COVID-19 outbreak. Considering the existing disruptions, complexities and uncertainties, the socio-economic and regulatory landscape will continue to transform rapidly; hence, further exacerbating the challenges surrounding the operating environment. Irrespective of the above captioned challenges, the Bank will strive hard to deliver results for its stakeholders in 2021. The Bank's strategic plan, centered on the key pillars of customer centricity, geographical expansion, technology and cyber security and people development (among others), takes into consideration the evolving operating and economic scenario and paves Bank's future road map.	MCB posted its highest ever profit before tax of Rs. 51.989 billion for the year ended December 31, 2021. The Profit After Tax (PAT) registered a growth of 6% to reach Rs. 30.81 billion while the earnings per share (EPS) were reported at Rs. 26.00. The key drivers for the reported performance included: • strategic alignment of growth in average current deposits and structured rebalancing of the earning assets mix to derive optimum margins; • a remarkable growth of 11% in the non-markup income block; • efficient management of the operating expenditure base; and • provision reversal against non-performing loans through proactive monitoring and concerted recovery efforts. Over the past few years, a dearth of quality credit lending avenues in the market had resulted in surplus liquidity in the sector being diverted towards Government papers in order to fulfill Government's borrowing appetite; which continued to grow amidst persisting fiscal imbalances.

Forward-looking disclosure for 2021 as presented in annual report 2020	Performance of the Bank in 2021 against forward-looking disclosure
The widespread norms to contain the spread of COVID-19, including social distancing and limiting the size of gatherings, is expected to fundamentally alter the consumer behavior of banking customers. At MCB, our proactive stance to further augment branch outreach while sustaining parallel focus on creating safe and secure digital and alternative banking channels shall hold us in good stead as the customers increasingly look to access non-physical banking modes. We would continue to improve our asset quality, increase low cost deposit base, inculcate operational efficiencies and increase contribution from the non-markup segment through materialization of cross sell business opportunities with corporate clients. Credit appetite being a mainstream business line of the Bank, instigates us to avail all righteous credit extension opportunities that fall within the defined risk appetite of the institution; while proactively monitoring watch listed portfolio of the bank to minimize any further infection and ensure that recoveries are made in line with the agreements. On the investments side, the Bank is committed to optimally manage excess liquidity through strategic re-profiling of the investment book in an evolving yield curve scenario. We would continue to lead the market position through focused initiatives targeting new products, new markets, branchless banking and effective cost management. The Bank is investing in developing a workforce for the 'Digital Banking Age' by attracting and retaining the right skillset and competence; hence, aligning it with the evolving business dynamics. Driving customer centricity remains a key area of focus for the next year; we will direct investments towards empowering employees to drive a pleasant customer experience across all customer touch points. Also, in all our capacity and skills enhancement programs for the employees, we will continue emphasizing the need for the staff to serve customers as a means of consolidating our position as the most sought after bank in the industry. To sum up, employees' development and trainings would remain at the forefront of our strategic focus. We would acutely remain conscious in attracting and retaining the best talent pool. We are committed in maintaining our unique positioning as a diversified financial institution with a robust heritage and strong reputation through enriched service offerings and financially viable tailored products to meet requirements of our esteemed customers; hence, enabling us to serve both our existing and next-generation customers in 2021 and beyond while translating the underlying financial strength of the entity into profits	However, during the year under review, a pickup in domestic activity and resurgence of key economic sectors translated into a broad-based growth in advances across the entire industry. MCB's gross advances also registered an exceptional growth of 24% to close the year at Rs. 636 billion and provided the major impetus to growth in Bank's outstanding asset base. The corporate lending book grew by Rs. 106 billion (31%) whereas the consumer loan portfolio garnered significant interest and increased by Rs. 9.5 billion (32%) on the back of significant activity in the construction and auto segment. In 2021, a growth of 35% was registered with 18,828 credit cards issued while registering 8,706 auto loans (+57%). The Bank also remained aligned with organizational direction of adding substantial resources to drive Government's Mera Pakistan Mera Ghar (MPMG) Scheme, thereby disbursing 576 loans with volume of Rs. 2.1 Billion. An analysis of the interest earning assets highlights that while the average volumes posted a growth, the earning margins subsided due to a decline of 19% (166bps) in the average policy rate (from an average of from an average of 8.95% in 2020 to 7.29% in 2021). On the liabilities side, non-remunerative deposits grew by 15.1% reach Rs. 563 billion; improving their mix in the total deposits to 40% in absolute terms as at December 31, 2021. The total deposit base of the Bank grew by 9% to close out the year at Rs. 1,412 billion. The cost of deposits decreased by 109bps over the corresponding year. Net interest income for the year hence fell to Rs. 63.987 billion in 2021 as compared to Rs. 71.33 billion reported in 2020. The non-markup income block of the Bank grew by a remarkable 11% and aggregated to reach Rs. 20.1 billion. The major contributions came in from fee & commission, dividend and FX income which grew by 14%, 86% and 48% respectively primarily on the back of improved transactional volumes, surge in business activities and prudent positioning of Bank's FOREX assets and liabilities amidst a volatile market. MCB Home Remittances surged to generate a volume of USD 3.527 billion, registering a growth of 8.5% over last year while MCB Cash Management crossed the annual volume milestone of Rs. 3.0 trillion in 2021, thereby retaining its status as one of the leading Banks in cash management. MCB remained active throughout Pakistan, UAE and Sri Lanka through its diverse network of 1,451 branches (including 14 sub-branches) and more than 1,450 ATMs. The Bank's strategic focus on achieving broad based digitalization and transformation through adoption of cutting-edge technologies transcribed in the launch of MCB Live during the year under review and led to the further augmentation Bank's digital product base.

Forward-looking disclosure for 2021 as presented in annual report 2020	Performance of the Bank in 2021 against forward-looking disclosure
	MCB Live, a flagship omni-channel digital banking platform, has been consciously designed to offer a host of enhanced features and improved services to a wide range of customers. The platform has attracted great customer response since its launch; with the total number of registrations exceeding 100,000 during a short span of 2 weeks after its commercial launch. Despite the inflationary surge during the year, growth in the operational network and constant investment in digital, cyber security and information technology related platforms, the growth in operating expenses was contained at 8%; indicative of Banks circumspect approach to manage tradeoff between short term tactical cost reductions and long term cost initiatives. On the provision side, Bank made continued progress on its strategic path and recorded a cumulative recovery of Rs.2.67 billion by settling a large number of hardcore and protracted defaults. Return on Assets and Return on Equity reported at 1.65% and 19.11% respectively, whereas the book value per share was reported at Rs. 135.13. To enhance the knowledge and skillset of its work force, a number of trainings were held during the year. Participants from all over the country were trained through different programs including in-house, ex-house, mobile, and E-learning training programs. A segment comprising of Bank's senior management was engaged in a Management Development Program as part Bank's Talent Management Scheme. Detailed analysis covering performance and achievements of respective groups against their targets for 2021 is included in the Groups' review section of this annual report.

Sources of Information and Assumptions used for Projections and Forecast

The Bank gathers and compiles internal business data, external economic indicators and industry specific analysis from various sources and utilizes in-house developed tools and functional expertise to process these items through a calculation; in turn laying the foundation for its operational and financial forecasts and projections.

The Bank assumes a further modest tightening of the monetary policy stance, by the State Bank of Pakistan, in order to anchor country's inflationary outlook and keep real interest rates at the appropriate level to support growth and maintain external stability. With respect to PKR parity, we expect the currency to devalue further by 5%, however, the volatility observed in 2021 is not expected to be repeated and the exchange rate movements shall be comparatively stable.

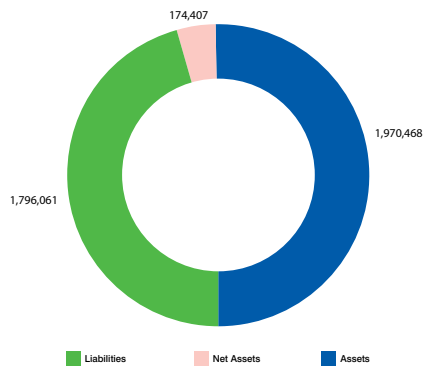
Our Response to Critical Challenges and Uncertainties

MCB remains well poised to respond to all critical challenges and uncertainties emanating from the realization of various systematic and idiosyncratic risks by capitalizing on its stable funding structure, ample liquidity buffers, resilient capital base and a pragmatic business strategy.

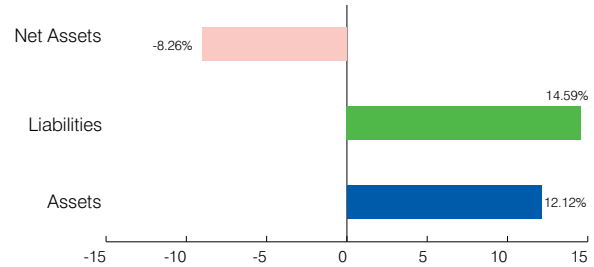
For details on Bank's readiness to respond to critical challenges and uncertainties, please refer to the Risk Management Framework, Business Continuity Management and Pandemic Recovery Plan section in the Annual Report.

Graphical Presentation of Financial Statements

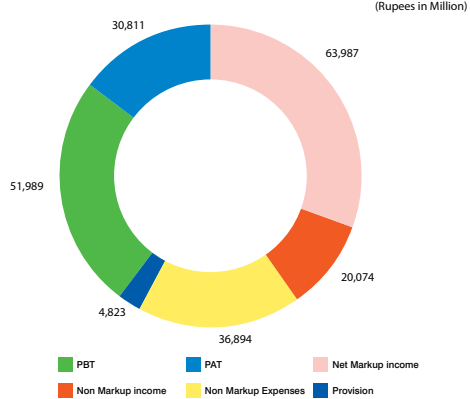
Statement of Financial Position (Rupees in Million)



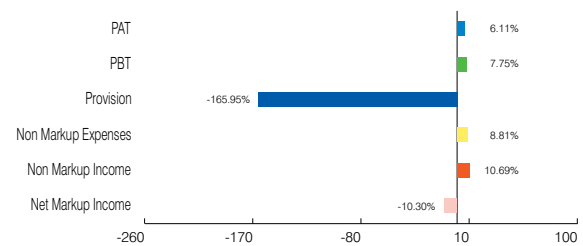
Variance from YE 2020



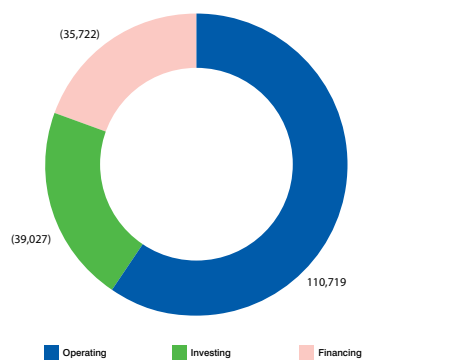
Profit & Loss Account (Rupees in Million)



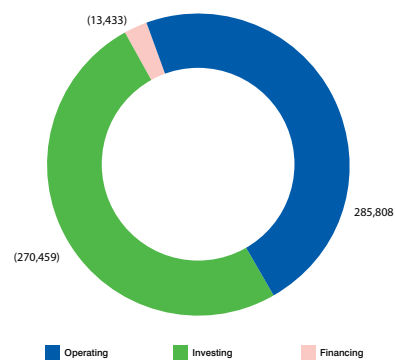
Variance from YE 2020



Cash Flows 2021 (Rupees in Million)



Cash Flows 2020 (Rupees in Million)

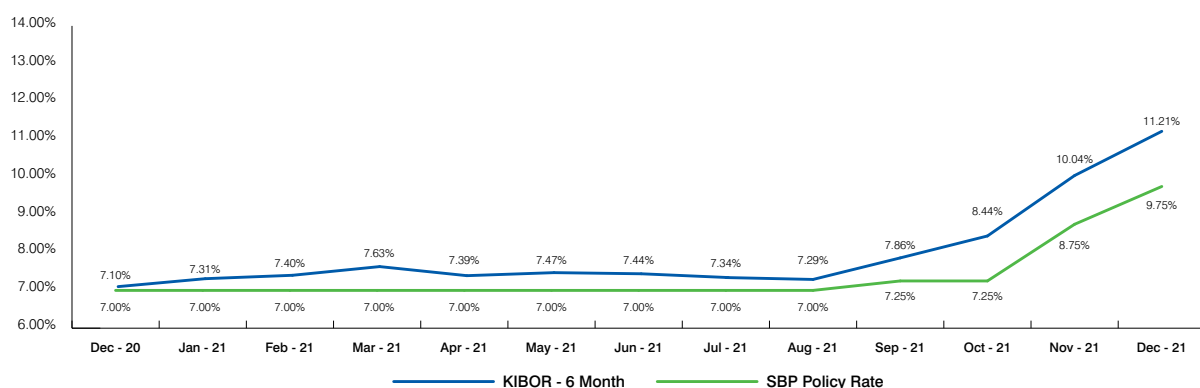


Maturities of Assets and Liabilities

	2021	Upto 3M	3M to 1Y	1Y to 3Y	Rs. in Million	
					3Y to 5Y	5Y & above
Assets						
Cash and balances with treasury banks	164,613	164,613	–	–	–	–
Balances with other banks	18,830	17,779	1,051	–	–	–
Lendings to financial institutions	42,467	42,467	–	–	–	–
Investments - net	1,035,585	280,035	163,342	302,483	92,720	197,005
Advances - net	589,712	170,212	83,194	168,334	92,270	75,702
Fixed assets	57,328	1,042	3,041	6,744	3,259	43,242
Intangible assets	979	187	560	232	–	–
Other assets - net	60,954	37,758	5,745	11,447	6,004	–
	1,970,468	714,093	256,933	489,240	194,253	315,949
Liabilities						
Bills payable	24,590	24,590	–	–	–	–
Borrowings	269,526	170,235	58,503	8,519	5,608	26,661
Deposits and other accounts	1,411,852	170,471	149,958	654,989	327,342	109,092
Deferred tax liabilities	729	(545)	(1,135)	23	1,647	739
Other liabilities	89,365	38,163	20,211	13,786	11,763	5,442
	1,796,062	402,914	227,537	677,317	346,360	141,934

Key Interest Bearing Assets and Liabilities

	2021			2020		
	Avg. Vol (Mln)	Effective interest rate %	Interest (Mln)	Avg. Vol (Mln)	Effective interest rate %	Interest (Mln)
Interest Earning Assets						
Lendings to Financial Institutions	23,701	2.39	567	13,735	7.27	998
Gross Advances (excluding NPLs)	458,979	7.22	33,123	459,219	9.34	42,879
Gross Investments (excluding equity investments)	1,077,977	8.30	89,523	854,012	10.77	91,983
Interest Bearing Liabilities						
Deposits (excl. current deposits)	838,942	5.62	47,107	765,997	7.19	55,095
Borrowings	193,703	5.02	9,717	116,155	5.30	6,152



Analyses of Financial Performance

Gross markup income reported a decrease Rs. 12.740 billion for the year 2021 when compared with 2020. Income on advances decreased by Rs. 9.756 billion, primarily on account of decline in yield by 212 bps coupled with comparatively lower volumes realized in average advances. The markup income on investments also reported a decrease, amounting to Rs. 2.460 billion, as the fall in investment yield by 247 bps diluted the volumetric growth of Rs. 223.965 billion achieved in average investments.

Mark-Up/ Return / Interest Earned	Rs in million			
	2021	2020	Variance	
			Amount	% age
Loans and advances	33,123	42,879	(9,756)	-23%
Investments	89,523	91,983	(2,460)	-3%
Lendings to financial institutions	567	998	(431)	-43%
Balances with banks	122	215	(93)	-43%
	123,335	136,075	(12,740)	-9%

The Bank reported a decrease of Rs. 5.393 billion over last year in markup expense. Mark up expense on deposits decreased by Rs. 7.988 billion, whereas markup expense on borrowings increased by 3.565 billion.

Yield on deposits decreased by 108 bps due to the reduced average policy rate during the year (average policy rate registered a decline of 19% (166bps) from an average of 8.95% in 2020 to 7.29% in 2021).

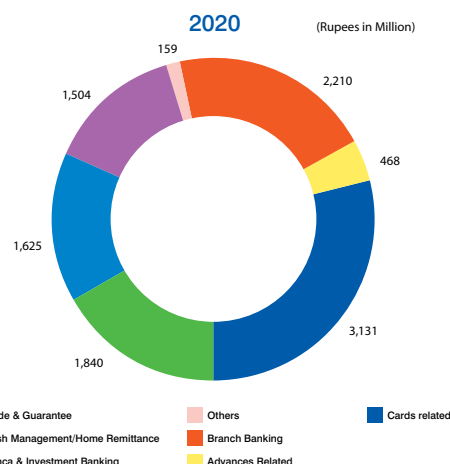
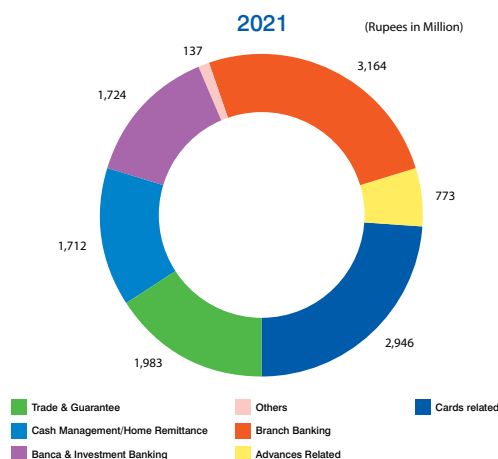
Mark-Up/Return/Interest Expensed	Rs in million			
	2021	2020	Variance	
			Amount	% age
Deposits	47,107	55,095	(7,988)	-14%
Borrowings	9,717	6,152	3,565	58%
Subordinated debt	1,610	2,387	(777)	-33%
Cost of foreign currency swaps	2,387	3,009	(622)	-21%
Unwinding cost of liability against right-of-use assets	914	1,107	(193)	-17%
	59,348	64,741	(5,393)	-8%

The non-markup income block of the Bank was reported at Rs. 20.073 billion; with major contributions coming in from fee commission, foreign exchange and dividend income. Fee income reported an increase of 14% for the year, primarily due to improved transaction volumes and surging business activity amidst lifting of lockdowns; increasing its concentration in the total non-markup income block to 62%.

Aforementioned resurgence in key economic sectors led to 86% rise in dividend income while prudent positioning of Bank's foreign exchange assets and liabilities, amidst a volatile FOREX market, supported a notable growth of 48% in income from dealing in foreign currencies.

Non Mark-Up / Interest Income	Rs in million			
	2021	2020	Variance	
			Amount	% age
Fee and commission income	12,440	10,936	1,504	14%
Dividend income	2,251	1,210	1,041	86%
Foreign exchange income	3,734	2,525	1,209	48%
Income from derivatives	14	4	10	250%
Gain on securities	811	3,332	(2,521)	-76%
Other income	823	128	695	543%
Total non-markup / interest income	20,073	18,135	1,938	11%

Fee Commission Income



The Bank continues to prudently manage its operating expenditures with a circumspect approach for balancing short term tactical cost reductions with long term cost initiatives; hence, restricting the increase to a moderate 8% for the current year despite sustained inflationary pressures amidst currency devaluation and rising commodity prices, higher compliance related regulatory charges, expansion in branch outreach and regular performance and merit adjustments of the Human Capital.

Performance against Targets

During 2021, the Bank has achieved budget of deposits, advances and profit. Further, Bank's current year's performance against targets disclosed in the Annual Report of 2020 is covered in the "Forward Looking" section of the Annual Report.

Objectives to Assess Stewardship of Management

The Bank strives to maximize shareholder value through delivering remarkable returns and achieving sustainable performance that exceeds market and shareholder expectations. Key Performance Indicators (KPI's) to measure Bank's performance against its short, medium and long term objectives along with corresponding strategies have been disclosed in the "Strategic and Resource Allocation" section of the Annual Report.

Future Prospects for Profit

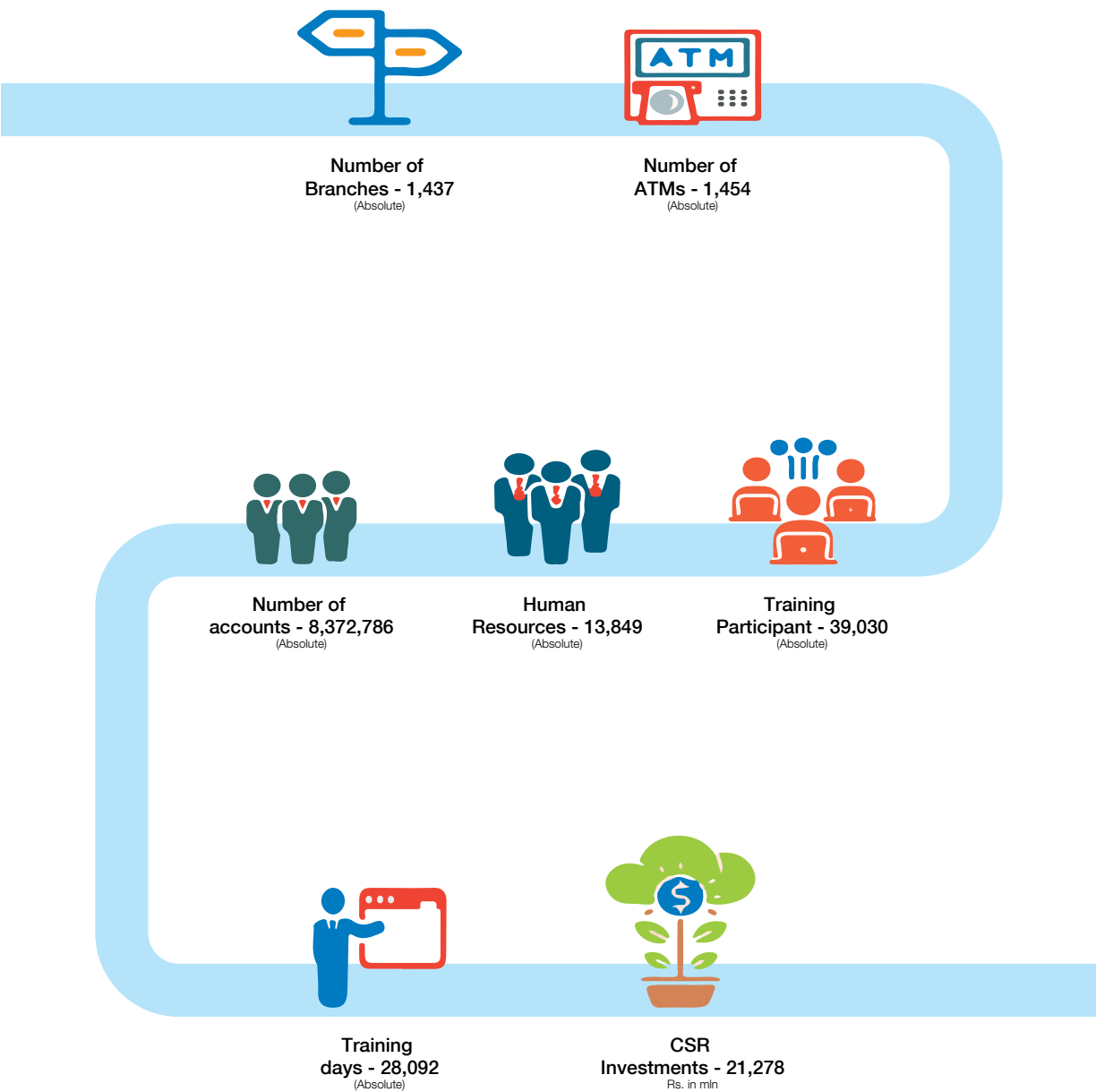
Future prospects about Bank's profitability have been covered in the Directors Reports and "Forward Looking" section of the Annual Report.

Explanation of negative change in the performance against prior year

In 2021, profit before tax of the Bank increased by 8% over last year despite a decrease in net interest income (NII) by Rs. 7.347 billion. In an evolving yield curve scenario, subsiding earning spreads on the back of 166bps decrease in the average policy rate, during the year under review, diluted impact of positive volumetric growth achieved by the Bank in its average earning assets and consequently translated into the captioned decline in NII.

Analyses of Non Financial Performance

Non-Financial Highlights



Human capital

Total number of employees	Investment in training (Rs. in Mln)	Total days of Training	New Recruitments	Promotions
13,849	35.41	28,092	2,075	2,248

Our employees, numbering 13,849 receive well remunerated, secure and satisfying employment with generous retirement benefits.

Our strategy is to align what is best for the employees with what is best for the Bank. Our performance management system has been designed to motivate employees to pursue goals that will enable the Bank to achieve its strategic objectives. Our development and training activities also contribute to the same objective in the longer term. Thus, we have built a performance-based culture that will support both short term and long-term value creation.

Our human resources remain the key asset to our success and growth which is evident from the below mentioned analysis.

		2021	2020
Staff strength	Absolute	13,849	13,643
New recruitments	Absolute	2,075	1,430
Average number of employees	Absolute	13,605	13,345
Promotions	Absolute	2,248	2,356
Investment in training	Rs. In Mln	35.41	36.51
Number of training participants	Absolute	39,030	30,163
Training days	Absolute	28,092	25,277

Manufactured Capital

Capital expenditures on physical & digital infrastructure	Branches excluding sub-branches	ATMs	Internet Banking customers	Mobile Banking customers
PKR 3,121 million	1,437	1,454	204,071	1,456,681

Manufactured capital consists of our physical branch network and other tangible and intangible items that support our operations outreach such as equipment, IT systems and network.

During the year, Bank has expanded its network by 8 branches. In 2021, account base of the Bank expanded to 8.3 million accounts.

The banking model is in gradual transformation from traditional banking to digital era. Hence, to cater to the growing segment of millennials among our customers, the Bank has been continuously investing on the digital banking platforms. We are increasing our digital touch points on a gradual pace, providing our customers transactional convenience while ensuring financial security.

		2021	2020
Capital expenditure	Rs. In Mln	3,121	3,090
Branches	Absolute	1,437	1,429
ATMs	Absolute	1,454	1,434
Internet Banking	Absolute	204,071	198,939
Mobile Banking	Absolute	1,456,681	1,396,475

Intellectual capital

Cumulative service experience of more than 74 years	Strong Governance	One of the most valuable brand

Intangibles associated with the Bank – culture, ethics, values, organizational knowledge, systems, procedures and brand value. These intangibles, while not reflected in the balance sheet, are indeed the real assets of the Bank. They permeate the Bank's operations at all levels – whether it is high level decision-making or day-to-day functions.

In 2021 we have focused on following points to enhance of our intellectual capital:

- Explore customers' views and expectations with regard to selected Deposit products on features, processes and service delivery
- Evaluate customer satisfaction to understand the service level of the Bank
- Explore the new trends in consumer banking to ascertain future banking preferences

During the year, the total investment on intangible assets is Rs. 356.679 million as compared to Rs. 298.880 million in FY20.

Social and Relationship Capital

No. of accounts	Dividends to shareholders (Rs. in Mln)	CSR funds (Rs. In Mln)
8,372,786	22,516	21,278

The Pakistan banking industry is more competitive than it has ever been, and factors such as customer service and convenience are distinguishing features that customers look for. With a strong network of branches across the Country, MCB maintains strength in geographic reach that few can match. Analysis of social and relationship capital as compared to prior year is as follows:

		2021	2020
No of accounts	Absolute	8,372,786	8,217,065
Dividends to Shareholders	(Rs. In Mln)	22,516	23,701
CSR funds	(Rs. In Mln)		
Education Allowance		29	33
Staff Capacity Building & Trainings		35	37
Contribution to National Exchequer		21,178	19,212
Contribution To Staff Welfare Fund		5	5
Donation		8	113
Plantation		23	22
Total		21,278	19,422

Non - Performing Loans

Rs. in Million

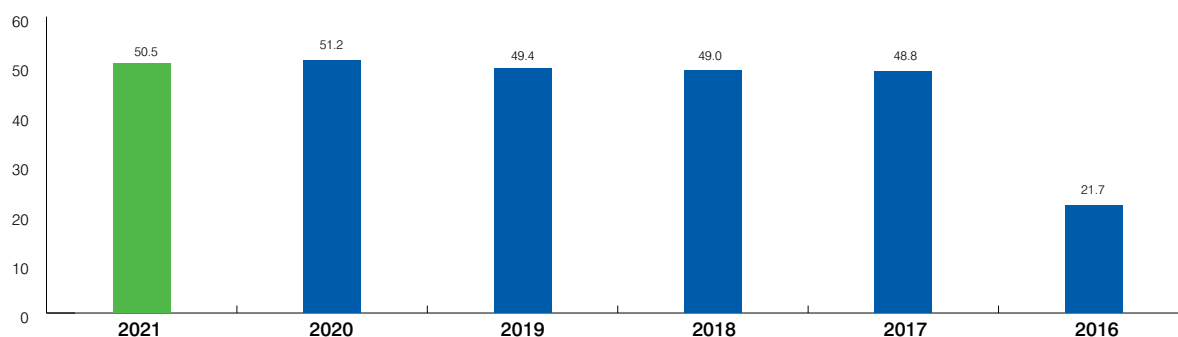
Categorywise

	2021		2020		Variance		2021
	NPLs	Provision	NPLs	Provision	NPLs	Provision	Coverage
OAEM	49	1	44	2	13.4%	-32.4%	2.7%
Substandard	303	75	214	53	41.2%	41.4%	24.7%
Doubtful	231	116	285	142	-18.8%	-18.8%	50.0%
Loss	49,908	43,965	50,646	44,946	-1.5%	-2.2%	88.1%
Total	50,491	44,156	51,189	45,143	-1.4%	-2.2%	87.5%

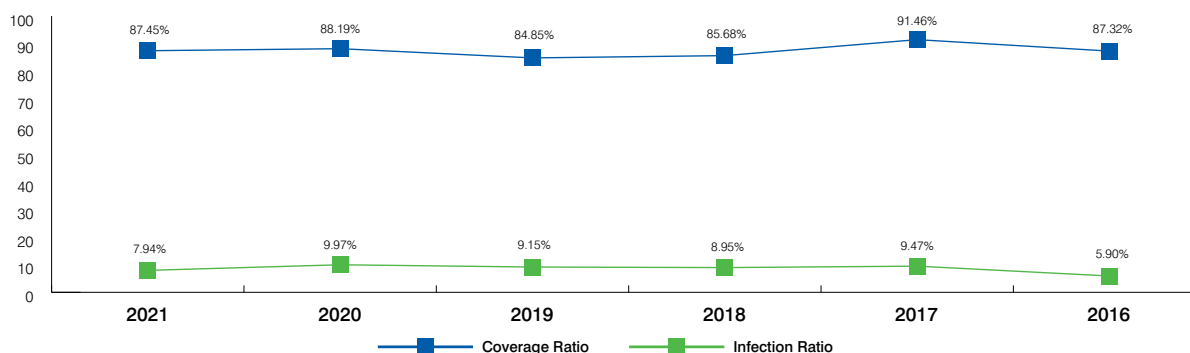
Groupwise

	NPLs	Provision	NPLs	Provision	NPLs	Provision	Coverage
Commercial	3,741	3,517	4,344	4,172	-13.9%	-15.7%	94.0%
Consumer	1,891	1,799	2,106	1,928	-10.2%	-6.7%	95.1%
Corporate	3,132	3,106	4,695	4,692	-33.3%	-33.8%	99.2%
Overseas	9,393	3,828	8,444	3,470	11.2%	10.3%	40.8%
Others	32,334	31,907	31,601	30,880	2.3%	3.3%	98.7%
Total	50,491	44,156	51,189	45,143	-1.4%	-2.2%	87.5%

Non - Performing Loans (2016-2021) (Rupees in Billion)



*Infection and Coverage Ratios (2016-2021)



* Based on specific provision only

Non - Performing Assets

1. Movements in NPA

	Non-performing Advances		Non-performing Investments (Debt Securities only)		Non-performing Assets	
					Rs. in Million	
	2021	2020	2021	2020	2021	2020
Opening balance	51,189	49,424	491	607	51,680	50,031
Exchange adjustments	822	247	–	–	822	247
Additions	2,254	4,403	–	–	2,254	4,403
Recovery / declassification	(3,378)	(2,556)	(13)	(116)	(3,391)	(2,672)
	(1,124)	1,847	(13)	(116)	(1,137)	1,731
Amounts written off	(396)	(329)	–	–	(396)	(329)
Closing balance	50,491	51,189	478	491	50,969	51,680

2. Sector-wise breakup of NPA

	Non-performing Advances		Non-performing Investments (Debt Securities only)		Non-performing Assets	
					Rs. in Million	
	2021	2020	2021	2020	2021	2020
Agriculture, forestry and fishing	419	477	–	–	419	477
Construction	351	290	–	–	351	290
Energy Production, Steam and air conditioning supply	469	479	–	–	469	479
Financials	301	463	–	–	301	463
Individuals	3,825	4,316	–	–	3,825	4,316
Manufacture of basic metals and metal products	3,980	3,028	–	–	3,980	3,028
Manufacture of cement	393	393	285	285	678	678
Manufacture of chemicals and chemical and pharmaceutical products	232	276	–	–	232	276
Manufacture of food & beverages products	3,067	3,274	–	–	3,067	3,274
Manufacture of sugar	4,420	4,658	146	146	4,565	4,804
Manufacture of textiles	12,734	13,475	41	54	12,774	13,529
Transportation and storage	373	434	–	–	373	434
Services	430	464	–	–	430	464
Wholesale and retail traders	13,042	12,522	–	–	13,042	12,522
Others	6,456	6,639	6	6	6,462	6,645
	50,491	51,189	478	491	50,969	51,680

3. Movement of provisions made against NPA

	Non-performing Advances (Specific Provision only)		Non-performing Investments (Debt Securities only)		Non-performing Assets	
					Rs. in Million	
	2021	2020	2021	2020	2021	2020
Opening balance	45,143	41,934	490	534	45,634	42,468
Exchange adjustments	320	51	–	–	320	51
Charge for the year	2,341	5,703	–	73	2,341	5,776
Reversals	(3,251)	(2,216)	(13)	(116)	(3,264)	(2,332)
	(910)	3,487	(13)	(43)	(923)	3,444
Amounts written off	(396)	(329)	–	–	(396)	(329)
Closing balance	44,156	45,143	478	491	44,635	45,634

4. Details of accounts restructured as per regulatory guidelines

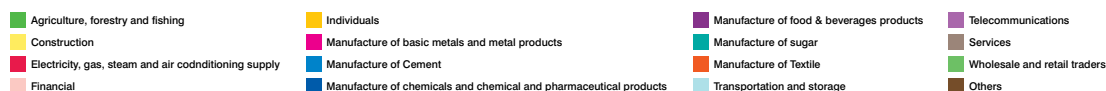
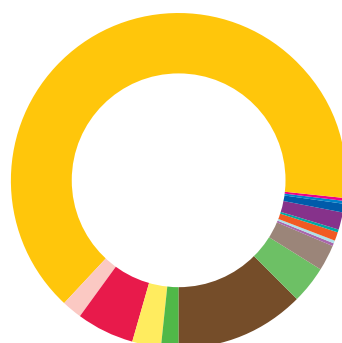
The outstanding amount against restructured accounts in NPA amounts to Rs. 9,806.093 Million as at December 31, 2021: (December 31, 2020: 6,634.906 Million)

Deposits & Advances - Sector wise

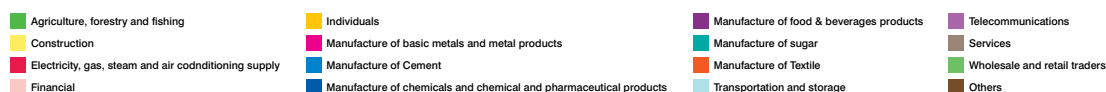
December 31, 2021

Sector	Deposits	Rupees in Million Advances
Agriculture, forestry and fishing	25,984	6,296
Construction	37,970	14,213
Energy Production, Steam and air conditioning supply	79,172	33,914
Financials	28,809	32,744
Individuals	912,825	51,084
Manufacture of basic metals and metal products	2,407	19,214
Manufacture of cement	5,111	16,801
Manufacture of chemicals and chemical and pharmaceutical products	11,731	60,149
Manufacture of food & beverages products	22,273	49,347
Manufacture of sugar	5,139	39,229
Manufacture of textiles	12,633	114,258
Transportation and storage	3,124	61,873
Telecommunications	5,802	23,856
Services	34,636	14,907
Wholesale and retail traders	50,786	45,170
Others	173,450	52,519
	1,411,852	635,574

Deposits



Advances

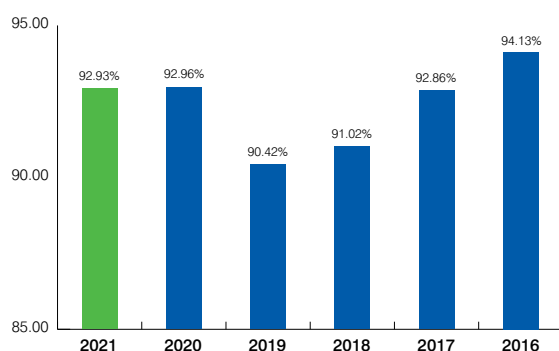


Deposits & Advances - Group wise

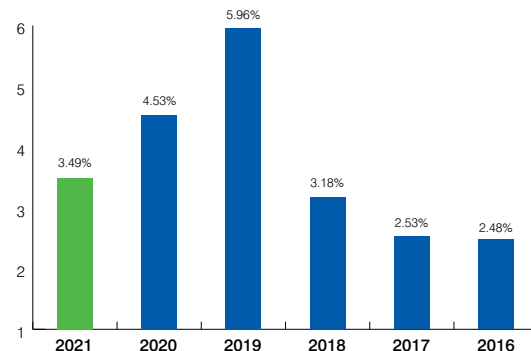
Rs. in Billion

	Groupwise Deposits				Groupwise Gross Advances			
	2021	2020	Variance		2021	2020	Variance	
			Amount	%			Amount	%
Commercial	1,261.9	1,147.5	114.4	9.97%	91.3	84.5	6.8	8.09%
Consumer	24.2	21.3	2.9	13.75%	38.5	28.9	9.6	33.22%
Corporate	59.2	66.3	(7.2)	-10.79%	445.0	338.8	106.2	31.35%
Overseas	66.5	54.4	12.2	22.42%	28.9	30.1	-1.2	-4.08%
Others	-	-	-	-	31.9	31.3	0.6	1.92%
Total	1,411.9	1,289.5	122.3	9.49%	635.6	513.6	122.0	23.76%

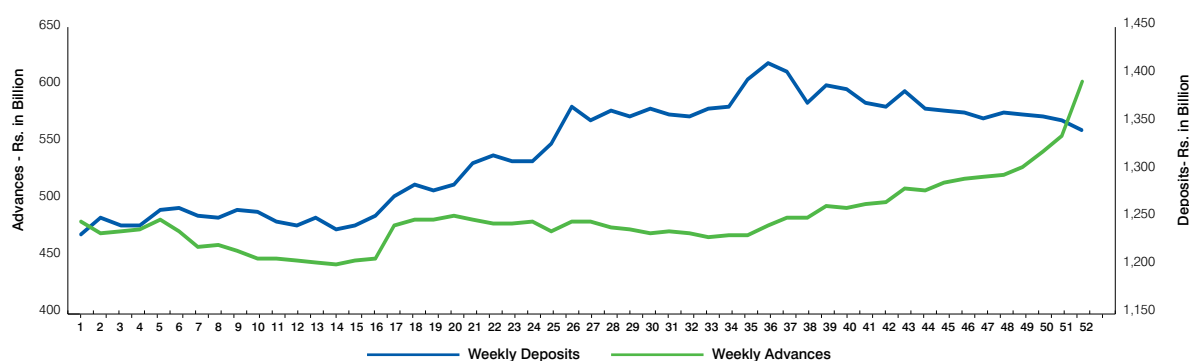
CASA Mix



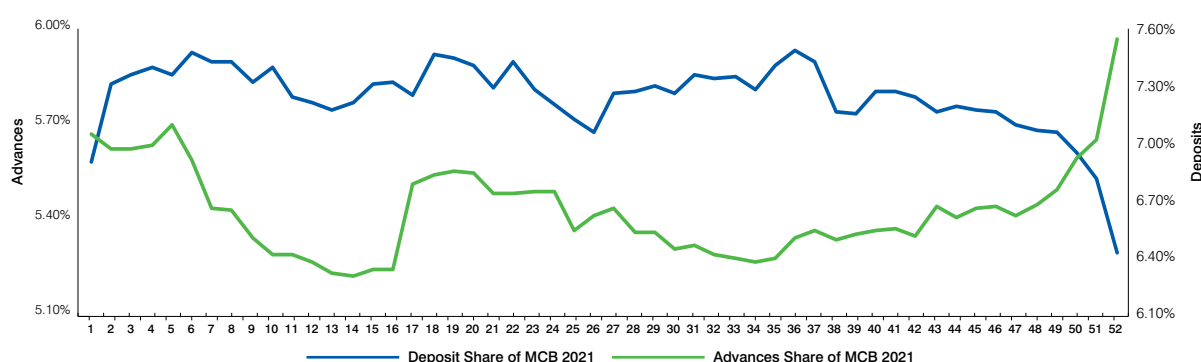
Weighted Average Cost of Deposits



Weekly Trend of MCB Deposits and Advances - 2021



MCB's Industry Share in Deposits and Advances - 2021

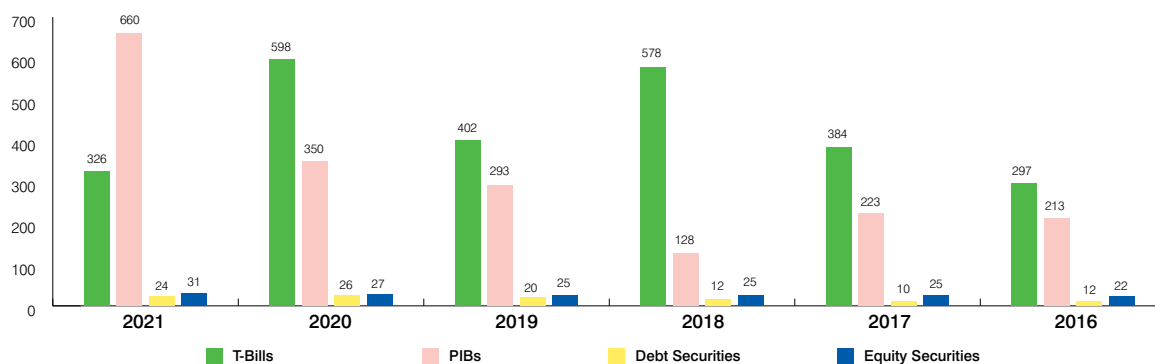


Investments

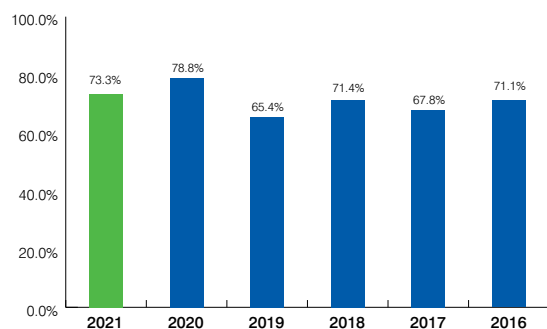
	2021	2020	Var.	Rupees in Million % Var.
Treasury Bills	325,536	598,470	(272,934)	-46%
Pakistan Investment Bonds	660,198	349,739	310,459	89%
TFCs, Debentures and Certificates	5,468	7,325	(1,857)	-25%
Other government securities / Sukuks / Euro Bonds	18,774	18,703	71	0%
Shares in Listed, Unlisted Co.s & Mutual funds	31,019	26,589	4,430	17%
Subsidiaries & Associated Undertakings	13,019	13,019	–	0%
Investments at cost	1,054,014	1,013,846	40,168	4%
Provision for diminution in value of investments	(10,660)	(10,653)	(7)	0%
Surplus / (deficit) on revaluation of investments	(7,768)	12,676	(20,445)	-161%
Investments at revalued amount - net of provision	1,035,585	1,015,869	19,716	2%
Non-Statutory Investment Portfolio*	688,242	629,122		

*Maintained in excess of Statutory Liquidity Requirement

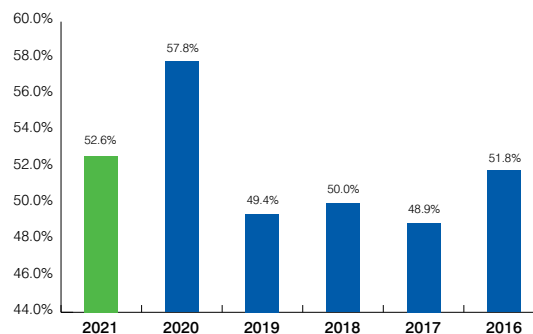
Category of Investments (2016-2021) (Rupees in Billion)



Investments to Deposits Ratio (2016-2021)



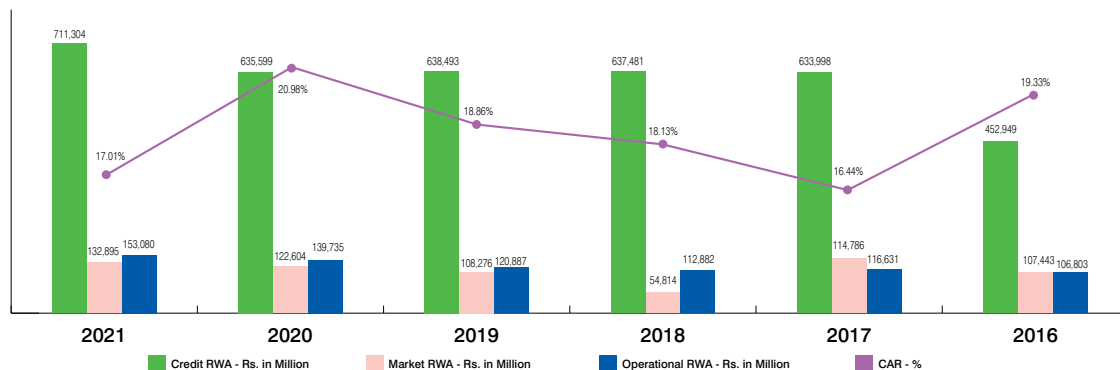
Investments to Total Assets Ratio (2016-2021)



Capital Structure

	2021	Rupees in Million 2020
Capital Structure		
Tier 1 Capital		
Shareholders equity /assigned capital	11,851	11,851
Share premium	23,751	23,751
Reserves	56,242	53,160
Unappropriated profits	63,683	69,835
	155,527	158,597
Deductions:		
Book value of intangible and advances given for intangible	979	938
Defined benefit pension fund assets - net	1,963	2,191
Other deductions	2,231	2,566
	5,173	5,695
Total Tier 1 capital	150,354	152,901
Tier 2 Capital		
Qualifying Tier 2 capital instruments	—	—
General provisions subject to 1.25% of total risk weighted assets	1,706	5,465
Revaluation reserves	13,842	27,165
Foreign exchange translation reserves	3,701	2,876
	19,250	35,507
Deductions:		
Other deductions	—	—
Total Tier 2 Capital	19,250	35,507
Total Regulatory Capital Base	169,604	188,409
Capital Adequacy		
Risk Weighted Assets		
Credit Risk	711,304	635,599
Market Risk	132,895	122,604
Operational Risk	153,080	139,735
Total RWA	997,279	897,938
Capital Adequacy Ratio		
Total eligible regulatory capital held	169,604	188,409
Total Risk Weighted Assets	997,279	897,938
Capital Adequacy Ratio	17.01%	20.98%

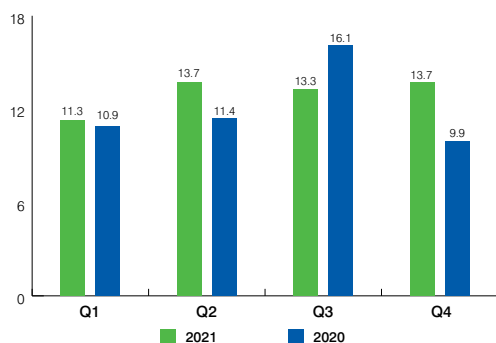
Capital Adequacy Ratio (2016-2021)



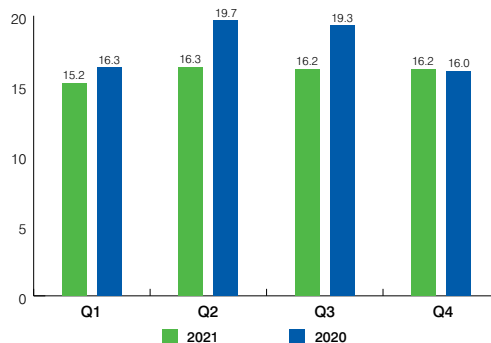
Quarterly Performance - 2021 & 2020

	2021				2020			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Profit & Loss Account								
Mark-up earned	33,431	31,702	29,854	28,347	29,040	31,824	36,112	39,100
Mark-up expensed	(17,189)	(15,506)	(13,545)	(13,107)	(13,052)	(12,490)	(16,407)	(22,792)
Net mark-up income	16,242	16,195	16,309	15,240	15,988	19,333	19,705	16,308
Non-mark-up income	5,691	4,884	4,750	4,749	4,577	6,476	3,195	3,888
Total Income	21,933	21,080	21,058	19,989	20,565	25,810	22,900	20,195
Non-mark-up expenses	(9,538)	(9,321)	(9,144)	(8,891)	(8,465)	(8,565)	(8,290)	(8,588)
Profit before provisions	12,395	11,759	11,914	11,099	12,100	17,245	14,610	11,607
(Provisions) / Reversals	1,324	1,499	1,823	177	(2,204)	(1,145)	(3,221)	(742)
Profit before taxation	13,719	13,257	13,737	11,276	9,895	16,099	11,389	10,865
Taxation	(5,464)	(5,444)	(5,784)	(4,486)	(3,793)	(6,374)	(4,699)	(4,346)
Profit after taxation	8,255	7,813	7,953	6,790	6,102	9,725	6,690	6,519
Statement of Financial Position								
Assets								
Cash and balances with treasury banks	164,613	119,779	142,191	111,838	122,181	127,513	144,168	94,130
Balances with other banks	18,830	15,322	14,222	20,895	24,030	29,693	14,701	15,170
Lendings to financial institutions	42,467	26,028	32,494	17,238	17,139	2,140	2,057	9,577
Investments	1,035,585	1,176,246	1,096,213	1,090,917	1,015,869	964,412	928,708	836,660
Advances	589,711	481,778	462,538	429,357	462,942	445,039	460,611	480,925
Fixed assets	57,328	57,573	57,588	57,658	58,028	57,739	57,586	58,020
Intangible assets	979	998	956	1,000	938	836	881	941
Other assets	60,955	53,372	54,722	48,059	56,334	47,498	58,893	59,795
	1,970,468	1,931,097	1,860,923	1,776,962	1,757,462	1,674,869	1,667,604	1,555,216
Liabilities								
Bills payable	24,590	12,287	12,929	11,285	23,981	9,951	10,504	7,972
Borrowings	269,526	191,237	139,594	190,058	164,002	112,373	113,230	88,652
Deposits and other accounts	1,411,852	1,456,581	1,441,208	1,313,702	1,289,502	1,274,870	1,274,682	1,184,139
Sub-ordinated loan	-	-	-	-	-	-	-	-
Deferred tax liabilities	729	4,639	6,989	5,003	6,975	6,497	11,804	10,425
Other liabilities	89,365	88,711	81,585	82,190	82,901	85,803	72,498	85,382
	1,796,061	1,753,455	1,682,305	1,602,238	1,567,361	1,489,494	1,482,719	1,376,570
Net assets	174,407	177,642	178,618	174,724	190,102	185,376	184,886	178,646
Represented by:								
Share capital	11,851	11,851	11,851	11,851	11,851	11,851	11,851	11,851
Reserves	84,602	83,443	81,745	80,577	80,696	80,558	79,712	78,843
Unappropriated profit	63,683	61,239	60,084	58,268	69,835	62,924	54,122	55,742
Surplus on revaluation of assets - net of tax	14,272	21,110	24,939	24,028	27,720	30,043	39,201	32,211
	174,407	177,642	178,618	174,724	190,102	185,376	184,886	178,646

Quarterly PBT (Rupees in Billion)



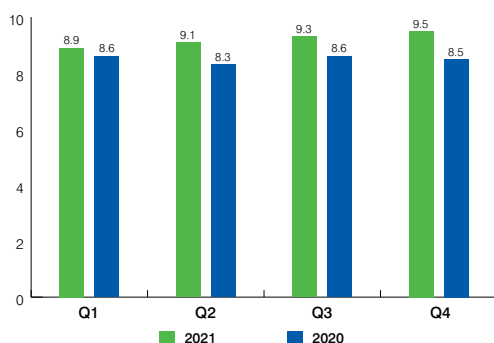
Quarterly NIM (Rupees in Billion)



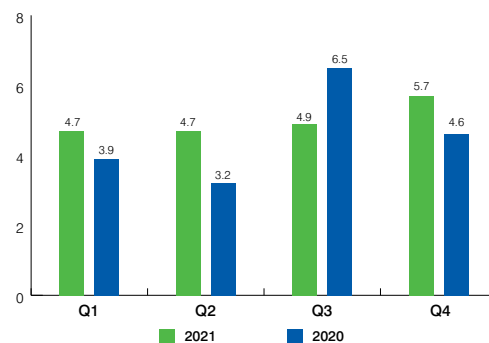
Quarterly Performance Analysis - 2021 & 2020

Quarter	Net Interest Income	Non Markup Income	Non Markup Expenses	Profit
Quarter 1	During the 1st quarter of 2021, Net Interest Income (NII) of the Bank fell by 7% and was reported at Rs. 15.240 billion. The markup income was concentrated by markup from investments which amounted to Rs. 20.621 billion and constituted 73% of the gross amount while the markup income from advances was reported at Rs. 7.60 billion. The decline in gross markup income was broad based as the subsidizing interest rate margins, in a downward sloping yield curve, diluted the impact of volumetric growth achieved in earning assets. On the markup expense side, Rs. 10.473 billion was reported on account of markup on deposits; representing a decline of 47% over the corresponding period owing primarily to lower minimum saving rate applicable during the quarter under review.	Non Markup Income for the 1st quarter of 2021 was reported at Rs. 4.749 billion against Rs. 3.888 billion reported in the corresponding period; representing an increase of 22%. The lower fee income base in 2020 owing to realization of various systematic and idiosyncratic factors amidst the COVID-19 outbreak, including branch closures and a slowing economic activity, together with higher realized gain on sale of securities in 2021 were the major reasons for the increase; contributing 57% and 32% to the gross increase respectively.	Non Markup expenses grew by 4% in the 1st quarter of 2021 over the corresponding period. Despite surge in inflationary pressures, the Bank was able to contain growth in non HR related operating expenses to 4% through effective expense management whereas the regular performance and merit adjustments of the Human Capital meant that HR related operating expenses grew by 7%.	Declining net interest income due to a moderation in earning margins on the back of expansionary monetary policy stance adopted by the State Bank of Pakistan was set off by a significant growth of 22% reported in the Non Markup Income block. Disposal of equity scrips resulted in impairment reversal of Rs. 570 million during the 1st quarter. Hence, the provision expense reported a net reversal of Rs. 177 million against a charge of Rs. 742 million reported in the corresponding period. Profit before tax resultantly grew by 4% in the 1st quarter of 2021..
Quarter 2	NII during the 2nd quarter was reported at Rs. 16.309 billion; lower by 17% as compared to the corresponding period on the back of subsidizing net interest margins (the average policy rate in Q2' 2021 was reported at 7% compared to 8.79% in Q2' 2020 and depicted a decline of 179 bps on an average basis)	Non Mark up Income for the 2nd quarter of 2021 was reported at Rs. 4.750 billion; posting a rise of 28% over the corresponding period. The increase was broad based with fee & commission (16%), dividend income (81%), gain on sale of securities (198%) and other income (3449%) all registering significant growth.	Non Markup expenses witnessed a surge in the 2nd quarter of 2021 owing primarily to the higher compliance related regulatory charges booked during the quarter. The remaining increase in the operating expenses was in line with the trend reflected during the 1st quarter.	The declining NII was offset by a broad based growth of 28% in Non Markup Income block and the higher general provision charge taken in comparative period to combat economic stress posed by COVID-19 outbreak and improve banks insulation and loss absorption capacity in case of any unforeseen deterioration in asset quality. Resultantly, profit before tax for the 2nd quarter was reported at Rs. 13.737 billion as compared to Rs. 11.389 billion for the corresponding period; posting a growth of 21%.
Quarter 3	NII during the 3rd quarter was reported at Rs. 16.195 billion; lower by 16% as compared to the corresponding period of 2020. Markup expense on deposits and borrowings rose by 15.1% and 235.3% respectively and contributed majority share to the total increase.	Non Mark up Income declined during the 3rd quarter of 2021, by 25%, owing primarily to the high capital gains of Rs. 2.861 billion realized in the comparative period through proactive duration management and reprofiling of the investment portfolio. Prudent positioning of foreign currency assets amidst a volatile FOREX market and surging domestic economic activity led to a respective increase of 90% and 138% in foreign exchange and dividend income while the fee & commission income continued on the path of its upwards trajectory to post a growth of 9%.	On the back of rapidly accelerating inflationary pressures amidst currency devaluation and rising commodity prices, Non Markup expenses reported a more broad based increase during the 3rd quarter of 2021; the total growth percentage hence rising to 9%.	Profit before tax reported a decline of 18% in the 3rd quarter of 2021 to post Rs. 13.257 billion as compared to Rs. 16.099 billion in the comparative period. While, profit after tax was reported at Rs. 7.813 billion with a decline of 20%. The significant factors contributing to the lower profit were moderating NII, a broad based increase in Non Markup expenses and declining Non Markup Income due to realization of capital gains on the investment portfolio in the comparative period.
Quarter 4	The last quarter of the year witnessed a trend reversal as the State Bank of Pakistan adopted a contractionary monetary policy stance to combat persisting inflationary pressures due to hike in global commodity prices and higher than expected demand activity on the back domestic economic recovery witnessed across key segments. On the back of evolving yield curve scenario, unfavorable repricing lag between earning assets and liabilities meant that the rise in markup expense on interest bearing liabilities was disparate to the increase reported in markup income on advances and hence the NII grew only by 2% during the quarter and was reported at Rs. 16.242 billion.	Non Mark up Income posted a growth of 24% to report at Rs. 5.691 billion for the 4th quarter of 2021. Prime contributions were lent by foreign exchange income which grew by 132% amidst continued volatility in the FOREX market, dividend income which grew by 68% amidst recovery in key economic sectors and receding of exogenous risks and fee & commission income which posted a note worthy growth of 13%.	Non markup expenses closed the period in line with the 3rd quarter; posting a growth of 13% to report at Rs. 9.538 billion.	During the last quarter quarter of the year the Bank registered a significant growth of 39% in its profit before tax to post Rs. 13.719 billion compared to Rs. 9.895 billion posted in the comparative period. Total income increased by 7% on the back of a registered increase of 2% and 24% in NII and Non Markup Income respectively. The increase was slightly offset by a 13% rise in Non Markup expenses while the net provision charge posted a decline of 160%.

Non Markup Expense (Rupees in Billion)



Non Markup Income (Rupees in Billion)



Six Years' Financial Performance / Financial Ratios 2016 - 2021

		2021	2020	2019	2018	2017	2016
Profit and loss account							
Mark-up/ return earned	Rs. Mln	123,334	136,076	138,292	83,319	74,091	67,400
Mark-up/ return expensed	"	59,347	64,741	78,676	37,305	31,429	23,586
Fund based income	"	63,987	71,334	59,616	46,014	42,662	43,814
Fee, Commission, brokerage & FX income	"	17,011	13,594	14,469	14,625	11,435	9,040
Dividend and capital gains	"	3,062	4,542	2,210	2,573	6,682	7,135
Total income	"	84,061	89,470	76,295	63,212	60,780	59,989
Operating expenses	"	36,894	33,908	33,709	32,902	28,721	22,989
Operating profit before tax and provision	"	47,167	55,562	42,586	30,310	32,059	36,999
Provisions / (Reversals)	"	(4,823)	7,313	2,484	(1,753)	1,045	925
Profit before tax	"	51,989	48,249	40,102	32,064	31,014	36,075
Profit after tax	"	30,811	29,037	23,977	21,360	22,459	21,891
Cash Dividends	"	22,516	23,701	20,146	18,961	18,673	17,808

Statement of financial position							
Authorised capital	"	15,000	15,000	15,000	15,000	15,000	15,000
Paid up capital	"	11,851	11,851	11,851	11,851	11,851	11,130
Reserves	"	84,602	80,696	77,591	74,148	70,866	53,347
Unappropriated Profit	"	63,683	69,835	55,777	53,532	53,776	53,469
Shareholder's equity	"	160,136	162,382	145,219	139,531	136,493	117,946
Surplus on revaluation of assets - net of tax	"	14,272	27,720	23,695	9,747	17,073	23,680
Net Assets	"	174,407	190,102	168,915	149,278	153,566	141,627
Total Assets	"	1,970,468	1,757,462	1,515,152	1,498,130	1,343,238	1,072,365
Earning Assets	"	1,732,055	1,544,536	1,294,096	1,343,378	1,175,352	911,163
Gross Advances	"	635,574	513,550	540,037	546,792	515,058	367,678
Advances - net of provisions	"	589,711	462,942	496,679	503,581	469,356	348,117
Non-Performing Loans (NPLs)	"	50,491	51,189	49,424	48,956	48,753	21,688
Investments	"	1,035,585	1,015,869	748,765	749,369	656,964	555,929
Total Liabilities	"	1,796,061	1,567,361	1,346,237	1,348,852	1,189,672	930,739
Deposits & other accounts	"	1,411,852	1,289,502	1,144,763	1,049,038	968,483	781,430
Current & Saving Deposits (CASA)	"	1,312,059	1,198,785	1,035,063	954,813	899,364	735,550
Borrowings	"	269,526	164,002	89,506	216,019	133,070	74,515
Interest bearing Liabilities	"	1,118,182	964,119	809,717	867,048	728,361	557,913
Contingencies and Commitments	"	619,187	714,038	851,147	584,434	448,135	307,566

Profitability ratios:							
Profit before tax ratio	%	42.15%	35.46%	29.00%	38.48%	41.86%	53.52%
Gross Yield on Average Earning Assets	"	7.53%	9.59%	10.49%	6.41%	7.10%	7.56%
Gross Yield on Avg. Earning Assets (incl. dividend & capital gains)	"	7.72%	9.91%	10.65%	6.61%	7.74%	8.36%
Gross Spread	"	51.88%	52.42%	43.11%	55.23%	57.58%	65.01%
Cost to income ratio	"	42.09%	36.49%	42.82%	50.77%	46.00%	36.80%
Return on average equity (ROE)	"	19.11%	18.88%	16.84%	15.48%	17.65%	18.94%
Return on average assets (ROA)	"	1.65%	1.77%	1.59%	1.50%	1.86%	2.16%
Return on Capital Employed (ROCE)	"	19.11%	18.88%	16.84%	15.48%	17.65%	18.94%
Shareholder Funds	"	8.85%	10.82%	11.15%	9.96%	11.43%	13.21%
Return on Shareholder Funds	"	16.91%	16.18%	15.07%	14.11%	15.22%	15.67%
Non interest income to total income	"	23.88%	20.27%	21.86%	27.21%	29.81%	26.96%
Admin Exp to Profit before Tax	"	68.05%	67.66%	81.47%	100.08%	90.15%	61.19%

Investment ratios/Market Ratios:							
Earnings per share (after tax)	Rs.	26.00	24.50	20.23	18.02	19.56	19.67
Earnings per share (before tax)	"	43.87	40.71	33.84	27.06	27.02	32.41
Breakup value per share							
- without surplus on revaluation of fixed assets & investments	"	135.13	137.02	122.54	117.74	115.18	105.97
- without surplus on revaluation of fixed assets	"	131.49	144.45	126.47	115.68	119.17	116.10
- with surplus on revaluation of fixed assets & investments	"	147.17	160.42	142.54	125.97	129.59	127.24
- with surplus on revaluation of fixed assets & investments & investment in related party at fair / market value	"	149.82	162.80	144.89	128.41	132.90	132.90
Cash Dividend	%	190%	200%	170%	160%	160%	160%
Dividend Yield ratio (based on cash dividend)	"	12.39%	10.79%	8.30%	8.27%	7.54%	6.73%
Dividend Payout ratio	"	73.08%	81.62%	84.02%	88.77%	81.86%	81.35%
Price to book value ratio	Times	1.13	1.35	1.67	1.64	1.84	2.24
Price to earning ratio	"	5.90	7.56	10.13	10.74	10.85	12.09
Dividend cover ratio	"	1.37	1.23	1.19	1.13	1.18	1.23

Six Years' Financial Performance / Financial Ratios 2016 - 2021

		2021	2020	2019	2018	2017	2016
Share Information:							
Market value per share - Dec 31	Rs.	153.35	185.28	204.94	193.57	212.32	237.82
High - during the year	" "	202.40	224.53	216.20	236.56	262.10	244.82
Low - during the year	" "	146.00	132.89	154.04	177.16	190.43	190.20
Market Capitalisation	Rs. Mln	181,729	219,568	242,866	229,392	251,612	264,701

Asset Quality and Liquidity ratios:

Gross Advances to deposits ratio	%	45.02%	39.83%	47.17%	52.12%	53.18%	47.07%
Net Advances to deposits ratio	" "	41.77%	35.90%	43.39%	48.00%	48.46%	44.55%
Investments to deposits ratio	" "	73.35%	78.78%	65.41%	71.43%	67.83%	71.14%
Weighted Average Cost of Deposits	" "	3.49%	4.53%	5.70%	3.18%	2.53%	2.48%
CASA to total deposits	" "	92.93%	92.96%	90.42%	91.02%	92.86%	94.13%
NPLs to Gross advances ratio	" "	7.94%	9.97%	9.15%	8.95%	9.47%	5.90%
NPLs to Shareholders Equity	" "	31.53%	31.52%	34.03%	35.09%	35.72%	18.39%
Coverage Ratio (specific provision/ NPLs)	" "	87.45%	88.19%	84.85%	85.68%	91.46%	87.32%
Coverage Ratio (total provision/ NPLs)	" "	90.83%	98.87%	87.73%	88.26%	93.74%	90.82%
Earning assets to total assets ratio	" "	87.90%	87.88%	85.41%	89.67%	87.50%	84.98%
Investments to total assets ratio	" "	52.56%	57.80%	49.42%	50.02%	48.91%	51.84%
Cash & Cash Equivalents to Total Assets	" "	9.23%	8.30%	9.50%	7.55%	8.16%	7.31%
Cash to Current Liabilities	" "	4.49%	6.34%	5.39%	3.44%	5.07%	7.78%
Efficiency Ratio	" "	70.96%	70.28%	84.06%	102.61%	92.61%	63.73%
Cash Reserve Ratio	" "	5.09%	5.02%	5.02%	5.02%	5.03%	5.02%
Liquid Assets to Total Assets Ratio	" "	54.10%	50.99%	43.74%	43.18%	38.18%	40.07%
Gross Non Performing Assets to Gross Advances & Investments	" "	3.05%	3.38%	3.88%	3.82%	4.20%	2.36%
Earning assets to interest bearing Liabilities	Times	1.55	1.60	1.60	1.55	1.61	1.63
Deposits to shareholder equity	" "	8.82	7.94	7.88	7.52	7.10	6.63
Assets to Equity	" "	12.30	10.82	10.43	10.74	9.84	9.09
Current / Quick Ratio	" "	1.53	2.38	2.29	1.91	2.01	3.05

Risk Adequacy:

Tier I Capital	Rs. Mln	150,354	152,901	136,257	128,999	129,130	111,999
Total Eligible Capital	" "	169,604	188,409	163,611	145,987	147,227	128,968
Risk Weighted Assets (RWA)	" "	997,279	897,938	867,478	805,177	895,415	667,195
Tier I to RWA	%	15.08%	17.03%	15.71%	16.02%	14.42%	16.79%
RWA to total assets	" "	50.61%	51.09%	57.25%	53.75%	66.66%	62.22%
Capital Adequacy Ratio	" "	17.01%	20.98%	18.86%	18.13%	16.44%	19.33%
Net Return on Average RWA	" "	3.25%	3.29%	2.87%	2.51%	2.87%	3.40%

Duo Pont Analysis:

Net Operating Margin	%	36.65%	32.45%	31.43%	33.79%	36.95%	36.49%
Asset Utilization	%	4.51%	5.47%	5.06%	4.45%	5.03%	5.78%
Leverage Ratio / Equity Multiplier	Times	11.56	10.64	10.58	10.29	9.49	8.99

Industry Share:

Deposits*	%	6.41%	6.91%	7.45%	7.57%	7.59%	6.79%
Advances*	" "	5.98%	5.69%	6.21%	6.57%	7.46%	6.24%
Market Capitalisation	" "	13.03%	16.08%	16.87%	17.17%	17.85%	14.86%

*based on economic data released by State Bank of Pakistan

Consolidated:

Total Assets	Rs. Mln	2,122,121	1,891,276	1,612,215	1,585,210	1,389,492	1,097,281
Shareholders' Equity	" "	161,592	163,409	145,854	140,196	138,100	120,152
Net Assets	" "	177,569	192,991	171,347	151,323	156,543	145,960
Profit before tax	" "	53,275	49,318	40,154	30,806	30,614	36,721
Profit after tax	" "	31,328	29,562	23,947	20,415	22,048	22,174
Return on Average Assets	%	1.56%	1.69%	1.50%	1.37%	1.77%	2.14%
Return on Average Equity	" "	19.19%	19.02%	16.66%	14.60%	16.98%	19.18%
Earnings per share	Rs.	26.31	24.82	20.14	17.17	19.13	19.82
Breakup value per share	" "	149.84	162.85	144.59	127.69	132.10	131.14
Capital Adequacy Ratio	%	15.98%	19.69%	17.84%	17.02%	16.34%	19.68%

Per Branch:

Gross Advances	Rs. Mln	442.29	359.38	383.01	394.23	356.69	297.10
Deposits	" "	982.50	902.38	811.89	756.34	670.69	631.20
CASA	" "	913.05	838.90	734.09	688.40	622.83	594.14
PBT	" "	36.18	33.76	28.44	23.12	21.48	29.14

Six Years' Non-Financial Performance 2016 - 2021

		2021	2020	2019	2018	2017	2016
No. of accounts	Absolute	8,372,786	8,217,065	8,223,038	7,854,928	7,607,277	6,549,452
No. of branches	"	1,437	1,429	1,410	1,387	1,444	1,238
No. of permanent employees	"	13,849	13,643	13,596	12,860	13,155	11,088
Staff turnover ratio	%	13.69%	10.07%	12.50%	14.04%	14.40%	13.84%
Customer Satisfaction Index	"	90%	91%	90%	85%	85%	88%

Employee Productivity Rate

Deposits per Employee	Rs. Mln	102	95	84	82	74	70
Advances per Employee	Rs. Mln	46	38	40	43	39	33
PBT per Employee	Rs. Mln	4	4	3	2	2	3

Digital Banking

No. of ATMs	Absolute	1,454	1,434	1,360	1,321	1,377	1,191
No. of Debit cards/smart cards issued during the year	"	796,215	577,406	652,440	783,233	772,314	666,999

Internet Banking

No. of customers	"	204,071	198,939	180,326	176,210	163,273	144,069
No. of transactions	"	823,208	691,553	479,278	481,137	509,569	450,333
Volume of transactions	Rs. Mln	40,922	29,200	18,452	14,859	12,306	7,971

Mobile Banking

No. of customers	Absolute	1,456,681	1,396,475	1,909,712	1,363,304	1,232,258	931,965
No. of transactions - financial	"	4,006,237	2,793,156	2,074,367	2,354,765	1,689,324	1,487,899
Volume of transactions	Rs. Mln	166,403	78,674	50,261	48,623	24,597	15,018

Credit Cards

No. of new issuance	Absolute	18,828	13,944	16,907	15,245	13,006	11,060
No. of customers	"	87,882	84,542	83,070	77,190	70,246	64,075
Total spend (transaction volume)	Rs. Mln	11,681	8,327	8,927	7,597	7,054	5,967

Auto Loan

No. of Loans disbursed	Absolute	8,706	5,549	5,999	8,266	8,977	6,751
Outstanding Volume	Rs. Mln	24,445	19,777	17,929	18,134	16,416	10,811

Home Loan

No. of Loans disbursed	Absolute	676	67	62	108	64	44
Outstanding Volume	Rs. Mln	8,528	4,733	4,110	4,116	2,909	1,887

Personal Loan

No. of Loans disbursed	Absolute	1,293	1,764	2,435	2,766	1,313	316
Outstanding Volume	Rs. Mln	1,519	1,912	2,262	2,707	2,630	531

Bancassurance

No. of customers	Absolute	273,178	232,035	196,633	152,145	119,474	95,434
No. of new customers	"	41,143	35,402	44,021	32,671	24,040	22,881
No. of policies	"	40,205	35,791	44,208	33,110	26,590	23,223
Bancassurance Premium	Rs. Mln	10,756	9,654	8,927	7,060	6,133	4,953

Trade

Imports - volume	Rs. Mln	759,202	577,281	563,914	483,932	416,489	371,233
Exports - volume	"	408,896	332,396	356,549	302,500	220,912	162,899

Home Remittance

Volume of home remittance	USD Mln	3,527	3,206	3,051	3,064	2,281	2,220
Volume of home remittance	Rs. Mln	573,711	518,882	455,862	374,431	240,478	232,340
Home Remittance MCB Market Share	%	11.40%	12.35%	13.74%	14.88%	11.64%	11.30%

Cash Management

throughput of cash management	Rs. Mln	3,020,171	2,082,095	1,884,135	1,673,812	1,500,553	1,210,303

Six Years' - Performance Commentary 2016 - 2021

In this section, commentary on the six years' performance of the Bank is being provided, covering key highlights;

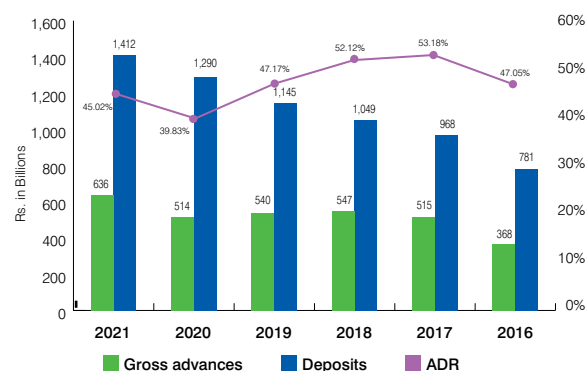
Statement of Financial Position

Total Assets:

The asset base of the Bank has registered a remarkable compounded annual growth rate (CAGR) of 12.94% over the last 6 years; growing to Rs. 1,970 billion as at December 31, 2021. Prime contributors to the said increase have been advances and investments; with investments growing annually by approximately 13.25% while gross advances growing by 11.57%. The earning asset mix of the Bank has been prudently managed to ensure maximization of returns to the stakeholders. In 2017, based on the strategic move, NIB Bank was merged with MCB Bank Limited resulting in a significant increase in assets of 25%. Furthermore in 2018, 90 branches of the Bank were transferred to a wholly owned subsidiary of the Bank i.e. MCB Islamic Bank Limited. In 2021, the Bank recorded a net growth of Rs. 213 billion in total assets (12.12%) over 2020.

Advances:

During the year under review, the economy witnessed a V shaped recovery. Improving operating scenario amidst uplifting of COVID-19 enforced lock downs, pickup in domestic activity and resurgence of key economic sectors laid the foundation for a broad based growth in advances across the entire banking industry. MCB capitalized on the emerging credit extension opportunities, within its defined risk appetite, and posted a remarkable growth of 24% in its credit book (on a gross basis) in 2021 on year on year basis. Over the cumulative period of 6 years, the expansionary economic cycle witnessed at the end of the time analysis improved MCB's CAGR to 11.57 % over the last 6 years as compared to previously reported six year CAGR of 9.75%.

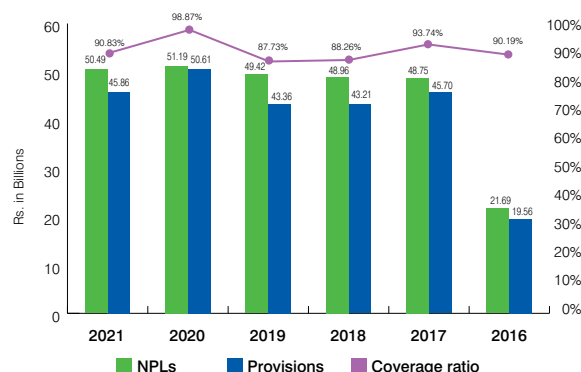


Non-performing Loans:

Strengthened risk management policies coupled with refined credit appetite has enabled the Bank to keep a check on the quality of its assets. During 2021, the Bank continued with its trend of registering significant recoveries to post another year of historic performance; the total recoveries for the year amounted to Rs. 2.67 billion. The infection ratio of the Bank was 5.90% as at December 31, 2016, however, the transfer of NPL stock from NIB Bank i.e. Rs. 29.650 billion had increased the infection ratio to

9.47% as at December 31, 2017.

In 2021, effective management of Bank's credit risk by leveraging a robust risk management framework has enabled MCB to decrease its Non-performing loan (NPLs) base to the tune of Rs. 698 million. The lowering NPL base together with a growing credit book improved Bank's infection ratio from 9.97% in 2020 to 7.74% in 2021. The coverage ratio of the Bank has improved slightly from 90.19% as at December 31, 2016 to 90.83% as at December 31, 2021. NPLs classified in "loss" category constitute more than 98.83% of the NPLs base as at December 31, 2021. This specifies the adequacy of provision held in the books of the Bank.

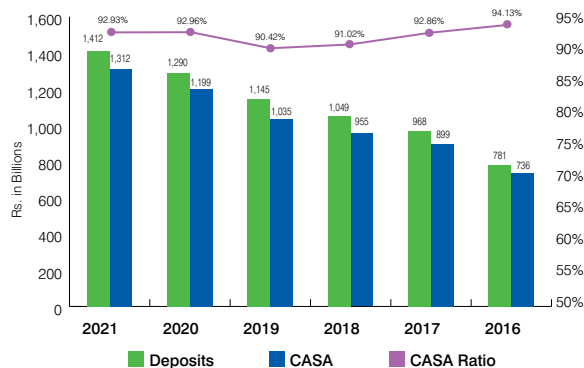


Investments:

Over the past few years, a dearth of quality credit extension opportunities resulted in the banking sector liquidity being deployed in Government Papers as Government's borrowing appetite continued to grow. The year 2021 witnessed a trend reversal as advances made a notable contribution to expansion in Bank's asset base on the back of economic recovery driven by improvement in LSM growth and a rise in business confidence index. However, with an average annual growth rate of 13.25% over the last six years, the investment base of the Bank has grown from Rs. 556 billion as at December 31, 2016 to Rs. 1,036 billion as at December 31, 2021 and still constitutes 52.56% of the total asset base (declining from 57.80% in 2020). The duration of the investment portfolio has been proactively monitored amidst the evolving yield curve scenario to maximize shareholder returns and optimize liquidity management. The equity book of the Bank consists of investments in diverse companies with strong fundamentals with a view to earn stable dividends

Deposits:

The deposit base of the Bank has nearly doubled over the last six years, surpassing the landmark of PKR 1 trillion in 2018, with the absolute number increasing from Rs. 781 billion as at December 31, 2016 to Rs. 1,412 billion as at December 31, 2021. CAGR of 12.56% has been maintained over the past 6 years. CASA base has registered a remarkable increase in the last 6 years, increasing from Rs. 736 billion as at December 31, 2016 to Rs. 1,312 billion as at December 31, 2021. This has been strategically achieved through service excellence, strategically placed touch points for the customers and transactional convenience provided through a vast range of diversified products.



Equity and Dividends

- The paid-up capital of the Bank has grown from Rs. 11.13 billion as at December 2015 to Rs. 11.8 billion as at December 31, 2021, meeting the statutory capital requirements set by the State Bank of Pakistan (SBP).
- In 2008, most affluent strategic partnership occurred in Pakistan where the largest Bank of Malaysia, Maybank Berhad, acquired 20% holding in MCB Bank Limited (current holding of 18.78%. Holding diluted due to issuance of shares under the merger scheme). In 2017, Fullerton Financial Holdings (International) of Singapore through Bugis Investments (Mauritius) Pte Ltd acquired 5.49% stake in MCB under merger scheme of NIB Bank with and into MCB Bank Limited.
- The equity base of the Bank is reflective of the outstanding financial results achieved through consistent performance posted over the years. The capital base of the Bank is rated as strong which is substantiated by the reported CAR of 17.01% as at December 31, 2021 against the statutory requirement of 11.50%. The Shareholders' equity has grown significantly from Rs. 118 billion as at December 31, 2016 to Rs. 160 billion as at December 31, 2021.
- The Bank has the highest cash dividend per share in the industry with regular interim dividends and remains one of the prime stocks preferred in the Pakistani equity markets.

Profit and Loss account

Net Interest Margin

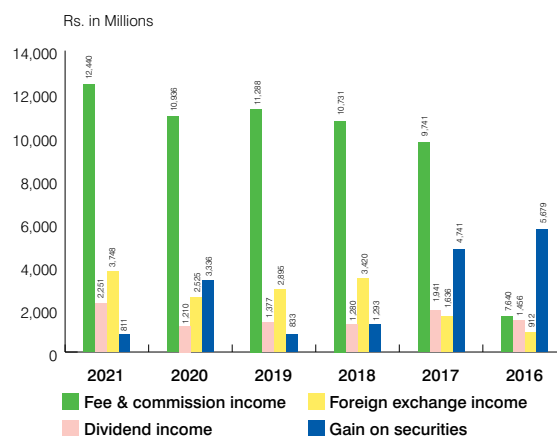
- The composition of markup income has seen a shift in the last six years on the back of concentration shift in the earning asset base of the Bank. The contribution from markup income earned on advances in the total markup income mix had increased from 34.06% in 2016 to 41.46% in 2019 while the contribution from markup income on investments declined from 65.62% to 54.58% over the same period. However, diversion of excess liquidity towards the investment book due to lack of good credit opportunities in the subsequent years diluted concentration of advances related markup income in the income mix and led to a fall in their contribution to 26.86% in 2021.
- The investment to total asset ratio has increased slightly from 51.84% in 2016 to 52.56% in 2021;

whereas, the advances to total asset ratio has decreased by 2% from the base year. Gross yield on average assets has also improved over the years and closed at 8.15% in 2021.

- Achieving growth in no-cost current accounts to improve their contribution in the total deposit and align it with a balanced mix of earning assets base has remained at the forefront of MCB's key strategic focus; in turn lending support to the Bank's net interest margins. CASA base of the Bank has thereby remained above 90% throughout the period covered by the time analysis despite a CAGR of 12.56% achieved in the total deposit base.

Non-Markup Income

- During the last six years, fee & commission income and capital gains have been the major drivers behind non-fund income growth. Apart from the exception of 2020 wherein the realization of various systematic and idiosyncratic factors, emanating from the COVID-19 outbreak, impacted Banks income streams, the fee & commission income has witnessed a broad based growth over the years on the back of new products and services added to the menu coupled with remote banking and branchless initiatives taken by the Bank. The product development teams of the Bank have been tapping the unbanked segments of the population and offering them tailored products to meet their specific financial requirements. Different types of products have been offered in order to meet the needs of the time like credit card, mobile banking, visa debit card etc.
- The fee, commission and brokerage block of the Bank have been constant contributors to its bottom line growth; major thrust to the income has been provided by commission earned on card business, bancassurance business, and remittances and intercity / intra-city cash transfers.
- The equity book of the Bank consists of investments in diverse companies with strong fundamentals and has been a stable contributor to the non-markup income by providing outstanding dividend yields. During the past 6 years, above Rs. 26 billion have been realized by way of capital gains and dividend income.



Provisions and write offs

The Bank's risk management platform is being driven by an augmented framework of sound risk principles, optimum organizational structure, robust risk assessment models and effective monitoring systems in an IT enabled environment to effectively identify, evaluate and mitigate all risks undertaken in the achievement of its long-term strategic objectives. The captioned platform has formed the basis for a declining trend in provision charge booked against advances over the years; in fact, the Bank's has been able to post significant provision reversals up till year 2019 on the back of extensive recovery efforts undertaken.

During 2020, however, the Bank has witnessed a trend reversal in recognition of provision against advances. The subjective classification of obligor accounts on a prudent basis coupled with an additional recognition of general provision charge, amounting to Rs. 4 billion, in anticipation of the impact realization of COVID-19 pandemic post expiration of SBP's relaxations and waivers in 2021 were the prime contributors to the captioned increase.

During 2021, as part of the continuous credit assessment process, the Bank, while creating specific provisions against exposures that reflected signs of financial distress, have reversed the general provision charge created in the preceding year as the systematic risks surrounding the economic recovery receded. The Bank has not taken any benefit of FSV in its provision calculation.

Operating expense:

Considering expansion in Bank's branch outreach, continued investment in technological infrastructure, regular performance merit adjustments for the Human Capital, rising regulatory compliance costs and sustained inflationary patterns witnessed over the period of six years, the posted growth in the administrative block of the Bank has been kept in strict check through introduction of cost effective techniques/methods; automation led saving initiatives, centralization of operations and imposition of annual capping's have been the key pillars of cost management drive undertaken by the Bank and have laid the basis for the Bank to boast one of the lowest cost to income ratios in the industry.

Profit before tax and Profit after tax:

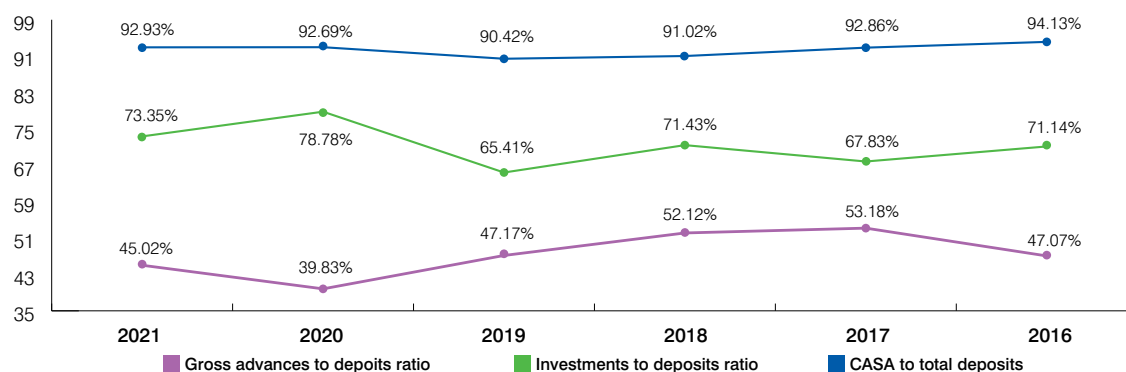
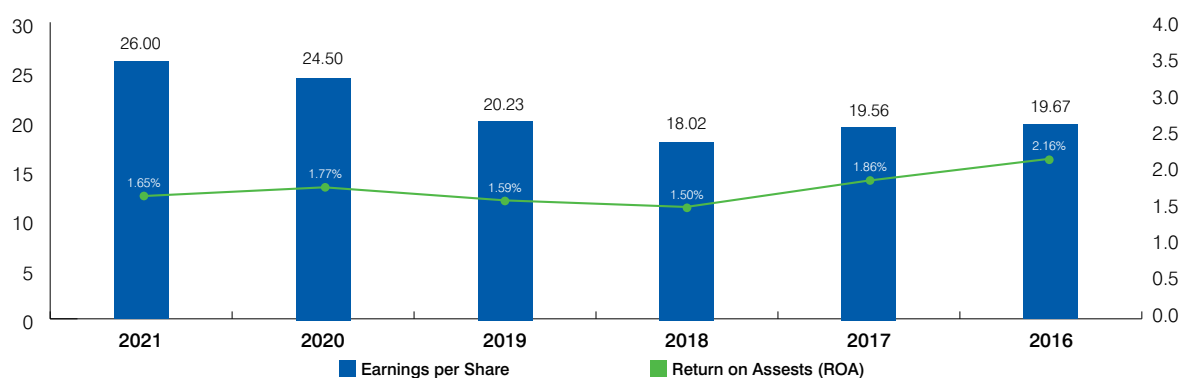
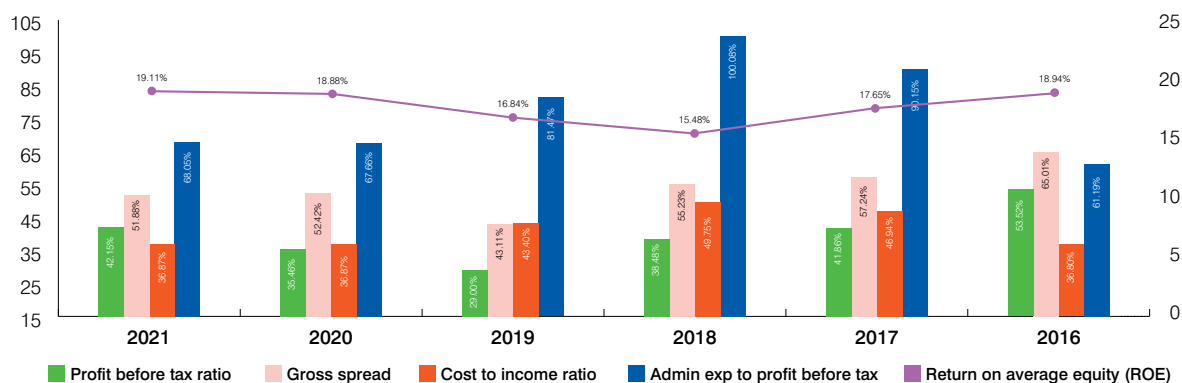
- MCB Bank has been able to post outstanding profitability numbers over the period of last six years as substantiated by one of the highest industry EPS and a remarkable return on assets ratio.
- The aggregate profit after tax for the last six years has approximated Rs. 150 billion.
- Profitability ratios have been one of the best in the banking industry which are reflective of effective management of the affairs and adoption of prudent strategies.

Other statistics

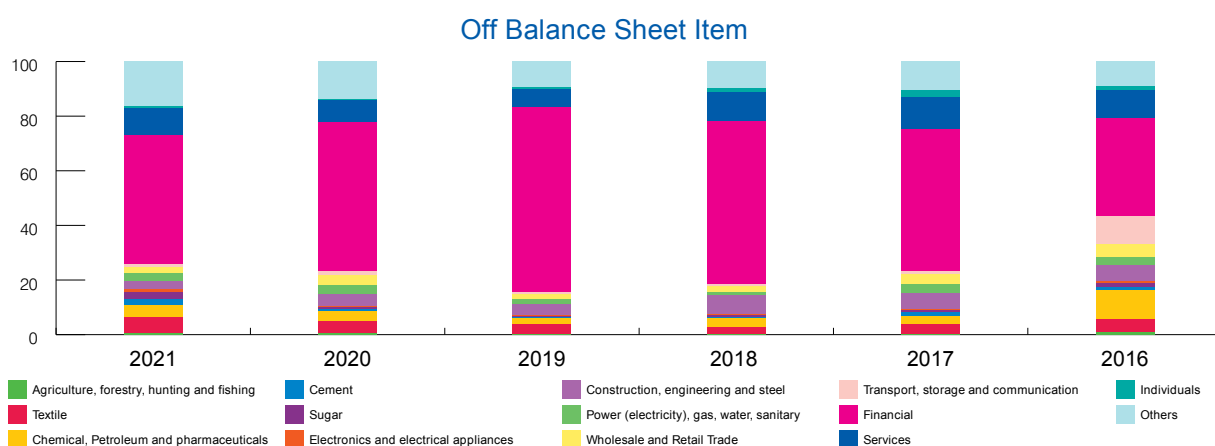
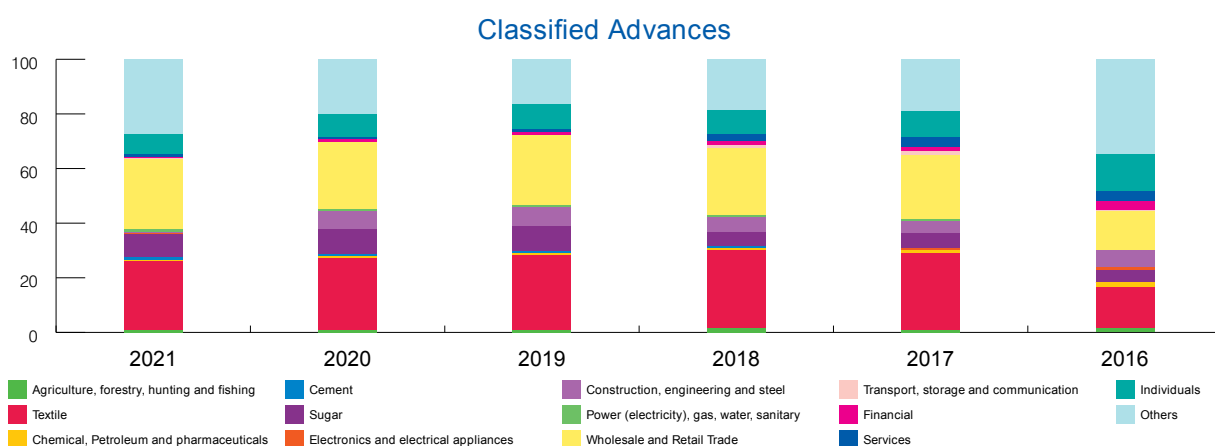
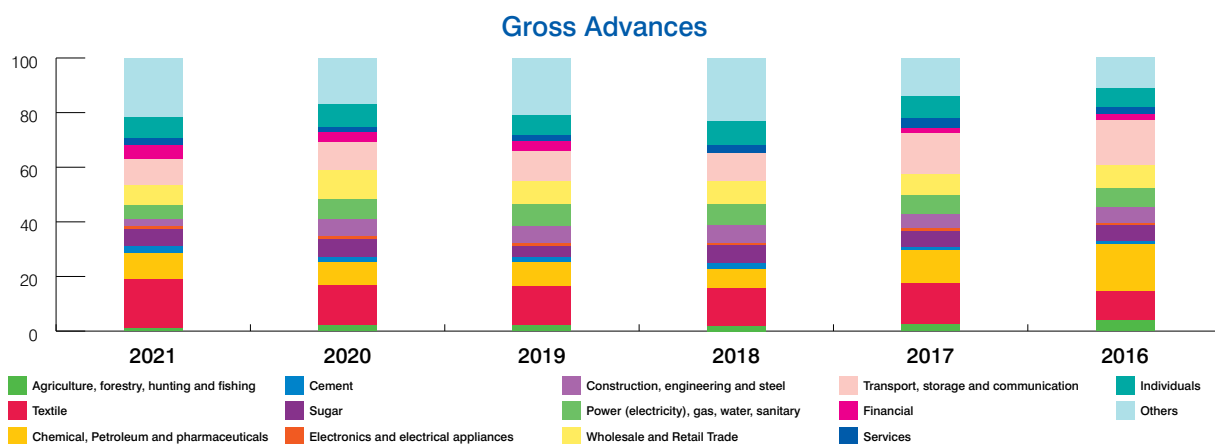
- The Bank has added almost 2 million bank accounts to its base during the past 6 years with the current statistics highlighting the bank accounts to be over 8.3 million.

- With active participation in trade, MCB Bank has been able to improve its trade volumes in the last 6 years; the volumes have more than doubled as compared to the base year to reach Rs. 759 billion for imports and Rs. 409 billion for exports respectively.
- The Bank has been able to increase its market share in the remittance business growing from Rs. 232 billion in 2016 to the volume of Rs. 574 billion in 2021. The home remittance inflows for 2021 stood at USD 3.527 billion and hence further consolidated MCB's position as an active participant in SBP's cause for improving flow of foreign reserves into the country through banking channels.
- In 2008, the Bank launched Bancassurance which was a unique cross functional service to the customers of the Bank. With only 131 policies and 129 customers in 2008, MCB Bank has issued 40,205 new policies in 2021; with the premium underwritten amount exceeding Rs. 3 billion.
- MCB Bank launched mobile banking in 2009 with approximately 53K customers reported by the end of the 2009. As of 2021, the mobile customers, including registered users on MCB Live, have grown to 1.45 million with a transaction volume of over Rs. 166 billion.
- In 2015, MCB Annual Report had been honored to receive 1st place by South Asian Federation of Accountant (SAFA) for best presented Annual Accounts 2014. MCB was the 1st Pakistani bank to receive this accolade. In the past years, we have been awarded merit certificate and runner up awards for the same.
- In 2016, the Bank was awarded Best Bank in the "Corporate Finance and Investment Banking" by Euro Money Awards. We have also been awarded Best Bank in the Finance Asia Country Awards during the recent past years.
- The Bank has been continuously focusing on CPEC related infrastructure projects and has been able to achieve various awards on outstanding performance under CPEC arrangements. In this regard, the Bank received the award for Best Regional Bank in South Asia for BRI (Belt & Road Initiative) - Asiamoney New Silk Road Finance Awards 2017.
- In 2019, the Bank was declared as the "Most Outstanding Company in Pakistan" in the financial sector category by Asiamoney.
- In 2021, MCB's Annual Report was adjudged winner of the "Best Corporate Report" award in the financial sector category for the 9th consecutive year. Moreover, for the very first time, MCB's annual report was adjudged as the "Overall Best Corporate Report" across all industry sectors.
- In 2021, The Bank's exceptional performance has also been recognized by the globally coveted Finance Asia's Country Awards wherein it has been bestowed with the "Best Bank in Pakistan" award.

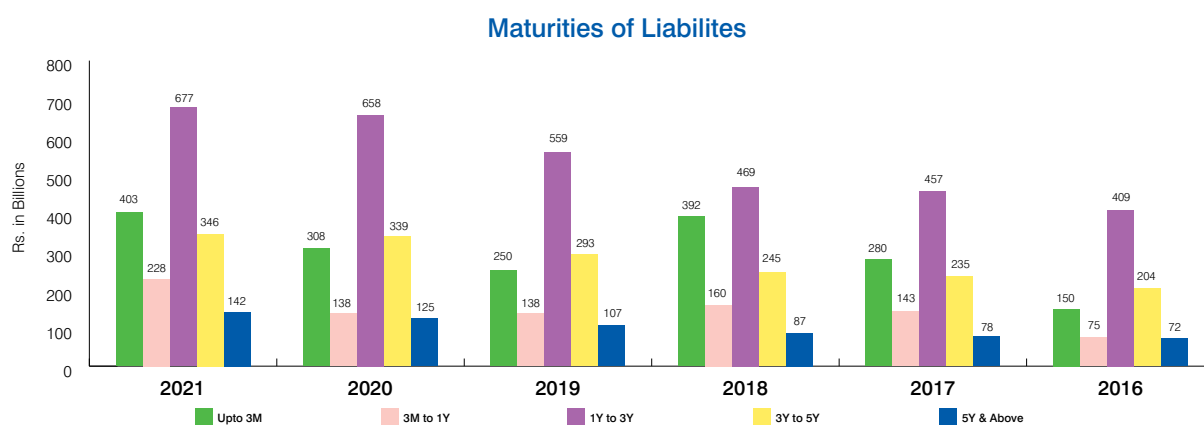
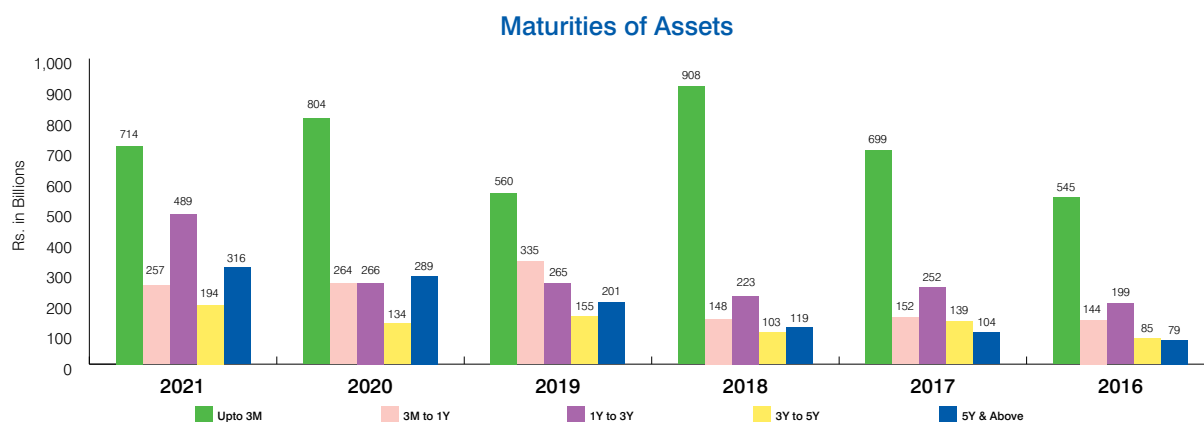
Six Years' - Graphical Summary of Ratios 2016 - 2021



Six Years' - Concentration of Advances, NPLs and Off Balance Sheet Items 2016 - 2021



Six Years' - Maturities of Assets & Liabilities 2016 - 2021



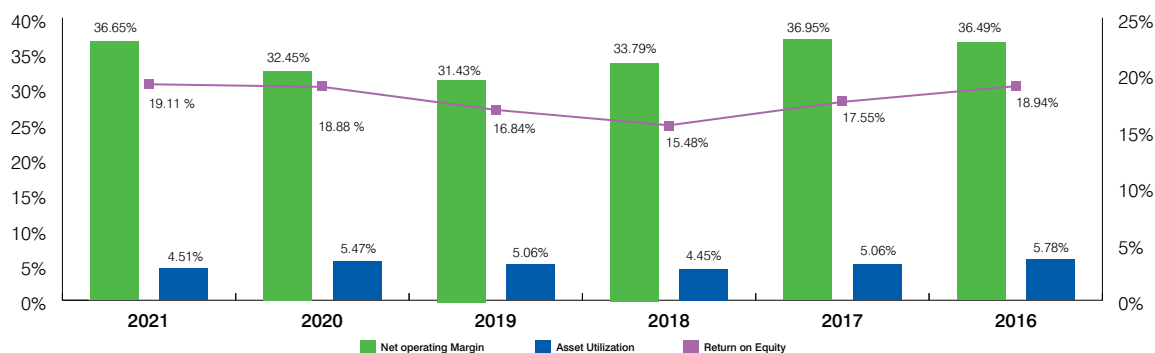
*Based on expected maturities

DuPont Analysis

			2021	2020	2019	2018	2017	2016
Net Operating Margin	PAT / Total Income	A	36.65%	32.45%	31.43%	33.79%	36.95%	36.49%
Asset Utilization	Total Income / Average Assets	B	4.51%	5.47%	5.06%	4.45%	5.03%	5.78%
Return on Assets		C = A x B	1.65%	1.77%	1.59%	1.50%	1.86%	2.11%
Equity Multiplier	Average Assets / Average Equity	D	11.56	10.64	10.58	10.29	9.49	8.99
Return on Equity		C X D	19.11%	18.88%	16.84%	15.48%	17.65%	18.94%

Following are the main DuPont analysis highlights:

- 1) Net operating margin has dropped during 2016-2018; and improved in 2019 - 2021.
- 2) Asset utilization has dropped in 2021 due to falling total income on account of lower average yield on earning assets.
- 3) Equity Multiplier showing increasing trend since 2016 due to higher profits.



Summary of Cash Flows

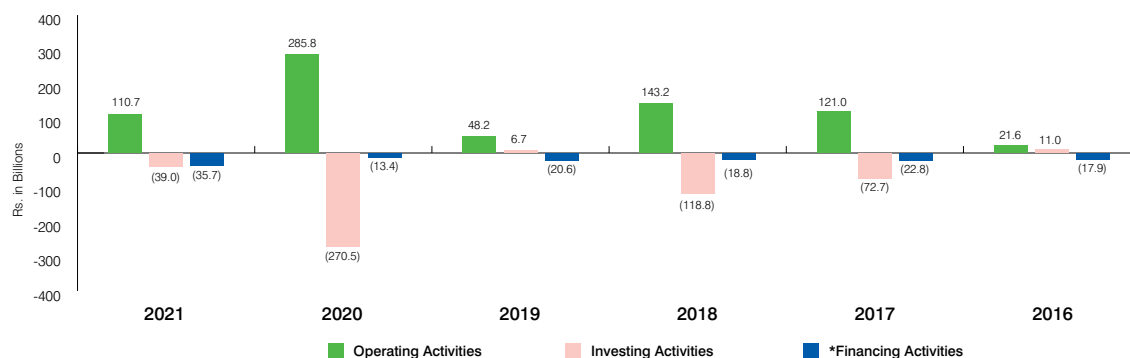
	Rupees in million					
	2021	2020	2019	2018	2017	2016
Cash flows from operating activities	110,719	285,808	48,192	143,221	121,010	21,593
Cash flows from / (used in) investing activities	(39,027)	(270,459)	6,681	(118,767)	(72,671)	11,043
*Cash flows used in financing activities	(35,722)	(13,433)	(20,603)	(18,794)	(22,777)	(17,912)
Cash and cash equivalents at beginning of the year	145,814	143,898	109,628	103,968	78,406	63,682
Cash and cash equivalents at end of the year	181,783	145,814	143,898	109,628	103,968	78,406

Commentary of Cash Flow Statement

Operating cash flows depict cash inflows generated from core activities of the Bank i.e. Deposit generation. In 2021, cash flows generated from operating activities were Rs. 110.7 billion which had decreased significantly when compared with Rs. 285.8 billion in 2020; the deposit growth and net borrowings from financial institutions (net off of lending) contributed cash inflows of Rs. 201.2 billion which were mainly utilized to fund Bank's advances.

The investing activities posted a cash outflow for the 2nd straight year; however, the volume of outflows remained significantly lower than the preceding year as the majority of operating inflows were diverted towards augmenting the credit book of the Bank.

Cash outflow from financing activities primarily reflect payments on account of dividends to the shareholders. During 2021, financing cash flows posted a significant rise, on a year on year basis, as a result of low dividend payout base in 2020 on the back of directives issued by the State Bank of Pakistan (SBP) to suspend dividend distribution for two quarters of the year as a precautionary measure to conserve capital and enhance liquidity and stress absorption capacity of the banks amidst the ongoing COVID-19 outbreak. MCB's track record of paying the highest dividend per share in the financial sector has meant that the Bank has paid over Rs. 100 billion in quarterly and annual payouts over the last 5 years.



*Net Cash from financing activities include effects of exchange rate changes

Free Cash Flows

	Rupees in million					
	2021	2020	2019	2018	2017	2016
Profit before taxation	51,989	48,249	40,102	32,064	31,014	36,075
Adjustment for non-cash items	(1,833)	11,687	6,174	264	882	1,525
Operating assets/ liabilities changes	60,563	225,872	1,916	110,893	89,114	(16,007)
Net cash generated from operating activities	110,719	285,808	48,192	143,221	121,010	21,593
Capital expenditure	(3,121)	(3,090)	(5,022)	(4,483)	(4,745)	(3,485)
Free cash flows	107,598	282,718	43,170	138,738	116,265	18,108

Free cash flow is the cash a company produces through its operations, less the cost of expenditures on assets. In other words, free cash flow—or FCF—is the cash left over after a company pays for its operating expenses and capital expenditures, also known as CAPEX.

Cash Flow Statement

Direct Method

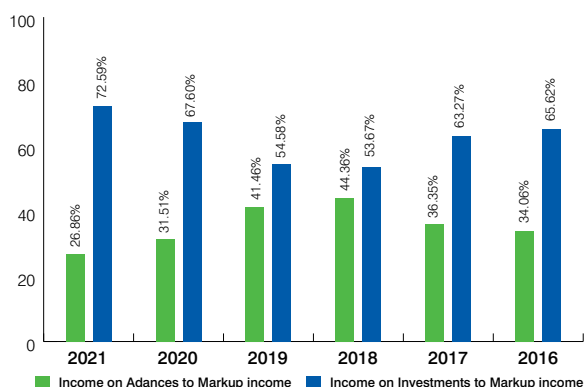
	2021	2020
	(Rupees in Million)	
Cash flows from operating activities		
Mark-up / return / interest and commission receipts	136,175	159,662
Mark-up / return / interest payments	(55,478)	(84,595)
Payments to employees, suppliers and others	(30,968)	(29,162)
	49,729	45,905
Decrease / (increase) in operating assets		
Lendings to financial institutions	(25,328)	(16,049)
Net investments in 'held for trading' securities	1,297	8,180
Advances - net	(121,905)	26,262
Other assets	(955)	2,977
	(146,891)	21,370
(Decrease) / increase in operating liabilities		
Bills payable	609	12,159
Borrowings	104,261	75,448
Deposits and other accounts	122,349	144,739
Other liabilities	2,159	2,265
	229,378	234,611
Income tax paid	132,215	301,886
	(21,497)	(16,078)
Net cash flows from operating activities	110,719	285,808
Cash flows from investing activities		
Net investments in 'available for sale' securities	(35,187)	(286,438)
Net investments in 'held to maturity' securities	(6,277)	17,363
Dividends received	2,281	1,180
Investments in operating fixed assets	(2,764)	(2,791)
Investments in intangible assets	(357)	(299)
Sale proceeds of operating fixed assets and intangible assets disposed off	399	187
Proceeds from sale of non-banking assets acquired in satisfaction of claims	2,053	39
Proceeds from divestment in a subsidiary	-	100
Exchange differences on translation of the net investment in foreign branches	825	201
Net cash flows from / (used in) investing activities	(39,027)	(270,458)
Cash flows from financing activities		
Dividend paid	(34,037)	(11,751)
Payment of lease liability against right-of-use-assets	(1,685)	(1,682)
Net cash flows used in financing activities	(35,722)	(13,433)
Effects of exchange rate changes on cash and cash equivalents	5,342	1,595
Increase in cash and cash equivalents	41,311	3,511
Cash and cash equivalents at beginning of the year	140,472	142,303
Cash and cash equivalents at end of the year	181,783	145,814

Cash flow statement in annual financial statement is required to be prepared in line with the format prescribed by State Bank of Pakistan under BPRD Circular No .2 dated 25, 2018, 'Revised Forms of Annual Financial statements.

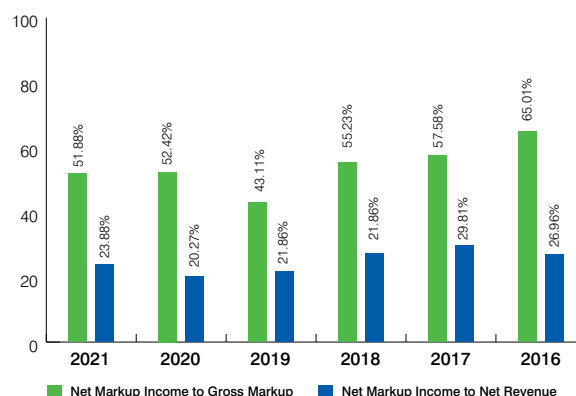
Markup & Non Markup Income

	2021	2020	2019	2018	Rupees in Million	
	2017	2016				
Markup Income						
Loans and advances	33,123	42,879	57,330	36,964	26,931	22,956
Investments	89,523	91,983	75,481	44,719	46,876	44,226
Lendings to Financial Institutions	567	998	4,982	1,390	174	122
Balance with banks	122	215	499	246	111	97
	123,334	136,076	138,292	83,319	74,091	67,400
Markup Expense						
Deposits	47,107	55,095	65,344	32,081	22,105	18,313
Borrowings	9,717	6,152	8,977	4,253	8,837	4,556
Subordinated loan	–	–	214	308	138	–
Unwinding cost of liability against right-of-use assets	1,610	2,387	1,132	–	–	–
Others	914	1,107	3,009	663	349	717
	59,347	64,741	78,676	37,305	31,429	23,586
Net Markup Income	63,987	71,334	59,616	46,014	42,662	43,814
Non Markup Income						
Fee & commission Income	12,440	10,936	11,288	10,731	9,741	7,640
Dividend Income	2,251	1,210	1,377	1,280	1,941	1,456
Foreign exchange income	3,748	2,525	2,895	3,420	1,636	912
Gain on securities	811	3,336	833	1,293	4,741	5,679
Other Income	823	128	286	474	58	488
	20,074	18,136	16,679	17,198	18,118	16,175

Markup Income from Advances and Investments (2016-2021)



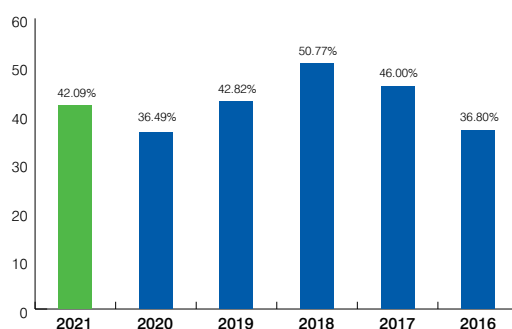
Income Composition (2016-2021)



Operating Expenses

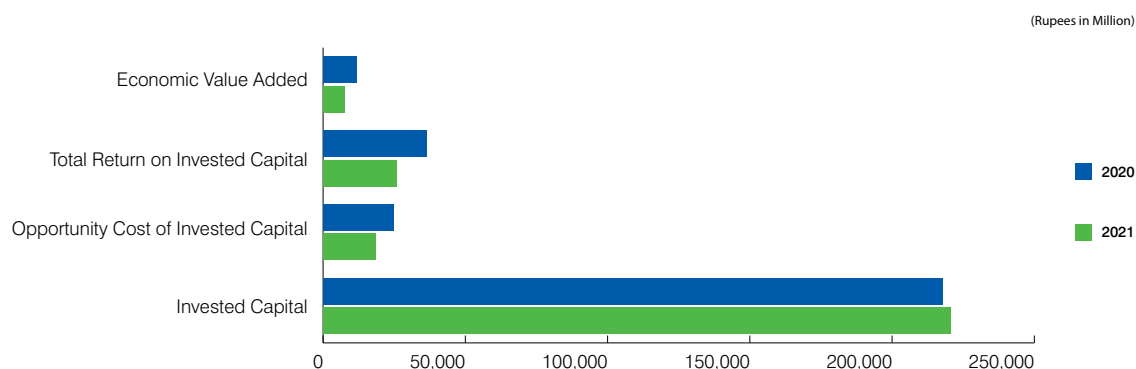
	2021	2020	2019	2018	Rupees in Million	
	2017	2016				
Total compensation expense	16,940	15,806	14,585	14,053	12,301	9,111
Property expense						
Rent & taxes	193	161	227	1,959	1,526	1,047
Insurance	21	23	21	26	27	24
Utilities cost	1,567	1,218	1,203	1,095	911	739
Fuel Expense	414	335	534	514	459	368
Security (including guards)	1,506	1,240	1,382	1,603	1,392	1,178
Repair & maintenance (including janitorial charges)	716	653	812	945	790	660
Depreciation on right-of-use assets	1,202	1,217	1,162	-	-	-
Depreciation	710	642	504	458	383	385
	6,329	5,488	5,845	6,599	5,487	4,400
Information technology expenses						
Software maintenance	1,097	1,148	1,188	1,151	863	763
Hardware maintenance	185	212	299	364	349	239
Depreciation	619	548	616	721	690	644
Amortization	317	318	301	256	244	366
Network charges	518	598	601	616	621	554
Insurance	3	4	3	4	5	6
	2,740	2,829	3,009	3,112	2,772	2,572
Other operating expenses						
Directors' fees and allowances	46	50	57	41	39	35
Legal & professional charges	268	268	350	302	328	265
Outsourced services costs	766	692	690	1,119	1,167	818
Travelling & conveyance	272	261	321	343	293	396
NIFT clearing charges	154	166	152	146	136	126
Depreciation	847	816	797	802	656	544
Depreciation on non-banking assets	36	30	45	49	30	29
Training & development	35	37	57	51	60	51
Postage & courier charges	236	234	303	271	323	247
Communication	365	326	373	317	384	306
Stationery & printing	587	563	639	704	646	543
Marketing, advertisement & publicity	778	695	625	518	531	483
Donations	8	113	0	1	12	13
Auditors Remuneration	57	30	30	34	41	24
Cash transportation charges	860	709	799	744	631	551
Repair & maintenance	445	402	416	460	513	403
Subscription	13	21	20	24	18	27
Entertainment	203	184	232	233	235	186
Credit Card Related Expenses	992	829	1,182	738	562	415
CNIC verification charges	262	129	207	138	107	76
Insurance	1,668	1,483	1,441	821	254	236
Others	474	486	493	473	431	215
	9,372	8,523	9,232	8,327	7,397	5,991
Operating Expenses excluding compensation	18,441	16,840	18,086	18,038	15,657	12,963
Total operating expenses	35,381	32,646	32,671	32,091	27,958	22,074

Cost to income ratio



Economic Value Added Statement

	2021 (Rupees in Million)	2020 (Rupees in Million)
Invested Capital		
Average shareholders' equity	161,259	153,800
Add: Cumulative provisions against assets	59,232	63,844
	220,491	217,644
Return on Invested Capital		
Profit after taxation	30,811	29,037
Add: Provisions and write offs - net	(4,823)	7,313
Total return on invested capital	25,988	36,350
Economic cost	8.38%	11.37%
Opportunity cost of invested capital	18,477	24,746
Economic Value Added	7,511	11,604



Comments:

Decrease in EVA as compare to last year is due to reversal of provision in 2021 and decrease in economic cost due to lower average policy rate during the year.

Capital expenditures

Capital expenditure during the year:

The total capital expenditure during 2021 was Rs. 3.12 billion for business expansion, renovation and improvement of IT infrastructure.

Capital expenditures planned for next year:

The Bank has budgeted capital expenditure of Rs. 8.7 billion for the next year. This would primarily be invested in increasing our operational outreach, continuous improvement in our Information Technology platforms, safeguarding our existing infrastructure / relationships from growing threats on cyber security front along with normal replacements to ensure smooth operations.

Six Years' Vertical Analysis

Statement of Financial Position/Profit & Loss

	2021		2020		2019		2018		2017		2016	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	164,613	8%	122,181	7%	132,705	9%	103,175	7%	106,072	8%	74,222	7%
Balances with other banks	18,830	1%	24,030	1%	12,542	1%	11,879	1%	4,579	0%	4,344	0%
Lendings to financial institutions	42,467	2%	17,139	1%	1,090	0%	35,106	2%	4,398	0%	2,810	0%
Investments	1,035,585	53%	1,015,869	58%	748,765	49%	749,369	50%	656,964	49%	555,929	52%
Advances	589,711	30%	462,942	26%	496,679	33%	503,581	34%	469,356	35%	348,117	32%
Fixed assets	57,328	3%	58,028	3%	58,271	4%	40,812	3%	39,170	3%	32,409	3%
Intangible assets	979	0%	938	0%	958	0%	630	0%	404	0%	343	0%
Other assets	60,955	3%	56,334	3%	64,143	4%	53,578	4%	62,295	5%	54,191	5%
	1,970,468	100%	1,757,462	100%	1,515,152	100%	1,498,130	100%	1,343,238	100%	1,072,365	100%
Liabilities												
Bills payable	24,590	1%	23,981	1%	11,822	1%	15,699	1%	22,681	2%	12,844	1%
Borrowings	269,526	14%	164,002	9%	89,506	6%	216,019	14%	133,070	10%	74,515	7%
Deposits	1,411,852	72%	1,289,502	73%	1,144,763	76%	1,049,038	70%	968,483	72%	781,430	73%
Sub-ordinated loan	-	-	-	-	-	-	3,891	0%	3,893	0%	-	-
Deferred tax liabilities	729	0%	6,975	0%	5,851	0%	1,532	0%	4,625	0%	11,260	1%
Other liabilities	89,365	5%	82,901	5%	94,296	6%	62,673	4%	56,921	4%	50,690	5%
	1,796,061	91%	1,567,361	89%	1,346,237	89%	1,348,852	90%	1,189,672	89%	930,739	87%
Net Assets												
	174,407	9%	190,102	11%	168,915	11%	149,278	10%	153,566	11%	141,627	13%
Represented by												
Share capital	11,851	1%	11,851	1%	11,851	1%	11,851	1%	11,851	1%	11,130	1%
Reserves	84,602	4%	80,696	5%	77,591	5%	74,148	5%	70,866	5%	53,347	5%
Surplus on revaluation of assets - net of tax	14,272	1%	27,720	2%	23,695	2%	9,747	1%	17,073	1%	23,680	2%
Unappropriated profit	63,683	3%	69,835	4%	55,777	4%	53,532	4%	53,776	4%	53,469	5%
	174,407	9%	190,102	11%	168,915	11%	149,278	10%	153,566	11%	141,627	13%
Profit & Loss Account												
Mark-up earned	123,334	86%	136,076	88%	138,292	89%	83,319	83%	74,091	80%	67,400	81%
Mark-up expensed	(59,347)	-41%	(64,741)	-42%	(78,676)	-51%	(37,305)	-37%	(31,429)	-34%	(23,586)	-28%
Net mark-up income	63,987	45%	71,334	46%	59,616	38%	46,014	46%	42,662	46%	43,814	52%
Non-mark-up income	20,074	14%	18,136	12%	16,679	11%	17,198	17%	18,118	20%	16,175	19%
Total income	84,061	59%	89,470	58%	76,295	49%	63,212	63%	60,780	66%	59,989	72%
Non-mark-up expenses	(36,894)	-26%	(33,908)	-22%	(33,709)	-22%	(32,902)	-33%	(28,721)	-31%	(22,989)	-28%
Profit before provisions	47,167	33%	55,562	36%	42,586	27%	30,310	30%	32,059	35%	36,999	44%
Provisions & write off	4,823	3%	(7,313)	-5%	(2,484)	-2%	1,753	2%	(1,045)	-1%	(925)	-1%
Profit before taxation	51,989	36%	48,249	31%	40,102	26%	32,064	32%	31,014	34%	36,075	43%
Taxation	(21,178)	-15%	(19,212)	-12%	(16,125)	-10%	(10,704)	-11%	(8,555)	-9%	(14,184)	-17%
Profit after taxation	30,811	21%	29,037	19%	23,977	15%	21,360	21%	22,459	24%	21,891	26%

Six Years' Horizontal Analysis

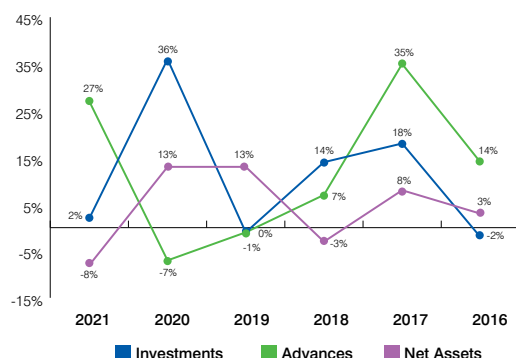
Statement of Financial Position/ Profit & Loss

	2021	21 vs 20	2020	20 vs 19	2019	19 vs 18	2018	18 vs 17	2017	17 vs 16	2016	16 vs 15
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	164,613	35%	122,181	-8%	132,705	29%	103,175	-3%	106,072	43%	74,222	23%
Balances with other banks	18,830	-22%	24,030	92%	12,542	6%	11,879	159%	4,579	5%	4,344	20%
Lendings to financial institutions	42,467	148%	17,139	1472%	1,090	-97%	35,106	698%	4,398	57%	2,810	-9%
Investments	1,035,585	2%	1,015,869	36%	748,765	0%	749,369	14%	656,964	18%	555,929	-2%
Advances	589,711	27%	462,942	-7%	496,679	-1%	503,581	7%	469,356	35%	348,117	14%
Operating fixed assets	57,328	-1%	58,028	0%	58,271	43%	40,812	4%	39,170	21%	32,409	11%
Intangible assets	979	4%	938	-2%	958	52%	630	56%	404	18%	343	-53%
Other assets	60,955	8%	56,334	-12%	64,143	20%	53,578	-14%	62,295	15%	54,191	45%
	1,970,468	12.12%	1,757,462	15.99%	1,515,152	1.14%	1,498,130	11.53%	1,343,238	25.26%	1,072,365	7%
Liabilities												
Bills payable	24,590	3%	23,981	103%	11,822	-25%	15,699	-31%	22,681	77%	12,844	8%
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Sub-ordinated loan	-	-	-	-	-	-100%	3,891	0%	3,893	100%	-	-
Deferred tax liabilities	729	-90%	6,975	19%	5,851	282%	1,532	-67%	4,625	-59%	11,260	-1%
Other liabilities	89,365	8%	82,901	-12%	94,296	50%	62,673	10%	56,921	12%	50,690	78%
	1,796,061	15%	1,567,361	16%	1,346,237	0%	1,348,852	13%	1,189,672	28%	930,739	7%
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Represented by												
Share capital	11,851	0%	11,851	0%	11,851	0%	11,851	0%	11,851	6%	11,130	0%
Reserves	84,602	5%	80,696	4%	77,591	5%	74,148	5%	70,866	33%	53,347	4%
Surplus on revaluation of assets - net of tax	14,272	-49%	27,720	17%	23,695	143%	9,747	-43%	17,073	-28%	23,680	-4%
Unappropriated profit	63,683	-9%	69,835	25%	55,777	4%	53,532	0%	53,776	1%	53,469	5%
	174,407	-8%	190,102	13%	168,915	13%	149,278	-3%	153,566	8%	141,627	3%
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Mark-up earned	123,334	-9%	136,076	-2%	138,292	66%	83,319	12%	74,091	10%	67,400	-16%
Mark-up expensed	(59,347)	-8%	(64,741)	-18%	(78,676)	111%	(37,305)	19%	(31,429)	33%	(23,586)	-24%
Net mark-up income	63,987	-10%	71,334	20%	59,616	30%	46,014	8%	42,662	-3%	43,814	-11%
Non-mark-up income	20,074	11%	18,136	9%	16,679	-3%	17,198	-5%	18,118	12%	16,175	-2%
Total income	84,061	-6%	89,470	17%	76,295	21%	63,212	4%	60,780	1%	59,989	-9%
Non-mark-up expenses	(36,894)	9%	(33,908)	1%	(33,709)	2%	(32,902)	15%	(28,721)	25%	(22,989)	0%
Profit before provisions	47,167	-15%	55,562	30%	42,586	40%	30,310	-5%	32,059	-13%	36,999	-14%
Provisions & write off	4,823	-166%	(7,313)	194%	(2,484)	-242%	1,753	-268%	(1,045)	13%	(925)	40%
Profit before taxation	51,989	8%	48,249	20%	40,102	25%	32,064	3%	31,014	-14%	36,075	-15%
Taxation	(21,178)	10%	(19,212)	19%	(16,125)	51%	(10,704)	25%	(8,555)	-40%	(14,184)	-15%
Profit after taxation	30,811	6%	29,037	21%	23,977	12%	21,360	-5%	22,459	3%	21,891	-14%

Commentary on Six Years' Horizontal & Vertical Analysis

Horizontal Analyses

The asset base of the Bank has increased considerably over the past 6 years and has crossed multiple milestones; including the landmark achievement of crossing an asset base of Rs. 1.5 trillion in 2019. On an annualized basis, the asset base of the Bank has recorded an increase of 12.94% over the base year while the investments and gross advances have posted an increase of 13.25% and 11.57% respectively. Highest increase in the asset base has been observed in 2017 as the transfer of portfolio on account of merger of NIB Bank with and into MCB Bank Limited added to the asset base; the assets hence growing by 25% on a year on year (YoY) basis in 2017.



The deposit base of the Bank has registered significant growth over the years; increasing from Rs. 781 billion in 2016 to Rs. 1,412 billion in 2021 and translating into a CAGR of 12.56% over the past 6 years. Highest increase has been reported in 2017, primarily on account of splendid volumetric growth coupled with deposits transferred under merger of NIB Bank with and into MCB Bank Limited. During the year 2018, MCB transferred business of its 90 branches to MCB's wholly owned subsidiary i.e. MCB Islamic Bank Limited and deposits amounting to Rs. 21.9 billion were transferred under the de-merger scheme. Despite this transfer, the deposits grew by 8.32% in 2018 and have continued on the path of upward trajectory in subsequent years; posting a healthy CAGR of 11.05% from 2019 to 2021.

Equity base of the bank has also posted a healthy increase due to higher profitability in the past 6 years; translating into a CAGR of 6.31% over the base year.

On the Profit and Loss side, gross markup earned has posted an average increase of 12.85% over a span of six years. This is due to the increase in mark up earned on investments and advances on the back of an ever increasing earning assets base and the evolving yield curve scenarios. The highest gross markup income over the span was reported in 2019; as the double digit policy rate coupled with healthy volumetric gains

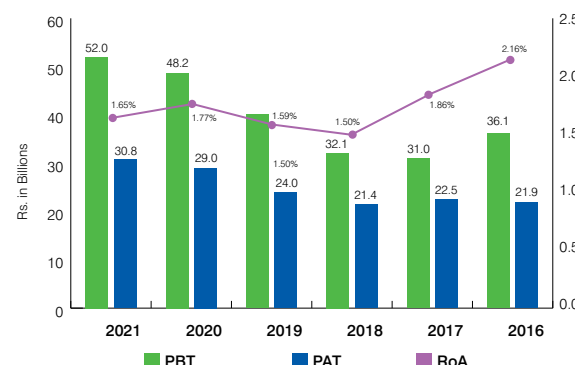
in the earning assets base contributed to the significant rise. The increase in markup expense on deposits is on account of regulatory revisions by the Central Bank and volumetric increase achieved in the deposit base. The cost of deposit for the Bank has been strategically managed by maintaining appropriate CASA base to align it with the earning mix of the Bank. However, the total markup expense has increased by 20.27% over the six year period under coverage.

The non-markup income block of the Bank has remained a steady contributor to its bottom line growth. On the other hand, growth in operating expenses has been kept in check through realization of various initiatives implemented as part of Bank's cost management drive; hence depicting a moderate average growth of 9.92% over the period under review despite continuous investment in Banks digital and physical infrastructure along with sustained inflationary pressures.

One of the key strengths of the Bank has been the recovery of its classified portfolio which is clearly reflected in the reduced / reverse credit charge booked over the last few years barring the exception of 2020 wherein the management had proactively booked a general provision charge of Rs. 4.0 billion in anticipation that the customers affected by the pandemic might require provisioning once SBP's relaxations and waivers expire post year end. This coupled with the subjective provisioning of obligor accounts on a prudent basis resulted in trend reversal for recognition of credit charge in 2020.

In 2021, the Bank registered another year of significant recoveries against its classified portfolio. The historic recoveries coupled with the reversal of general provision charge, created in the preceding year, on the back of receding systematic risks surrounding the economic recovery led to a net reversal in credit charge for 2021.

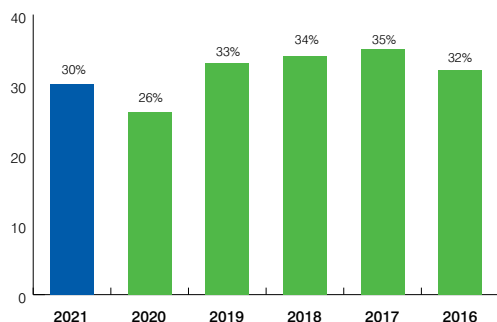
MCB enjoys one of the highest spreads in the banking industry which are duly reflected in the profitability ratios of the Bank.



Vertical Analyses

Vertical analysis depicts higher concentration levels of investments and advances in the asset base of the Bank. The advances base of the Bank has grown steadily till 2019 with the concentration levels of advances in the total assets mix improving from 32% in 2016 to 33% in 2019. However, the decline in advances witnessed during 2020 due to lack of credit extension opportunities within the Bank's defined risk appetite and the consequent diversion of excess liquidity towards the investment book has diluted advances concentration in the total asset mix; hence falling to 26% in 2020. In 2021, the V shaped recovery witnessed in key economic sectors laid the foundation for a broad based growth in Bank's advances; improving concentration of advances in the asset base to 30%.

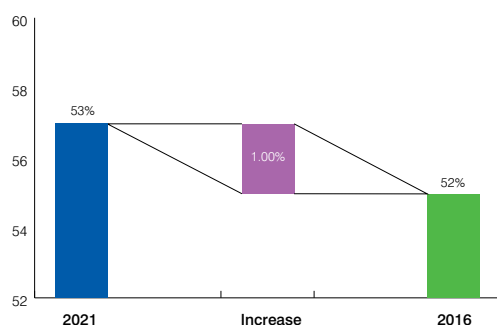
Advances Concentration Level



The IDRs of the banking industry registered a huge spike in the earlier years of the time series analysis on account of higher yielding longer term bonds on offer. However, based on the call that interest rate cycle has bottomed out, a gradual shift to shorter term securities with increased focus on credit was observed. Resultantly, the concentration levels of investments declined from 52% in 2016 to 49% in 2019.

In subsequent years, the deployment of excess liquidity in the investment portfolio initially increased its concentration levels in the asset base to 58% in 2020 while the V shaped economic recovery witnessed in 2021 resulted in a reversion of investments' concentration level in the total asset base to 53%.

Investments Concentration Level



Corresponding to the technological, infrastructural and operational spend by the Bank; the deposit base has increased over the period of six years. Improved service quality levels and tailored products have earned the loyalty of our customers. This can be substantiated by the fact that the CASA base of the bank has remained over 90% over period under review; in turn reflecting management's strategic focus of improving Bank's deposit base and proactively monitoring its cost mix.

Markup income growth has registered a steady rise over the last 6 years, barring the exception of 2021 wherein the earning margins have been adversely impacted by a reversion in yield curve and have diluted the impact of volumetric growth achieved in the Bank's asset base. The contribution from markup income approximates 86% of the total revenue. Markup expense has increased over the last 6 years based on regulatory revisions enacted over the period and growth registered in the deposit base.

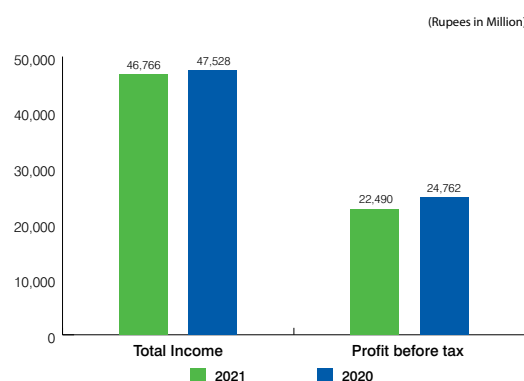
Concentration of non-markup income in the total income has decreased from 19% in 2016 to 14% in 2021. This dilution has primarily been on account of rising gross markup income whose concentration level increased from 80% in 2016 to 86% in 2021. Non markup expense concentration level has declined from 50% in 2016 to 38% in 2021 despite of increase in business which is due to various cost control initiatives.

Segment Analysis

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

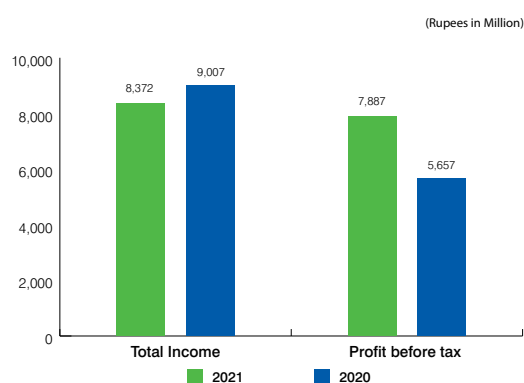
Retail

This includes retail lending and deposits, banking services, cards and branchless banking.



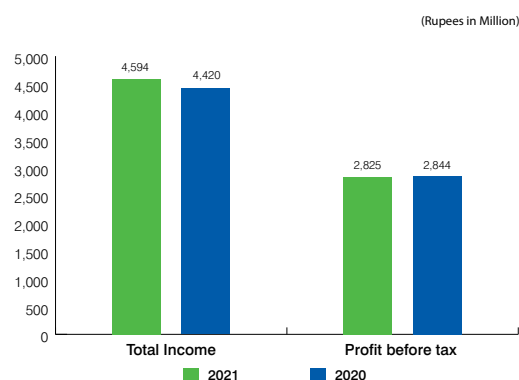
Corporate

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities / with Bank's corporate and public sector customers including the Bank's overseas operation.



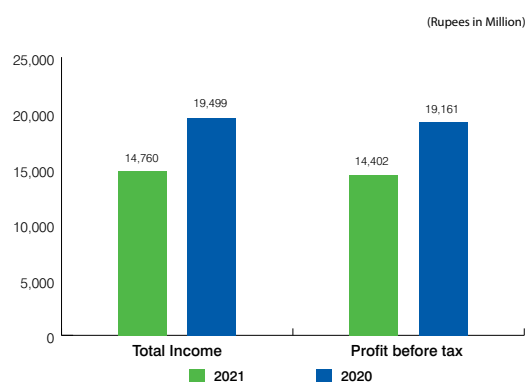
Consumer

This segment primarily constitutes consumer financing activities with individual customers of the Bank. Product suites offered to these customers include credit cards, auto loans, housing finance and personal loans.



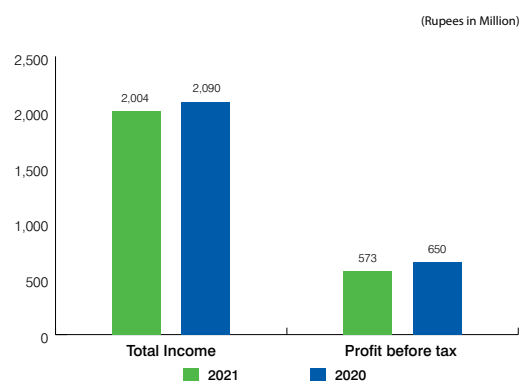
Treasury

This includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.



International

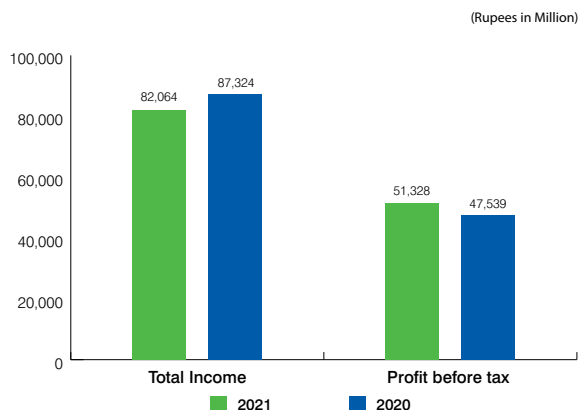
This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities / with Bank's corporate and public sector customers including the Bank's overseas operation.



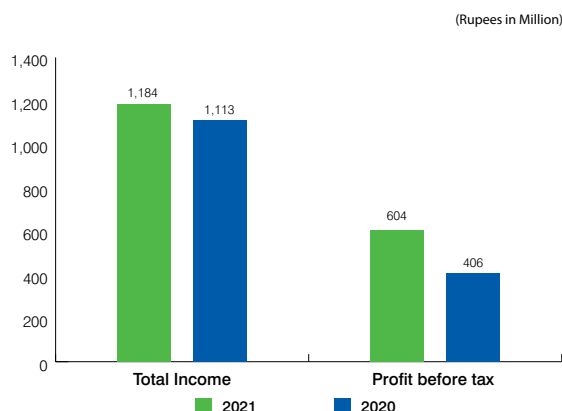
Geographical Segment

The Bank operates in following geographic regions:

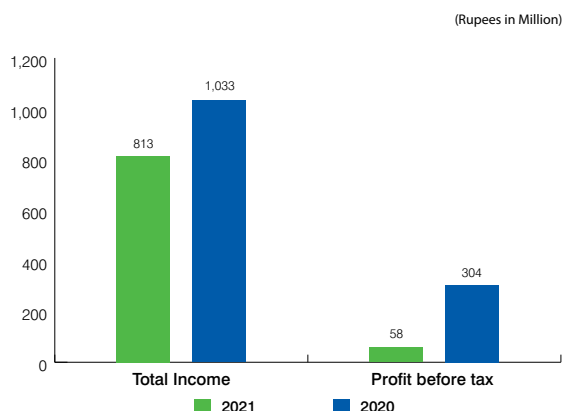
Pakistan



Middle East



South Asia



Product Revenue Analysis

	2021					Rupees in Million
	Retail Banking Products	Consumer Banking Products	Corporate Banking Products	Treasury Products	Others	Total
Mark-up / return / interest earned	94,419	5,423	26,284	98,666	103,494	328,286
Mark-up / return / interest expensed	55,216	3,278	21,618	88,627	95,561	264,299
Net mark-up / interest income	39,204	2,145	4,666	10,039	7,933	63,987
Non Mark-Up / Interest Income	6,739	2,449	3,706	4,720	2,460	20,074
Total Income	45,942	4,594	8,372	14,760	10,393	84,061
Non Mark-Up / Interest Expenses	21,493	1,645	612	386	12,758	36,894
Profit Before Provision	24,450	2,949	7,759	14,374	(2,365)	47,167
Provisions	1,147	124	(128)	(28)	(5,937)	(4,823)
Profit before tax	23,303	2,825	7,887	14,402	3,572	51,989

Statement of Charity and Donation

Statement of charity fund management by MCB Islamic Bank Limited (Wholly owned subsidiary of MCB Bank Limited)

	2021	2020
	(Rupees in '000)	
Reconciliation of charity fund balance		
Opening balance	46,615	57,782
Additions during the year		
- Received from customers against late payment	7,316	42,477
- Dividend purification amount	1,093	771
- Charity against other Non-Shariah compliant income	265	–
- Profit on charity saving account	673	2,085
	9,347	45,333
Charity paid during the year	(25,500)	(56,500)
Charity reversed during the year	(21,639)	–
Closing balance	8,823	46,615
Charity was paid to the following institutions:		
The Patients' Bahbood Society for Aga Khan University Hospital	1,000	1,000
Al-Khidmat Foundation Pakistan	2,000	2,000
Arthritis Care Centre	1,000	2,000
Aziz Jehan Begum Trust for the Blind	1,000	3,000
Chiniot Anjuman Islamia	–	1,000
Chiniot Blood Bank and Dialysis Centre	–	1,000
Family Welfare Society	1,000	3,000
Fatimid Foundation	–	3,000
Indus Hospital	2,000	5,000
Infaq Memorial Trust	1,000	3,000
Layton Rehmatullah Benevolent Trust	–	4,000
Mind Organization	500	2,000
Pink Ribbon	–	2,000
Saleem Memorial Trust Hospital	3,500	6,000
Saylani Welfare Trust	2,000	2,000
Shaukat Khanam Memorial Cancer Hospital and Research Centre	1,000	3,000
Sindh Institute of Urology & Transplantation	2,000	3,000
The Citizens Foundation	1,000	4,000
Jahandad Society for Community Development	–	1,500
The Lahore Hospital Welfare Society	500	2,000
Al - Mustafa Welfare Society	–	500
Frontier Foundation blood transfusion Centre	–	500
The Hunar Foundation	2,000	–
Alamgir Welfare Trust International	2,000	–
Institute of Business Administration (Center of Excellence in Islamic Finance)	2,000	–
Zubaida Medical Center	–	1,000
Mofad e Amma Chiniot Sheikh Association	–	1,000
	25,500	56,500

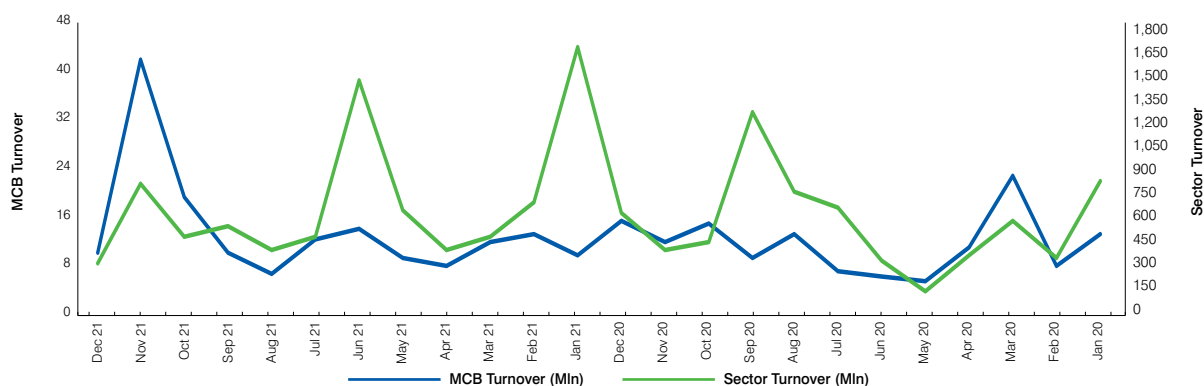
	2021	2020
	(Rupees in '000)	
In addition to the above charity, detail of donation by the Bank is given below:		
Murshid Hospital & Health Care Centre	100	–
Saleem Memorial Trust Hospital	–	95,000
Specialized Healthcare and Medical Education Department, Government of Punjab - (COVID 19 relief)	–	9,996
Jahandad Society For Community Development	1,500	5,000
Nigahban Welfare Association	5,000	–
Ambulance donation to Sadiq Public School	1,565	–
District Administration Lahore - (COVID 19 relief)	–	2,600
	8,165	112,596

Market Statistics of MCB Share

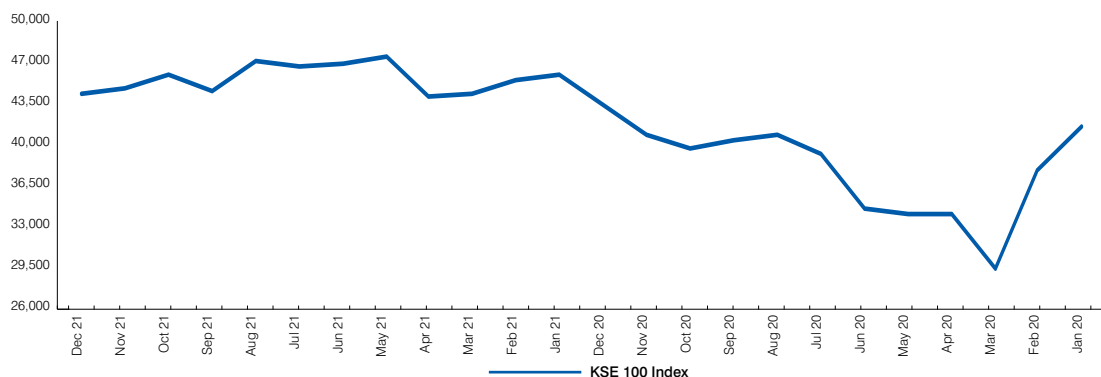
	Share Prices			Free Float		Market Capitalisation	
	MCB Scrip (Rs.)			Share ('000s)	%	Capital (Mln)	Value (Mln)
2021	High	Low	Closing				
December 31, 2021	166.00	146.00	153.35	394,337	33.28%	11,851	181,729
September 30, 2021	169.00	148.10	150.69	395,526	33.38%	11,851	178,577
June 30, 2021	175.95	150.00	159.83	396,905	33.49%	11,851	189,408
March 31, 2021	202.40	164.00	172.15	403,360	34.04%	11,851	204,008

2020							
December 31, 2020	186.22	164.12	185.28	401,668	33.89%	11,851	219,568
September 30, 2020	183.29	160.33	173.82	402,073	33.93%	11,851	205,987
June 30, 2020	166.42	146.13	162.07	402,267	33.94%	11,851	192,063
March 31, 2020	224.53	132.89	149.28	401,560	33.89%	11,851	176,906

Dividend and Bonus	2021		2020	
	Mln	%	Mln	%
Final cash dividend	5,925	50	17,775	150
3rd interim dividend	5,333	45	-	-
2nd interim dividend	5,925	50	-	-
1st interim dividend	5,333	45	5,925	50



KSE 100 Index



Share Price Sensitivity Analysis

Factors that can influence the share price of MCB Bank Limited are given below:

Discount rate / Monetary Policy

Based on different assessment parameters, the State Bank of Pakistan can change the monetary policy rate. Any volatility in the interest rates might impact revenue and profitability of the Bank.

Minimum Rate of Return on Deposits/Regulatory Risk

Any upward revision in the minimum deposit rate will result in compression in net interest margins earned due to increased cost of deposits. Such revision can negatively impact the earning and correspondingly the share price of the scrip.

Inflation

Inflation is considered as a key determinant for policy rate change. Any uptick in the inflation statistics will have a corresponding impact on the monetary policy rate. With higher discount rates, the Banks will be able to invest in high yielding investments, thus resulting in increased profitability. This, in turn will have a positive impact on the share price.

Political Stability & Law and order situation

Political stability and controlled law & order situation is a pre-requisite for any economic development. This in turn reposes investor confidence in the soils of Pakistan, making our corporates a potential investment opportunity. However, any act of terrorism or political instability can negatively impact the equity market and share prices of traded stocks.

Sensitivity Analysis of Change in Market Capitalization

Share Price as of December 31, 2021

Rs. 153.35

Market Capitalization as of December 31, 2021

Rs. 181,729 Million

Change in Share Price by

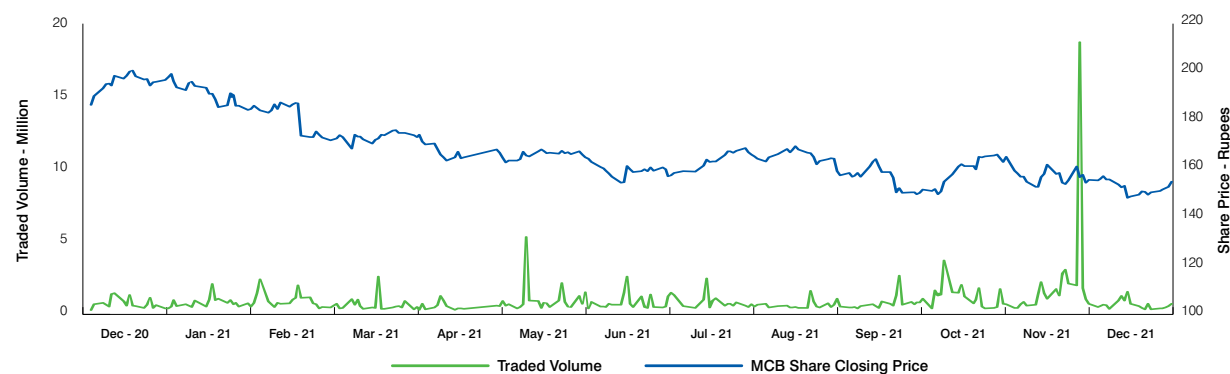
Change in Market Capitalization

+10%

Rs. 18,173 Million

-10%

Rs. (18,173) Million



Other Information

Forced Sales Value in case of Revaluation of Property, Plant & Equipment

The Bank engages professionally qualified and independent valuers, with sufficient regularity, for carrying out revaluation of its land and buildings in order to ensure that their net carrying amounts do not differ materially from their fair value.

The latest of such exercises was conducted as at December 31, 2019, wherein an additional revaluation surplus of Rs. 7,290.966 million was recognized against land and buildings. The total market value and FSV of these land and buildings stood at Rs. 43,552.234 million and Rs. 34,841.787 million respectively.

Particulars of Significant/Material Assets and Immovable Property

MCB has sustained a strategic focus on strengthening its network, through branch expansion plan, in order to improve market coverage through increased customer touchpoints and widen the outreach of its service offerings; while simultaneously contributing towards the SBP's objective of expanding financial inclusion in the underbanked and unbanked segments of the society.

The Bank's network, as at December 31, 2021, extends across more than 1,450 branches and offices. Of these, 311 premises are owned by the Bank and represent a material infrastructural investment of Rs. 44.349 billion towards immovable properties (87% of total investment in Property and Equipment).

Dividend Declaration and Future Prospects of Dividend:

MCB remains on forefront of providing highest dividend per share in the financial sector with quarterly payouts. For the year 2021, the Board of Directors have declared a final cash dividend of Rs. 5.0 per share which is in addition to Rs. 14.0 per share interim dividends already paid to the shareholders; taking the dividend payout ratio for the year to 73%.

Dividend payout is expected for the year 2022 as the Bank manages this from the profitability generated while ensuring that sufficient capital buffers are available with the institution to meet regulatory requirements. Future prospects on the Bank's performance have been covered within the "Forward Looking" section of the Annual Report.

Outstanding & Overdue Payments on account of Taxes, Duties, Levies etc:

The Bank is a regular and timely payer of taxes, duties, levies etc. and there are no outstanding or overdue payments in regards thereof.

Management's Assessment of Sufficiency of Tax

The Bank maintains sufficient provision for taxation as required under the accounting standards and the relevant regulations. Contingencies with respect to the direct or indirect taxation have been disclosed in the Note 24 to these financial statements. Based on the comparisons of tax provision recognized in the financial statements for last three years vis-a-vis tax assessments, the management assesses that the provision of taxation maintained had been sufficient for its purposes.

Particulars of Loans/Advances and Investments in Foreign Companies or Undertakings

The Bank's overseas branches in Bahrain, UAE and Sri Lanka invest and lend to companies and undertakings operating in their respective jurisdictions. Details are given in note 42 of unconsolidated finance statements. Further the Bank hold 99.94% shareholding in MCB Non-Bank Credit Organization "Closed Joint Stock Company" Azerbaijan.

Disclosures beyond BCR Criteria:

Over the recent years, there have been significant developments in the corporate reporting domain, particularly in relation to the amount of details included in the entities' annual reports, as well as the importance ascribed by users to the information beyond the audited financial statements and the auditor's report thereon.

There has been an evolution in the manner in which entities disseminate and communicate information to their stakeholders as users attach increasingly greater importance to supplementary information and look for better ways to inform their analysis and confirm understanding of more complex areas in the financial statements.

Considering this emerging necessity, MCB strives to go beyond the realm of essential reporting requirements in order to disclose all relevant information that facilitates the stakeholders in understanding various aspects of the Bank's operational and financial performance. Following is the list disclosures that have been made in addition to the BCR criteria:

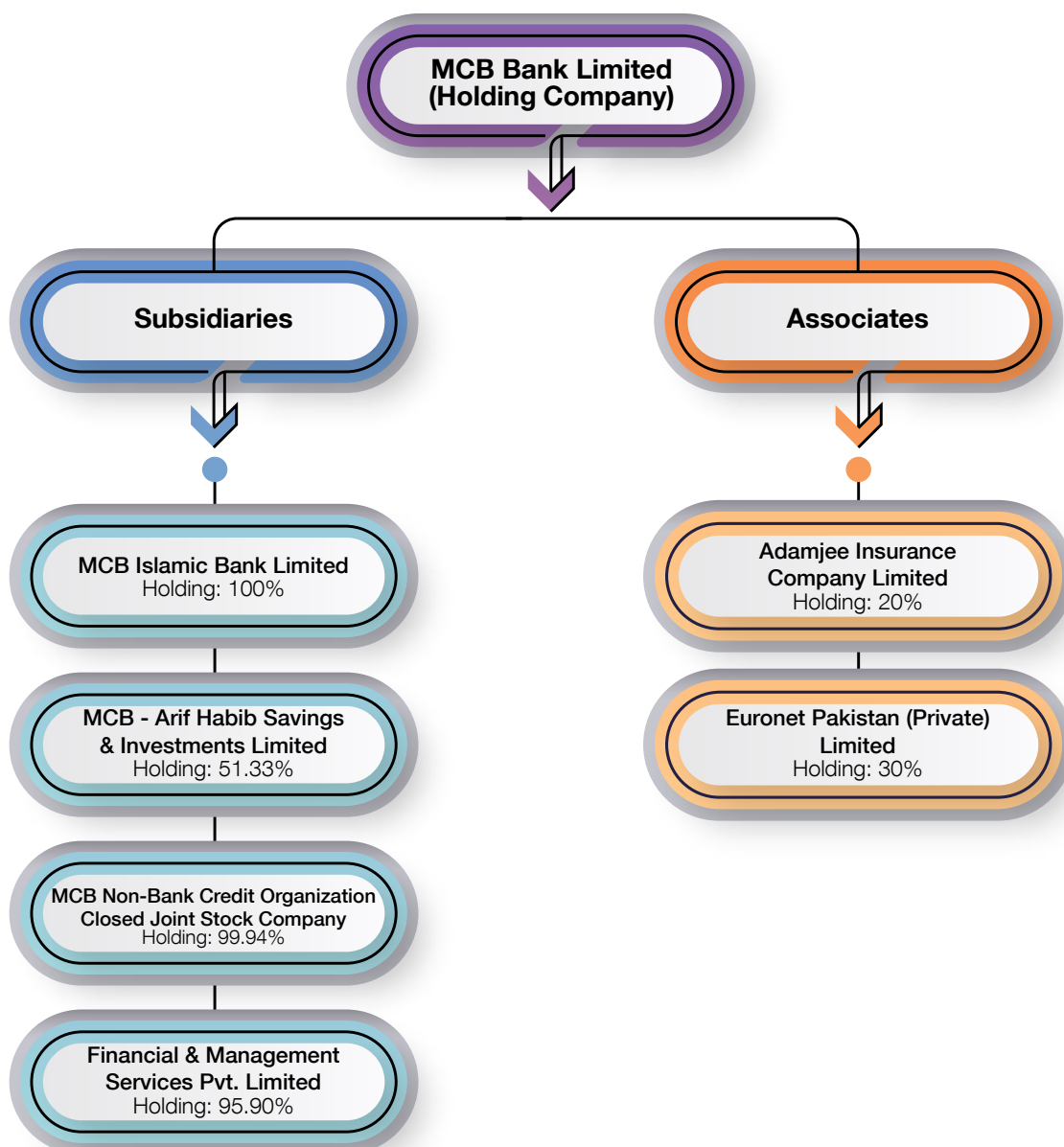
- President/CEO review
- Key interest bearing Assets and Liabilities
- Group-wise Advances and Deposits
- Quarterly Performance Analysis
- Six Years' – Non Financial Performance 2016-2021
- Six Years summary of operating expenses

- Six Years summary of markup and non-markup income
- Statement on Internal Controls
- Groups' Performance Reviews
- Detail of Management Committees & Other Senior Management
- Green Banking
- Staff Compensation/Remuneration Policy
- Statement of Charity & Donations
- Investor Awareness through Jama Punji Initiative by the Securities & Exchange Commission of Pakistan

President's Review

The President/CEO's video message on the Bank's business performance and strategy is available at: <https://www.mcb.com.pk/investor-relations/ceo-message>

Group Structure



BCR Criteria Mapping

S. No	BCR criteria	Page No.
1	ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT	
1.01	Principal business activities and markets local and international including key brands, products and services.	28-41, 155-167
1.02	Geographical location and address of all business units including sales units and plants.	43, 441-443
1.03	Mission, vision, code of conduct, culture, ethics and values.	8, 217-220
1.04	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates. Also name and country of origin of the holding company/subsidiary company, if such companies are a foreign company.	61,115, 444-447
1.05	Organization chart indicating functional and administrative reporting, presented with legends.	55
1.06	Identification of the key elements of the business model of the company through simple diagram supported by a clear explanation of the relevance of those elements to the organization. (The key elements of business model are Inputs, Business activities, Outputs and Outcomes).	133
1.07	Key quantitative information (Number of persons employed as on the date of financial statements and average number of employees during the year, separately disclosing factory employees).	92
1.08	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain. (This disclosure shall be provided by the companies in service and non-service sector organizations through graphical presentation).	135
1.09	Significant factors effecting the external environment and the associated organization's response (external environment includes commercial, political, economic, social, technological, environmental and legal environment). Also describe the effect of seasonality on business in terms of production and sales.	141-145
1.10	Significant changes from prior years (regarding the information disclosed in this section).	187
1.11	Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.	139
1.12	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry).	136
2	STRATEGY AND RESOURCE ALLOCATION	
2.01	Short, medium and long term strategic objectives.	126
2.02	Strategies in place or intended to be implemented to achieve those strategic objectives.	127
2.03	"Resource allocation plans to implement the strategy and financial capital structure. (Resource mean CAPITALS including financial capital (e.g. liquidity, cash flows, financing arrangements); human capital, manufactured capital (e.g. building, equipment, infrastructure); intellectual capital (e.g. patents, copyrights, software, licenses, knowledge, system, procedures); social and relationship capital and natural capital)."	129-130
2.04	The effect of technological change, societal issues such as (population and demographic changes, human rights, health, poverty, collective values and educational systems), environmental challenges, such as climate change, the loss of ecosystems, and resource shortages, on the company strategy and resource allocation.	130-131
2.05	Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues.	132
2.06	Key performance indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	128-129
2.07	Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.	132
2.08	Significant plans and decisions such as corporate restructuring, business expansion and discontinuance of operations etc.	132
2.09	Significant changes in objectives and strategies from prior years.	132
3	RISKS AND OPPORTUNITIES	
3.01	Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term.	141-146

S. No	BCR criteria	Page No.
3.02	Description of the Risk Management Framework including risk management methodology.	137-139
3.03	Sources of risks and opportunities (internal and external).	141-146
3.04	The initiatives taken by the company in promoting and enabling innovation.	131
3.05	Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does.	142-145
3.06	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	141-146
3.07	Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.	137-139
3.08	A statement from the board of directors that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity.	142
3.09	Inadequacy in the capital structure and plans to address such inadequacy.	147
4	GOVERNANCE	
4.01	Board composition:	43-53, 167
	a) Leadership structure of those charged with governance.	
	b) Name of independent directors indicating justification for their independence.	
	c) Profile of each director including education, experience and involvement / engagement of in other entities as CEO, Director, CFO or Trustee etc.	
4.02	Review Report by the Chairman of the company on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	63
4.03	A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	179-180
4.04	Shariah Advisor Report and Profile of the Shariah Advisor / Members' of the Shariah Board.	190-197
4.05	Annual evaluation of performance, along with description of criteria used for the members of the board and its committees, CEO and the Chairman.	178-179
4.06	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	177-178
4.07	Details of formal orientation courses for directors.	179
4.08	Directors' Training Program (DTP) attended by directors, female executive and head of department from the institutes approved by the SECP and names of those who availed exemptions during the year.	179
4.09	Description of external oversight of various functions like systems audit / internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	182
4.10	a) Policy for remuneration to non-executive directors including independent directors. b) Policy of retention of board fee by the executive director earned by him against his services as non-executive director in other companies.	179
4.11	Policy for security clearance of foreign directors.	182
4.12	How the organization's implemented governance practices exceeding legal requirements.	180
4.13	Board's policy on diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	182
4.14	No. of companies in which the executive director of the reporting organization is serving as non-executive director.	169-170
4.15	a) Names of related parties in Pakistan and outside Pakistan, with whom the company had entered into transactions or had agreements and / or arrangements in place during the financial year, along with the basis of relationship describing common directorship and percentage of shareholding.	183, 293-295, 445, 447
	b) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement.	
	c) Approved policy for related party transactions including policy for disclosure of interest by directors in this regard.	

S. No	BCR criteria	Page No.
4.16	Details of board meetings held outside Pakistan during the year.	167
4.17	Disclosure of policy for actual and perceived conflicts of interest relating to members of the board of directors and a disclosure that how such a conflict is managed and monitored.	183-184
4.18	Investors' grievance policy.	184
4.19	Policy for safety records of the company.	185
4.20	Disclosure of IT Governance Policy.	189
4.21	Disclosure of Whistle blowing policy established to receive, handle complains in a fair and transparent manner and providing protection to the complainant against victimization, and disclosure of the number of such incidences reported to the Audit Committee during the year.	186-187
4.22	Human resource management policies including preparation of a succession plan.	184-185
4.23	Social and environmental responsibility policy.	185-186
4.24	Review by the board of the organization's business continuity plan or disaster recovery plan.	186
4.25	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	55, 115
4.26	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	222-223
4.27	A brief description about role of the Chairman and the CEO.	181-182
4.28	Shares held by Sponsors / Directors / Executives.	444-447
4.29	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	168-169, 171-176
4.30	Timely Communication Date of authorization of financial statements by the board of directors: within 40 days ---6 marks within 60 days ---3 marks (Entities requiring approval from a Regulator before finalization of their Financial Statements would be provided a 20 days relaxation, on providing evidence to the Committee).	Results Communicated on: February 10, 2022
4.31	Audit Committee Report should describe the work of the committee in discharging its responsibilities. The report should include: a) Composition of the committee with at least one member qualified as "financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee. b) Role of the committee in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed with details where particular attention was paid in this regard. c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure. d) Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance. e) 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 recommended instituting remedial and mitigating measures. f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded. g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported. h) The Audit Committee's views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the company's position and performance, business model and strategy. i) Results of the self-evaluation of the Audit Committee carried out of its own performance.	226-227
4.32	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.	187
4.33	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, it should be disclosed if it has any other connection with the company.	177-178

S. No	BCR criteria	Page No.
4.34	Chairman's significant commitments and any changes thereto.	187
4.35	Disclosure about the Government of Pakistan policies related to company's business/ sector in Directors' Report and their impact on the company business and performance.	148
4.36	Pandemic Recovery Plan by the management and policy statement.	188
5	PERFORMANCE AND POSITION	
5.01	Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between: (a) Past and current performance; and (b) Performance against targets /budget (c) Objectives to assess stewardship of management. The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits. Note: Analysis of non-financial performance shall be presented for material non-financial KPIs relevant for the business and stakeholders around other forms of capitals as mentioned under International Integrated Reporting Framework <IR>, i.e. human capital, manufactured capital, intellectual capital, social and relationship capital and natural capital. Inspiration can also be taken from the Specific Standard Disclosures of G4 Guidelines of the Global Reporting Initiative (GRI) for measurement and reporting on non-financial KPIs.	78-81
5.02	Analysis of financial statements: a) Financial Ratios (Refer Annexure 'I') b) DuPont Analysis c) Free Cash Flow d) Economic Value Added (EVA)	90,91 99 100 104
5.03	Combined analysis both vertical and horizontal of the Balance Sheet and Profit and Loss Account for last 6 years.	105-108
5.04	Summary of Cash Flow Statement for last 6 years.	100
5.05	Graphical presentation of the Balance Sheet, Profit & Loss Account and analysis in 5.02, 5.03 and 5.04 above.	76,96,97,98
5.06	Explanation of negative change in the performance against prior year including analysis of variation in results reported in interim reports with the final accounts, including comments on the results disclosed as per 5.02, 5.03 and 5.04 above.	79,90-96
5.07	Information about defaults in payment of any debts and reasons thereof period.	146
5.08	Methods and assumptions used in compiling the indicators.	127
5.09	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	101
5.10	Segmental review of business performance.	109-110
5.11	Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning.	113
5.12	History of major events during the year.	124-125
5.13	Business rationale of major capital expenditure /projects during the year and for those planned for next year.	104
5.14	Brief description and reasons; a) For not declaring dividend despite earning profits and future prospects of dividend. b) Where any payment on account of taxes, duties, levies etc. is overdue or outstanding.	114
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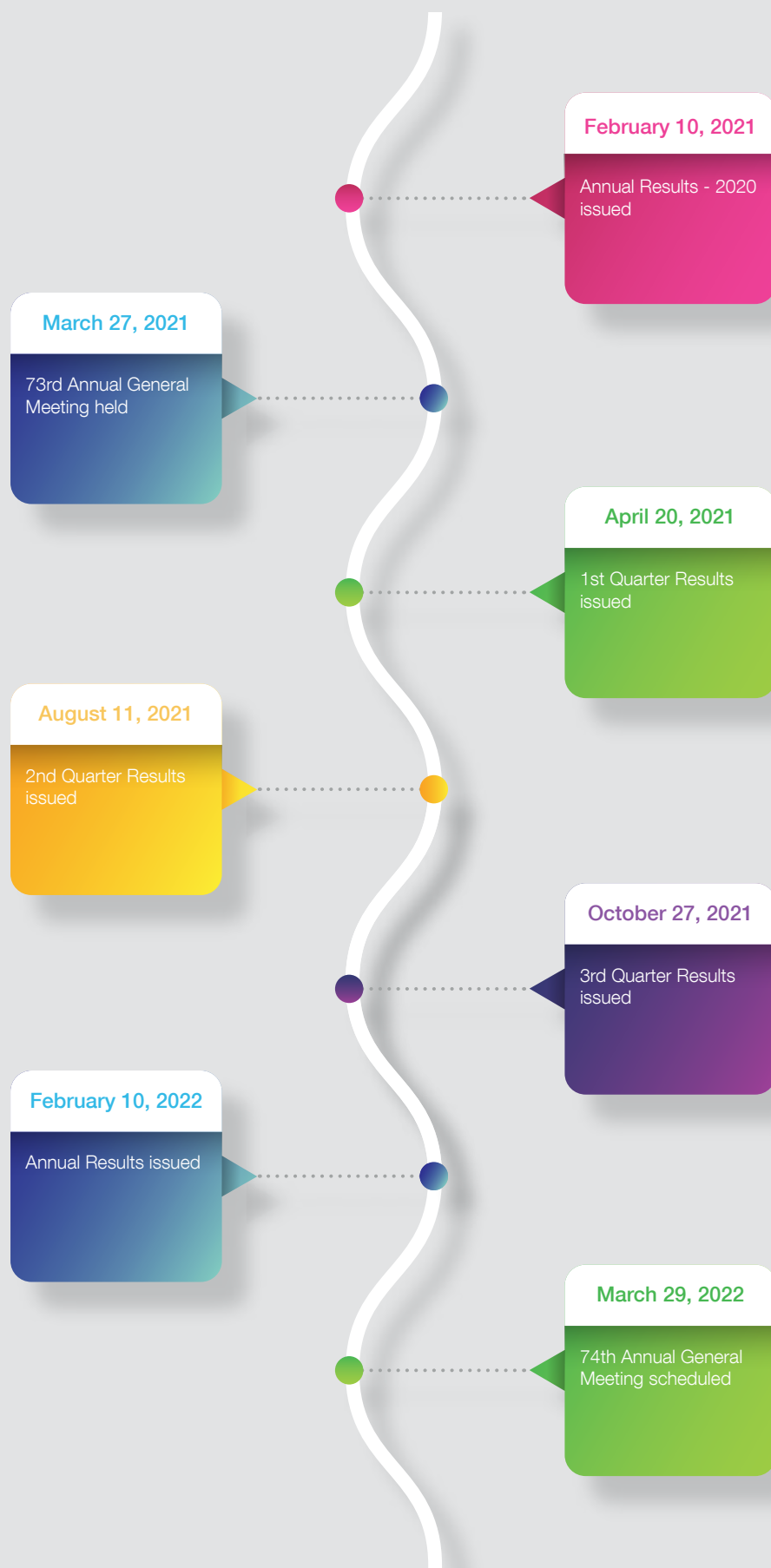
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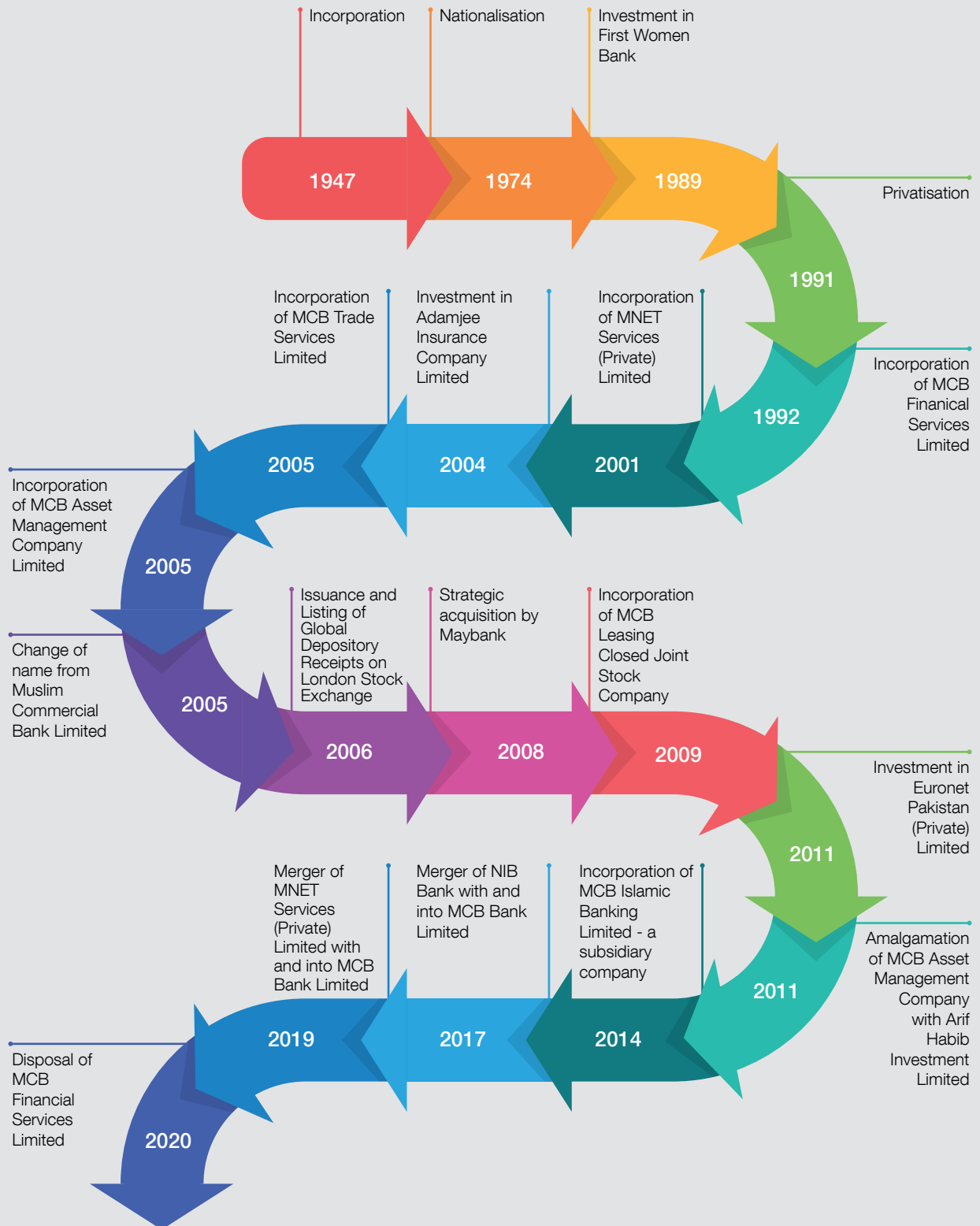
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16	Treasury shares in respect of issued share capital of a company.	Not Applicable
17	In describing legal proceedings, under any court, agency or government authority, whether local or foreign, include name of the court, agency or authority in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis of the proceeding and the relief sought.	Not Applicable
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23	Where any property or asset acquired with the funds of the company and is not held in the name of the company or is not in the possession and control of the company, this fact along with reasons for the property or asset not being in the name of or possession or control of the company shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed.	261,262
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MCB Calendar of Major Events



Historical Major Events



Strategic & Resource Allocation

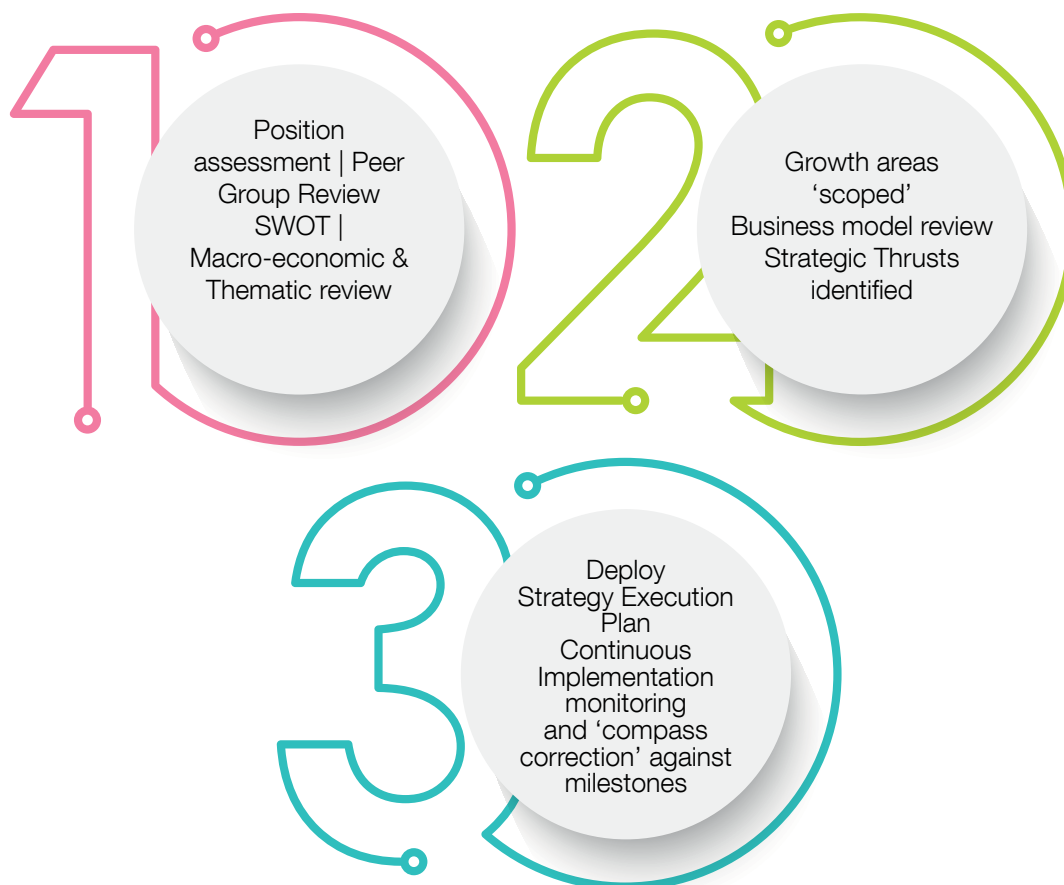
Execution of a well-defined strategy has been the key pillar for our growth momentum over the last many years. Our strategy broadly covers what we want to achieve in the short and long run duly focusing on the challenges posed by the macroeconomic imbalances;

Strategic Objectives

Short, medium and long term objectives of the Bank to meet its mission statements are as follows:

Short term	• Increase focus on digitalization and automation of processes to enhance efficiency, reduce cost and improve customer satisfaction and improve risk/ compliance standards; • To ensure quality asset retention with measures to constantly decrease the NPLs base of the Bank; • Consistent improvement in service quality standards; • To increase the current account concentration levels of the institution by capitalizing on the opportunities presented.
Medium term	• To be a top stakeholder value generator in Pakistan's banking sector while remaining a socio-environmentally conscious citizen; • The Bank aims to increase its share in the domestic deposit pie; • To maintain a strong capital base
Long term	• Delivering remarkable returns to stakeholders, sustainable performance exceeding market and shareholder expectations; • Providing value added services through operational expansion, geography and upgraded system; • Building a corporate culture of equality, trust and team spirit as we remain dedicated to being a socially responsible organization

For strategy formulation, the Bank follows a structured approach to map itself in the industry / operating environment through detailed competitive position assessment, peer group analysis and macro-economic & thematic reviews; in turn laying the foundation for its future road map.



Strategies in place

From customer service standpoint, special focus remains on improving our service quality and service standards levels. We will integrate service standards across all the channels and outlets in the network to provide a uniform customer experience.

We will endeavor to meet expectations of our valued customer base. Another important aspect remains credit quality and our refined risk appetite. We will thereby give value to our customers across the entire spectrum of retail, corporate and SME while improving our asset quality.

Under the Corporate plan, we also intend to expand our geographical boundaries by being open to potential new business models, innovative processes and delivery channels, enabling provision of 24x7 customer services.

Today, technology is a major component of the competitive edge of any bank. With millennial being an increasing percentage of our customer base, we have to cater to their expectations and it requires leveraging cutting edge technology. The other side of the coin however, is that technology brings risks with it. We will go the extra mile, to ensure our assets and those of our customers are secure and sensitive information is protected.

To ensure efficient and effective operation of the Bank we need systems and processes that operate seamlessly. This is another focus area where we will concentrate on identifying pain points and gaps, and make the necessary modifications.

To safeguard the financial stability and the reputation of the Bank, good governance and ethical conduct are imperative. While we already have high standards in these areas, we have set our benchmarks as the best in class practices in the country. We will renew and re-energize our focus on sustainability by ensuring that we continue to maintain a judicious balance between economic, social and environmental objectives.

The end result of all the above will be the enhancement of our brand. The brand is a mirror of our image in the eyes of our customers, both legacy and millennials, and the general public. Through the strategies spelt out in our corporate plan we will forge ahead, building our brand, increasing our assets and profitability, while delivering increasing value to all our stakeholders.

Method and Assumptions in Compiling Indicators

The Bank identifies its indicators which effectively reflect Bank's performance.

The bank analyses its market positioning, competitors and general market conditions while compiling its indicators. The Bank analyses deposits, advances, capital and risk adequacy ratios, gross profit after tax and EPS on a regular basis to gauge its performance. These are the basic indicators of Bank's financial performance and profitability.

Market price is a measure of Bank's perception in the market. The difference between book value and market value shows investor's confidence on the script.

The Bank manages its dividend payout in line with the profitability generated during the year while ensuring that sufficient capital buffers are available with the institution to meet regulatory requirements. Dividend is the amount allocated out of profit for paying cash to the shareholders. The dividend payment is an indicator of how well earnings support the dividends. The Bank takes its decisions of cash or stock dividend based on market conditions, share price and governing laws and regulations.

Comparing cash flow from operating activities with profit before tax can give insights into how a Bank generates funds and manage the cash flows. The bank regularly analyses its cash flows and strives to keep it on positive side.

Change in Indicators and Performance Measures

Key performance indicators (KPIs) provide understanding of the Bank's performance in key areas. These indicators are used as a gauge to analyze current standing of the Bank and likely path the Bank would follow.

MCB has identified KPIs that are critical to its business. While identifying KPIs, the Bank analyzed various indicators, their interpretations and accordingly the extent to which they may correctly and clearly communicate the Bank's performance.

Change in important indicators is discussed in performance and position section of the Annual Report.

Key performance indicators to measure the objectives are as follows:

Strategic objectives	Strategies for Meeting Objectives	KPI	Future relevance
Increase focus on digitalization and automation of process to enhance efficiency, reduce cost and improve customer satisfaction and improve risk and compliance standards.	Centralization and monitoring of operating expenses to restrain them within conventional limits. Work on automation of existing manual systems. Gradual investment on unified digital platform for an overwhelming customer experience. Manage Information security risks through development, documentation and implementation of policies, standards, procedures and guidelines that ensure confidentiality and integrity of sensitive information.	Effective and efficient cost control while investing for growth	The KPI will remain relevant in the future.
To ensure quality asset retention with measures to constantly decrease the NPLs base of the Bank.	Increased focus on quality asset growth while maintaining low infection ratio by continuously striving to manage risk through an augmented framework of sound risk principles; to be reinforced by optimum organizational structures, robust risk assessment models and effective monitoring systems in an automated environment. Focus on recoveries of existing NPL stock.	Asset Quality	The KPI will remain relevant in the future.
To maintain a strong capital base	Healthy equity leading to maintain strong capital adequacy ratios.	Capital ratios	The KPI will remain relevant in the future.
The Bank aims to increase its share in the domestic deposit pie; and To increase the current account concentration levels of the institution by capitalizing on the opportunities presented	Expansion/Increase in deposit base through new products and markets thereby increasing customer base beyond the prevalent organic growth. Increased focus on current account growth.	Deposit generation growth and mix	The KPI will remain relevant in the future.
Delivering remarkable returns to stakeholders, sustainable performance exceeding market and shareholder expectations.	Higher profitability to pay higher returns to shareholders.	Shareholder return	Shareholder return
Providing value added services through operational expansion, geography and upgraded system.	Lead market position through focused initiatives encompassing launch of innovative and customer centric solutions, penetration of emerging markets, adoption of digital banking avenues and instilling effective cost management techniques. Rationalize & optimize usage of existing branch network and network strengthening through branch expansion plan. Service portfolio enhancement of all digital products / channels i.e. call center, internet banking, mobile banking, mobile wallet, SMS alerts, E-statement, ATMs and Debit Cards to increase non markup income. Integrate service standards across all the channels and outlets in the network to provide a uniform customer experience.	Improved services; broad-based increase in customer satisfaction across markets and segments	The KPI will remain relevant in the future.

Strategic objectives	Strategies for Meeting Objectives	KPI	Future relevance
Building a corporate culture of equality, trust and team spirit as we remain dedicated to being a socially responsible organization.	Improve governance structure and update existing policies as per industry dynamics. Maintain employee engagement levels and provide opportunities for internal mobility to enhance professional and personal growth Generate economic activity through sustainable focused initiatives.	Corporate culture	The KPI will remain relevant in the future.
To be a top stakeholder value generator in Pakistan's banking sector while remaining a socio-environmentally conscious citizen.	Generate higher profitability to pay higher returns to the shareholders. Introduce socio environmental activities such as green banking to improve the brand name.	Corporate social responsibility	The KPI will remain relevant in the future.

Resource Allocation Plan

The inputs to the Bank's business processes are capitals, or stores of value, in various forms. Of these capitals, financial, manufactured and intellectual capitals are internal capitals owned by the Bank. The others, human, social, relationship and natural are external to the Bank.

Bank has resources to meet its strategic objectives. The Bank utilizes and enhances its resources to differentiate itself and maximize value creation for its stakeholders in the long run. A transitory resource allocation plan is as follows:

Nature of capital	Resource allocation plan
Human Capital <i>An agile and engaged workforce enables MCB to be nimble and react quickly to opportunities</i>	• Redeploy human capital to enhance productivity through segmentation; • Undertake human capital capacity enhancement and capability building by focusing on trainings, talent management and talent retention; • Onboard versatile human resource that can multi task easily.
Manufactured Capital <i>MCB's best-in-class technology and physical infrastructure allow it to be resilient.</i>	• Branch layout improvement and widening of branch and ATM network; • Re-align the business model through segmentation to increase the customer base.
Financial Capital <i>MCB's strong capital base and diversified funding sources allow it to support customers through good and bad times, and enables it to provide banking solutions competitively.</i>	• Investment on process automation and IT network improvements; • Invest on infrastructure including buildings and equipment; • Invest in good quality asset base with high yield.
Natural Capital <i>MCB impacts the natural environment directly in its operations, as well as indirectly through its customers and suppliers.</i>	• Introduce green building concept to branch network by introducing paperless environment and install solar energy equipment in branches; • Increase financing to renewable energy projects. • Solar project deployments across network for energy generation;
Intellectual Capital <i>MCB's key intellectual capital pertains to how it continuously re-engineers its business processes and invests in technological transformation to lead into the digital age.</i>	• Reengineering of processes to capture synergies and customer satisfaction; • Improvement in governance culture by utilizing over 74 years of institutionalized knowledge; • Introduce new products as per customer needs.

Nature of capital	Resource allocation plan
Social and Relationship Capital <i>At MCB, customers are at the heart of business; enabling it to differentiate itself in the industry while also building lasting relationships to deepen wallet share.</i> <i>The Bank also recognizes that not all returns can monetized and its license to operate comes from the society at large</i>	- Invest in a series of initiatives that enhance collaboration and ongoing dialogue with our customers; - Enhance brand image through public awareness campaigns.

Key Factors Impacting Strategy and Resource Allocation

Factor	Effect on Bank's Strategy & Resource Allocation	Bank Response to Align its Strategy & Resource allocation
Technological Innovation and Evolving Consumer Behavior	Technological innovation is having a profound impact on customer needs and habits, Bank's business model, and the lives of its employees. New market players, such as startups and FinTechs, are disrupting the status quo and contributing to a reshaped competitive landscape that is generating challenges amidst newer ways of collaboration and innovation.	At MCB, the focus on adopting emerging technologies by continuous upgrade of its infrastructure and leveraging market research through intelligent analytics is a powerful driver of innovation and prevents the Bank from losing its market relevance. The Bank also supports its employees so they can acquire new skills or fine tune existing ones thus continuing to contribute to the Bank's digital and agile mission. Refer to the Group Review section of the Annual report and below section on Initiative towards promoting and enabling innovation for further details
Societal Outlook	An ever growing impact of corporates on the society at large is creating a moral obligation on businesses to play an active role in adeptly responding to a myriad of social issues when conducting its operations; including society's expectations on ethics, compliance, respect for human rights, diversity, etc.	MCB prides itself in conducting its affairs in a fair and responsible manner. This includes: - advancing Government's financial inclusion agenda; - taking a proactive stance to protect our customers' information and preventing financial crime; - developing innovative and best-fit financing and investment solutions for customers that enable them in turn to make positive impact choices; - providing an inclusive work environment for its employees; - responsibly & actively contributing to Governments key pandemic responses and digitalization initiatives ; and - ensuring seamless and uninterrupted provision of essential banking services to the general public at large. Refer to Group Review and Sustainability & Corporate Social Responsibility section of the Annual report for further details.

Factor	Effect on Bank's Strategy & Resource Allocation	Bank Response to Align its Strategy & Resource allocation
Climate and Ecosystem Changes	Climate change poses an increasing threat to mankind and the global economy. Transitioning to a low-carbon economy may entail extensive policy, legal, technology and market changes. Physical risks such as frequent or severe weather events may also give rise to credit, operational and reputational risks	MCB has incorporated responsible financing in its lending practices by capitalizing on its extensive environmental risk management framework. The Bank endeavors to support customers' transition towards more sustainable lowcarbon business models and improve customers' access to ESG investments. Refer to Group Review and Sustainability & Corporate Social Responsibility section of the Annual report for further details.

Initiative towards Promoting and Enabling Innovation

MCB's "Mission Statement" embraces and encapsulates its commitment for providing innovative and efficient financial solutions to create and nurture long term relationships with its wide range of customers. The policy focus has in turn laid the foundation for a corporate culture that fosters and encourages organizational growth through promoting, enabling and driving innovation across the tiers.

At MCB, we continue to emphasize on both strategy about exploring innovative ways to stay connected with our customers and investing into robust alternative online channels to accelerate rollout of digital engagement initiatives for driving digital user activation, transactions, digital sales acquisition and digital sales enablement; hence remaining agile and adaptive to the new "normal" amidst the evolving operating scenario and reshaping of customer behaviors.

The Bank also continues to drive adoption and pervasiveness of core systems with a focus on improving frontline capability. Automation, especially across back-office operations, remains a critical component to improve our end-to-end capabilities, while also enabling us to meet our green banking objectives in lower paper consumption.

Human Resource Accounting Policy

At MCB Bank, Human Resource Accounting (HRA) encapsulates accounting of the bank's management and employees as 'human assets' or 'capital' that provides future benefits, rather than them being considered as an expense which is what comprises a typical approach under traditional human resource accounting.

The Bank has progressed forward to ensure that the people aspect of its business focuses on improving the standards and proficiency of employee skills and retaining talent for succession planning and expansion into new domains; thus generating greater contribution and improving returns through implementation of higher investment, efficiency and resource productivity initiatives. In fact, HRA has allowed the Bank to keep track of investments it is making in its human resources, and the specific returns it is generating from these investments, thus fostering a virtuous cycle of growth and returns.

The Bank leverages its HRA strategically to drive positive change in its human resources, which comprises the most vital assets of the bank. Over time, through insights from its HRA, the Bank has been able to strategically reposition its human resources to face the rapid changes in the banking and financial services sector, especially now when digital banking is gaining fast credence. At the Bank, we have not only ensured that the skills and capabilities of our human resources are aligned to the times, but have also made sure that the bank always remains in a position of deep strength through its people resources, notwithstanding the challenges prevalent in the external environment.

Refer to the "Sustainability & Corporate Social Responsibility", "Group Review" and "Analyses of Non-Financial Performance" section of the annual report.

Strategy to Maintain and Monitor the Culture of Organization

Fostering a culture supportive of MCB's growth journey is a critical component of its transformation process. As the Bank strives towards becoming a more customer centric, innovative and an employee friendly Bank for the future, its strategic plan paves the road map while laying the foundation for guiding values that shall support a more results oriented, open, caring and inclusive culture.

Key Steps for Addressing Integrity and Ethical Issues

- Ensuring that all members of the organization understand that they have a responsibility to promote integrity.
- Conducting systemic integrity risk assessments on an ongoing basis.
- Facilitating open communication about integrity-related issues; recognizing and rewarding ethical conduct.
- Providing a mechanism for members to consult about integrity related issues.
- Ensuring that performance management systems are in alignment with the organization's ethical goals.
- Providing ongoing training for integrity-related practices.

Strategy to overcome liquidity problem

Bank carries a substantial portfolio of marketable securities that can be easily traded and realized in known amounts of cash in the event of liquidity stress. Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio are well over and above the regulatory requirement.

The Bank maintains strong liquidity position which is regularly monitored by the respective units. The liquidity ratios indicate the strong liquidity position of the institution. Liquidity position of the bank is discussed in the risk management section of the financial statements.

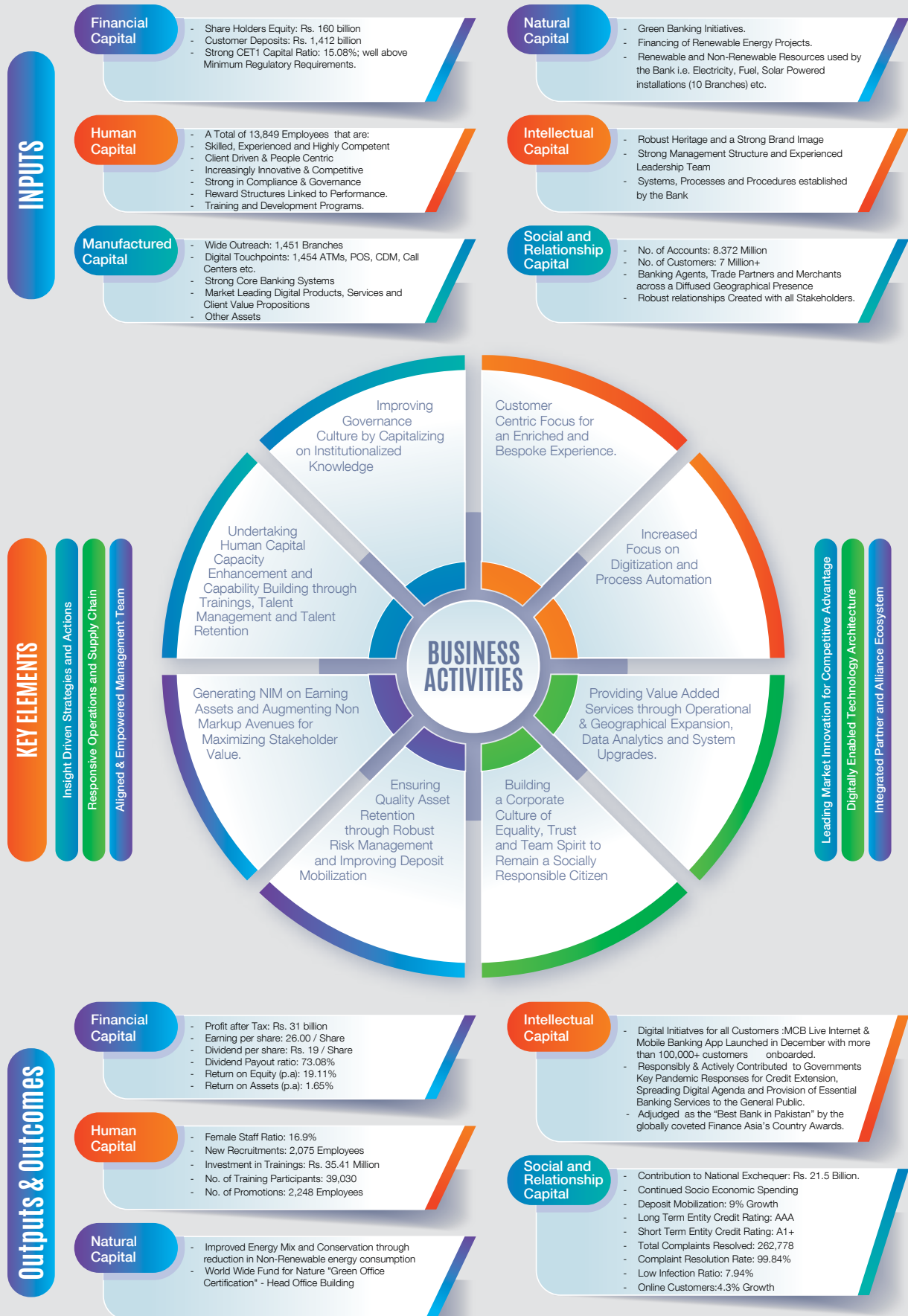
Significant Plans and Decisions

There are no significant events to report for the year.

Significant changes in objectives and strategies

MCB Bank objectives & strategies are well planned and are persistently implemented. No significant change occurred during the year to affect the objective and business strategies.

Business Model



SWOT Analysis



Strengths

Strong Financial Position and Profitability.
 Strong Capital Base
 Highest CASA ratio (>90%) in the Industry
 2nd Lowest Infection Ratio among Peer Banks
 Offering of Comprehensive Solutions to Clients across Products (Debt, equity issuance, advisory and facility arrangement)
 Diversified Portfolio of Loans and Advances; and Diversified Income Streams
 Established Brand Name / Customer Loyalty
 Competent and Committed Human Capital
 High Levels of Visibility through Wide Customer Outreach across Multiple Channels
 Conservative and Sustainable Business Policy

S



Weaknesses

Need to further strengthen market share in deposits
 Investments Concentration in Government Securities.
 Lower International Presence / Global Footprint Compared to Peer Banks

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Opportunities

Undifferentiated Products Lines across the Banking Sector
 Emerging Trends in Consumer Behavior
 High Traditional and Digital Financial Exclusion Base
 Enhanced Market Scope for Service Offerings through Digital Products and Channels
 Forging Strategic Partnerships with Leading Technological Platforms
 Leveraging Retail and Corporate Relationships for Cross Sell Initiatives
 Deploying Intelligent Data Analytics' Tools to Identify Underlying Patterns and Drive Business Growth
 Exploiting Low Credit Penetration Ratio
 Exploiting Growth and Expansion Opportunities in Emerging Economies
 Expanding the Advisory and Other Services offered to Clients and Investors



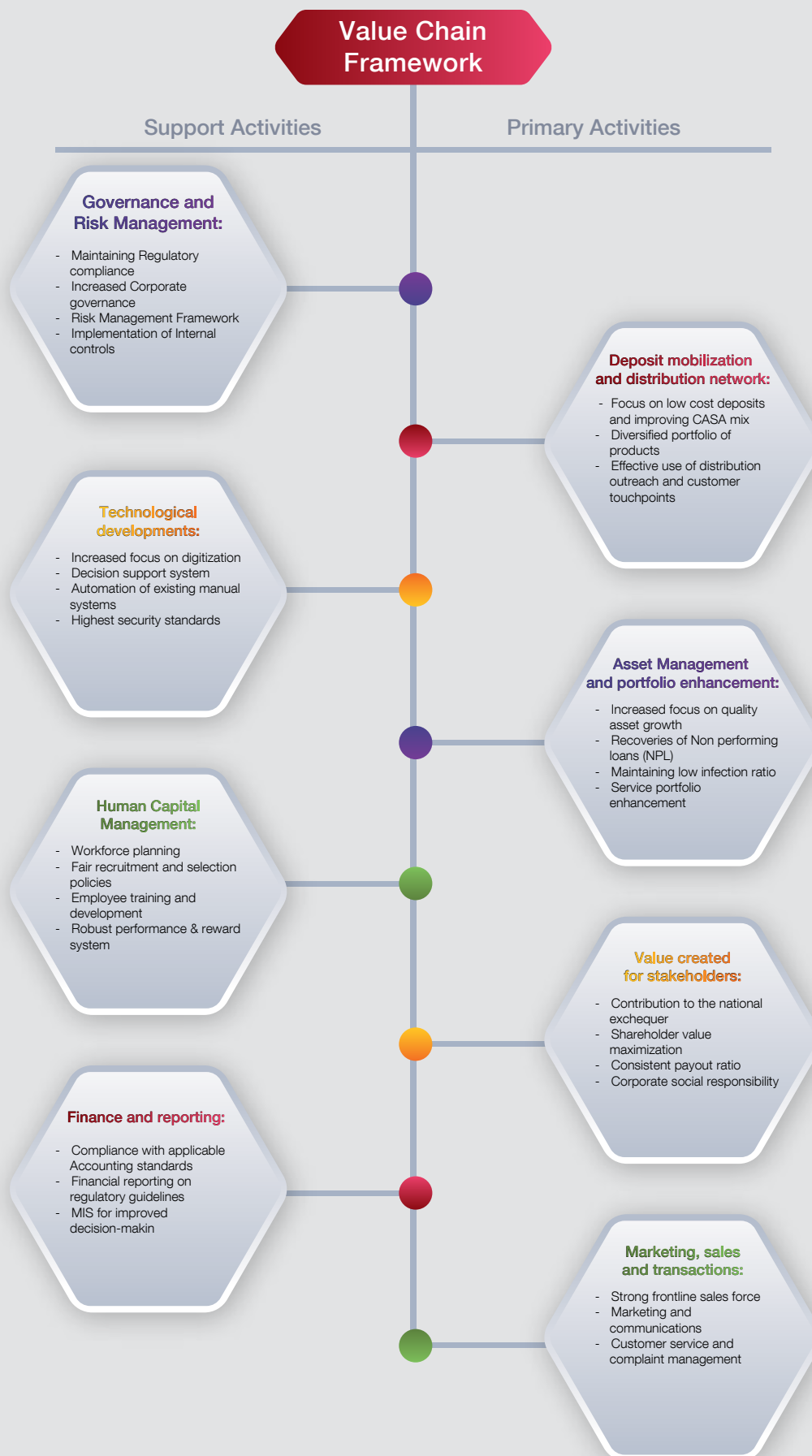
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Threats

Dynamic competitive landscape including Growing Competition from Fintechs and other Emerging Entrants (**refer to Comparative Landscape and Market Positioning section of the Annual Report for further Details**)
 Unexpected Fluctuations in Discount Rates
 Rising Operating/Technology Costs
 Risks Arising from PESTEL Factors (**refer to Risk and Opportunity Report section of the Annual Report for further Details**)



Value Chain



Competitive Landscape and Market Positioning



Factor

Threat of new entrants and substitute products or services

Implication

The large amounts of capital required to setup a bank along with the length of time consumed to establish a significant brand loyalty and the need to adhere to strict regulatory stipulations serve as strong entry barrier for new entrants.

However, the domestic landscape has been evolving to include Fintech participants that are focusing on transactional services and innovative digital solutions for revolutionizing the customer banking experience.

Corresponding Strategies

Despite the imminent threat of new entrants and emerging Fintech disruptions, MCB is countering these threats by engaging in the following activities:

- improving customer-brand relationship that goes beyond the minimum transactional services to retain customer loyalty;
- investing substantially in digital platforms for improving customer convenience;
- launching new products and services that cater to a diversified customer base; and
- adhering with all regulatory guidelines with a view to ensure the highest levels of compliance.



Factor

Bargaining power of customers

Implication

It is reasonably easy for retail customers to switch to other banks fully, or even avail part of their service requirements alternatively due to the low switching costs involved, hence shrinking the size of banking engagement. However, their bargaining power stays limited due to the minimal impact on the Bank's bottom line.

The bargaining power of larger groups, corporate clients and high net worth individuals is comparatively greater since the rising competition has increased customers price sensitivity and the loss of sizable accounts and sources of revenue from them can substantially impact bank's profitability

Corresponding Strategies

MCB addresses the issue of customer bargaining power primarily by focusing on clearly directed customer retention and acquisition strategies; customer service standards are being continuously augmented, services are being tailored to suit individual needs, innovative solutions are being devised to make customer experiences more enjoyable, convenient and hassle-free and market competitive rates are being offered to effectively increase switching costs for customers.



Factor

Bargaining power of suppliers

Implication

MCB's suppliers primarily comprise of its deposit-holders who are the Bank's key resource for capital and its employees, also known as the resource of labor.

In an industry scenario with low differentiation, it is easy for the primary deposit-holder group to switch to other banks, tempted by higher rates and better service standards. Further, share of deposits is highly concentrated, which gives them excess bargaining power.

With a view to fund gaps in the Bank's borrowings, MCB mobilizes debt from other financial institutions, with rates being largely market-driven. Hence, their bargaining power is often considered to be medium to high.

When it comes to the bargaining power of suppliers of labor, individual employees baring major executives have little bargaining power.

Corresponding Strategies

MCB has embraced following strategies in order to derive an edge over its supplier relationships:

- providing a high degree safety to its capital providers including investors, deposit-holders and other banking partners; A point further re-enforced by Bank's highest local credit ratings of AAA/A1+ for long term and short term debt respectively;
- creating mutually-beneficial solutions across the entire engagement spectrum; and
- sustaining employee retention focus by offering a challenging, learning and conducive work environment which is duly complemented by career progression opportunities and market competitive salary and benefit packages.



Factor

Intensity of competitive rivalry

Implication

Intensity of competition within the domestic banking sector has grown over the years. Banks have focused on developing a wide range of asset and liability product offerings at competitive rates in order to reinforce their customer acquisition strategies and attract existing market share.

The relatively low switching cost from one bank to another has further intensified the importance of competition within the industry, especially in the retail and commercial banking spheres.

Traditional banking operating models have been disrupted as the outbreak of COVID-19 has challenged the existing banking landscape and paved way for the industry to adopt emerging technologies in rendering digital financial services amidst responsibly enforced social distancing and containment measures.

Corresponding Strategies

MCB has initiated following measures with a view to consolidating and further improving its market share:

- by distinguishing itself in the marketplace primarily on the basis of its history, experience and brand image; and
- staying on the cutting edge of offering customer convenience and low-cost banking solutions.

Risk Management Framework

Risk is an inherent part of banking business activities. The risk management framework and governance structure at MCB 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 Global Risk Management Policy, Bank sets the best course of action under 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:

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

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors (BOD) at MCB Bank Limited actively drive the risk management framework. Under the valuable guidance of BOD, the Bank has a proactive approach in dealing with factors that influence the financial standing of the bank, to generate recurrent earnings and to maximize shareholder's value by achieving an appropriate trade-off between risk and returns. An effective risk management framework along-with a robust risk governance structure, strong capital & liquidity coupled with a good quality of credit portfolio remains a cornerstone of the Bank's risk management goals.

Empowerment and independence are the basic principles in risk management and it is implemented as a fundamental part of BOD's vision. Independence of areas that are responsible for measuring, analyzing, controlling and monitoring risk from the frontline risk takers (i.e. business soliciting groups) is ensured within the Bank. In line with this principle, Group Head-Risk Management functionally reports to the "Risk Management & Portfolio Review Committee" (RM&PRC) which is the sub-committee of the BOD and administratively to the President.

Risk takers and Risk controllers have independent reporting lines, yet work together to increase Bank's value via efficient utilization of capital. Through a four eye principle for credit approval levels for corporate and retail banking, all exposure related requests are approved with the formal consent of at least two authorized individuals including one from the business side having credit approval authority and the other from risk management side having credit review authority.

The BOD and its RM&PRC have ensured formulation and implementation of a comprehensive risk management framework. Under the BOD's guidance, the Bank executed an effective risk strategy and continued to undertake controlled risk-taking activities within the risk management framework; combining core policies, procedures and process design with active portfolio management. The risk management framework requires strong integrated risk management practices in key strategic, capital and financial planning processes and day-to-day business processes across the organization, with a goal to ensure that risks are appropriately considered, evaluated and responded to in a timely manner.

As a matter of principle, the Bank constantly endeavors to improve its risk management framework in the light of the international best practices and regulatory guidelines. Accordingly, all policies and procedural documents that form part of the Bank's risk management framework are regularly reviewed to keep them aligned with changing market dynamics, regulatory environment and international standards.

The RM & PRC guides the management on its risk taking activities within the policy framework approved by the BOD. Regular meetings of RM&PRC are convened to oversee the risk exposures and their trends as a result of the various initiatives undertaken by the Bank. The committee reviews different aspects of the loan portfolio which, among others, includes asset growth, credit quality, credit concentration, lending business trend and cross sectional analysis. Review of various aspects of country risk, liquidity risk, market risk covering interest rate risk, foreign exchange risk, equity price risk, technology risk along with the stress-testing is also a regular feature. Operational risk assessments, key risk indicators and major findings of Risk & Control Self Assessment (RCSA) pertaining to processes, people, systems, technology and reputation are also regularly reviewed by the committee. The committee also reviews in detail the Bank's capital levels under Internal Capital Adequacy Assessment Process (ICAAP) and Capital Adequacy Ratio.

The Management Credit & Risk Committee is the management platform for discussion and deliberation on key risk issues in the portfolio. Regular meetings of the committee are convened to oversee the risk exposures in the portfolio of the Bank.

Credit risk review ensures to minimize credit risk associated at account and portfolio level. During the year 2021, the Bank continued with the policy to remain selective in disbursing its loan to low risk customers across all the industries & maintains a fairly diversified loan portfolio. Risk Review successfully managed to evaluate and approve increased number of loan requests, within required turnaround time, both for domestic and international operations. An in-house request tracking & turnaround time monitoring software ensures tracking of proposals and monitoring of turnaround-time of credit proposals routed through the Risk Management Group. The Bank's implemented Loan Origination System (LOS) for end to end automation of credit approval process, facilitates effective management of internal policies and controls as well as regulatory requirements while also contributing towards its transition to a paperless environment under the Green Banking initiative.

For risk categorized as sovereign/ government risk, the lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that range from different development related works to utility distribution and production. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.

In order to further enhance the credit risk analysis, the bank has in place a probability of default based Internal Credit Risk Rating (ICRR) system which is based on statistical modeling and validation in line with Basel principles. The ICRR is currently focused on corporate-commercial customer category. Furthermore; Scoring Models are also in place to calculate ICRR for Small Enterprise, Medium Enterprise, Agriculture Finance and Overseas exposures. An Internal Credit Risk Rating Model for facility risk rating has also been implemented which reflects expected loss rate of a credit facility.

In addition to the credit risk, like all financial institutions, MCB is also exposed to market risk through its trading and other investment activities. A comprehensive control structure is in place to ensure that the Bank does not exceed its qualitative and quantitative tolerance for market risk. A number of metrics like VaR methodologies complemented by sensitivity measures, notional limits, stop loss triggers at portfolio level/asset class and stress testing are used to capture and report the multi-dimensional aspects of market risk.

As an authorized derivatives dealer, the Bank is an active participant in the derivatives market. Overall limits in derivatives are approved by the BOD. Counter party limits structure for derivatives transactions is in place and exposures are monitored and reported on a continuous basis.

Operational Risk is being managed professionally in accordance with the Global Risk Management Policy, Policy on Internal Controls, Operational Risk Management Framework and various regulatory instructions. Operational Risk Inventory database covering losses, control breaches and near miss events is being maintained using professionally developed software. Operational risk events and Key Risk Indicators (KRI's) are captured and management reports are generated. A process of Risk and Control Self-Assessment (RCSA) is in place to assess the operating effectiveness of controls and to implement remedial measures as needed. Updates on operational risk events are presented to the senior management and RM&PRC of the BOD on quarterly basis.

The Bank has developed Information Technology Risk Assessment Framework which enables better management of technology risk managed by IT Risk team. The IT Risk Assessment Framework helps the management to identify and manage the key security risks, threats and its associated vulnerabilities to the critical primary & secondary IT systems and applications of the Bank. The Bank has an internal operational risk awareness program which is aimed at building capacity and inculcating risk aware culture in the staff through workshops and on-job awareness.

Capital Structure of the Bank

The Bank remained a well-capitalized institution with a capital base well above the regulatory limits and capital requirements under BASEL frameworks. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 17.01% against the requirement of 11.50% (including capital conservation buffer of 1.50%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 15.08% against the requirement of 6%. The Bank maintained the leverage ratio of 6.13% which is well above the regulatory limit of 3.0%.

Liquidity Management and Strategy to Overcome Liquidity Position

The Asset Liability Management Committee of the Bank has the responsibility for formulation of overall strategy and oversight of the Asset Liability Management (ALM) function. BOD has approved a comprehensive Liquidity Risk Policy (part of the Global Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences and evaluation of Banks' liquidity under normal and stress scenarios. The underlying policies and procedures are reviewed and approved regularly at the senior management and BOD levels covering the Global Risk Management Policy, Global Treasury Policy, Investment Policy and Liquidity Strategy including Contingency Funding Plan.

Bank's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing in order to ensure effective and timely decision making. The liquidity risk management approach at the Bank involves intra-day liquidity management, managing funding sources and evaluation of structural imbalances in the statement of financial position. A large and stable customer deposits base, along with a strong capital base provides strength and support for maintenance of a strong liquidity position. The Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress.

Further, in line with SBP's directives, the Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios. The Bank reported Liquidity Coverage Ratio (LCR) of 246.31% and Net Stable Funding Ratio (NSFR) of 155.00% against a requirement of 100%.

Sensitivity Analysis due to Foreign Currency Fluctuation

The PKR depreciated by around 10.44% against the US Dollar in 2021. Foreign exchange risk exposes the bank to changes in the value of exposure denominated in foreign currencies due to the exchange rate fluctuation and volatility. The types of the instruments exposed to this risk are mainly investments in foreign branches, advances and deposits denominated in foreign currency, cash flows in foreign currencies arising from foreign exchange transactions etc.

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

Limit structure to manage foreign exchange risk including gap limits in different tenors in major currencies are in place to control captioned risk. Bank's net open position and Foreign Exchange Exposure Limits (FEEL) is monitored and reported on intra-day and day end basis. Foreign exchange risk parameters including VaR are generated and monitored on a daily basis. Stress testing of foreign exchange portfolio and its reporting to senior management and RM&PRC of the BOD is also a regular feature.

Impact of 1% change in foreign exchange rates on the Profit and loss account and other comprehensive income is as follows:

	2021		2020	
	Banking Book	Trading Book	Banking Book	Trading Book
	(Rs. 000)			
Profit and loss account	(66,007)	–	1,792	–
Other comprehensive income	117,543	–	106,202	–

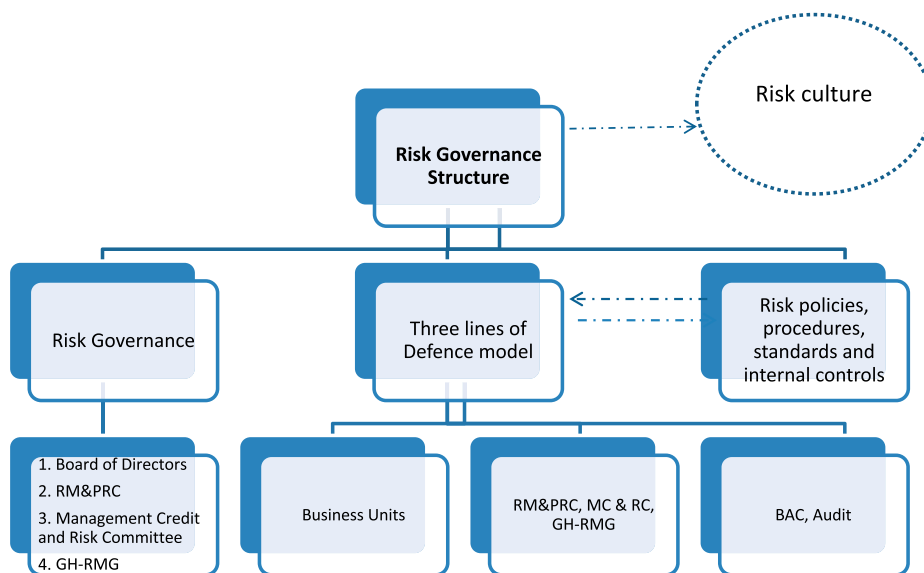
Risk and Opportunity Report

At MCB, a comprehensive Risk Management Framework around an approved risk appetite is in place. Mechanisms are defined for every identified risk to ensure that the Bank continuously evaluates the associated risk and ensures presence of operational mitigating controls. The Bank remains committed to exploring every possible opportunity to translate it into revenues / returns for the stakeholders, while making sure that the related risk is adequately managed.

Risk Governance Model

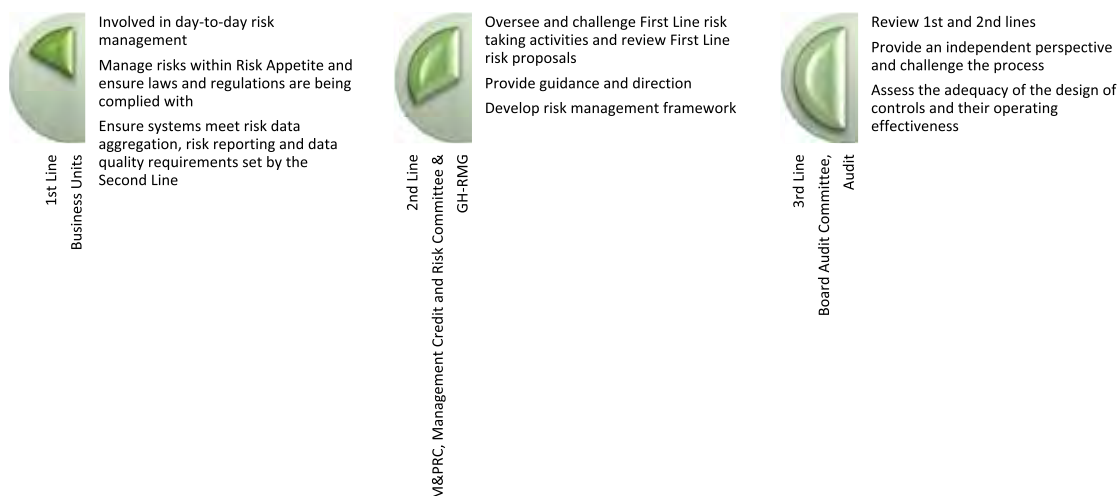
- Board of Directors (BOD)
- Risk Management & Portfolio Review Committee (RM&PRC)
- Management Credit & Risk Committee (MC&RC)
- Group Head – Risk Management

Graphical presentation of risk governance structure is as follows:



Three lines of Defence model

The Bank has a well-structured Risk Management model based on three lines of defense which are independent of each other. Each line of defense is executed by different organizational units. The first line of defense consists of business divisions and support units from whose activities the risks arise. RM&PRC being the second line of defense develops frameworks, policies, procedures and establishes risk appetite. Periodical stress testing and continuous monitoring are also an integral part of the second line of defense. The third is the audit and compliance functions which offer an independent oversight.



Assessment of the principal risks facing the Bank by the Board of Directors:

The BOD's have carried out a robust assessment of the principal risks facing the Bank, including those that would threaten the business model, future performance, solvency or liquidity.

Bank has identified the following risks after analyzing the external and internal factors:

Factors	Source	Risks
Economic	External	Market risks: The risk of loss arising from potential adverse changes in the value of the Bank's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.
	External	Capital adequacy risk: The risk that the Bank has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions.
	External	Credit risk: The risk of loss to the bank from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations, including the whole and timely payment of principal, interest, collateral and other receivables.
	External/Internal	Liquidity risk: The risk that the bank is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
Technology/ Systems	Internal/ External	Technological /Information Security Risk: Technology risks having potential impact due to technology disruption or failure to disrupt bank's business process posing adverse impact on Confidentiality, Integrity and Availability of MCB's technology environment. Information Technology Risk Assessment helps the management to identify and manage the key risks, potential threats and associated vulnerabilities to the critical primary & secondary IT systems and applications of the Bank. Operational Risk The risk of loss to the Bank from inadequate or failed processes or systems, human factors or due to internal/external events (e.g. fraud) where the root cause is not due to credit or market risks.
Political	External	Country risk: Political stability and controlled law & order situation is a pre-requisite for any economic development and reposes investor confidence in the country, providing corporates a potential investment opportunity. However, political instability can negatively impact the economy /equity market, thus resulting in decreased profitability.
Regulator	Internal/External	Regulatory Risk: The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements. Key sources of uncertainty include expected regulatory requirements specifically implementation of IFRS 9 in Pakistan, which may have negative impact on the bottom line of the banks.
Social	Internal/External	Reputation risk: The risk that an action, transaction, investment or event will reduce trust in the Bank's integrity and competence by clients, counterparties, investors, regulators, employees or the public.

Materiality Approach

Matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the reputation, performance and profitability of the Bank. The materiality process helps to navigate the complex landscape of stakeholder expectations, risks and opportunities. The BOD of the Bank has approved Materiality Policy for the Bank.

Summarized risks, opportunities and related mitigating factors are documented below:-

Risk type	Materiality Rating	Probability of Risk Occurrence	Strategy	Impacted CAPITAL
Market Risk	High	Medium probability	Measurement: Bank is exposed to market risk through its trading and other investment activities. Metrics like VaR methodologies complemented by sensitivity measures, notional limits, loss triggers at a detailed portfolio level and stress testing are used to capture and report the multi-dimensional aspects of market risk. Monitoring: A comprehensive structure, ensuring the bank does not exceed its qualitative and quantitative tolerance for market risk, is in place. Management: The bank has followed a conservative and balanced approach towards risk taking in the market risk area. The robust risk management architecture ensures that the exposures remain within the defined risk appetite. Furthermore, a comprehensive control structure is in place to ensure that the Bank does not exceed its qualitative and quantitative tolerance for market risk. A number of metrics like VaR methodologies complemented by sensitivity measures, notional limits, stop loss triggers at portfolio level/asset class, and stress testing are used to capture and report the multi-dimensional aspects of market risk.	Financial
Capital Adequacy Risk	High	Medium probability	Measurement: The Bank is a well-capitalized institution with a capital base well above the regulatory limits and Basel-III requirements. Monitoring: The Bank regularly assesses the capital requirements and ensures that the minimum capital requirements specified by the State Bank are adhered to. Internal Capital Adequacy Assessment is a regular activity. Stress levels of major risks are assessed against the minimum capital requirement. Regular assessment of capital enables an evaluation of the amount, type and distribution of capital required to cover these risks. Management: The Bank remained a well-capitalized institution with a capital base well above the regulatory limits and capital requirements under BASEL frameworks. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 17.01% against the requirement of 11.50% (including capital conservation buffer of 1.50%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 15.08% against the requirement of 6%. The bank maintained a leverage ratio of 6.13% which is well above the regulatory limit of 3.0%. Going-concern capital requirements are assessed on a forward-looking basis – including as part of the annual budgeting process. These assessments consider the resilience of capital adequacy and leverage ratios under a range of hypothetical future states. The assessments incorporate assumptions regarding a range of regulatory and accounting aspects, such as IFRS 9, taking account of a number of factors including economic variables and impairments. The Bank will continue the policy of sufficient profit retention to increase its risk taking capacity and capitalize opportunities to protect the interests of stakeholders in the short, medium and long term.	Financial

Risk type	Materiality Rating	Probability of Risk Occurrence	Strategy	Impacted CAPITAL
Credit Risk	High	Medium probability	Measurement: Credit Risk Management function identifies, measures, manages, monitors and mitigates credit risk. Credit Risk is measured and estimated through detailed financial and non-financial analyses, internal and external credit risk ratings and customers' behavior analysis. Stress testing of top customers in credit portfolio is also carried out regularly. Monitoring: Credit Risk Management organizational structure ensures pre and post-facto management of credit risk. Credit Review function carries out pre-fact evaluation of counterparties & the credit structures and hindsight reviews, the Credit Risk Control (CRC) function performs post-fact monitoring including security documentation and limits monitoring. Business side continuously keeps in touch with customers to have updated information about the clients. Management: Bank has been selective in taking exposure on good quality borrowers across all industry segments. Multiple factors in bank's lending structure provide additional comfort and support in mitigating credit risk. These include quality of eligible collateral, pre-disbursement safety measures, post disbursement monitoring, etc. Bank has a fairly diversified loan portfolio. For risk categorized as sovereign/ government risk, MCB's lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that ranges from different development related works to utility distribution and production. Credit Risk Review ensures to minimize credit risk associated at account and portfolio level. During the year, the Bank continued with the policy to remain selective in disbursing its loan to low risk customers across all the industries & maintains a fairly diversified loan portfolio. Risk Review successfully managed to evaluate and approve increased number of loan requests, within required turnaround time, both for domestic and international operations. Bank's implemented Loan Origination System (LOS) for end to end automation of credit approval process facilitates effective management of Bank's internal policies & controls as well as regulatory requirements. LOS has also contributed towards Bank's transition to paperless environment under the Green Banking initiative. For risk categorized as sovereign/ government risk, the lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that range from different development related works to utility distribution and production. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring. Through a four eye principle for credit approval levels for corporate and retail banking, all such exposure related requests are approved with the formal consent of at least two authorized individuals including one from business side having credit approval authority and other from risk management side having credit review authority.	Financial

Risk type	Materiality Rating	Probability of Risk Occurrence	Strategy	Impacted CAPITAL
Credit Risk	High	Medium probability	The MC&RC is the management platform for discussion and deliberation on key risk issues in the portfolio. Regular meetings of the committee are convened to oversee the risk exposures in the portfolio of the Bank. In order to further enhance the credit risk analysis, the bank has in place a probability of default based Internal Credit Risk Rating (ICRR) system which is based on statistical modeling and validation in line with Basel principles. The ICRR is currently focused on corporate-commercial customer category. Furthermore; Scoring Models are also in place to calculate ICRR for Small Enterprise, Medium Enterprise, Agriculture Finance and Overseas exposure. An Internal Credit Risk Rating Model for facility risk rating has also been implemented which reflects expected loss rate of a credit facility.	Financial
Liquidity Risk	High	Medium to Low probability	Measurement: MCB regularly performs Liquidity Risk Analysis and liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity risk assessments and stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. Monitoring: Liquidity positions are regularly monitored through established early warning Indicators and liquidity risk analysis. Liquidity Coverage Ratio and Net Stable Funding Ratios are monitored regularly. Management: MCB's Liquidity Risk Management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure. The Bank's large and stable base of customer deposits, along with Bank's strong capital base, indicates strong liquidity position. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. The Asset Liability Management Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management (ALM) function. BOD has approved a comprehensive Liquidity Risk Policy (part of Global Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and stress scenarios. Underlying policies and procedures are reviewed and approved regularly at the senior management and BOD Levels including Global Risk Management Policy, Global Treasury Policy, Investment Policy and Liquidity Strategy. Further, in line with SBP's directives, Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios including LCR and NSFR with a considerable cushion over and above the regulatory requirement to mitigate any liquidity risk.	Financial

Risk type	Materiality Rating	Probability of Risk Occurrence	Strategy	Impacted CAPITAL
Technological/ Information Security Risk	High	Low probability	Monitoring & Management: Through technology risk monitoring process, bank tracks and evaluates the levels of technology and security risk as well as monitoring the risk itself. The findings produced by risk monitoring processes are used to create new risk mitigation and monitoring strategies considering the regulatory compliance in-line with the best practices . The Bank has developed Information Technology Risk Assessment Framework which enables better management of technology risk properly. The Information Security Risk Division is headed by a Chief Information Security Officer (CISO) reporting to the Group Head Risk Management.	Financial, Intellectual
Country Risk	Low	Medium to low probability	Measurement: Bank's Country Risk exposure is assessed against bank's cross border trade and treasury activities. Monitoring & Management: Monitoring of risk exposure is a regular activity. Country exposure limits both for trade and treasury exposures are in place, which broadly capture direct exposure on sovereigns and foreign domiciled counterparties.	Financial
Operational Risk	Medium	Medium to low probability	Measurement: A database covering losses, control breaches, near misses & KRIs is being maintained. Operational Effectiveness of controls is assessed using the Risk & Control Self-Assessment (RCSA) process. Monitoring: Monthly/Quarterly updates on operational risk events are presented to senior management, MC&RC and the RM&PRC of the Board. Management: The bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk culture in the staff through workshops and on-job awareness. Banks' capacity to capture & report operational risk events and KRIs is further enhanced by implementing more professionally developed Operational Risk Management Software. Bank uses RCSA as an important tool to assure control effectiveness and take timely corrective measures where required.	Financial, Intellectual
Regulatory Risk	Medium	Medium probability	Measurement: Management of regulatory risk entails early identification and effective management of changes in legislative and regulatory requirements that may affect the Bank. Monitoring & Management: The Bank reviews key regulatory developments in order to anticipate changes and their potential impact on its performance. Bank endeavors to maintain healthy relationships with regulators and continued compliance with regulatory requirements.	Financial, Intellectual
Reputation risk	Low	Low probability	Monitoring & Management: Reputational risk is managed on an ongoing basis through a policy framework that details expected behavior of the business and employees. It guides us on the monitoring of employee behavior and specific client responses as well as to society in general. This includes precise and transparent reporting through our integrated annual report, annual financial statements and through other public statements. Our risk mitigation strategy includes: • a centralized policy on media; • an escalation process for complaints; and • clear relationships with stakeholders	Financial, Intellectual, Social & Relationship Capital

Information about defaults in payment of any debts and reason thereof

There is no default by the Bank in payments of any debts during the year.

Inadequacy in the Capital structure and plans to address such inadequacy

The Bank is not presently facing any kind of inadequacy in capital structure.

Opportunities:

Source	Opportunity	Strategy to Materialize
External	Building strategic national/international alliances to contribute towards China Pakistan Economic Corridor (CPEC) execution.	Re-aligning the business model through segmentation and expansion of branch network.
Internal	Strong capital base and high Capital Adequacy Ratio provides the opportunity of exploring International avenues in emerging/developed markets to expand Bank's network.	Explore new markets after performing the feasibility studies.
Internal	Developing and launching new deposit products to align & strengthen the existing product menu and to capitalize on the growing branchless and mobile/digital Banking opportunities.	Increase focus on digitalization and automation of process. Introduce new products considering the needs of different segments of the population.
Internal	Increasing Bank's advances portfolio with enhanced focus on agriculture, SME and other segments.	Widening the scope of branch network in potential / untapped areas. Align product expertise with client domicile. Streamline and simplify processes for quick disbursement of advances
External	Facilitating non-resident Pakistanis to increase the flow of home remittances.	Entering into new contracts with foreign agents. Placement of Bank representatives overseas and increase marketing activities. Explore new markets to increase customer base.

Directors' Report

We are pleased to present, on behalf of the Board of Directors, the annual report of MCB Bank Limited (MCB) for the year ended December 31, 2021.

Profit and Appropriation

The profit before and after taxation for the year ended December 31, 2021 together with appropriations is as under:

	Rs. in Million
Profit Before Taxation	51,989
Taxation	21,178
Profit After Taxation	30,811
Un-appropriated profit brought forward	69,835
Re-measurement gain on defined benefit obligations - net of tax	38
Surplus realized on disposal of revalued fixed assets - net of tax	115
Surplus realized on disposal of non-banking assets - net of tax	250
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	82
	70,320
Profit Available for Appropriation	101,131
Appropriations:	
Statutory Reserve	3,081
Final Cash Dividend at Rs. 15.0 per share - December 31, 2020	17,776
First Interim Cash Dividend at Rs. 4.5 per share - March 31, 2021	5,333
Second Interim Cash Dividend at Rs. 5.0 per share - June 30, 2021	5,925
Third Interim Cash Dividend at Rs. 4.5 per share - September 30, 2021	5,333
Total Appropriations	37,448
Un-appropriated Profit Carried Forward	63,683
Earnings Per Share (Rs)	26.00

Dividends

The Board of Directors declared a final cash dividend of Rs. 5.0 per share for the year ended December 31, 2021, which is in addition to Rs. 14.0 per share interim dividends already paid to the shareholders, taking the dividend payout ratio for 2021 to 73%. The effect of the final cash dividend declared is not reflected in the above appropriations.

Performance Review

MCB's Profit After Tax (PAT) for the year ended December 31, 2021, posted a growth of 6% to reach Rs. 30.81 billion; translating into Earning Per Share (EPS) of Rs. 26.00 compared to EPS of Rs. 24.50 reported in last year.

Average Policy rate registered a decline of 19% (166bps) from an average of 8.95% in last year to 7.29% in current year. However, on account of strategically aligned growth

in average current deposits and a balanced mix of earning assets, net interest income of the Bank decreased by 10% only, from Rs. 71.33 billion to Rs. 63.99 billion.

Non-markup income registered a growth of 11% and aggregated to Rs. 20.1 billion against Rs. 18.1 billion in last year. Improved transactional volumes, surge in business activities, diversification of revenue streams through continuous enrichment of Bank's product suite, investments towards digital transformation and an unrelenting focus on upholding the high service standards supplemented a growth of 14% in fee income whereas dividend and foreign exchange incomes increased by 86% & 48% respectively.

The Bank continues to manage an efficient operating expense base and manage costs prudently with a moderate increase of 8%, despite sustained inflationary pressures amidst currency devaluation and rising commodity prices, higher compliance related regulatory charges, expansion in branch outreach and regular performance and merit adjustments of the Human Capital.

On the provision front, proactive monitoring and recovery efforts led to a net reversal of Rs. 910 million in specific provision maintained against non-performing loans (NPL's) while the general loss reserve of Rs. 4 billion created amidst the uncertainty surrounding the COVID-19 outbreak was reversed, as the systematic risks surrounding the economic recovery have receded and the Bank has created specific provision against exposures that reflected signs of financial distress.

Persistent focus on maintaining a robust risk management framework encompassing structured assessment models, effective pre-disbursement evaluation tools and an array of post disbursement monitoring systems has enabled MCB to effectively manage its credit risk. The Non-performing loan (NPLs) base of the Bank recorded a decrease of Rs. 698 million and was reported at Rs. 50.49 billion. The Bank has not taken FSV benefit in calculation of specific provision and carries an un-encumbered general provision reserve of Rs. 636 million. The coverage and infection ratios of the Bank were reported at 90.83% and 7.94% respectively.

On the financial position side, the total asset base of the Bank, on an unconsolidated basis, was reported at Rs. 1,970 billion (+12%). The gross advances of the Bank registered historic growth of Rs. 122 billion (+24%), above the industry growth, to close the year at Rs. 636 billion. The corporate lending book grew by Rs. 106 billion (31%) whereas the consumer loan portfolio garnered significant interest and increased by Rs. 9.5 billion (32%) on the back of significant activity in the construction and auto segment.

On the liabilities side, achieving growth in no-cost current account base remained a key strategic objective for the Bank. Thereby, non-remunerative deposits grew by 15.1% to close at Rs. 563 billion; improving their mix in the total deposits to 40% in absolute terms as at December 31, 2021. CASA mix was reported at 93% whereas the total deposits of the Bank grew by 9% to close out the year at Rs. 1,412 billion.

Return on Assets and Return on Equity reported at 1.65% and 19.11% respectively, whereas the book value per share was reported at Rs. 135.13.

During the year MCB attracted home remittance inflows of USD 3.527 billion to further consolidate its position as an active participant in SBP's cause for improving flow of remittances into the country through banking channels.

While complying with the regulatory capital requirements, the Bank's total Capital Adequacy Ratio (CAR) is 17.01% against the requirement of 11.5% (including capital conservation buffer of 1.50% as reduced under the BPRD Circular Letter No. 12 of 2020). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 15.08% against the requirement of 6%. Bank's capitalization also resulted in a Leverage Ratio of 6.13% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 246.31% and Net Stable Funding Ratio (NSFR) of 155.00% against requirement of 100%.

The Bank's exceptional performance has also been recognized by the globally coveted Finance Asia's Country Awards wherein it has been bestowed with the "Best Bank in Pakistan" accolade in 2021.

Impact of Government policies on the Bank performance

The banking sector in Pakistan has exhibited operational resilience to the COVID-19 pandemic induced stress. Pre-emptive response by the State Bank of Pakistan (SBP) played a pivotal role in warding off outbreak's adverse implications, through rollout of following key support measures:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Allowing banks to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

Apart from relief measures, to propel the construction related segments of the economy, the mandated program of Mera Pakistan Mera Ghar gained serious traction during the calendar year. The introduction of Roshan Digital Account was another key drive undertaken by the industry to facilitate our Non-resident Pakistani segment. The inflow at MCB has summed up to approximately USD 216 million under the Roshan Digital Account (RDA) initiative.

From subsidized financing / re-finance perspective, "Temporary Economic Refinance Facility" (TERF) introduced to facilitate investment in new industrial projects as well as capacity expansion has contributed in an historic 24% growth in advances for the year. The Bank has also disbursed loans under Kamyab Jawan Program of the Government of Pakistan.

The digital transformation drive of the country registered some major accomplishments during the year. Key initiatives include digitalization of FOREX regulatory approval system, introduction of Asaan Mobile account scheme in collaboration with NADRA & PTA, and 'RAAST' instant payment system; enabling it to push its digital agenda through multiple layers in the society.

Economy Review

Global Economy

During the year in review, the global economic growth witnessed a resurgence following the COVID-19 caused downturn in 2020. Amidst the emergence of new variants, the inversion in economic headwinds was largely tied to the development, quick rollout and widespread deployment of COVID-19 vaccines; hence, the global economy is being projected to grow by 5.9% in 2021 as compared to a negative growth of 3.2% reported in 2020.

While the broader global activity has grown, the prolonged nature of the health crisis has impacted economies beyond traditional measures, with potentially long-lasting and far reaching repercussions, and has led to the emergence of a disparate recovery trend between high income and low and middle income economies; partly due to the unequal access to vaccines.

A pent-up in consumer demand, fueled by increase in personal savings, together with supply side pressures due to lingering disruptions in labor and global energy markets, production and supply chain bottlenecks, and shipping and transportation constraints has propelled inflation at an extremely rapid pace.

Amidst the evolution in economic scenarios through the various stages of pandemic-related health and economic crises, governments across the globe continue to respond with a number of policy initiatives that attempt to balance competing policy objectives and the ultimate outcome

of these measures shall remain imperative in shaping the global economic outlook and ensuring recovery on a sustainable path.

Domestic Economy

In the backdrop of the global economic uncertainty caused by COVID-19 pandemic, in 2020, the State Bank of Pakistan had eased its monetary policy and introduced inexpensive financing schemes to support consumer and industrial demand in the economy. Resultantly, the first half of 2021 showed robust economic growth.

In the second half of the year, the economy began experiencing higher-than-expected growth in aggregate demand from the easing measures introduced earlier. This coupled with rising international commodity prices resulted in higher import bills, causing the current account deficit to expand and introducing cost push inflationary risks to the economy. In the last quarter of 2021, SBP tightened the policy rate to moderate this heightened demand and pave the way for slow yet sustainable growth.

The headline annual inflation rate picked up during 2021. From the low year-on-year reading of 5.65% in January, it reached 11.1% in April and continued its upward momentum to reach a twenty-one-month high of 12.28% in December 2021. Increased aggregate demand, higher commodity and energy prices, and disruptions in supply channels were major inflationary triggers as highlighted by SBP.

On the external front, Pakistan reported a current account deficit of USD 9.092 billion for first half of FY22 as compared to a deficit of USD 1.916 billion in FY21 where the increased remittances and export numbers had kept the current account balance in check. As aggregate demand in the economy grew, imports started rising at a faster pace than exports. To support the Balance of Payments, the country issued EURO bonds in the international market. On March 30, 2021, Pakistan received USD 2.5 billion through these bonds. Moreover, SBP's Roshan Digital Account (RDA) gained traction during the year crossing the USD 3.16 billion mark by December 2021. Pakistan also received USD 15.808 billion in workers' remittances in July-Dec 21.

Starting the calendar year at 159.8344 against USD, PKR depreciated by 10.4% to 176.5135 by the end of 2021. On December 31, 2021, Pakistan's total liquid reserves stood at USD 23.883 billion.

In the last four months of 2021, SBP began raising policy rate to counter inflationary pressures in the economy and ensure sustainable growth. By December 2021, the central bank had raised policy rate by a cumulative of 275 bps to 9.75%. According to the central bank, the economy was very close to achieving mildly positive

real interest rates. Therefore, in the near-term, the SBP expected monetary settings to remain unchanged.

On fiscal side, the government in its budget targeted tax revenue of Rs 5.829 trillion envisioning a budget deficit of Rs 3.42 trillion or 6.3% of GDP. On the behest of the IMF, the GOP has withdrawn sales tax exemptions of about Rs 343 billion with effect from 16th Jan, 2022. The FBR collected Rs 2.92 trillion in net taxes for the first half of FY22, exceeding its target by Rs 287 billion.

Future Outlook of the Economy

The highly contagious Omicron variant of COVID-19 is expected to have a negative impact on aggregate demand in the economy. Moreover, recent contractionary monetary policy adopted by the SBP is expected to further moderate growth in domestic demand. In response to such policies, the inflationary and external account pressures are likely to gradually lessen in the economy.

On 2nd Feb, 2022, the IMF Executive Board approved sixth review of the Extended Fund Facility (EFF) which has resulted in the immediate disbursement of the equivalent of Special Drawing Rights (SDR) 750 million (about USD1bn) to Pakistan. The total disbursement under this program has now reached SDR 2,144 million (about USD3 billion). In their special report on Pakistan, the Fund noted that while economic activity rebounded strongly in 2021, external account and inflationary pressures also started to build. Pointing to recent monetary policy tightening by SBP and introduction of Finance (Supplementary) Bill by GOP, the Board stated that the policies "were appropriate to safeguard macroeconomic stability and debt sustainability."

The COVID-19 pandemic outbreak has further accentuated the need on the financial industry to expedite digital transformation required for reshaping the banking services architecture in Pakistan. Going forward, the ability of banks to launch innovative and customer centric solutions by leveraging technological progressions and intelligent analytics shall eventually enable the shift in horizon from traditional banking towards an increased adoption of advanced e-banking avenues for supporting enhanced customer experiences.

Risk Management Framework

The risk management framework has been separately disclosed in the Annual Report.

Credit Rating

The Bank enjoys highest local credit ratings of AAA / A1+ categories for long term and short term respectively, based on PACRA notification dated June 23, 2021.

Statement on Internal Control

The Board is pleased to endorse the statement made by management relating to Internal Control over Financial Reporting (ICFR) and overall internal controls. The Management's Statement on Internal Controls is included in the Annual Report.

Statement under Code of Corporate Governance and section 227 of Companies Act 2017:

The Board of Directors is committed to ensure that the requirements of Corporate Governance set by the Securities and Exchange Commission of Pakistan and requirements of Section 227 of Companies Act 2017 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 a fair state of its affairs, result of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed and explained in the Annual Accounts.
- There has been no material departure from the best practices of corporate governance.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- Profit amounting to Rs. 3.08 billion has been transferred to the Statutory Reserve for the year 2021.
- The System of Internal Control is sound in design and has been effectively implemented and monitored.
- Key operating and financial data of the last six years is presented in the stakeholder's section of this Annual Report.
- Pattern of Shareholding, complying with the requirements prescribed by the code is annexed with this Annual Report.
- Statement of Compliance with Code of Corporate Governance is included in the Annual Report.
- Composition of the Board is given in the Statement of Compliance with the Code of Corporate Governance in the corporate governance section of this Annual Report.
- Names of the persons who, at any time during the year 2021, were directors of the Bank have been separately disclosed in the corporate governance section of this Annual Report.

- The Committees of Board of Directors along with their terms of reference/charter have been separately disclosed in the corporate governance section of this Annual Report.
- The number of Board and committees' meetings held during the year and attendance by each Director has been separately disclosed in the corporate governance section of this Annual Report.
- Details of directors' training programs are given in the statement of compliance with the code of corporate governance.
- The remuneration policy of non-executive directors, including independent directors, as approved by the Shareholders of the Bank is disclosed in the corporate governance section of this annual report.
- Detail of remuneration of Chairman, President/CEO and non-executive directors is disclosed in note 40 of the unconsolidated financial statements.
- The principal risks and uncertainties facing the Bank have been disclosed separately in this Annual Report.

Corporate Social Responsibility (CSR)

The Board acknowledges its rightful duty to operate as a highly socially responsible bank. The activities undertaken by the Bank with regard to CSR are disclosed in the Corporate Sustainability section of this annual report.

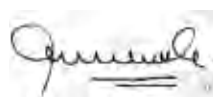
External Auditors

The retiring Auditors, M/s A. F. Ferguson & Co., Chartered Accountants, being eligible for the next term have offered themselves for reappointment. Therefore, upon recommendation of the Audit Committee, the Board recommends appointment of M/s A. F. Ferguson & Co., Chartered Accountants, as the statutory auditors of the Bank for the financial year 2022 in the forthcoming Annual General Meeting.

Appreciation and Acknowledgements

The Board of Directors of MCB Bank Limited would like to thank the Government of Pakistan, the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan and other regulatory bodies for their continued support, all shareholders and customers of the Bank for their trust, and our employees for their continuous dedication and commitment.

For and on behalf of the Board of Directors,



Shoaib Mumtaz
President & CEO
MCB Bank Limited



Shahzad Hussain
Director
MCB Bank Limited

February 10, 2022

تسلیم و تحسین:

ایم سی بی بینک کے بورڈ آف ڈائریکٹرز حکومت پاکستان، اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر انضباطی اداروں کی جاری معاونت، بینک کے شیئر ہولڈرز اور صارفین کا اگے اہمیت اور اپنے ملازمین کا اسکے غلوں اور عزم پر شکریہ ادا کرتا ہے۔

- فنانشل اسٹیٹمنس 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۔

- کارپوریٹ گورننس کے بہترین معیار اور مضابطہ عمل سے کوئی قابل ذکر رد و گردانی نہیں کی گئی ہے۔ بطور ادارہ بینک کے کام جاری رکھنے کی اہلیت میں کسی شک و شبہ کی گنجائش نہیں ہے۔ سال 2021ء کے دوران 3.08 ملین روپے کا منافع قانونی ریزرو میں منتقل کیا گیا ہے۔ اندرونی انضباط کا نظام مضبوط و خال پر استوار کیا گیا ہے اور نہایت منوثر انداز میں نافذ اور جانچا جاتا ہے۔

- چھ سال کا فنانشل مواد (ڈیٹا) اور اہم کارکردگی کے عوامل کو سالانہ رپورٹ کے متعلقہ سیکشن میں پیش کیا گیا ہے۔

- قانون میں مجوز شرائط کی قیام میں شیئر ہولڈنگ (حصص کی ملکیت) کی ترتیب / نمونہ کو سالانہ رپورٹ سے منسلک کیا گیا ہے۔

- کوڈ آف کارپوریٹ گورننس کی تعمیل (کمپلائنس) کا بیان سالانہ رپورٹ میں شامل ہے۔

- بورڈ کی تشکیل کو کوڈ آف کارپوریٹ گورننس کے قیامات کے بیان میں سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں بیان کیا گیا ہے۔

- سال 2021ء کے دوران کسی بھی وقت بینک کے ڈائریکٹرز رہنے والے اشخاص کے نام سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں الگ سے بیان کئے گئے ہیں۔

- بورڈ آف ڈائریکٹرز کی کمپلیاں اور اسکے ضابطہء کار / چارٹر کو سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں الگ سے بیان کیا گیا ہے۔

- سال کے دوران بورڈ اور اس کی کمیٹیوں کے اجلاسوں کی تعداد اور اس میں ہر ڈائریکٹر کی شرکت کی تفصیل اس سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں الگ سے واضح کی گئی ہے۔

- ڈائریکٹرز کے ترتیبی پروگرام کی تفصیل کوڈ آف کارپوریٹ گورننس کی قیام میں دی گئی ہے۔

- غیر انتظامی ڈائریکٹرز بشمول آزاد ڈائریکٹرز کے لیے، بینک کے حصص یافتگان کی جانب سے منظور شدہ، مشاہرے کی پالیسی اس سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں درج کیا گیا ہے۔

- چیرمین، پریذیڈنٹ / سی ای او اور غیر انتظامی ڈائریکٹرز کو ادا کیے گئے مشاہرہ کی تفصیل غیر مجموعی فنانشل اسٹیٹمنس کے نوٹ نمبر 40 میں درج کی گئی ہیں۔

- بینک کو درپیش بنیادی عوامل اور غیر یقینی کی صورت حال کو اس سالانہ رپورٹ میں الگ سے بیان کیا گیا ہے۔

کارپوریٹ معاشرتی ذمہ داریاں سی ایس آر (CSR):

بورڈ معاشرتی طور پر انتہائی ذمہ دار بینک کی حیثیت سے اپنے فرائض پر عملدرآمد کا مکمل ادراک رکھتا ہے۔ سی ایس آر (CSR) کے حوالے سے بینک کے کیے گئے تمام اقدامات کو اس سالانہ رپورٹ میں موجود کارپوریٹ سسٹین ایبلیٹی (برداشت کی قوت) رپورٹ میں واضح کیا گیا ہے۔

بیرونی آڈیٹرز

ریٹائرنگ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی، (A.F. Fergusons & Co) چارٹرڈ اکاؤنٹنٹس، اگلی مدت کے لیے اہلیت کے باعث دوبارہ تفری کے خواہشمند ہیں۔ آڈٹ کمیٹی کی مشورے کے مطابق بورڈ آف ڈائریکٹرز اپنے آئندہ سالانہ عام اجلاس کے لیے میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کو مالی سال 2022ء کیلئے قانونی (Statutory) آڈیٹرز تجویز کرتے ہیں۔

منجانب ویرائے بورڈ آف ڈائریکٹرز

شعب ممتاز

پریذیڈنٹ اور سی ای او -

ایم سی بی بینک لمیٹڈ

10 فروری 2022ء

شہزاد حسین

ڈائریکٹر - ایم سی بی بینک لمیٹڈ

دیکھنے کے افرامی خدشات ' کا سامنا رہا۔ سال 2021ء کی آخری سہ ماہی کے دوران اسٹیٹ بینک آف پاکستان نے اس برصغیر طلب کو اعتدال میں لانے اور موبی سٹ بگر پائیدار راہ کو ہموار کرنے کے لیے پالیسی ریٹ میں کٹتی کی۔

سال 2021ء کے دوران سالانہ افراط زر کی شرح میں اضافہ دیکھا گیا۔ جنوری میں سال پہ سال کی 5.65 فیصد کم شرح سے آغاز کے بعد یہ اپریل میں 11.1 فیصد چاٹچکی اور اپنی اس بلند کی تحریک کو جاری رکھتے ہوئے دسمبر 2021ء میں گزشتہ 21 ماہ کی بلند ترین شرح کے اندراج کے ساتھ 12.28 فیصد پر ریکارڈ ہوئی۔ اسٹیٹ بینک آف پاکستان کے مطابق مجموعی طلب میں اضافہ، اشیاء اور توانائی کی برصغیر قیمتیں اور سروس کے ذرائع میں حائل رکاوٹیں افراط زر میں اضافے کے بنیادی عوامل رہے۔

بیرونی محاذ پر، پاکستان نے مالی سال 2021ء میں 1.916 بلین امریکی ڈالر کے خسارے کے مقابلے میں مالی سال 2022ء کی پہلی ششماہی کے لیے 9.092 بلین امریکی ڈالر کا کرنٹ اکاؤنٹ خسارہ درج کیا۔ جبکہ ترسیلات اور برآمدات کے بڑھتے اعداد و شمار کرنٹ اکاؤنٹ کے توازن کو قابو میں رکھنے میں معاون ثابت ہوئے۔ معیشت میں مجموعی طلب کے اضافے کے باعث، برآمدات کی رفتار برآمدات کی نسبت کہیں زیادہ رہی۔ ادائیگیوں کے توازن کو مدد فراہم کرنے کی غرض سے ملک نے عالمی مارکیٹ میں یورو باڈر کا اجراء بھی کیا۔ 30 مارچ 2021ء کو پاکستان نے ان باڈر کی فروخت سے 2.5 بلین امریکی ڈالر حاصل کیے، علاوہ ازیں، اسٹیٹ بینک آف پاکستان کے روشن ڈیجیٹل اکاؤنٹ (آرڈی اے) میں اس سال کے دوران مزید افزائش درج ہوئی جو کہ دسمبر 2021ء تک 3.16 بلین امریکی ڈالر کی سطح عبور کر گئے۔ پاکستان نے سال 2021ء کے جولائی تا دسمبر کے عرصہ کے دوران 15.808 بلین امریکی ڈالر کی افرادی ترسیلات زرمعی وصول کیں۔

سال کے آغاز پر 159.8344 روپے فی امریکی ڈالر سے، پاکستانی روپیہ 10.4 فیصد کی فرسودگی کے ساتھ سال 2021ء کے اختتام تک 176.5135 روپے فی امریکی ڈالر پر درج ہوا۔ 31 دسمبر 2021ء تک پاکستان کے کل نقد ذخائر کا حجم 23.883 بلین امریکی ڈالر پر ریکارڈ ہوا۔

سال 2021ء کے آخری 4 ماہ کے دوران، اسٹیٹ بینک آف پاکستان نے افراط زر کے دباؤ کو کم کرنے اور پائیدار نمو کو یقینی بنانے کے لیے پالیسی ریٹ میں اضافہ کرنا شروع کیا۔ دسمبر 2021ء تک مرکزی بینک نے پالیسی ریٹ میں مجموعی طور پر 275 بی پی اے اس کا اضافہ کرتے ہوئے اس کو 9.75 فیصد پر مقرر کیا۔ مرکزی بینک کے مطابق معیشت قدرے مثبت حقیقی انٹرسٹ ریٹ حاصل کرنے کے بہت قریب تھی۔ چنانچہ، اسٹیٹ بینک آف پاکستان کو توقع ہے کہ مستقبل قریب میں اس مالیاتی انتظام میں کسی تبدیلی کی ضرورت نہیں ہوگی۔

مالیاتی حوالے سے، حکومت نے اپنی ٹیکس کی آمدنی کے مجوزہ ہدف کو 5.829 ٹریلین روپے پر مقرر کیا ہے اور بجٹ کے خسارے کو 3.42 ٹریلین روپے یا جی ڈی پی کا 6.3 فیصد پر تخمینہ کیا ہے۔ آئی ایم ایف کی ہدایت کے مطابق حکومت نے 16 جنوری 2022ء سے اطلاق شدہ 343 بلین روپے کی زنگین کی چھوٹ کا خاتمہ کر دیا ہے۔ ایف بی آر نے مالی سال 2022ء کی پہلی ششماہی کے دوران 2.92 ٹریلین روپے کا خالص ٹیکس اکٹھا کیا جو کہ اس کے ہدف سے 287 بلین روپے زائد ہے۔

معیشت کے مستقبل کی پیش بینی :

کوڈ - 19 کی حالیہ اور نہایت متعدد شکل ادوی کروں کے معیشت کی مجموعی طلب پر منفی اثرات مرتب ہونے کی توقع ہے۔ علاوہ ازیں، اسٹیٹ بینک آف پاکستان کے جانب سے اختیار کردہ مانیٹری پالیسی میں حالیہ سکڑاؤ سے داخلی طلب کی نمویں مزید اعتدال پیدا ہونے کی توقع ہے۔ ان پالیسیوں کے رد عمل کے طور پر معیشت میں افرامی اور بیرونی اکاؤنٹ کے دباؤ میں بتدریج کمی کی توقع ہے۔

2 فروری 2022ء کو آئی ایم ایف کے انگریزی بورڈ نے اپنی ایکسیٹنڈڈ فنڈ فیسلیٹی (Fund Facility Extended) کے چھٹے تجزیے کی منظوری دی، جس کے تحت پاکستان کو 750 ملین (تقریباً 1 بلین امریکی ڈالر) کے پیش ڈرائنگ رائٹس (Special Drawing Rights) کے مساوی رقم تقسیم کی گئی۔ اس پروگرام کے تحت اسٹیک کی تقسیم 2,144 ملین ایس ڈی آر (تقریباً 3 بلین امریکی ڈالر) پر پکچنگ کی گئی ہے۔ پاکستان کے بارے میں اپنی خصوصی رپورٹ میں فنڈ نے اس امر کا مشاہدہ کیا ہے کہ اگرچہ سال 2021ء میں معاشی سرگرمی میں مضبوط اضافہ دیکھا گیا ہے، تاہم بیرونی اکاؤنٹ اور افراط زر کے دباؤ بھی شدید ہوتے جا رہے ہیں۔ اسٹیٹ بینک آف پاکستان کی جانب مانیٹری پالیسی میں سختی اور حکومت پاکستان کی جانب سے آغاز کردہ فنانس (پلیئمٹری) بل کی طرف اشارہ کرتے ہوئے بورڈ نے پالیسیوں کے بارے میں اس رائے کا اظہار کیا ہے کہ "یہ میکرو اکنامک استحکام اور قرض کی پائیداری کے تحفظ کے لیے ایک ناگزیر عمل ہے"

کوڈ - 19 کی عالمگیر وبا کے پھیلاؤ نے، مالیاتی صنعت کے لیے اپنی ڈیجیٹل منتقلی میں تیزی کی افادیت اور اس کو مزید مضبوط بنانے کی ضرورت پر زور دیا ہے، جو کہ پاکستان میں بینکنگ کی خدمات کے خدوخال کو واضح کرنے کے لیے ناگزیر ہے۔ مستقبل میں، بینک ٹیکنالوجی کے فروغ اور دانشندانہ تجربے اور صارفین کی توقعات پر مرکوز جدید پروڈکٹس کے اجراء کی صلاحیت سے ہی بینکنگ کے ان نئے مواقع کو اختیار کرنے کے قابل ہو سکیں گے تاکہ اپنے صارفین کو مزید بہتر ماحول اور تجربے سے ہمکنار کیا جا سکے۔

رہنہ منجھٹ فریم ورک (خدشات کے تدارک کا انتظام)

رہنہ منجھٹ فریم ورک کو سالانہ رپورٹ میں الگ واضح کیا گیا ہے۔

کریڈٹ ریٹنگ:

بینک، پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) کے نوٹیفکیشن مورخہ 23 جون 2021ء کے مطابق بائترتیب ٹریٹ اے (AAA) اور (A1+) اے ون پلس کی داخلی طور پر بلند ترین طویل اور قلیل مدتی کریڈٹ ریٹنگ سے مستفید ہے۔

انٹرنل کنٹرول اسسٹنٹ

منجھٹ کی جانب سے فنانسل رپورٹنگ پر اندرونی انضباط (ICFR) اور مجموعی اندرونی انضباط (انٹرنل کنٹرول) سے متعلقہ بیان کی، بورڈ بخوشی توثیق کرتا ہے۔ منجھٹ کا اندرونی انضباط سے متعلق بیان سالانہ رپورٹ میں شامل ہے۔

کوڈ آف کارپوریٹ گورننس اور کیپیٹل ایکٹ 2017 کے سیکشن 227 کے تحت بیان ہے

بورڈ آف ڈائریکٹرز اس امر کو یقینی بنانے کے لئے پرعزم ہیں کہ سیکرٹری اینڈ ایگزیکٹو کمیشن آف پاکستان کی جانب سے مہینہ کردہ کارپوریٹ گورننس کے تمام معیار اور شرائط اور کیپیٹل ایکٹ 2017 کے سیکشن 227 کے تمام مطلوبات کی مکمل پاسداری ہو۔ بینک نے کارپوریٹ گورننس کے بہترین معیار کو اختیار کیا ہے اور ڈائریکٹرز سمیت رپورٹ کرتے ہیں کہ:

- بینک کی منجھٹ کی طرف سے تیار کردہ فنانسل اسٹیمنس اسکے معاملات اور کارکردگی، صورتحال، نقدی کے بہاؤ (کیش فلو) اور ایکویٹی میں تبدیلیوں کا واضح اظہار کرتی ہیں۔
- بینک کے اکاؤنٹس کی درست کتابیں تیار کی گئی ہیں۔
- فنانسل اسٹیمنس کی تیاری میں اکاؤنٹنگ کی خصوصیات پالیسیوں کا یکساں اطلاق کیا گیا ہے۔ اکاؤنٹنگ کے تخمینے موزوں اور صحیح اعداد و ارقام پر مبنی ہیں۔

شرح پر درج کیا۔ کاسا (CASA) کی ترکیب 93 فیصد پر رہی۔ جبکہ بینک کے کل ڈیپازٹس، رواں مدت کے اختتام تک، 9 فیصد کے اضافے کے ساتھ 1,412 ملین روپے تک پہنچ گئے۔

اثاثہ جات اور ایکٹیویٹی کی آمدنی کی شرحیں بالترتیب 1.65 فیصد اور 19.11 فیصد پر رپورٹ ہوئیں جبکہ بک ویلیو فی شیئر 135.13 روپے پر درج کی گئی۔

ایم بی بی نے اسٹیٹ بینک آف پاکستان کے بینکنگ رجسٹر کے ذریعے غیر ملکی زرمبادلہ کے ذخائر میں اضافے کے مقدمے کے ساتھ سرگرم شراکت داری کو مزید تقویت فراہم کرنے کا مظاہرہ کرتے ہوئے اس زیر تجزیہ عرصہ کے دوران 3.527 بلین امریکی ڈالر کی ترسیلات زر کو وصول کیا۔

سرمائے کے ضوابط کی تعمیل کرتے ہوئے بینک کے کل سرمائے کی معقولیت (کنٹینل ایڈیوٹیسی) 11.5 فیصد کی مطلوبہ شرح کی نسبت 17.01 فیصد پر رہی (جس میں 2020ء کے بی بی آر ڈی (BPRD) سرکلر لیز نمبر 12 کے تحت سرمایہ کو تحفظ دینے کے لیے 1.50 فیصد کی تحلیل کی شرح شامل ہے)۔ سرمایہ کے اعلیٰ معیار کا انحصار بینک کی کاسن ایکٹیوٹی ٹائر -1 Common Equity Tier -1 (CET1) سے کل رسک ویٹڈ ایسٹس (Risk Weighted Assets) کی شرح سے ہوتا جو کہ 6.00 فیصد کی مطلوبہ حد کے مقابلہ 15.08 فیصد کی شرح پر درج کی گئی۔ بینک کی کپٹال نریشن کے نتیجے میں لیوریج (Leverage) کی شرح بھی 3.0 فیصد کی ضوابط کی حد سے نمایاں اضافہ کے ساتھ 6.13 فیصد پر جا پہنچی۔ بینک نے لیکویڈٹی کوریج ریشو (Liquidity Coverage Ratio - LCR) کو 246.31 فیصد اور نیٹ سٹیبل فنڈنگ ریشو (Net Stable Funding Ratio - NSFR) کو 100 فیصد کی مطلوبہ شرح کی نسبت 155.00 فیصد پر رپورٹ کیا۔

بینک کی اس غیر معمولی کارکردگی کا اعتراف عالمی شہرت یافتہ فنانس ایڈیٹوریٹس ایسوسی ایشن نے کیا اور اسے سال 2021 کے "بیسٹ بینک آف پاکستان" کے ایوارڈ سے نوازا۔

حکومتی پالیسیوں کے بینک کی کارکردگی پر اثرات

پاکستان میں بینکاری کا شعبہ کووڈ -19 کی عالمگیر وبا سے ظہور پذیر وبا کے مقابلے میں بہترین کاروباری رد عمل کا اظہار کر رہا ہے۔ اسٹیٹ بینک آف پاکستان کے مندرجہ ذیل پیش قدم اور بروقت اقدامات کے ذریعے اس وبا کے پھیلاؤ کے مضمرات سے نبھنے میں بہت مدد حاصل ہوئی ہے:

- سرمائے کے تحفظ کے بفر (Buffer) میں 100 پیسرس پوائنٹس کی کمی سے اس کی شرح کا 1.5 فیصد پر قبضہ؛
- ایس ایم ایف (SMEs) کے لیے قرضوں میں 180 ملین روپے تک کے قرضوں کی توسیع کے لیے ضوابط کی حد میں اضافہ؛
- بینکوں کو اس امر کی اجازت مہیا کرنے کی سہولت کہ وہ اپنے قرض یافتگان کی اصل قرض کی رقم کی ادائیگیوں کو ایک سال کے لیے مؤخر اور یا ان کی دوبارہ تشکیل ایسے قرض یافتگان، جو قرض کی اصل رقم اور یا مارک اپ کی ادائیگیوں کے لیے ایک سال سے زائد مدت کے خواست گار ہوں، کے لیے قرض کو ان کی کریڈٹ سہز کو متاثر کئے بغیر ری شیڈول کر سکیں
- اور اجرت اور تنخواہوں کی ادائیگی کے لیے ری نانس کیسوں کا اجراء۔

معیشت میں تعمیرات سے متعلق شعبوں کے فروغ کے امدادی اقدامات سے قطع نظر، اس سال کے دوران 'میرا پاکستان میرا گھر' کا پروگرام سب سے زیادہ توجہ کا حامل رہا۔ روشن ڈیجیٹل اکاؤنٹ کا اجراء بھی صنعت کی جانب سے نان ریز بیڈنٹ پاکستانیوں کو سہولت فراہم کرنے کے لیے ایک مزید اہم قدم کی حیثیت رکھتا ہے۔ بینک نے اس مدت میں 31 دسمبر 2021ء تک 216 ملین امریکی ڈالر سے زائد کی رقم وصول کی جا چکی ہیں۔

سہڈ انڈسٹری ڈائریکٹنگ اری ڈائریکٹنگ کے حوالے سے نئے صنعتی پرائیکٹس اور انکی صلاحیتوں میں اضافے اور سرمایہ کاری میں سہولت فراہم کرنے کے لیے 'میرا بری (عارضی) اکاؤنٹ' ری ڈائریکٹنگ فیسلٹی' کے آغاز سے سال کے دوران قرضہ جات میں 24 فیصد کی تاریخی نمو حاصل کی۔ بینک نے حکومت پاکستان کے کامیاب جوان پروگرام کے تحت بھی قرضہ جات جاری کیے۔

اس سال کے دوران، ملک میں جاری ڈیجیٹل منتقلی کی مہم کی تھلیڈ میں کئی اہم کامیابیاں حاصل کی گئیں۔ ان کلیدی اقدامات میں غیر ملکی کرنسیوں کی ضوابط کی منظوری کے نظام کی ڈیجیٹل نریشن، نادرا اور بی ٹی اے کے ساتھ مل کر آسان موبائل اکاؤنٹ سیکم کا اجراء اور راست (RAAST) فوری ادائیگیوں کا نظام شامل ہیں تاکہ معاشرے کے مختلف طبقات میں حکومت کے ڈیجیٹل ایجنڈے کو شامل کیا جاسکے۔

معاشی تجزیہ

عالمی معیشت

اس زیر تجزیہ مدت کے دوران، عالمی معیشت کی نمو میں سال 2020 میں کووڈ -19 کے باعث ہوئی بد حالی کے بعد، تحریک دیکھی جا رہی ہے۔ نئی انجمنی شکلوں کے تناظر میں معاشی سرگرمی کا زیادہ انحصار کووڈ -19 کی دیکشیں کی تحقیق، دستیابی اور رسائی پر ہے۔ چنانچہ، عالمی معیشت سال 2020ء میں رپورٹ ہونے والی 3.2 فیصد کی منفی نمو کے مقابلے میں سال 2021ء میں 5.9 فیصد تک بڑھنے کی توقع کی جا رہی ہے۔

اگرچہ، عالمی معیشت میں مجموعی طور پر بہتری ہوئی ہے، تاہم صحت عامہ کے بحران کی طوالت نے معیشتوں کو روایتی اقدامات سے ہٹ کر بھی متاثر کیا ہے۔ جن کے متوقع دور پاؤں اور دور رس مضمرات سے بلند، کم اور درمیانی آمدنی کی حامل معیشتوں کے مابین بحالی کا رجحان تنوع کا مفکار ہے، جو کسی حد تک دیکشیں کی غیر مساوی رسائی کی وجہ سے ہے۔

صارفین کی طلب کی بڑھوتی، جس میں ذاتی بچتوں نے مزید اضافہ کیا، اور اس کے ساتھ لیبر اور عالمی توانائی کی مارکیٹوں میں مسلسل رکاوٹوں، پیداوار اور رسد کے حوالے سے موجود دشواریوں اور شپنگ اور نقل و حمل میں پائی جانے والی بڑھوتوں کے باعث افراط زر میں انتہائی تیز رفتار سے اضافہ ہوا ہے۔

عالمگیر وباء سے متعلق صحت عامہ اور معاشی بحرانوں کے مختلف مراحل سے گزرتی معاشی صورتحال کے ارتقاء کے مابین، کردہ اراض پر موجود تمام کلکتیں اپنے سابقہ پالیسی مقاصد میں توازن برقرار رکھنے کی کوشش میں کئی ایک پالیسی اقدامات کے ساتھ اپنے رد عمل کو مسلسل جاری رکھے ہوئے ہیں۔ ان اقدامات کے حتمی نتائج عالمی معیشت کی پیش بینی کے حدود خال اور بحالی کو ایک پائیدار راستے پر گامزن رکھنے کو یقینی بنانے میں ناگزیر حیثیت کے حامل ہیں۔

داخلی معیشت

سال 2020ء میں کووڈ -19 کی عالمگیر وباء کے باعث عالمی معیشت پر پیدا ہونے والی غیر یقینی کی صورتحال کے مد نظر، اسٹیٹ بینک آف پاکستان نے اپنی مالیاتی پالیسی میں آسانی فراہم کرنے کی غرض سے کم لاگت کے قرضوں کی سہولت کا اجراء کیا۔ جس کے نتیجے میں، سال 2021ء کی پہلی ششماہی میں قرضہ معاشی نمو دیکھی گئی۔

سال کی دوسری ششماہی کے دوران معیشت میں پہلے سے متعارف کیے گئے آسانی کے اقدامات کی بدولت مجموعی طلب میں توقع سے زیادہ نمو کا مشاہدہ دیکھا گیا اس کے ساتھ اشیاء کی عالمی قیمتوں کے اضافے نے درآمدات کے بل میں اضافہ کیا جس سے کرنٹ اکاؤنٹ کا خسارہ مزید وسیع ہوا اور معیشت کو 'لاگت کو

ڈائریکٹر رپورٹ:

بورڈ آف ڈائریکٹرز کی جانب سے ہم ایم سی بی بینک لمیٹڈ کی سالانہ رپورٹ، برائے سال ختمہ 31 دسمبر 2021ء کو پیش کرتے ہوئے نہایت مسرت محسوس کرتے ہیں۔

منافع اور تحصیص:

31 دسمبر 2021ء کو اختتام پزیر سال میں منافع قبل و بعد از ٹیکس اور تحصیص، مندرجہ ذیل ہے:

ملین روپے	منافع قبل از ٹیکس
51,989	ٹیکس
21,178	منافع بعد از ٹیکس
30,811	اختتامی غیر تحصیص شدہ منافع
69,835	ڈیویڈنڈ و شیفٹ واجبات کی دوبارہ تقسیم شدہ آمدنی - خالص از ٹیکس
38	پائیدار اجاڑوں کے سرپلس پر فروخت سے حاصل آمدنی - خالص از ٹیکس
115	غیر بینکاری اجاڑوں کے سرپلس پر فروخت سے حاصل آمدنی - خالص از ٹیکس
250	پائیدار اجاڑوں کی تجدید نو سے انسانی آمدنی کی غیر تحصیص شدہ منافع
82	اکریٹیکل ڈیپ کی ایڈیشن (قدر میں کمی) کی مد میں منتقلی
70,320	تحصیص کے لیے دستیاب منافع
101,131	تحصیص:
3,081	قانونی ریزرو
17,776	حتمی کیش ڈیویڈنڈ 15 روپے فی حصص 31 دسمبر 2020
5,333	پسلا مہوری کیش ڈیویڈنڈ 4.5 روپے فی حصص 31 مارچ 2021
5,925	دوسرا مہوری کیش ڈیویڈنڈ 5 روپے فی حصص 30 جون 2021
5,333	تیسرا مہوری کیش ڈیویڈنڈ 4.5 روپے فی حصص 30 ستمبر 2021
37,448	کل تحصیص
63,683	اختتامی غیر تحصیص شدہ منافع
26.00	فی حصص آمدنی - (روپے)

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 31 دسمبر 2021ء کو اختتام پزیر سال کیلئے 5 روپے فی حصص کے حتمی کیش ڈیویڈنڈ کا اعلان کیا ہے جو کہ حصص یافتگان کو 14 روپے فی حصص کے پہلے سے ادا شدہ مہوری ڈیویڈنڈ کے علاوہ ہے اور اس طرح سال 2021ء کے لیے ڈیویڈنڈ ادا کرنے کی شرح 73 فیصد پر ریکارڈ ہوئی ہے۔ حتمی کیش ڈیویڈنڈ کے اس اعلان کے اثرات کو مدنظر رکھنا یا تحصیص میں شمولیت کیا گیا ہے۔

کارکردگی کا جائزہ

ایم سی بی کا منافع بعد از ٹیکس 31 دسمبر 2021ء کو اختتام پزیر مدت کے لیے 6 فیصد کی نمو کے اندراج کے ساتھ 30.81 ملین روپے پر جا پہنچا۔ اور اس طرح گزشتہ سال کی 24.50 روپے فی شیئر کے مقابلہ میں 26.00 روپے فی شیئر کی آمدنی کو راج کیا گیا۔

اوسط پالیسی ریٹ 19 فیصد (166 بی پی ایس) کی کمی کے اندراج کے ساتھ گزشتہ سال کی 8.95 فیصد اوسط شرح سے رواں سال 7.29 فیصد کی اوسط پر پہنچ گیا۔ تاہم اوسط کرنٹ ڈیپازٹس اور چھ اداری اثاثوں کی متوازن ترکیب میں ہم آہنگ اور دو درآمد پیش ترقی کے باعث خالص اثاثہ ٹی گزشتہ سال کے 71.33 ملین روپے کے حجم کی نسبت 10 فیصد کمی کے ساتھ 63.99 ملین روپے پر رپورٹ ہوئی۔

غیر مارک اپ آمدنی میں سال 2020 کے دوران حاصل کی گئی 18.1 ملین روپے کی سطح کے مقابلے میں 11 فیصد کی شادمانہ و رجسٹر کی گئی اور اس کا مجموعی حجم 20.1 ملین روپے پر پہنچ گیا۔ لیکن دین کی مقدار میں بہتری، بینک کی پراڈکٹس کی خصوصیات میں مزید بہتری کے ذریعے اپنی آمدنی کے ذرائع میں تنوع، ڈیجیٹل منتقلی کی مد میں سرمایہ کاری اور صنعت میں خدمات کے اعلیٰ ترین معیار کو برقرار رکھنے کے لیے غیر حرجز ل توجہ کی بدولت فیس کی آمدنی میں 14 فیصد کی نمو حاصل کی گئی۔ جبکہ ڈیویڈنڈ اور قارئین کی آنکھچ کی آمدنی میں بائترتیب 86 فیصد اور 48 فیصد کی نمو کا اندراج کیا۔

بینک، افراط زر میں کرنسی کی فرسودگی، بنیادی قیمتات کے بڑھتے اخراجات، بانچوں کی توسیع میں اضافہ اور اس کے ساتھ باقاعدہ کارکردگی اور افراطی سرمائے کے لیے میرٹ پر مطابقت کے مسلسل رہاؤ کے باوجود اپنے کاروباری اخراجات کے مناسب ترین انتظام کی حکمت عملی پر کار فرما رہتے ہوئے اپنی لاگت دانہ بندی کے ساتھ محض 8 فیصد کے معتدل اضافے تک محدود رکھنے میں کامیاب رہا۔

پروویژن کے حوالے سے پیش قدم گمرانی اور وصولیوں کی کوششوں سے غیر فعال قرضوں کے لیے مخصوص پروویژن کی مد میں 910 ملین روپے کی رپورٹ ہوئی۔ جبکہ داخلی سرگرمیوں میں بہتری اور معاشی بحالی کی صورتحال پر چھائے سبب فطرات میں کمی کی وجہ سے کووڈ-19 کے پھیلاؤ سے پیدا ہونے والی غیر متوقعی سے نمٹنے کے لیے دانشمندانہ اقدام کے طور پر نقصان گئے 4 ملین روپے کے عمومی ریزروئی پروویژن بھی کمی گئی۔

عدالت کے تدارک کے مضبوط فریم ورک جو کہ جانچ کے حتمی ڈاؤن قرض کی ادائیگی سے پہلے اسکی قدرتیائی کے موزوں طریقہ کار اور ادائیگی کے بعد گمرانی کے موثر نظام پر مبنی عوامل پر مسلسل توجہ برقرار رکھتے ہوئے، ایم سی بی نے اپنے کریڈٹ کے عدالت کا ارتقاء میں سے دو چار دیگر واکمانہ صورتحال سے درپیش منظم اور مربوط خطرات کے باوجود، احسن طریقے سے انتظام کیا۔ بینک کے غیر فعال قرضہ جات 698 ملین روپے کی کمی کے ساتھ 50.49 ملین روپے پر رپورٹ ہوئے۔ بینک نے اپنی مخصوص پروویژن کا شمار کرتے ہوئے جبری فروخت کے فوائد کو شامل نہیں کیا اور 636 ملین روپے کی بالا کفالت مایہ و ویژن کا اندراج کیا۔ بینک کی کوریج اور لیکیشن کی شرحیں بائترتیب 90.83 فیصد اور 7.94 فیصد پر رپورٹ ہوئیں۔

مالیاتی پوزیشن کی مد میں، بینک کے غیر مجموعی بنیاد پر شمار کیے گئے کل اثاثہ جات 1,970 ملین روپے (+12%) پر درج کیے گئے۔ بینک کے کل قرضہ جات صنعت کی نمو کی شرح سے خامی بندی کے ساتھ 24 فیصد (122 ملین) کی شادمانہ افزائش سے سال کے اختتام تک 636 ملین روپے پر درج کئے گئے۔ کارپوریٹ شعبہ کے قرضہ جات 106 ملین روپے (+31%) تک بڑھے جبکہ کٹریمر کے قرضہ جات کے پورٹ فولیو میں تعمیرات اور آٹو کے شعبوں میں نمایاں ترقی کی بدولت قابل قدر اعتراف آمدنی حاصل ہوئی اور اگست حجم میں 9.5 ملین روپے (+32%) کا اضافہ ریکارڈ ہوا۔

واجبات کے حوالے سے، بغیر لاگت کے ڈیپازٹس کے حصول میں اضافہ، بینک کی حکمت عملی کے طور پر برقرار ہے۔ لہذا، غیر پیداواری ڈیپازٹس 15.1 فیصد کے اضافے کے ساتھ 563 ملین روپے پر بند ہوئے اور 31 دسمبر 2021ء تک کے کل ڈیپازٹس کی ترکیب میں، اپنے حصے کو 40 فیصد کی حتمی

Groups Review

Wholesale Banking Group

The Group remained focused on all business areas during 2021 Corporate Banking, Investment Banking and Transaction Banking contributed for another profitable year. The Corporate Portfolio grew exponentially through booking of a number of new loans to surpass previous levels. Bottom line contribution for the Bank was through increased fee income generation and a well-managed loan book; with no additional charge on the portfolio on net basis during 2021.

In 2021, several strategies were adopted, including the setting of group limits for large corporates, limit review exercise, and Risk Asset Acceptance Criteria (RAAC) to strengthen our credit underwriting standards and risk appetite.

The CFIBG team managed to use its relationship and resources to actively cross-sell various products including construction finance, as well as consumer products such as auto, home, personal loan to employees of Corporate Customers.

The Bank's Investment Banking team managed to successfully close several transactions during the year and posted highest fee-based revenue in the last four years. The team successfully advised and arranged one of the largest Syndicated Term Finance Facility for Pak Telecom Mobile Ltd. of PKR 21 Billion. In addition, various expansion and BMR projects were undertaken through SBP TERF and LTFF schemes. Investment Banking of MCB also received international recognition through the following awards:

The Asset Triple A Sustainable Capital Markets Country & Regional Awards:

- o Best loan adviser in South Asian Region- 2021
- o Best Structured Finance Deal in South Asian Region for Pakistan Mobile Communications Syndicated Term Finance Facility of PKR 50 billion- 2021
- o Best equity-Linked Deal- Engro Polymer & Chemicals Limited US\$19 million preference shares- 2020

The Cash Management business continues to remain one of the leading cash management solution providers in the country and with its growth momentum surpassed annual volume milestone of PKR 3 trillion in 2021. This was realized through focus on Initial Public Offerings (IPO), Right issues, E-Dividends and domestic payments' modules to help meet the requirements of top Corporations across the country.

During the year, Transaction Baking Division of MCB attracted home remittance inflows of USD 3.527 billion to further consolidate its position as an important contributor

to the national cause of improving flow of remittances through banking channels.

In 2021, Strategic Acquisitions and Investments Division (SAID) evaluated different acquisition and investment opportunities for the Bank. The Division strives to explore internal and external options for the Bank's strategic growth. Globally, the banking industry continues to face novel challenges following rise of Fintechs. Technological advancements and industrial transformations of this kind are likely to flow into Pakistan. In view of this imminent disruptive phase, SAID explored options within the Fintech space and is in the process of conducting due diligence to better understand the intricacies within the space with the intent to make decisions in the best interest of the Bank.

The business teams continue to remain geared up for growth strategy in 2022.

International Banking Group

MCB Bank has strategic footprints in the international arena and is working towards further expanding its global reach. The Bank has direct presence in Sri Lanka, Bahrain, and United Arab Emirates through a network of branches bringing its strengths and quality of service to its international customers.

Sri Lanka Operations:

Going back a quarter of a century, MCB bank has been serving the people of Sri Lanka. The bank established its operations in Sri Lanka in 1994 as a single branch with main focus on trade finance related business. Since then the bank has been growing steadily and at present caters to a variety of segments, such as, Corporate, SME, Retail and Islamic banking. The bank prides its self as holding the second-largest branch network amongst foreign banks in the Sri Lanka.

Despite a sluggish business environment which prevailed due to Covid-19 pandemic, MCB Sri Lanka remained profitable for the year 2021. As a testimony to its prudent policies the bank was able to secure a local rating [SL] A+ (stable) by ICRA Lanka Limited, which point towards the prudent capital, risk and liquidity management of the bank.

Valuing its commitment to its stakeholders, the Bank undertook all relevant health and safety measures to ensure the well-being of its staff and customers while ensuring its corporate objectives were met. During the year MCB Sri Lanka took steps to increase the digitalization of its services by launching Mobile Banking Application for individual customers and initiating the process to upgrade its Virtual Banking platform. This will enable the customers to carry-out banking transactions without their physical

presence at branches.

During the year several strategic decisions have been taken to effectively manage the operating cost and mitigate credit and liquidity risk of the balance sheet. Further, Sri Lanka operations have been able to improve its CASA and AD Ratio to be in line with the bank's strategic objective.

UAE Operations:

MCB Bank commenced its operations in Dubai, UAE as a wholesale banking branch in 2015.

The franchise's strategy of diversifying its portfolio on both the liability and asset front has resulted in a dynamic portfolio with an ability to adjust as per market challenges. By focusing on expansion in the Financial Institutions, and trade risk the branch was able to achieve its growth targets. The branch has been able to generate quality returns, by increasing its productivity.

Despite the economic backdrop, the Branch was able to maintain its deposits base in 2021, through diversification of the liability portfolio, while maintaining a CASA base of over 84%.

MCB UAE stood firm in its commitment to expanding its outreach and in achieving its objectives while safeguarding the interest of our shareholders through prudent policy and by relying on the Bank's core strengths.

Bahrain Operations:

Mobilizing organic liquidity was a key focus for MCB-Bahrain during the year. By the year-end, all assets fund through organic liquidity. MCB Bahrain specifically designed a product for its customers to enhance their return on equity by leveraging their investment in approved fixed income products. Under the approved risk and reward, framework gaps are minimal while maximizing profits. It formulated a more natural balance sheet for the franchise.

The franchise aims to develop and implement several policies and procedures to cover ever-evolving regulations. MCB Bahrain also remained focused on AML/CFT and compliance areas. Gap assessments regarding internal policies and procedures were conducted and later approved for implementation. Creating a safe environment for its customers and employees - MCB Bahrain maintained strong customer and employee safety protocols during the pandemic.

Retail Banking Group

Retail Banking Group continues to be the face and core bloodline of the bank, strategically focused to provide a

commendable mix of products and services to the length and breadth of the country. RBG with its 1,400+ locations, 9,700+ employees serves all economic geographies, customer and business segments. Key considerations in 2021 remained on financial inclusion, digital innovation, process reengineering, sales and service enrichment while maximizing stakeholders' interests.

RBG marked 2021 as another year of sustained historical growth, stellar financial results and accomplishment of major business objectives. With its passion, commitment and determination, the team generated highest ever current deposit that helped in achieving exceptional financial results during unprecedented macroeconomic challenges like inflation, volatile parity rates, upsurge in monetary policy, enhanced regulatory requirements as well as environmental challenges where multiple surges/restriction related to COVID-19 were observed.

Team RBG has established themselves as a core contributor in all value streams. 2021 was another successful year in terms of growth in core deposit, fee-based income, cross sell as well as considerable increment in advances portfolio without compromising on credit quality. Through a smart mix of innovative products, process re-engineering initiatives, sales support programs, service management activities, robust governance & untiring staff efforts; "The Best Selling Machine" has enabled the bank to celebrate another winning year. In order to ensure superior services to our customers, apart from inclusivity of all staff member through "Participation from All Initiative", RBG continued to strengthen its franchise by adding new branches, relationship & service managers, operational staff as well as new business function / units during the year.

RBG, being the biggest deposit and revenue contributor to the overall growth of MCB Bank, has always been instrumental in building "low-cost deposits" with CASA mix standing at 94.3% in 2021. The best part of this year has been our phenomenal ever highest growth in Current Deposit, thus contributing 57% of 2021's total deposits. Growing fee income from diverse products and branch operations despite challenging conditions has been exceptional. On-going expense management including cost rationalization at all business functional levels has played its role in revenue maximization and profitability of the bank.

Team RBG is at the forefront in delivering all regulator led initiatives. Enhancements in Roshan Digital Account (RDA) have made the enterprise more beneficial for overseas Pakistanis. MCB Bank is proud to be one of the leading participating banks of the initiative and is offering all value-added services digitally. MCB Bank is the only bank offering RDA in 9 foreign currencies alongside with Pak Rupee. The addition of Roshan Apna Ghar, Roshan Apni

Car, Roshan Samaaji Khidmat, Roshan Qurbani Service and many such endeavors opened new corridors for our overseas diaspora. MCB Bank continuously strives to add more value added services and investment opportunities in future.

RBG with the collaborative support of other business groups has gained decent market share in important national socio development programmes, by facilitating customers under Mera Pakistan Mera Ghar (MPMG) and Kamyab Jawan Program Schemes. A devoted RBG team is assisting potential MPMG customers during their loan processing, identifying suitable properties and in the execution of purchase of property. Similarly, the team is making its utmost efforts in transmitting benefits of Kamyab Jawan Program to the target market. Our Agri financing and SME teams are constantly involved in identifying potential customers and facilitating loan disbursements.

In order to ensure customer convenience, excellence and competitiveness, selected liability products were further improved. MCB Smart Business Account was one such product, perfectly suited for business entities and entrepreneurs with the addition of various new benefits have shown traction. Moreover, the need of payroll proposition has evolved in recent years; to address prevalent employee and employer considerations, RBG has further strengthened 'MCB Salary Club' which has been appreciated by our existing institutional clients and has helped the bank in soliciting new payroll mandates.

RBG continued to enrich customer experience and fulfill ever evolving needs of its customers through use of latest technological advancements. Introduction of state of the art / new age online banking services, expansion of ATM network as well as introduction of digital account opening services are few examples

Disciplined implementation of policies and procedures has helped in ensuring compliance and control culture, further strengthened operational efficiencies and overall governance. Complete focus on 'Operation Excellence' assisted in achieving improved sales, high quality service standards and enhanced levels of internal control. In continuation of branch network optimization strategy, a number of branches were merged, relocated or closed. While under the annual network expansion plan 10 new branches were opened during the year.

RBG has established itself as a reliable contributor in terms of deposit and advances growth, revenue maximization and a facilitator of best in class services for our customers. We are confident that with determination, passion and capability to adapt ever-changing conditions, we will continue to grow even better in the months ahead.

The growth of core deposit alongside of increase in assets to maintain stable loan to deposit ratio will be a primary objective in 2022. Facilitation of overseas Pakistanis under the RDA initiative, MPMG, Kamyab Jawan and other national financial inclusion / support initiatives will remain key focus areas. Channelizing of Home Remittances, soliciting NTBs, retention / deepening of existing deposits, on-boarding Cash Management, Payroll & Collection Mandates will also remain our business drivers.

Our prime challenge remains maintaining and building upon the momentum we have created & improved during the past few years while remaining cognizant to environmental and socio-economic situation. With over 1,400+ branches network, catering to more than 8 million accounts of valued customers, Team RBG, with its zeal, passion and commitment followed by vigorous execution plan, is geared up to outperform in all deliverables and prepared to achieve greater results.

Special Assets Management (SAM)

During 2021, SAM Divisions recorded cumulative recovery figure of Rs. 2.67 Billion (2020: Rs. 2.41 Billion) and registered a growth of 11% over the corresponding year, despite pandemic and several other grave challenges. SAM Retail & Consumer Division contributed Rs. 1.27 Billion and surpassed the last year recovery figure by 25% and registered a handsome recovery yield of 14%. SAM Corporate & Commercial Division achieved Rs. 1.4 Billion and successfully restructured defaulted credits amounting to Rs. 5.2 Billion (2020: Rs. 1.6 Billion) by resolving various big ticket defaults during this year. SAM's settlement coverage also exhibited significant improvement as recoveries were spread over 6,316 cases as compared to 4,360 cases in the preceding year. Besides, recovery from written-off portfolio also witnessed significant growth of 89% as compared to last year (Rs. 176 Million vs. Rs. 93 Million). This feat has been achieved with untiring dedication, hard work and efforts of highly self-motivated and focused SAM team.

Mindful of enduring its legacy of working in an environment, acquiescent with the applicable laws & regulations and policies of the Bank; SAM not only succeeded in placing outstanding recovery numbers on the Board but also further improved its compliance to internal controls. Resultantly, all segments of SAM Divisions achieved highest Internal Audit Rating i.e. Satisfactory/A during the period under review.

Lastly, it is pertinent to mention that owing to visible dismal spiral of Covid-19 pandemic coupled with micro & macro-economic adversities, infected portfolio of banking sector has witnessed constant upsurge. Therefore, it is eminent that SAM continues its focus on remedial management to realize desired objectives of the sustained growth in an

efficient & effective manner notwithstanding the fact that worsening economic and political milieu will again pose a greater degree of challenge during 2022.

Consumer Banking Group

In 2021, MCB Bank aligned the consumer and digital banking businesses to deliver full blown digital banking of the future on the “built to last” principle. The core objectives of this alignment were, simpler and faster customer delivery, leaner and smarter orgs, and de-centralized / digital processes – all in line with bank of the future. Thus 2021 saw intense focus on two main drivers of customer centricity, product design and customer communication & dialogue enrichment by the business lines.

Wealth Management and Privilege Banking:

Bancassurance business continued a steady upward growth trajectory, started over the past years. In 2021, the business regained momentum after a pandemic-challenged 2020, and ended with a strong performance. Total sales volume in 2021 crossed PKR 3.0 billion. 2nd highest fresh premium volume since launch of the business in 2008, which was PKR 3.15 billion in 2019. This means that MCB is now at over 95% of our pre-pandemic peak, a stronger recovery than other industry player. Also putting MCB in a pole position to deliver new performance benchmarks in 2022.

Investment Services posted impressive numbers in 2021 and outperformed by generating business of PKR 8.03 billion. Improvement over the previous year was even more dramatic, with volumes growing by 40% compared to 2020 (ending at PKR 5.7 billion).

On the Privilege Banking, the business grew by 13.75% - PKR 24,186 million in 2021 versus PKR 21,263 million in 2020. Growth in current account book within Privilege was 32% over 2020, i.e. PKR 909 million - PKR 3,749 million in 2021 versus PKR 2,840 million in 2020. This reflects the potential of high net worth banking segment in the market, and a high potential to scale contribution to income and profitability from this business line.

Consumer Lending:

For past two years Consumer Lending has been earmarked as MCB's engine for growth. Bank set out to replicate its success on the auto lending product line to rest of the consumer assets suite including, home loans, credit cards, and personal loans. In this spirit, the business line exhibited a significant growth of 32% in its book size year on year - closing at PKR 38.5 Billion. The business now serves over 140,000 customers across lending products.

During the H1, 2021, market's economic activity with low interest rates remained favorable to consumer assets. However, in the latter part of the year the business experienced pressure due to hike in interest rates and regulatory tightening to curb large ticket and imported vehicles auto financing.

In line with SBP's initiative to boost foreign currency inflow by providing investment opportunities to NRP's, the consumer lending business launched two new products i.e. Roshan Apni Car and Roshan Apna Ghar. In addition, the business also spearheaded government's initiative to provide low cost and affordable housing to the masses under Mera Pakistan Mera Ghar scheme. The business booked 576 loans acquiring PKR 2 Billion in new assets under the program.

The business continued to form strategic alliances with Auto Manufacturers (OEMs) to provide value-added services to our auto customers and also offered high end tactical and regular discounts campaigns to its credit card customers. Lending businesses namely; Auto, home loan and credit card went on to register their best performances in terms of units, spend and volumes respectively.

Capital Market

The market started the year on a positive note, but worsening macros dampened the sentiments in the second half. As the world recovered from the pandemic, recovery in demand outpaced supply, leading to a boom in commodity prices. Resultantly, Pakistan faced pressure on its external account with sharp devaluation of local currency, depleting reserves, rising inflation and high interest rates. To make matters worse for the market, MSCI announced reclassification of Pakistan from Emerging Market to Frontier Market (FM). Pakistan's downgrade to FM Index further aggravated foreign selling, with November 21 witnessing net foreign selling of \$141 million. MCB's Capital Market Division managed to outperform the market in these turbulent times. Going forward, international commodity prices will be critical in determining the overall performance of the macroeconomic indicators of the country, and, hence, direction of the market.

Treasury and FX Group

The Treasury & FX Group (TFXG) has a long history of successfully navigating the volatility in the market, while optimizing the risk return to its portfolio and this year was no exception. Despite the initial wave of hysteria regarding growth, the course correction and resultant volatility, and in the latter half of the year on key rates and economic direction the Group managed to successfully face the headwinds, and efficiently navigated through these unprecedented circumstances. The Group surpassed its performance targets for the year and made significant

contribution to the Bank's mark-up and non-mark-up revenue this year.

To recall, Pakistan's economy rebounded strongly after taking a hard-hit in 2020 caused by the COVID-19 pandemic; the economy registered a 5.57% real GDP growth in the fiscal year 2021. However, pressures related to inflation and external account also started to emerge, resulting in widening of the current account deficit by the latter part of the year. In the final months of the year, spread of Omicron variant initiated a new wave of uncertainty in the markets. The unforeseen developments in inflation and current account balance caused the State Bank of Pakistan to raise its policy rate cumulatively by 275bps to 9.75% in the year under review. MCB Bank's Treasury took proactive measures to close the year with significant increase the Bank's revenue.

On the external front, the imports grew faster than the exports, creating downward pressures on PKR against USD. PKR depreciated against the USD by 10.3% in the year 2021. MCB Bank's Treasury was ahead of the curve and efficiently managed this FX volatility and generated record profits in exchange income. Our sales team remained committed to and fully engaged with our clientele to advise them during the period always keeping them abreast of the economic developments.

As an Authorized Derivatives Dealer, our derivatives team engaged with suitable customers having FX or interest rate exposures to provide solutions using derivative products. This led to an increase in customer awareness with respect to the use of derivatives to manage the identified market risks.

Through the financial and economic developments in 2021, MCB Treasury Research Desk worked to analyze the impact of changing market dynamics, and so, assisted the Bank in its decision-making. The Research Desk timely prepared economic forecasts of interest rates, inflation, foreign exchange rates, and other macroeconomic variables and shared the findings with the Bank's internal and external stakeholders. The Research Desk published the MCB Purchasing Managers' Index (MCB PMI) on a bi-monthly basis to help gauge the developments in the financial markets and the growth in the manufacturing sector of the economy.

Information Technology Group

Information Technology has transformed the banking industry worldwide for the better and has provided us with the necessary tools to manage the challenges of an ever growing economy. The integration of technology has been the cornerstone of recent financial sector reforms across industry aimed at increasing the productivity and efficiency of financial operations, strengthening the

banking sector to meet high consumer expectations and to secure a leadership position amongst peers. However, the most challenging part of the ever changing world of 'Technology' is to neutralize the impact of obsolescence and advancements at a strategic level without compromising availability, security and reliability of the 'Data and Information'.

In MCB Bank, the entire management and the board is committed to enrich Information Technology infrastructure at the enterprise level which is clearly evident from the investments the bank chose to make in the recent past. We are committed in our mission "To be a leading bank in the Information Technology sphere, with our focus on digital transformation to enhance customer experience". The multi-pronged approach comprises of but is not limited to one of the largest footprint of online branches with a centralized core and associated banking systems, strategic acceptance systems at both eCommerce and POS levels, robust Internet Banking and Mobile Banking platforms, revolutionary product and services offered through world class Digital Lounges, highly efficient & scalable Contact Centers, one of its kind state-of-the-art Enterprise Data network, established International footprint, proactive controls to combat money laundering and frauds, interoperability with other financial entities and Branchless Banking solutions to facilitate the customers irrespective of their location.

Information Technology Group (ITG) at MCB Bank is comprised of a team consisting of thorough professionals having a proven track record of project delivery and IT infrastructure management at an enterprise. The components of the organizational structure of ITG are included with IT Enterprise Infrastructure, IT Operations, IT Software Solutions, IT Support Services, IT Service Management, IT Information Security, IT Business Technology, IT Compliance and Internal Control, IT Business Continuity, IT Project Management, IT Procurement and IT Financial Services who are committed to servicing its consumers both internally and externally 24/7. Recently ITG successfully streamlined existing operations across board and recorded the highest ever uptime of core banking along with affiliated applications throughout the year. Nevertheless, the availability of Data Centers and the back-end systems along with all necessary services were remarkably remained at five-nines. In addition to operational achievements by ITG, new benchmarks were achieved to comply with the highlighted recommendations by external and internal audit committees and the SBP.

ITG had also closely monitored Bank wide projects and had driven related technology functions with a motive to accomplish the assigned tasks within the agreed timelines. Close coordination and liaison with working

groups and vendor relationship management are the key factors in above achievements.

Looking forward to 2022, IT Group is more committed towards:

- Dynamic Customer Experience with Cross-TouchPoints
- Revolutionizing payments & Driving Financial Inclusion
- Agile & Goal Oriented Product Service Road Map Delivery
- Payment Card Industry : Compliance : PCI DSS Certification
- Improving Information & Cyber Security ecosystem

Apart from above commitments, IT Group shall continue to empower the staff with the requisite trainings and job enrichment plans to impart motivation and job success factors.

Digital Banking

The pandemic established a full blown case for a digital transformation in banking. In 2021, as the world started reopening, new avenues for digital innovation and experimentation emerged. MCB jumped to avail this opportunity by developing customer-centric design – encapsulating the needs & wants of our customers. Launch of MCB Live – Bank's new mobile and internet banking was a true manifestation of it.

Debit Card

MCB's diverse debit card portfolio comprises card variants by two international schemes, Visa and Mastercard, alongside one domestic payment scheme, Paypak. Staying the course on breaking previous records, MCB Bank accomplished highest ever card activations and issuance growth of 38% year on year. The total retail spend on Debit cards increased by 45% and total e-Commerce spend saw a tenfold increase by 135% year on year.

The Bank executed multiple transformative projects including near-field-communication or contactless technology cards on international payment scheme cards and enhanced transaction security via 3D-Secure technology on Visa portfolio – thus delivering digital transactions growth and improved customer trust and confidence.

In 2021 MCB Bank rejuvenated discounts and promotions proposition to its cardholders, offering exciting discounts on lifestyle products and round-the-clock services by enabling 1,450+ ATMs and POS networks across the country. A new and improved browsing experience was launched for MCB debit card customers by transforming the discounts section to enable the customers to filter

various special offers and alliances according to category, country, city, discount percentage.

Building upon SBP's vision of promoting Pakistan's domestic payment scheme; Paypak Gold Debit Card was launched in 2021 giving customers a variety of card variants to choose from as per their unique needs.

To further facilitate Roshan Digital Account (RDA) customers, the debit card application process has been revamped, enabling digitization, customers can submit paperless digital applications for both basic & supplementary card from anywhere around at world at ease.

Omni Channel Digital Experience

2021 was a year of mega transformational projects. The bank upgraded to a world class Oracle-based platform MCB Live – an Omni-channel digital banking platform equipped with advanced mobile and online banking features.

MCB Live provides our customers, an easy and secure way to transfer money, carry out balance inquiries, check mini-statements, buy top-ups, pay bills, and much more from the comfort of their homes 24/7/365. The new digital banking application facilitates its customers to manage and control their bank accounts, debit & credit cards; whenever and wherever they want. The launch of MCB Live marks the start of a new digital era of MCB Bank.

Automated Teller Machines

ATM network witnessed a firm progression in terms of reach, reliability, and transactional volume. MCB's network stands at 1,450+ ATMs one of the largest national ATM networks spread across 500+ cities generating over 57 million transactions. MCB Bank has an ATM uptime rate of 98.68%, ensured by the presence of ATM monitoring teams working 24/7.

Merchant Acquiring

Expanding its payment acceptance footprint in the market, MCB Bank has now deployed more than 9,000 POS terminals at multiple locations across the country that processed over PKR 27 billion volume in 2021. Moreover, certifications of 3 different POS terminal models with 5 payment schemes were also enabled.

MCB eGate equips online businesses to accept payments reliably and securely from both credit and debit cards. During the year, approximately PKR 8 billion e-commerce transaction volume was processed through eGate. The online card acquisition footprint has grown and continues to grow exponentially worldwide. MCB Bank has an action plan to continue developing in the e-commerce space in 2022.

Branchless Banking

MCB Lite – our Branchless Banking Wallet offers customers ability to handle their financial transactions and payments in an efficient and real time manner. In 2021, MCB Lite undertook a substantial regulatory project with the launch of “Asaan Mobile Account” (AMA) Scheme to increase financial inclusion through enhanced access and usage of digital financial services. AMA scheme will facilitate the less privileged and marginalized sections of the society towards adopting digital payments even without internet and smartphones access and also transform banks to shift their focus from ‘Over-the-Counter’ (OTC) services to branchless banking (BB) accounts. MCB Branchless Banking also saw addition of reputable organizations on its funds/salary disbursement portfolio. MCB Lite is all set to explore new avenues while embracing the Digital revolution in 2022.

Operations Group

In its aspiration towards operational excellence, Operations Group has retained agility and flexibility in operational processes, discipline in internal controls, and dedicated focus on regulatory compliance, while continuing to be a key enabler of business growth and digital innovations for the Bank.

While the world continues to navigate the new normal in the backdrop of COVID-19, Operations Group has emerged stronger and better through consistent efforts and optimized utilization of existing organizational, human and physical capacity. Simultaneously, the group has focused on tapping new opportunities for transformation and automation. OPG continued to create value and capability to meet the evolving needs of our external customers and frontend staff by prioritizing business growth and service efficiencies through automating and centralizing existing operational processes, strengthening controls and facilitating optimal service delivery.

Business growth and controls are two of the most imperative objectives for attaining long term goals associated with sustainable competitiveness and leadership in the finance industry, and Operations Group has kept these objectives in mind when optimizing processes, systems and operational capacity through operational excellence and lean process management. Likewise, the group’s control-centric approach was pivotal in balancing regulatory requirements with process review practices. Projects that were predicated on process improvement include revamp of account activation process with special facilitation for overseas customers, RTGS Bulk Payment upload facility for corporate clients and introduction of enriched stage based SMS alerts for debit card delivery. Further, in order to improve account opening process, a detailed exercise has been conducted to improve Turn Around Time and customer onboarding

journey. Functional support was also extended towards design ideation and process formulation for MCB Live – Bank’s digital platform. A comprehensive study was also conducted for MCB Call Centre in which improvement opportunities in processes and systems were identified besides capacity enhancement.

Keeping system and process ingenuity at its heart, Operations Group pushed ahead with its vision of enriching customer experience by scaling digitization efforts to new heights. Consequently, functional support was provided in various projects having bank-wide significance including Image-based Clearing, Data Cleansing, automation of Personal Student Loan product, centralization of Asaan Accounts, Centralization of FCY Term Deposit with newly designed system mechanism, introduction of straight-through processing for RTGS transaction queries and advices module, centralization of Single Treasury Accounts, automation of pensioner account monitoring and automation of account certificates required by customers. Another landmark project was development of in-house deposit/withdrawal screen having added controls, more flexibility and automated deduction of charges.

Maintaining steady progress towards cost optimization, various initiatives were undertaken for rationalizing administrative cost including a systematic effort to bring customers towards e-statement.

On the people management front, Operations Group has remained cognizant of the effect of social distancing on the ability to have physical staff training sessions and workshops. Accordingly, digital channels have been utilized to the maximum and significant number of staff trainings have been conducted on data cleansing, business continuity and Green Banking. Meanwhile, staff participation in trainings of vital significance has also been ensured for Group’s own staff.

Sustainability and continuity have also been at the back of the Operations Group’s vision for Green Banking and Business Continuity. Therefore, the Group preserved the integrity of the Green Banking vision by strengthening its partnership with environmental bodies and non-profit organizations in the year 2021 through the maintenance and achievement of an adequate surveillance audit score, and by scaling up dry waste recycling practices. Plantation drive was conducted with zeal and enthusiasm and various Business Continuity initiatives were met through effective execution of existing contingency planning and crisis management practices. In addition, Own Impact Reduction pilot initiative was implemented with an aim to scale it up to achieve carbon footprint reduction goal.

For 2022, Operations Group sees plenty of opportunities that are compelling with promising business recoveries and accelerated digital adoptions across the ecosystem. Operations Group is excited about the prospects of the year 2022 and will continue to strike the right balance between the opportunities and risks that come along. Last year's challenges made us all stronger, giving Operations Group too an opportunity to learn and grow. The group is committed to further capitalize on this learning and resilience by finding new ways to prioritize digitization and centralization endeavors while strengthening cost discipline and proactive engagements with stakeholders to improve process centralization and further automate manual products and processes.

Compliance and Controls Group

The Compliance landscape and environment is becoming increasingly complex and challenging owing to enhanced Global focus on risks associated with Money laundering, Terrorist Financing, Proliferation Financing and direct exposure to embargoed jurisdictions. Consequently the Compliance function is continuously striving to keep up with these challenges through a well-integrated and robust risk mitigation framework in the aforesaid areas of our banking operations. As heightened focus continues on tackling these issues, CCG is committed towards investing more in resources, processes and technologies to combat these and other risk areas.

CCG aims to ensure the highest standards of AML/CFT/CPF and sanction risk compliance, which requires management and employees to adhere to these standards by preventing use of Bank's delivery channels, products and services for money laundering and terrorist financing. The Group provides a structural base to enable all concerned stakeholders to monitor out of pattern/unusual transactions to detect possible Money Laundering/Terrorism Financing /Proliferation Financing activities through Transaction Monitoring Solution (FCCM). It also leads the Management Committee on AML/CFT/CPF for oversight of AML/CFT/CPF & Sanctioned compliance with respect to relevant regulations, policies and procedures and steering of various AML/CFT/CPF initiatives in the Bank, to mitigate the risk of such activities, for both domestic and overseas operations. Furthermore, CCG is also challenging all internal stakeholders to strengthen Bank's monitors with regards to AML/CFT/CPF & direct exposure to embargoed jurisdictions risk emanating from Trade related business activities.

Highlights of 2021 include successful completion of project on updation of Transaction Monitoring System, implementation of a new Risk Profiling System and Trade Based Money Laundering System and strengthening of CFT desk by inclusion of Regulatory Reviews under its ambit for provision of feedback on high risk accounts/

transactions from ML/ TF/ PF perspective as required under the updated AML/CFT/CPF Regulations, CCG developed a structured model of Internal Risk Assessment to continuously assess its inherent and residual Money Laundering, Terrorism Financing & Proliferation Financing risk based on threats and vulnerabilities. This activity also enables the bank to explore opportunities and strengthen its systems and controls to mitigate the residual risk.

CCG also oversees adherence to the regulatory requirements through onsite reviews, with specific emphasis on Anti-Money Laundering (AML) / Combatting the Financing of Terrorism (CFT)/ Countering Proliferation Financing (CPF).

In order to remain abreast with regulatory requirements, CCG has pursued implementation of various dimensions of Compliance Risk Management (CRM) Guidelines issued by the regulator. In this perspective, CCG aims to inculcate a compliance culture in the bank wherein ongoing regulatory requirements and industry challenges can be managed effectively in all jurisdictions of MCB operations.

CCG ensures a professionally cordial working relationship with State Bank of Pakistan (SBP), Law Enforcement Agencies and other regulatory bodies in addition to coordination of SBP's Inspections.

The Fraud Risk Management Department (FRMD) is now completely consolidated on Pan Pakistan basis within FRMD. In addition to the management of Branch related fraud cases, FRMD started Preliminary Investigations of Consumer & Digital banking related frauds, hence adopting a more focused approach towards managing Fraud risk. Further, Implementation of 'Internal Eye', a tool for reviewing and monitoring of transactions associated with customers' as well as employees' accounts, through various predefined system based potential scenarios that will detect and manage the fraud risk encountered by the bank through timely highlighting suspicious and fraudulent activities. In addition, FRMD is leading Fraud Risk Assessment Exercise Bank wide with an objective to build new controls or reinforcement of existing controls in order to counter the potential frauds and safeguard Bank's interest. Moreover, FRMD also spearheads the resolution of regulatory observations through a cross functional management committee. In compliance with the Regulatory requirements of Employee Due Diligence, FRMD has designed Know Your Employee (KYE) Program, whereby, it also conducts KYE review exercise on quarterly basis by reviewing credentials of newly hired regular employees.

Our Service Quality (SQ) function, which is also part of CCG, continues its enhanced focus and rigor around customer

experience through senior management oversight and continuous internal stakeholder engagement. Bank follows a multi-pronged approach to assess the quality of service standards for its customers. These measures include ongoing evaluation of our branch look & feel, speed of our product and service delivery and efficiency of our digital channels. The bank also seeks customer feedback on the same through its in-house Voice of Customer team. Weak areas identified through these initiatives are then worked upon to improve customer experience.

Fair treatment of customers continued to remain a priority agenda item for the bank throughout 2021. In addition to the existing training module on “Fair Treatment of Customers”, an e-learning program took place in 2021 for frontline staff dealing with the customers in order to re-iterate the roles and responsibilities of bank’s staff in this regard. This training module will be gaining further momentum during 2022.

Service Quality function is also the custodian of customers’ grievance handling and works in collaboration with all businesses / functions of the bank responsible for acknowledging, investigating, tracking, escalating and resolving customer complaints within specified turnaround times.

Audit and Risk Assets Review Group

Internal audit function plays critical role in the overall risk and control environment of any organization. The function provides assurance that is vital for the Board and management in assessing overall strength of an organization’s control environment. Furthermore this function also adds value to the aforesaid control environment by virtue of its consultative role.

Audit & Risk Assets Review (Audit & RAR) Group is responsible for the internal audit function within MCB Bank Limited. Chief Internal Auditor functionally reports to the Board’s Audit Committee and administratively to the President. The Group conducts audits/reviews of various areas of the Bank under the globally recognized Risk Based Auditing Methodology whilst complying with the requirements of the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (USA) (IIA).

Audit & RAR Group continued to perform its role effectively on both the assurance and consultative fronts during 2021. The Group evaluated efficacy of Bank’s control systems by enhancing visibility of the management and the Board Audit Committee on the risk management and control related matters of the Bank (for Bank’s domestic and overseas operations). The Group also highlighted areas for improvement and worked closely with the management through regular engagement as

well as consistent follow-up, monitoring and guidance towards resolution of significant issues. Staff training and development remained a focus area for the Group which helped in enabling the internal audit teams in performance of their duties objectively as well as with professional due care.

With the zeal and commitment to play an effective role in the Bank’s endeavor for continuous improvement, Audit & RAR Group will persevere for further strengthening of its resources, processes and Framework in 2022.

Legal Affairs Group

The mission of the Legal Affairs Group is to further the strategic goals and to protect and preserve the legal, ethical and financial integrity and the reputation of MCB Bank. This is accomplished by providing strategic legal advice on contentious and non-contentious matters, thereby ensuring that businesses conduct their activities in accordance with applicable laws and bye laws consistent with the mission, vision, and values of the MCB Bank. Legal compliance is the process or procedure to ensure that an organization follows relevant laws, regulations and business rules.

Legal Affairs Group comprises of two departments.

- Legal Affairs Department - Advisory
- Litigation Department

Legal Affairs Department – Advisory

The object of Legal Affairs Department – Advisory is to oversee the identified legal issues in all segments of business and their interrelation with, including marketing, sales, distribution, credit, finance, human resources, as well as corporate governance and business policy. This includes but is not limited to consultancy issues and adherence of processes for collateralization of finances. In this context, the Advisory Department analyses and reviews credits’ security documentation of all segments of the Bank, like Corporate, Commercial, Retail and Consumer Banking and provide advice on perfection of documentation to secure Bank’s interest.

At the helms of the affairs, diversity of work is exhaustive and apart from the major chunk of advice on securitization of Collaterals, it also includes review of all sorts of Agreements (Finance Agreements, Service Agreements, IT Agreements, Distributions Agreements, Non-disclosure Agreements, Product Agreements, Lease Agreements, E-Commerce Agreements etc.), Bank Guarantees, Advance Payment Guarantees, Mobilization Advance Payment Guarantees, Foreign Bank Guarantees, Financial Guarantees, LCs / Standby LCs, review of Product Manuals and their processes; SLAs are framed and transformed as per vendor’s services across the board.

Corporate opinions are drafted and customer's relationship segments are assisted by review on the status of Corporate bodies, Partnership, Trust, Companies, funds etc. and Foreign Currency matters.

Advisory Department is also supportive by its quick advice and crisis management for queries by law enforcement agencies and public sector financial organizations like FIA/NAB, Anti-Narcotics, Police, Anti-Corruption, NAB, Customs /Income Tax /Sales Tax Departments/FBR etc.

More recently Advisory has also been actively engaged with SBP & PBA with regards to development of various upcoming laws and their amendments. This includes pragmatically reviewing and providing feedback/opinion on upcoming laws and their amendment with a view to secure the future interest of our business.

By standardizing different banking documents, the Legal Affairs Group has helped to introduce symmetry of documentation at all levels. Standardized templates have been uploaded on MCB Portal. Further, newly updated templates are uploaded and shared /exchanged with relevant business for implementation as when there is any amendment in relevant law/regulations etc.

During 2021, around 22,305 Opinions/Vettings were issued on collateral, security documents and allied legal issues raised by Business/Field, therefore advisory department has contributed in cost saving worth Millions of Rupees.

Litigation Department

The Litigation Department in coordination with businesses, oversees and handles bank wide litigation of different groups working within Bank and other litigation related proceedings pertaining to its customers or employees; Enlists Lawyers on panel in consultation and on the recommendation of relevant business/Group after conducting a detailed scrutiny via market check etc.; Assigns cases in consultation and on the recommendation of relevant business/Group; Negotiates Fee with the assigned lawyers in the cases assigned to them; Evaluates lawyers and their performance in cases assigned to them on bi-annual basis through directly monitoring their performance and on the basis of feedback received from the businesses and presents the same to LRC (Litigation Review Committee); Follow ups with businesses and updates centralized data of court cases on the basis of feedback received through court coordinators of respective businesses/Groups; Maintains centralized MIS of Litigation data and disseminates information in advance regarding fixation of cases to relevant business groups on daily basis; Reviews drafts of complaints/Appeals/Applications/FIRs and Settlement/Rescheduling Agreements etc.; Renders opinions on

court orders, stay orders, Summons/Warrants etc. as well as notices received from NAB, FIA & other LEAs.

This broad role encompasses Crisis Management for all segments of business for contentious and non-contentious matters of litigation and ancillary matters that arise directly or indirectly due to litigation.

Following initiatives were taken by the Litigation Department during 2021:

- Retrieval/Compilation of Pan Pakistan Litigation Data/Record & Digitizing/Scanning of the same.
- Since Centralization of litigation expenses in June 2014, complete record with respect to litigation expenses is being maintained & shared with respective businesses on periodical basis.
- Development of Shadow Filing System which is in data validation and bugs removal phase. Once the same will be fully functional/operational, it would enable litigation department to provide real time updates of court cases and will also have options for alerts/SMS regarding upcoming hearings & pending cases. It will also help in generating different reports for review of senior management and onward sharing with regulator and other departments/institutions.
- As many as four meetings of Litigation Review Committee (LRC) were held during the year 2021 and in said meetings, twenty four (24) lawyers were enlisted on Bank's Approved panel of lawyers.
- The performance of three hundred & three (303) lawyers was evaluated and discussed during LRC meetings on the basis of feedback received from the relevant businesses.
- In such meetings, the critical cases as well as recovery suits pending for decree for two years or more were discussed & the way forward/strategy for their expeditious disposal was also devised.
- Overseas Litigation was also discussed in LRC Meetings & strategies were devised for expeditious disposal of pending cases.
- Likewise, the cases where approvals have been accorded but cases have not been filed were also discussed, wherein the respective businesses briefed the Committee Members about the reasons for delay in filing of cases and accordingly the Committee advised the businesses to file the cases at the earliest.
- As many as 805 cases, including recovery suits were filed during 2021 whereas 1038 cases were disposed of/decreed out of the entire pending Litigation Portfolio as a result of strong follow up with the assigned lawyers which in turn resulted in substantial recovery of Bank's NPLs.
- Moreover, with the dismissal of cases, where damages were claimed against the bank, the bank was able to secure not only a sizeable amount of money but

- reputation of the bank was also safeguarded.
- Similarly, through the criminal litigation, especially in fraud & forgery incidents, the culprits were brought to book & were compelled to return the embezzled/misappropriated amount and make good the bank's loss.
- A Large number of opinions on different legal matters were rendered in addition to vetting of all the pleadings (plaints, written statements/PLAs, Replications, Criminal Complaints and misc. applications) filed during the year 2021. Besides this, Settlement Agreements to be executed with the Customers/Defaulters were also reviewed/vetted.
- As a result of negotiations with the panel lawyers, a hefty amount was saved on account of professional fee. To strengthen itself, MCB Legal Affairs Group has shown significant growth in 2021 and is committed to perform up the curve in future to help the Bank to achieve better results.

Human Resource

MCB Bank follows the philosophy of working as an equal opportunity employer, in true spirit. The Bank is committed to create a congenial and efficient work environment in which the employees are assured a non-discriminatory, transparent, harassment free and respectful atmosphere regardless of their cast, creed, religion and gender. We believe in hiring and retaining talent who can contribute towards the achievement of all defined targets.

The Bank adopts a transparent performance management system developed on a defined KPI based scorecard for various business functions. The scorecard helps management define prioritization vis a vis objectives and setting future goals of its employees. The bank has instituted a Talent Management program with a view to identify high potential individuals and to groom them as future leaders.

To enhance the knowledge and skillset of its work force, a number of trainings were held during the year. Participants from all over the country were trained through different programs including in-house, ex-house, mobile, and E-learning training programs. A segment comprising senior management was engaged through a Management Development Program as part of the Talent Management Scheme of the Bank.

Security

The Security Division effectively managed to ensure the safety and security of the Bank's physical assets during the year, despite numerous challenges. Based on industry intelligence, feedback of the management and analysis of the developing law & order situation, our security teams efficiently managed security arrangements, ensured vigilant monitoring and supervision of branch security

across Pakistan with their persistent coordinated efforts, which provided safe and secure environment at branches and offices and ensured smooth operations of the Bank.

The Bank's Security Division foiled a number of criminal attempts. It also provided effective support and assistance to bank staff when flooding affected operations at a number of branches in Sindh. Regional Security Officers imparted training to branch staff and security guards in their respective circles.

MCB Bank branches are equipped with modern security technology and systems that are operated by adequately skilled staff. During the year a comprehensive security health check of all branches was carried out, which helped upgrade the security apparatus.

The branch staff and security teams work synergistically and our Security is all set to meet any challenge and ensure safety and security at all MCB premises.

Marketing Division

The Marketing Division is geared towards enhancing the positive image of the Bank through corporate brand building, promotion of Bank's product & services on visible optimized mediums, standardization of corporate & brand communications, branch merchandizing, CSR and public relations.

During 2021, Marketing Division launched new TVCs for its Home Remittance business, MCB Burqraftaar, where the focus was to highlight everyday scenarios that create the need for remittances. MCB One Current Account was another product that was launched in 2021 with a focus to create awareness of this special account designed on the premise 'one for all, all for one' where the average account balance determines specific free services and benefits that a customer qualifies for. Significant efforts were also undertaken to effectively support key regulator initiatives such as Roshan Digital Account, Mera Pakistan Mera Ghar, Kamyab Jawan Programme and Asaan Mobile Account among others.

On the CSR front, key initiatives led by Marketing Division include development of Shahuda Public Park in Chakwal, K2 Hushe Expedition, Dubai Expo sponsorship and sponsorship of the Pakistan Tourism Festival amongst others. The Marketing Team also successfully managed and executed several internal events, such as celebration of the Bank's yearly Anniversary and loan disbursement ceremony for Mera Pakistan Mera Ghar scheme.

The team also managed the Illumination of MCB House in Lahore to commemorate Independence Day and Breast Cancer awareness activities for 'Pinktober'. The Team revitalized its efforts to strengthen the Bank's presence

on Social Media and used the communication channel effectively to create visibility for strategic brand alliances and regulator initiatives. The Division also took the initiative of creating tutorial and educational videos to encourage and facilitate the use of its financial solutions and services.

Going forward, Marketing Division will continue to focus on enhancing Brand visibility through a combination of available mediums, thereby reinforcing brand presence and creating greater awareness of the Bank's products and services.

MCB Islamic Bank Limited

MCB Islamic Bank Limited (the "Bank") is the wholly owned subsidiary of MCB Bank Limited and commenced its operations in 2015 with a nation-wide network of branches.

The aim of MCB Islamic Bank Limited is to be the first choice Shari'ah compliant financial services provider for the customers and to carry out business purely in accordance with Shari'ah principles with full conviction and devotion.

Alhamdulillah, the Bank currently operates to provide Shari'ah compliant value added and innovative banking solutions for customers under the supervision of a Shari'ah Board chaired by the renowned Islamic scholar Professor Mufti Munib-Ur-Rehman.

The Bank focuses on building strong and lasting relationships as well as delivering an experience that satisfies all types of customers across Corporate, Commercial, SME, Consumer, Agriculture and Micro sectors. The Bank offers wide range of Riba Free and Shari'ah compliant products for both personal and business needs.

The Bank is using world's renowned Core Banking Software solution. Different services and products offered by the bank are available to customers through a branch network of 175 plus branches backed by 175 plus ATMs (Onsite & Offsite). The Bank offers EMV enabled Debit Cards, IOS and Android based native Mobile Apps and Internet Banking services. Moreover, the Bank has also developed its suite of Cash Management services, including Payment upon Identification (PUI), Cash & Instrument Collection, Cash in Transit Services (CIT), Corporate Internet Banking by acquiring Oracle Banking Digital Experience (OBDX) and has also developed product suite of Employee Banking for our Corporate Customers.

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

Corporate Governance

Corporate Governance at MCB Bank Limited (“MCB” or the “Bank”) refers to rights and responsibilities among different stakeholders of the Bank through a set of rules, policies and practices by focusing on proper delegation, transparency and accountability in the organization as a whole. Corporate Governance at MCB provides an essential foundation for sustainable corporate success and to build stakeholders’ confidence. It has been structured to ensure the regulatory compliance and to cater the maximum needs of Bank’s stakeholders.

Board Composition:

The Bank encourages representation of independent directors, non-executive directors and directors representing minority interests on its board of directors. At present the Board includes:

Category	Name
Independent Directors	Mr. Yahya Saleem Mr. Salman Khalid Butt Mr. Shahzad Hussain Mr. Masood Ahmed Puri
Non-Executive Directors	Mian Mohammad Mansha Mr. S. M. Muneer Mr. Muhammad Tariq Rafi Mian Umer Mansha Mr. Mohd Suhail Amar Suresh bin Abdullah Mr. Muhammad Ali Zeb Mr. Shariffuddin bin Khalid
Executive Director (President & CEO)	Mr. Shoaib Mumtaz
Female Director (Non-Executive)	Mrs. Iqraa Hassan Mansha

Independent Directors and their Independence:

The Board has four (04) Independent Directors who meet the criteria of independence under the Companies Act, 2017 and the directives issued by the State Bank of Pakistan (“SBP”).

Representation of Female Directors on Board:

Mrs. Iqraa Hassan Mansha is representing female Director on the Board.

Non-Executive Directors:

All the directors on the Board are Non-Executive Directors except for the President & CEO of the Bank. The Non-Executive Directors provide an outside viewpoint to the Board of Directors and are neither involved in managing the affairs of the Bank nor form part of the Executive Management Team of the Bank.

Change of President & CEO

During the year, the term of President & CEO, Mr. Imran Maqbool was completed on December 20, 2021 and the Board appointed Mr. Shoaib Mumtaz, as Acting President & CEO of the Bank with effect from December 21, 2021 subject to his Fit and Proper Test (FPT) clearance by the State Bank of Pakistan (“SBP”). Subsequently, SBP has cleared FPT of Mr. Shoaib Mumtaz as President & CEO of the Bank on February 09, 2022.

Casual Vacancies on the Board of Directors:

No casual vacancy occurred on the Board of Directors during the year 2021 except change of the President & CEO of the Bank.

Executive director serving on the Board of other companies/trust:

President & CEO, the Executive Director is serving on the Board of a company as Non-Executive Director and also as a Chairman of the Board of Trustees of a trust.

Detail of Board Meetings held outside Pakistan:

During the year 2021, all the Board of Directors meetings were held in Pakistan.

Process of Appointment and Nomination of directors:

As per the applicable provisions of the law, the directors are elected by the shareholders of the Bank, whereas, the casual vacancies arising on the Board, if any, are filled by the directors for the remaining term in accordance with the requirements of the Companies Act, 2017 and SBP regulations. Every director has to qualify the prior assessment criteria of 'Fit and Proper Test' as framed by the State Bank of Pakistan. At the time of election of directors, it is ensured that the Board is comprised of directors who have diversified experience, suitable knowledge, appropriate skill set/expertise and competency considered relevant in the context of the Bank's operations. It is also ensured that the Board has an appropriate mix of directors including female member(s), diversity, size and is well-structured to add value and to make the Board an effective decision making body.

Independent Directors are elected through the process of election of directors and meet the criteria laid down by the State Bank of Pakistan as well as comply with the requirements of the relevant laws, rules and regulations. An independent director means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the company, its associated companies, subsidiaries, holding company or directors; and he can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest. At present, Independent Directors are selected from the data bank maintained by the Pakistan Institute of Corporate Governance.

During the year, the Board of Directors completed its term and was reconstituted in the Annual General Meeting held on March 27, 2021. All the outgoing directors were re-elected unopposed including the Independent Directors.

Connection of External Search Consultancy for Selection of Independent Directors

The selection of independent directors as members of the Bank's Board of Directors is carried out from a list maintained by the Pakistan Institute of Corporate Governance (PICG) under the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

PICG has no other connections with the Bank, except for providing access to the database on independent directors besides directors' training and evaluation of Board and / or individual directors' performance.

Directors' Participation/Attendance in Board and Committee Meetings held during 2021

Sr. No.	Name of Director	Board of Directors (BoD)		Number of Board Committees' Meetings Attended															
				AC		BS&DC		RM&PRC		CR&MC		ITC		HR&RC		PP&CA		WO&WC	
		Member	Attended	Member	Attended	Member	Attended	Member	Attended	Member	Attended	Member	Attended	Member	Attended	Member	Attended	Member	Attended
1	Mian Mohammad Mansha	◆	5/5	—	—	◆	2/2	—	—	—	—	—	—	◆	4/4	◆	1/1	—	—
2	Mr. S. M. Muneer	◆	4/5	—	—	◆	3/4	—	—	◆	1/4	—	—	—	—	—	—	—	—
3	Mr. Muhammad Tariq Rafi	◆	5/5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	◆	0/0
4	Mian Umer Mansha	◆	5/5	◆	4/5	◆	3/4	◆	3/4	—	—	◆	5/5	—	—	◆	2/3	◆	0/0
5	Mrs. Iqraa Hassan Mansha	◆	5/5	—	—	—	—	—	—	—	—	—	—	◆	1/4	◆	1/3	—	—
6	Mr. Muhammad Ali Zeb	◆	5/5	◆	5/5	—	—	◆	4/4	◆	4/4	—	—	◆	4/4	◆	3/3	◆	0/0
7	Mr. Mohd Suhail Amar Suresh	◆	5/5	—	—	◆	4/4	◆	4/4	—	—	◆	5/5	—	—	—	—	—	—
8	Mr. Yahya Saleem	◆	5/5	—	—	—	—	—	—	—	—	◆	1/4	◆	2/2	—	—	—	—
9	Mr. Salman Khalid Butt	◆	5/5	—	—	◆	4/4	◆	4/4	◆	4/4	◆	5/5	◆	2/2	—	—	—	—
10	Mr. Shahzad Hussain	◆	5/5	◆	5/5	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Mr. Masood Ahmed Puri	◆	5/5	—	—	◆	4/4	—	—	—	—	—	—	—	—	—	—	—	—
12	Mr. Sharifuddin bin Khalid	◆	5/5	◆	5/5	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Mr. Imran Maqbool (EX-President & CEO)	◆	5/5	—	—	◆	4/4	◆	4/4	◆	4/4	◆	5/5	—	—	◆	3/3	—	—
Total Number of Meetings Held		5		5		4		4		4		5		4		3		0	

Chairman ◆ Member ◆

AC:	Audit Committee
BS&DC:	Business Strategy & Development Committee
RM&PRC:	Risk Management & Portfolio Review Committee
CR&MC:	Compliance Review & Monitoring Committee

ITC:	Information Technology Committee
HR&RC:	Human Resource & Remuneration Committee
PP&CA:	Committee on Physical Planning & Contingency Arrangements
Wo&WC:	Write-Off & Waiver Committee

Notes to Detail of Directors' Participation/ Attendance in Board and Committee Meetings

Name of Director	Notes
1 Meetings of a particular forum attended by the concerned member during his/her tenure.	
Mian Mohammad Mansha	Remained member of the Board's Business Strategy & Development Committee and Committee on Physical Planning & Contingency Arrangements till April 20, 2021. His membership in these committees resumed w.e.f. December 08, 2021.
Mr. Yahya Saleem	Remained member of the Board's Human Resource & Remuneration Committee and Information Technology Committee till October 27, 2021.
Mr. Salman Khalid Butt	Became member / Chairman of the Board's Human Resource & Remuneration Committee on October 27, 2021.
<i>These notes are an integral part of the attendance sheet.</i>	

The names of the persons who, at any time during the financial year, were directors of the Bank:

- Mian Mohammad Mansha
- Mr. S. M. Muneer
- Mr. Muhammad Tariq Rafi
- Mian Umer Mansha.
- Mrs. Iqraa Hassan Mansha
- Mr. Muhammad Ali Zeb
- Mr. Mohd Suhail Amar Suresh bin Abdullah
- Mr. Yahya Saleem
- Mr. Salman Khalid Butt
- Mr. Shahzad Hussain
- Mr. Masood Ahmed Puri
- Mr. Shariffuddin bin Khalid

Disclosure on Board of Directors

Sr. No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director	Member of Board Committees	Number of other Board Memberships along with Name of Company(ies)	
					Number	Name of Company(ies)
1	Mian Mohammad Mansha	08/Apr/1991	Non-Executive Director	- BS&DC - HR&RC - PP&CA	1	MCB Non-Bank Credit Organization, CJSC, Azerbaijan
2	Mr. S. M. Muneer	08/Apr/1991	Non-Executive Director	- BS&DC - CR&MC	6	Arabian Sea Country Club Din Farm Products (Pvt) Limited Din Global Investments Inc. Din Industries Limited Din Leather (Pvt) Limited Din Textile Mills Limited
3	Mr. Muhammad Tariq Rafi	08/Apr/1991	Non-Executive Director	- WO&WC	6	Central Depository Co. of Pakistan Limited Siddiqsons Energy Limited Siddiqsons Limited Siddiqsons Tin Plate Limited Triple Tree Associates TSM Mining (Pvt) Limited
4	Mian Umer Mansha	11-Nov-1997/ 08-Sep-2007 & 27-Mar-2009	Non-Executive Director	- AC - BS&DC - RM&PRC - PP&CA - ITC - WO&WC	12	Adamjee Insurance Company Limited Adamjee Life Assurance Company Limited Hyundai Nishat Motor (Pvt) Limited National Textile Foundation Nishat (Rainwind) Hotels and Properties Limited Nishat Agriculture Farming (Pvt) Limited Nishat Agrotech Farms (Pvt) Limited Nishat Dairy (Pvt) Limited Nishat Developers (Pvt) Limited Nishat Hotels & Properties Limited Nishat Mills Limited Nishat Sutas Dairy Limited

Sr. No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director	Member of Board Committees	Number of other Board Memberships along with Name of Company(ies)	
					Number	Name of Company(ies)
5	Mrs. Iqraa Hassan Mansha	03/May/2016	Non-Executive Director	- HR&RC - PP&CA	4	Emporium Properties (Pvt) Limited
						Nishat (Raiwind) Hotels and Properties Limited
						Nishat Hotels & Properties Limited
						Nishat Real Estate Development Company (Private) Limited
6	Mr. Muhammad Ali Zeb	27-Mar-2009/ 07-Apr-2011 & 17-Jun-2013	Non-Executive Director	- AC - RM&PRC - HR&RC - CR&MC - PP&CA - WO&WC	3	Adamjee Insurance Company Limited
						Adamjee Life Assurance Company Limited
						Nishat Sutas Dairy Limited
7	Mr. Mohd Suhail Amar Suresh bin Abdullah	24-Feb-2014	Non-Executive Director	- BS&DC - RM&PRC - ITC	3	Maybank Shared Services Sdn Bhd (a wholly owned subsidiary of Maybank)
						MBB Labs Pvt Limited (a subsidiary of Maybank Shared Services)
						Technology Park Malaysia Corporation Sdn Bhd (TPM)
8	Mr. Yahya Saleem	27-Mar-2018	Non-Executive (Independent) Director	-	6	NC Entertainment Private Limited
						NC Trading USA
						Saleem Memorial Trust Hospital
						YS Services Canada
						YS Services Private Limited
9	Mr. Salman Khalid Butt	10-Nov-2018	Non-Executive (Independent) Director	- BS&DC - RM&PRC - CR&MC - ITC - HR&RC	4	YSG Trading Private Limited
						New Heights Concepts Limited, a BVI Company
						New Heights Management Limited, a BVI Company
						Next Commercial FZ LLC, a Ras El Khaimah (Rakez), U.A.E. Company
10	Mr. Masood Ahmed Puri	31-May-2019	Non-Executive (Independent) Director	- BS&DC	3	Saleem Memorial Trust Hospital
						Jedex Logistics Pvt. Limited (Pakistan)
						Jedex Transport Company LLC (UAE)
11	Mr. Shahzad Hussain	31-May-2019	Non-Executive (Independent) Director	- AC	2	Transarab Trading Services (KSA)
						NAMAL Education Foundation
12	Mr. Shariffuddin bin Khalid	23-Jul-2019	Non-Executive Director	- AC	5	Punjab Healthcare Commission
						M&G Ship Management (L) Pte Limited (A subsidiary of Marine & General Berhad)
						Malayan Banking Berhad
						Marine & General Berhad
						Maybank (Cambodia) Plc (A subsidiary of Maybank)
13	Mr. Shoaib Mumtaz President & CEO	21-Dec-2021	Executive Director	- BS&DC - RM&PRC - CR&MC - ITC - PP&CA	2	Maybank Islamic Berhad
						MCB Non-Bank Credit Organization, CJSC, Azerbaijan
						MCB Employees Foundation

AC:	Audit Committee
BS&DC:	Business Strategy & Development Committee
RM&PRC:	Risk Management & Portfolio Review Committee
HR&RC:	Human Resource & Remuneration Committee

ITC:	Information Technology Committee
PP&CA:	Committee on Physical Planning & Contingency Arrangements
CR&MC:	Compliance Review & Monitoring Committee
WO&WC:	Write-Off & Waiver Committee

Board Committees

The Board has formed eight (8) sub-committees as given below:

1. Audit Committee;
2. Business Strategy & Development Committee;
3. Risk Management & Portfolio Review Committee;
4. Information Technology Committee;
5. Human Resource & Remuneration Committee;
6. Compliance Review & Monitoring Committee;
7. Committee on Physical Planning & Contingency Arrangements; and
8. Write-Off & Waiver Committee.

Audit Committee

Composition:

1. Mr. Shahzad Hussain - (Chairman, Independent Director)
2. Mian Umer Mansha - (Non-Executive Director)
3. Mr. Muhammad Ali Zeb - (Non-Executive Director)
4. Mr. Shariffuddin bin Khalid - (Non-Executive Director)

Terms of Reference

The main Terms of Reference/ roles & responsibilities of the Committee are:

1. Determination of appropriate measures to safeguard the bank's assets;
2. Reviewing annual and interim financial statements of the bank, prior to their approval by the Board of Directors, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Any changes in accounting policies and practices;
 - Compliance with applicable accounting standards;
 - Compliance with listing regulations, other Statutory and regulatory requirements; and
 - All related party transactions.
3. Reviewing preliminary announcements of results prior to external communication and publication;
4. 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);
5. Reviewing Management Letter issued by External Auditors and management's response thereto;
6. Ensuring coordination of internal auditors with external auditors of the Bank and SBP inspection team(s);

7. Making recommendations to the Board of Directors for the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Bank by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof;
8. Reviewing and recommending of the Internal Audit Framework i.e. internal audit function's policies and manuals (also covering extent and nature of assignments/ engagements that can be provided to the management by internal audit function in its 'Advisory / Consulting' role) to the Board for approval.
9. Reviewing, internal audit strategy, reporting framework and procedures developed by Chief Internal Auditor and ensuring its fullest support to the internal audit function and internal auditors enabling them in performing their mandated activities independently and in objective manner;
10. Reviewing and approving scope and extent of internal audit as well as risk based annual audit plan. Furthermore, reviewing the implementation status of the approved audit plan on a quarterly basis.
11. Ensuring that the internal audit function has adequate resources (financial, human, operational, physical and technological), its staff is adequately trained and the function is appropriately placed within the bank with access to Bank's people, information, processes, properties, records and systems.
12. Ensuring independence of internal audit function, independence & objectivity of internal auditors, optimal utilization of audit resources, effectiveness of the internal audit function in Bank's overall governance and internal control framework and constructive engagement of internal audit function with senior management and audited units etc.;
13. Reviewing and recommending budget / resource requirement of Audit & RAR Group to the Board for approval. Further, reviewing, on a quarterly basis, the utilization of Audit & RAR Group's assigned budget and if required, recommending provision of additional resource(s) to enable the Group in performance of its activities;
14. Formulating 'Key Performance Indicators' (KPIs) for the Chief Internal Auditor and evaluate his/her performance against set KPIs on an annual basis;
15. Approving appointment/ re-hiring/ renewal of contract and removal of Chief Internal Auditor along with his/her compensation package/remuneration (including performance based bonus, increments, cash rewards etc.), allied benefits (both financial/ non-financial), promotion/demotion and other terms of employment to the Board through Board's Human

Resources & Remuneration Committee. However, recommendation of Board's Human Resources & Remuneration Committee may be sought by the Audit Committee/ Board regarding compensation package of Chief Internal Auditor, keeping in view the institution-wide remuneration policy, formulated in terms of BPRD Circular No. 01 of 2017;

16. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
17. Reviewing summaries of quarterly report on frauds/ forgeries/ dacoities;
18. Reviewing, on quarterly basis, summary of significant violations/observations, internal control deficiencies, organizational and personal material conflicts of interest etc. to have deep insights into state of internal controls and to set specific, time bound action points/indicators to monitor improvements. Further reviewing the management action plan to ensure that audit observations/ recommendations receive proper and timely attention by senior management;
19. Analyzing and identifying (for necessary action(s)), on a regular basis, 'root cause(s)' of control breaches of critical nature that keep on occurring in at-least two audit periods despite implementation of audit recommendations;
20. Obtaining Chief Internal Auditor's independent annual assessment/opinion on the state of Bank's internal controls based on the audits conducted over the period;
21. 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;
22. Reviewing the Bank's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
23. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer ("CEO") and to consider remittance of any matter to the external auditors or to any other external body;
24. Determination of compliance with relevant statutory requirements;
25. Establishing, maintaining and promoting regular communication with senior management regarding deficiencies in internal controls; review actions taken by management to address identified deficiencies and ascertaining new developments to achieve a uniform organization-wide commitment/ buy-in for implementation of strong and effective internal controls;
26. Reviewing 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. Ensuring that such complaints / concerns are treated confidentially and that the reporting employee(s) are protected and not penalized in any manner whatsoever. Ensuring that employees remain aware of existence of such procedures including mechanism for utilizing them and are encouraged to be a 'whistleblower';

27. 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;
28. Reviewing, on a periodic basis, the Internal Controls over Financial Reporting (ICFR) system for its effective implementation and its continuous up gradation.
29. Monitoring compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and identification of significant violations thereof;
30. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Business Strategy & Development Committee

Composition:

1. Mian Umer Mansha - (Chairman, Non-Executive Director)
2. Mian Mohammad Mansha - (Non-Executive Director)
3. Mr. S. M. Muneer - (Non-Executive Director)
4. Mr. Mohd Suhail Amar Suresh - (Non-Executive Director)
5. Mr. Salman Khalid Butt - (Independent Director)
6. Mr. Masood Ahmed Puri - (Independent Director)
7. President & CEO - (Executive Director)

Terms of Reference

The main Terms of Reference of the Committee are to:

1. Review and develop Vision & Mission statements and core values for MCB both from long and short-term perspective;
2. Develop Bank's initiatives relating to business philosophy and acquisition, strategic investment and divestment, capital raising exercise, strategic alliances and brand management. In particular, review the following important matters:
 - a. Policy initiatives;
 - b. Business organization;
 - c. Oversee expansion plans; and
 - d. Contingency planning relating to business realignment.
3. Review and devise medium and long-term business plans and policies based on strategy, future direction

and milestones set by the Board.

4. Monitor the progress of the key strategy initiatives undertaken by the Bank.
5. Keep oversight on Bank's Overseas Operations.
6. Undertake such other tasks as may be delegated by the Board from time to time.

Risk Management & Portfolio Review Committee Composition:

1. Mr. Muhammad Ali Zeb - (Chairman, Non-Executive Director)
2. Mian Umer Mansha - (Non-Executive Director)
3. Mr. Mohd Suhail Amar Suresh - (Non-Executive Director)
4. Mr. Salman Khalid Butt - (Independent Director)
5. President & CEO - (Executive Director)

Terms of Reference

The main Terms of Reference of the Committee are to:

1. Review the Bank's Risk Management Framework, in light of internal developments, guidelines issued by the regulators and international best practices, on as and when required basis and recommend to the Board for approval;
2. Ensure Bank's compliance towards Capital Adequacy and other related Basel/ regulatory requirements on an on-going basis. Review Capital Adequacy Ratio (CAR) in detail on half yearly basis;
3. Review and recommend to Board, Bank's Risk Appetite Statement on an annual basis;
4. Review various reports pertaining to the risk in the bank's portfolio prepared by the Risk Management Group. The Committee shall also consider comments of the relevant senior management official/ Committee while reviewing such reports and communicate the planned/executed corrective actions to the Board, if required;
5. Review of any report/MIS specifically assigned by a regulator for Committee's oversight.

Information Technology Committee Composition:

1. Mian Umer Mansha - (Chairman, Non-Executive Director)
2. Mr. Mohd Suhail Amar Suresh - (Non-Executive Director)
3. Mr. Salman Khalid Butt - (Independent Director)
4. President & CEO - (Executive Director)

Terms of Reference

The main Terms of Reference of the Committee are:

1. To approve an overall plan for IT system for the Bank, prepared by the management;
2. To approve the organizational IT and Digital strategic plans to ensure an effective use of information

technology and digital initiatives in the Bank by all Departments;

3. To approve and oversee the management's program to automate the organization's use of internal information to ensure that data is organized and shared in a manner that adds value and enhances productivity;
4. To approve and oversee a reliable and secure information security infrastructure with the capacity to address future threats;
5. To approve policies that promote development of information technology and Digital resources in an organized, deliberate, secured, and cost effective manner;
6. To review and approve management recommendations for IT standards for ensuring compliance with regulatory requirements and identifying and mitigating significant IT related risks;
7. To review and approve the technology procurements as per Bank's approved IT Strategy. The Committee may further delegate the same to the management as and when deemed fit;
8. To undertake any other IT or Digital Banking related work assigned to the Committee by the Board.

Human Resource & Remuneration Committee

Composition:

1. Mr. Salman Khalid Butt - (Chairman, Independent Director)
2. Mian Mohammad Mansha - (Non-Executive Director)
3. Mrs. Iqraa Hassan Mansha - (Non-Executive Director)
4. Mr. Muhammad Ali Zeb - (Non-Executive Director)

Terms of Reference

The main Terms of Reference of the Committee shall be to ensure that:

1. The existing policies are reviewed periodically and as necessary, revised and recommended to the Board, in order to attract and retain highly qualified employees. This may include review of remuneration policy and remuneration setting mechanism at least once every three years. Among other factors, the review of remuneration framework shall include, but not limited to:
 - a. The effectiveness of remuneration policy and mechanism i.e., whether it is providing the expected outcomes;
 - b. Any necessary changes required; and
 - c. Any unintended consequences.

The findings of review and rectification measures shall be presented to the Board for approval.

2. The latest entry-level procedures are put in place for recruitment of entrants.
3. The existing training facilities for the new entrants as well as for up-gradation of skill level of all employees

are reviewed and revised, if required.

4. Proper classification & reclassification of employees' pay scales, job description and methods of their periodical review are put in place.
5. The Bank-wide remuneration policy takes into account all cadres of employees along with the pay-gap between the highest paid and the lowest paid employees, across various levels as well as across the Bank. The pay-gap shall be based on the total compensation awarded to the employees and should be maintained at reasonable levels without allowing concentration of the benefits of Bank's performance only to top level or certain class or group of employees. The pay structure for all employees should be fair, competitive and encourage performance and motivation.
6. That the remuneration policy of the Bank provides for reasonable levels of compensation for contractual employees of Bank and commensurate with their assignments.
7. That a separate structure of remuneration for Material Risk Controllers ("MRC") and Material Risk Takers ("MRTs") is developed as per remuneration policy. The MRTs should be identified as functions and designations rather than as individuals. The MRTs should have appropriate level of authority and control.
8. An objective criterion for work appraisal/performance is developed and linked with the annual merit increase.
9. A review is undertaken of the organizational structure to bring it in line with business strategy & development plan and approve an organizational set up or any revision in the existing set up taking into account the recommendations of the President & CEO.
10. An in-house human resource expertise is developed to undertake market analysis of above policies with a view to developing MCB policies.
11. If so required, the Committee can seek independent external advice/expert opinion for accomplishment of devising an effective and prudent remuneration framework.
12. Effective management information system is developed to monitor the implementation of policies as approved by the Board.
13. Recommendation to the Board for consideration and approval of a policy framework for determining remuneration of directors (both executive and non-executive directors) and members of Senior Management. The definition of senior management will be determined by the Board which shall normally include the first layer of management below the Chief Executive Officer.
14. Selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO, COO, CFO, Company Secretary and Head of

Internal Audit and recommendation to the Board.

15. The structure of compensation package of Executive Directors, CEO, Key Executives and any other employee or group of employees Bank-wide is recommended to the Board for its own approval or approval of the shareholders, according to legal and regulatory requirements.
16. The consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO.
17. In devising the Remuneration setting policy and mechanism, the Committee can also seek internal inputs from any other Committee of the Board or directly from any department or official of the Bank.

Compliance Review & Monitoring Committee Composition:

1. Mr. S. M. Muneer - (Chairman, Non-Executive Director)
2. Mr. Muhammad Ali Zeb - (Non-Executive Director)
3. Mr. Salman Khalid Butt - (Independent Director)
4. President & CEO - (Executive Director)

Terms of Reference

The main Terms of Reference of the Committee are:

1. To review six monthly reports, prepared by the Compliance & Controls Group and routed through the President, on overall compliance risk management in the Bank (local as well as overseas operations) including the actions taken on the recommendations and observations of SBP in its Annual/Thematic Inspection Reports;
2. To evaluate the effectiveness of the Bank's overall management of compliance risk, at least annually; keeping in view the regulatory observations in on-site examinations, regulatory enforcement actions, internal assessments/feedback from internal audit, compliance reviews, as well as interactions with the Chief Compliance Officer ("CCO");
3. To carry on liaison between the Board and the management and make recommendations to the Board, if necessary, for taking decisions on expedient and appropriate disposal of compliance issues raised through Compliance Committee of Management ("CCM") and SBP's inspection reports and other AML/CFT related identified issues;
4. To oversee the effectiveness of Service Quality function of the Bank and to review the Bank's performance against committed service deliverables.
5. To review/recommend Compliance Risk Strategy/Policy, Compliance Program and allied policies and oversee its implementation across the Bank in letter and spirit;
6. To recommend appointment of CCO on the advice of the President and ensure that position of CCO

- does not remain vacant for more than 60 days. Furthermore, to approve any disciplinary action or termination of the CCO;
7. To ensure that CCO has appropriate stature, authority, resources (physical, financial and human), support to fulfill his duties, independence and capacity to offer his objective opinions and advise to senior management and Board on matters of compliance risks;
 8. To ensure that Compliance Function ("CCG") has subject experts on various critical areas such as risk management, credit operations, product compliance, customer service, international trade, outsourcing, corporate governance, financial disclosures, business continuity, information technology, general banking operations, AML/CFT etc. to provide guidance to business areas as and when required.
 9. To ensure that Compliance Function ("CCG"), being the second line of defense, assists line managers/ departments in designing and implementing adequate controls to manage risks of non-compliance and monitors and assesses bank-wide compliance risk and reports risk profile to Board and Compliance Committee of Management.
 10. To engage with the CCO on half yearly basis, for his feedback on issues faced by the Compliance Function ("CCG") in the implementation of board approved compliance program;
 11. To review the minutes of Compliance Committee of Management (CCM) meetings to ascertain its effectiveness in managing compliance risk;
 12. To review the progress in implementing remedial actions taken with respect to instances of non-compliance or control weakness as identified by Compliance Function through its regular compliance reviews and / or various other sources;
 13. To review the compliance risk relevant agenda items as required under SBP regulations/ instructions of overseas jurisdictions, AML/CFT perspective and SBP inspection reports' observations as per their respective timelines/ frequencies (quarterly, semi-annually or annually);
 14. To satisfy itself of receiving the accurate as well as comprehensive information required to perform its compliance risk oversight responsibilities, including seeking assurances from Senior Management that the compliance risk controls have been implemented and are working effectively;
 15. To ensure changes in the Rules/Regulations and Laws are reviewed on an ongoing basis in the existing policies or through introduction of new policies.
 16. The Committee would recommend to the Management for updation of existing policies of the Bank's local and overseas operations, if required, and/or determine the need for introduction of new policies, in accordance with the changes in the following:
 - a. Local laws, including but not limited to the SBP Act, Banking Companies Ordinance, Prudential Regulations, Code of Corporate Governance, Securities & Exchange Commission of Pakistan Instructions, Rules, Regulations & Circulars and Listing Regulations of Stock Exchanges;
 - b. Existing and prospective business environment; and
 - c. Operational requirements.
 17. To review Management's updates on technology upgrades w.r.t. AML, Bank's data quality/cleansing, delay in filing of Suspicious Transaction Report ("STR") and delays / breaches in freezing of sanctioned accounts.
 18. To ensure that Bank's policies are placed before the Board for approval after recommendation by the respective Board Committees.
 19. Any other issue that is deemed necessary and required by the regulations.

Committee on Physical Planning & Contingency Arrangements

Composition:

1. Mian Umer Mansha - (Chairman, Non-Executive Director)
2. Mian Mohammad Mansha - (Non-Executive Director)
3. Mrs. Iqraa Hassan Mansha - (Non-Executive Director)
4. Mr. Muhammad Ali Zeb - (Non-Executive Director)
5. President & CEO - (Executive Director)

Terms of Reference

The main Terms of Reference of the Committee are:

1. To develop and devise an overall plan for physical infrastructure and contingency arrangements for the Bank;
2. To review and monitor all work in progress, including construction of premises and renovations, which shall, inter alia, be based on physical planning;
3. To review, monitor and recommend to the Board the building plans, master development agreements & contingency arrangements;
4. To review, from time to time, as the Committee deems appropriate, the administrative structures and plans in place to ensure the ongoing health and safety of utilities and physical assets, including land & buildings and recommend, as appropriate, changes in plans arising from this review;
5. To review updates on Bank's property purchases.

Write-Off & Waiver Committee

Composition:

1. Mian Umer Mansha - (Chairman, Non-Executive Director)
2. Mr. Muhammad Tariq Rafi - (Non-Executive Director)
3. Mr. Muhammad Ali Zeb - (Non-Executive Director)

Terms of Reference

The main Terms of Reference of the Committee are:

1. To review and approve write-off & waiver cases on behalf of the Board of Directors and;
2. To submit cases of write-off & waiver for post facto ratification by the Board.

Management Committees

Management committee

1. President & CEO – Chairman
2. Group Head - Oversight & Monitoring
3. Chief Financial Officer
4. Group Head – Operations
5. Chief Compliance Officer
6. Group Head – Human Resource Management
7. Group Head – Risk Management
8. Group Head – Legal Affairs
9. Group Head – Retail Banking
10. Chief Information Officer
11. Group Head – Security & Marketing
12. Group Head – Consumer & Digital Banking
13. Group Head - Treasury & FX
14. Group Head - CFIBG

Purchase & Expense Committee

1. Group Head – Operations
2. Chief Financial Officer
3. Group Head – Security & Marketing
4. Group Head – Human Resource Management

Assets & Liabilities Committee

1. President & CEO - Chairman
2. Chief Financial Officer
3. Group Head – Risk Management
4. Group Head – Treasury & FX
5. Group Head – Operations
6. Group Head – Retail Banking
7. Group Head – Consumer & Digital Banking
8. Group Head – CFIBG

Write off Committee

1. President & CEO - Chairman
2. Chief Financial Officer
3. Group Head – Risk Management
4. Group Head – Retail Banking
5. Group Head - CFIBG
6. Group Head – Consumer & Digital Banking
7. Head – Capital Markets Division
8. Div Head - SAM Corporate & Commercial
9. Div Head - SAM Secured & Retail

Investment Committee

1. President & CEO - Chairman
2. Head – Capital Markets Division

3. Group Head – Treasury & FX
4. Chief Financial Officer
5. Group Head – Risk Management
6. Group Head – CFIBG

IT Steering Committee

1. President & CEO - Chairman
2. Chief Financial Officer
3. Group Head – Risk Management
4. Group Head – Operations
5. Group Head – Retail Banking
6. Chief Information Officer
7. Group Head - CFIBG

Disciplinary Action Committee

1. Group Head – Human Resource Management - Chairman
2. Group Head – Operations
3. Chief Compliance Officer
4. Group Head – Risk Management
5. Group Head – Security & Marketing

Litigation Review Committee

1. Group Head – Legal Affairs - Chairman
2. Group Head - Oversight & Monitoring
3. Div Head - SAM Corporate & Commercial
4. Div Head - SAM Secured & Retail
5. Group Head – Retail Banking
6. Group Head – Consumer & Digital Banking
7. Group Head – Human Resource Management
8. Division Head – Legal Affairs
9. Head - Litigation Department

Management Credit & Risk Committee

1. President & CEO - Chairman
2. Group Head – Risk Management
3. Division Head - FIPS & MRMD– Acting member

Overseas Monitoring Committee

1. Group Head – Oversight & Monitoring - Chairman
2. Chief Financial Officer
3. Group Head – Risk Management
4. Chief Compliance Officer
5. Group Head – Operations
6. Group Head – CFIBG

Compliance Committee of Management

1. President & CEO - Chairman
2. Chief Compliance Officer
3. Group Head - Oversight & Monitoring
4. Group Head – Operations
5. Group Head – Human Resource Management
6. Group Head – Risk Management
7. Group Head – Legal Affairs
8. Group Head – Retail Banking

9. Chief Information Officer
10. Group Head – CFIBG
11. Group Head – Consumer & Digital Banking

Cyber Security Committee

1. Group Head – Risk Management - Chairman
2. Group Head – Consumer & Digital Banking
3. Chief Compliance Officer
4. Chief Information Officer
5. Group Head – Operations
6. Group Head - CFIBG
7. Group Head – Retail Banking

Outsourcing Relationship Review Committee

1. Group Head – Operations
2. Group Head – Risk Management
3. Chief Compliance Officer

Management Sub-Committee for Resolution of Long Outstanding Audit Issues

1. Group Head – Oversight & Monitoring - Chairman
2. Group Head – Operations
3. Chief Financial Officer
4. Chief Information Officer
5. Group Head - Retail Banking
6. Group Head – Consumer & Digital Banking

Management Sub-Committee on AML/CFT

1. Chief Compliance Officer - Chairman
2. Group Head - Oversight & Monitoring
3. Group Head – Operations
4. Group Head - Retail Banking
5. Group Head - Risk Management
6. Group Head - CFIBG

Management Sub-Committee for Monitoring of Central Banks' Inspection Reports

1. Group Head - Oversight & Monitoring - Chairman
2. Chief Compliance Officer
3. Group Head – Operations
4. Group Head - Risk Management
5. Chief Information Officer

Performance Evaluation of the Board of Directors, its Committees and Individual Directors:

The Bank has developed a formal and effective mechanism for annual performance evaluation of the Board as a whole, its Committees, the Chairman, Individual Directors and the President & CEO in line with the regulatory requirements. This activity is performed annually, whereas, the same is undertaken by an external independent evaluator at least every three years.

During the year, MCB Bank Limited performed in-house performance evaluation of the Board, the Chairman, Individual Directors including Independent Directors, the President & CEO and Board's Committees in line with the 'Guidelines on Performance Evaluation of the Board of Directors' issued by the State Bank of Pakistan and the Listed Companies (Code of Corporate Governance) Regulations, 2019. The overall rating of the Board is highly encouraging, particularly in respect to its composition, expertise, effective risk management, adequate system of internal controls and audit function.

Performance Evaluation through External Independent Evaluator:

In order to bring objectivity to the Board's annual performance evaluation process, third party assessments are separately carried out by the Bank once in every three years. The Bank has engaged the Pakistan Institute of Corporate Governance (PICG) as an Independent External Evaluator, who conducted the performance evaluation of the Board as a whole, its Committees and Individual Board Members in 2019. The Bank is also in process of conducting the said activity through independent evaluator for the year under review.

Criteria for Annual Performance Evaluation of the Overall Board of Directors:

While conducting the annual performance evaluation of the Board as a whole, the Bank in line with the SBP Guidelines adopted an in-house approach. The overall rating of the Board was found highly encouraging, particularly, in respect of its composition, expertise, effective risk management, adequate system of internal controls and audit function. The Board considers the long-term policy-related matters and sets the Bank's strategic aims to put them into effect and to uphold the vision, mission and core values of the Bank. It exhibits high standards of business and professional conduct in managing and supervising affairs of the Bank and reporting to shareholders on its stewardship. The Board acts on a fully informed basis in the best interest of the Bank and its stakeholders and set 'tone at the top' in order to promote a sound corporate culture.

During the year, the overall performance evaluation of the Board was conducted by the Evaluation Committee of the Bank on basis of questionnaires broadly covered under below mentioned criteria:

- a) Is the composition of the board appropriate, having the right mix of knowledge, expertise and skills to maximize performance?
- b) How well the board exercises its role ensuring that the organization supports and upholds the vision and mission, core values etc.?
- c) Is the policy framework of bank/DFI developed appropriately?
- d) What has been the board's contribution towards developing strategies?
- e) Is the board able to make timely strategic decisions

- ensuring operations are in line with strategies?
- f) Is the information provided to the board appropriate, accurate, timely and unbiased?
 - g) What has been the board's contribution in ensuring robust and effective risk management?
 - h) Has the board ensured that internal control and the audit function are conducted in an effective manner?
 - i) Has the board ensured timely and accurate disclosure on all material information?
 - j) Is the board as a whole, up-to-date with latest developments in the regulatory environment?
 - k) Are the board procedures conducive to effective performance and flexible enough to deal with all eventualities?
 - l) Is the board effective in adherence to the code of conduct?

Criteria for Annual Performance Evaluation of the Board Committees:

The rationale for the formation of Board Committees is to assist it in the performance of its functions and enhance the efficiency by sharing the work load of the Board. MCB Board has formed eight (8) Committees assisting the Board in the area of audit, strategy setting, risk management, human resource management, physical planning & contingency arrangements, information technology, compliance reviews and write-offs & waivers. The size, structure and skill set of the Board Committees are in line with the applicable laws, rules and regulations as well as business needs of the Bank.

The annual performance evaluation of the Board Committees was also performed by the Evaluation Committee by using in-house-approach on the basis of specific questions/criteria mentioned in the SBP Guidelines. The consolidated final ratings of the evaluation of the Board Committees were in line with the rating given by the PICG as an independent evaluator during the year 2018. The overall results showed that the Board Committees have well-defined objectives and have been properly structured with appropriate Terms of Reference and fulfilling their respective roles effectively and efficiently.

During the year, the performance evaluation of the Board Committees was conducted by the Evaluation Committee of the Bank on basis of questionnaires broadly covered under below mentioned criteria:

- a) Are the size, structure and skill set of committees appropriate?
- b) Does each committee have adequate and appropriate written terms of reference?
- c) Are the committees effectively discharging their functions and duties as per terms of reference?
- d) Is the frequency of committee meetings adequate?
- e) Are the committee meetings organized properly with appropriate procedures?
- f) Are the committee meetings conducted in a manner that encourages open communication and meaningful participation of its members?
- g) How effectively and proactively committees have followed up with their areas of concern?
- h) Are the suggestions and recommendations of committees effective?

Annual Performance Evaluation of the Chairman, Individual and Independent Directors:

As per the requirements and criteria given by the SBP Guidelines, the performance evaluation of the Chairman of the Board was performed by the Independent Directors. Similarly, the performance evaluation of Individual Directors was conducted by the Chairman; however, Independent Directors are evaluated by all other Directors of the Bank excluding the Director being evaluated. Based on the results of the performance evaluation of the Chairman, Independent and other Non-Executive Directors, it was found that the individual Directors were making valuable contributions with proper commitment to their respective roles and responsibilities.

Annual Performance Evaluation of the President & CEO of the Bank:

The President & Chief Executive Officer ("CEO") of the Bank is vested with the responsibility of managing overall affairs of the Bank. He through effective leadership and team building efforts achieved the maximum possible performance of the Bank and managed the affairs of the Bank in accordance with strategic and long term objectives of the Bank. He ensured that the Bank's resources and budgetary targets are aligned with the strategic plan of the Bank and the best industry practices. He promoted the highest standards of integrity, probity and good governance within the Bank. He showed his commitment to stakeholders of the Bank in defining strategic planning with great emphasis on service quality, investment in network infrastructure and human capital, fortifying compliance & risk standards and also remained steadfast in maintaining Bank's fortress balance sheet. The Senior Management under his leadership devised its goals in line with the strategic direction of the Bank.

During the year, the performance evaluation of the President & CEO was conducted by all the Directors of the Bank on basis of below mentioned criteria:

- a) Were the financial/business targets set by the board achieved?
- b) Does he possess leadership qualities i.e. correct anticipation of business trends, opportunities and priorities affecting the institution's prosperity and operations?
- c) Has he developed clear mission statement, policies, and strategic plans that harmoniously balance the needs of all the stakeholders?
- d) Does he ensure that company's resources and budgets are aligned with the implementation of the organization's strategic plan?
- e) Does he establish an effective organization structure

- to ensure management's focus on key functions?
- f) Does he timely and effectively execute strategies set by the board?
 - g) Has he served as an effective representative while communicating with all the stakeholders?

Directors' Remuneration:

The Board has approved the scale of remuneration to be paid to the Chairman and other Board Members excluding Executive Director(s) for attending the Board and its Committees meetings. The level of remuneration is determined in such a way that it encourages independence, motivation and retention of Board Members. No remuneration is paid to the Executive Director(s) except for traveling, boarding, lodging and/ or any other expenses incurred for attending Board and its Committees meetings. The Board may also determine additional remuneration for a director including the Chairman of Board and Chairman of any Sub-Committees of the Board for performing extra services. The scale of remuneration including additional remuneration is within the prescribed limits of the State Bank of Pakistan and it has been duly approved by the Shareholders of the Bank.

Directors' Remuneration Policy:

The Board has framed and approved a comprehensive and transparent Directors' Remuneration Policy (the Policy) for the Chairman and other Board Members in accordance with the provisions of applicable laws, rules and regulations as amended from time to time. The Policy aims to set out the requirements and methodology for determining the scale of remuneration and other allowable expenses to be paid, from time to time, to the Chairman and other Directors for attending the Board and its Committees meetings. The Policy ensures that the Board Members are fairly rewarded with regard to their respective responsibilities undertaken, and also to attract and retain high-calibre, experienced directors by offering appropriate remuneration levels commensurate with their expertise, skill and experience. The Policy has been formulated with clear mandate and charter, keeping in view the ownership structure, governance mechanism, risk profile, scope of operations and performance of the Bank. The Policy is applicable to Non-Executive/Independent Directors, Executive Director(s) and the Chairman of the Board of Directors.

The Bank being financial services provider always adheres to practicing good governance, enabling to enhance its efficiency and footprints in financial sector. MCB's Board is comprised of directors who have diversified experience, suitable knowledge, appropriate skill set/expertise and competencies considered relevant in the context of the Bank's operations and to make the Board an effective oversight and decision making body.

Payment of Directors' Remuneration:

The detail of remuneration paid to the Executive Director and the Non-Executive Directors during the year 2021 has been disclosed in the Note No. 40 of the Unconsolidated

Financial Statements of the Bank for the year ended December 31, 2021.

Directors' Orientation:

Directors' orientation enables the directors to have better understanding of specific context under which directors operate and comprehend their duties and responsibilities and also to acquaint them with wider scope of the responsibilities, propagate due diligence and acting in good faith while effectively managing the interests of the Bank. It continues through the orientation stage and leads to ongoing directors' education as well as directors' and Board's assessment. An orientation program is aimed at increasing director's familiarity with the Bank, its industry as well as equipping the directors with sufficient information and resources that facilitate fully-informed decisions.

In this connection, the Board Members are regularly provided with update on new applicable laws, rules and regulations including amendments thereto to apprise them with their powers, duties and responsibilities. At the time of induction of new director(s), he/ she is given orientation about the Bank's corporate governance framework, its businesses, current issues, strategies and operations by the Management to acquaint them with the Bank's overall operations in order to enable them to effectively govern the affairs of the Bank on behalf of shareholders. The directors are also provided with the detailed written material in shape of extracts from relevant laws, rules & regulations on powers, duties & responsibilities of the Board of Directors.

Policy of retention of fee / remuneration from Nomination on the Board of other companies:

The Directors have approved the Nomination Policy whereby Bank's Executives are nominated on the Board of other Companies on behalf of the Bank. Nominee Directors who are employees of the Bank shall, however, have to surrender compensation such as meeting attendance fee to the Bank.

Directors' Training Program:

All Board Members, either have minimum education and experience required for exemption from Directors Training Program ("DTP") or have already undergone such training as narrated in the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Corporate Governance Regulatory Framework issued by SBP.

MCB Board is fully adhered to directors training arrangements under the Regulations. Further, the Bank is also well ahead of the prescribed deadlines of DTP requirements as given by the Regulator.

Board's Function and Decision Making:

MCB's Board sets the Bank's strategic aims to be put into effect and upholds the vision, mission and

core values of the Bank. It plays an effective role and provides entrepreneurial leadership and direction for the Management of the Bank. The Board considers long-term policy-related matters and exhibits high standards of business and professional conduct in managing and supervising affairs of the Bank. The Board comprises of local as well as foreign directors who have diversified experience, suitable knowledge, appropriate skills/ expertise and competency considered relevant in the context of the Bank's operations and to make the Board an effective decision making body. The collective wisdom of the Board is translated into its decisions which form the basis for Management to achieve its targets.

The primary role of the Board of Directors of the Bank is to enhance shareholder value. The directions provided by the Board enable the Senior Management to deliver remarkable returns to stakeholders, sustainable performance and value added services. It also helps in building a corporate culture of equality, trust and team spirit. MCB Board is concerned with strategic matters and overseeing the business of the Bank in light of emerging risks and opportunities, on a regular basis and also involved in establishing and reviewing the strategies, yearly targets and financial objectives of the Bank.

Significant Issues/Matters discussed/approved by the Board of Directors:

During the year 2021, the Board of Directors deliberated/ approved the following Significant Issues/ Matters:

- Annual Budget for the year 2022;
- MCB's Enterprise Digital Transformation Strategy 2021-2024;
- Bank's Policies including periodic reviews and amendments thereto;
- Periodical review of Terms of Reference ("TORs") of Board's Committees;
- Financial Results of MCB Bank and consolidated Financial Results with its subsidiaries on quarterly, half-yearly and annual basis together with Directors' Report, Auditors' Report and Chairman's Review Report;
- Declaration of Interim and Final Cash Dividends;
- Related Party Transactions as recommended by Board's Audit Committee;
- Management Letter(s) issued by the External Auditors of the Bank and its compliance status;
- Significant activities and achievements of Board's Committees;
- Complaints Received under Whistle Blowing Program and Action taken thereon;
- Matters recommended by Board's Committees;
- Appointment/Engagement of External Auditors of the Bank as well as for Bank's Overseas Operations and also to Perform Agreed upon Procedures as recommended by the Audit Committee;
- Exception from Current and Linkage Ratio Policy Framework;
- Performance Evaluation of the Board as a whole, its

Committees and Individual Directors;

- Quarterly and Annual Reports on Fraud & Forgery Cases;
- Consumer Lending Business and Wealth Management Business; and
- Annual Branch Expansion Plan of the Bank.

Matters Delegated to the Management:

The strategic direction provided by the Board enables the Senior Management to deliver remarkable returns to shareholders, sustainable performance and value added services to the stakeholders. It helps in building a corporate culture of equality, trust and team spirit within the Bank. The Board periodically reviews the financial and operational performance of the Bank and sets the budgetary targets for the Management. The Management is primarily responsible for implementing the strategies as approved by the Board of Directors in conducting the operations of the Bank effectively. Tactical and operational matters are delegated to the Management. Further, under the direction and oversight of the President & CEO of the Bank, the Senior Management carries out and manages the Bank's activities in a manner consistent with the strategies, business goals, risk appetite, incentive compensation and other policies approved by the Board of Directors.

Governance Practices Exceeding Legal Requirements:

MCB Board as a whole respects the country laws and ensures meticulous compliance of applicable laws, rules & regulations and being a leading Bank always adheres to provide information and disclosures above the minimum regulatory requirements. The Board never gives the room for any sort of non-compliance and takes it as reputational risk for the Bank. The Management also regularly updates the Board with the latest development in the regulatory environment and maintains stringent control over regulatory compliance through designated resources. Following are some of the practices of the Bank which exceed the minimum legal requirements:

- The Board has formed its eight sub-Committees as compared to the minimum regulatory requirement of four.
- The Bank has only one Executive Director (President & CEO) though two executive directors are permitted by SBP and four (one third of the Board as executive directors) under the Listed Companies (Code of Corporate Governance) Regulations, 2019.
- Voluntary adoption of best reporting practices as prescribed by ICAP/ICMAP/SAFA with a view to making the Bank's financials more transparent.
- The Bank reports additional information in the Annual Report for stakeholders which is not required by any laws.

Roles and Responsibilities of the Chairman and the President & CEO of the Bank:

The Roles and Responsibilities of the Chairman and the President & CEO of the Bank are described below:

Roles and Responsibilities of the Chairman:

The Chairman of the Board of Directors ("the Board") shall be elected from amongst the non-executive directors of the Bank and shall not hold the office of Chief Executive Officer ("CEO"). He shall be responsible for leadership of the Board and shall ensure that the Board plays an effective role in fulfilling its responsibilities. The Chairman has responsibilities and powers as vested in him/her by law, Articles of Association of the Bank and/or assigned, from time to time, by the Board. In particular, the Chairman will coordinate the affairs of the Board and chair the meetings of the Bank; however, he shall not participate in day-to-day management affairs of the Bank.

The Chairman shall ensure that:

- The composition of the Board is in accordance with legal and regulatory requirements;
- The Board as a whole is functioning effectively in accordance with applicable laws, rules and regulations to inculcate sound business principles and prudent commercial practices;
- The Board receives appropriate, accurate, timely and unbiased information, in particular, about the Bank's affairs and performance to enable the Board to take sound and effective decisions;
- The meetings of the Board and the Shareholders of the Bank are convened in compliance with legal and regulatory requirements; and proceedings of such meetings are accurately and fairly recorded. The agenda of the meetings take full account of applicable laws & regulations and the requirements of Bank's business;
- All Board Members are encouraged to participate and raise issues and concerns in the Board discussions, whilst promoting highest standards of Corporate Governance;
- The Board is concentrating on relevant issues and conflicts (if any) are effectively resolved;
- The Board sets the tone and values of the Bank; promotes a culture of openness and constructive debate and effective decision making;
- The Board is periodically updated on its statutory and fiduciary duties, as required in relevant laws, rules and regulations enabling the Directors to perform their roles & responsibilities properly and prudently in the best interest of the Bank;
- Good relationship is maintained with Board Members, the Management and the Shareholders; so that obligations to the Shareholders and other stakeholders are understood and met; and
- Shareholders' and other stakeholders' interest is promoted in the decisions taken by the Board.

The Chairman and the Vice-Chairman are elected by the Board in accordance with the provisions of the Articles of Association of the Bank and hold the office for a period of three years. In the absence of the Chairman, the above mentioned role and responsibilities of the Chairman are performed by the Vice-Chairman of the Bank.

Roles and Responsibilities of the President & CEO:

The President & CEO of the Bank, subject to the control and directions of Board, is entrusted with the whole, or substantially the whole, of the power of the Management to direct, manage, administer and control the affairs of the Bank. He shall be responsible to the Board for the implementation of its strategies, policies and decisions. The terms and conditions of appointment of the President & CEO are determined by the Board of Directors. The President is to be deemed a director and also entitled to all the rights and privileges and be subject to all the liabilities of that office. He/she possess leadership qualities i.e. correct anticipation of business trends, opportunities and priorities affecting the institution's prosperity and operations.

The President & CEO of the Bank shall:

- Set the appropriate performance standards to achieve financial/business targets set by the Board;
- Ensure that Bank's resources and budgets are aligned with the implementation of its strategic plan;
- Ensure assessment, monitoring and effective management of the significant risks to the Bank;
- Ensure that Bank maintains high standards of corporate citizenship and social responsibility wherever it operates;
- Establish an effective organizational structure having appropriate resources/systems within the Bank, to ensure Management's focus on key functions;
- Timely and effectively execute strategies set by the Board;
- Manage the affairs of the Bank in accordance with strategies and long term objectives approved by the Board;
- Ensure effective communication with the Board, Shareholders, Employees, regulatory authorities and other stakeholders and serve as an effective representative of the Bank while communicating with all the stakeholders;
- Ensure through effective leadership, team building and motivation that the maximum possible performance is achieved by the Bank and ensure that the affairs of the Bank are being managed in accordance with highest ethical standards, sound business principles and prudent commercial practices;
- Exercise the overall control, discretion, administration and supervision for the sound and efficient management and conduct of the business of the Bank;
- Monitor short term goals and ensure that the operating groups/divisions develop their own plans

for the future, which need to be quantified as far as possible with benchmarks established;

- Conduct a periodic performance review of the Senior Management team so that major initiatives such as expansion strategies, acquisitions and capital investments should be finalized and adopted through major marketing and development exercises;
- Provide the Board with the relevant information it needs to carry out its fiduciary responsibilities and to supervise the Senior Management;
- Liaise between the Board and the staff, and communicate on a regular basis with both to promote understanding, cohesiveness and coordination for development of policies and their implementation;
- Ensure the compliance of applicable laws, rules and regulations;
- Ensure establishment of an effective information mechanism whereby internal and/or external significant/material items affecting Bank's affairs are identified and shared with relevant stakeholders on timely basis; and
- Maintain follow up on regulators' observations and other lawful instructions and issues raised by external and/or internal auditors and to ensure their strict adherence/compliance in Bank's operations.

External Oversight of Functions and Measures Taken to Enhance the Credibility of Internal Controls and Systems

To ensure effectiveness, applicability and appropriateness of the implemented controls and systems, the management of the Bank engages external subject matter experts / consultants to conduct performance and quality assessments at regular intervals; or earlier, if warranted by significant changes occurring within the Bank control environment.

Following is the summary of key measures undertaken to enhance the credibility of internal controls and systems through external oversight:

- The Bank has an independent operational Audit and RAR Group (IA) responsible for providing a reasonable assurance to key stakeholders regarding compliance with control framework of the Bank. As part of IA's overall quality assurance and improvement program, regular strategic assessments are executed, through an external assessor, to review conformance to regulatory framework and perform maturity assessment of IA's operating practices against external performance benchmarks. The latest of the captioned external assessment exercises was concluded in 2020.
- The information and network security systems are periodically reviewed by the information systems auditors; in 2021, an independent external assessment was conducted as part of SWIFT's

community standard assessment program for attestations against its customer security controls framework (CSCF).

- External vulnerability assessments and penetration testing.
- PCI DSS (Payment Card Industry Data Security Standard) compliance assessment.
- External auditors of the Bank have carried out special review of the Bank's Internal Control Programme relating to Internal Control over Financial Reporting (ICFR).
- During the year 2021, in accordance with the regulatory requirements, the management of the Bank engaged the services of an external consultant to carry out independent assessment of its compliance of the eCIB data reporting mechanism.

Code of Conduct & Ethical Standards for Directors:

The Bank has also developed "Code of Conduct & Ethical Standards for Directors" as per the requirements of Code of Corporate Governance which is signed annually by every Director of the Bank.

Directors' Profile:

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

Accessibility of Annual Report-2021:

Annual Report-2021 and other information of the Bank are accessible on Bank's Website: www.mcb.com.pk

Security Clearance of Foreign Directors:

Foreign Directors elected on the Board of Bank require security clearance from Ministry of Interior through SECP. All legal formalities and requirements have been met and fulfilled in this regard.

Board's Policy on Diversity:

The Board of Directors firmly believes that the diverse mix of gender, knowledge, expertise and skill sets of the members / employees enhances the effectiveness of the Bank.

MCB is committed in fostering, cultivating and preserving a culture of diversity and inclusion. Human capital is the most valuable asset the Bank has. The collective sum of the individual's life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that employees invest in their work, represents a significant part of Bank's culture, as well as reputation and achievement.

The Bank embraces and encourages employees' with a mix of age, physical disability, family ethnicity, language, political affiliation, religion, sexual orientation, socioeconomic status and other characteristics that make its employees unique.

Related Parties and approved Policy for Related Party Transactions

The Board of Directors has approved a Policy for Related Party Transactions. The Bank's policy is to conduct all the related party transactions on an arm's length basis in the normal course of business. If a transaction is not conducted on an arm's length basis, then specific approvals or ratifications are required by the Board on recommendation of the Audit Committee of the Bank in order to avoid any potential conflict of interest.

The policy specifies that all transactions entered into with related parties shall require Board's approval on the recommendation of the Board Audit Committee of the Bank, which is chaired by an Independent Director of the Bank.

Every director (including spouse, children, step children and parents) of the Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the board. No director of the Bank shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank, if he/she is in any way, whether directly or indirectly, concerned or interested in that contract or arrangement, nor shall his/her presence count for the purpose of forming a quorum at the time of any such discussion or vote.

During the year, the Bank has entered into transactions and contracts with the related parties i.e. subsidiary and associate companies, post-employment benefit plans for the Bank's employees, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under HR policy of the Bank. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

The Bank has made detailed disclosures about related party transactions in its financial statements annexed with this annual report.

During the year, no contract or arrangement was entered into with related parties other than in the ordinary course of business on an arm's length basis.

Managing Conflict of Interest:

Overview:

A conflict of interest arises when a director, directly or indirectly, has an interest, pecuniary or otherwise, in performing his functions or duties and such interest could lead to impair his ability to consider and decide any matter impartially, without creating biasness in his or her own decision.

The Board Members owe certain fiduciary duties, including the duties of loyalty, due diligence, and confidentiality to the Bank which require that a director must act in good faith in order to promote the objectives of the Bank. In this regard, the Bank has developed "Code of Conduct & Ethical Standards for Directors" which requires that every director of the Bank has to disclose potential or actual conflicts of interest with respect to his/her duties as soon as they arise or he/she becomes aware of them. All the Board Members take reasonable steps to avoid being in an actual, apparent or potential conflict of interest. The Board recognizes the responsibility to adhere to the defined policies of the Bank and avoid perceived conflicts of interest that may arise during the course of business.

Disclosure of Interest by Director:

Every director of the Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank discloses the nature of his/her concern or interest at a meeting of the Board in accordance with the regulatory requirements. Interested Director does not participate or vote in the proceedings of such Board meeting.

Disclosure of Interest by Officers:

No other Officer of the Bank who is in any way, directly or indirectly, concerned or interested in any proposed contract or arrangement with the Bank shall, unless he discloses the nature and extent of his/her interest in the transaction and obtains the prior approval of the Board of Directors, enter into any such contract or arrangement.

Exposure in Companies where Directors are Interested:

The Bank does not enter into leasing, renting and sale/purchase of any kind with their directors, officers, employees or such persons who either individually or in concert with family members beneficially own 5% or more of the equity of the Bank.

The Bank does not take unsecured exposure on, or take exposure against the guarantee of any of its directors, any of the family members of any of directors and any firm or private company in which our directors are interested as director, proprietor and partner or public company in which such persons are substantially interested.

Without the approval of the majority of the directors excluding the director concerned, the Bank does not

take any exposure on the companies in which directors (including their spouses, parents, and children) hold key management positions, or are interested as partner, director or guarantor, or shareholders holding 5% or more of the share capital of that concern. The financing facilities shall be extended at market terms and conditions and be dealt with on arm's length basis.

Conflicts of Interest Register:

The Bank maintains a register of all contracts, arrangements or appointments in which directors are interested.

Insider Trading:

Directors being the insiders are prohibited by the law to indulge in insider trading. They shall not deal directly or indirectly in the securities of the Bank whether on their own account or their relative's account, if they are in possession of any unpublished price sensitive/inside information, which if published or known, is likely to materially affect the price of Bank's securities. Directors, who are usually considered to have such information, shall not communicate directly or indirectly the said information to others who might exploit such information while trading in the securities of the Bank.

As per the regulatory requirements relating to Insiders' trading, the Bank is maintaining the register of Insiders who have access to unpublished price sensitive/inside information and the said Register regularly updated by the authorized personnel of the Senior Management of the Bank.

Whenever, the Bank or a person acting on its behalf, discloses any inside information to any third party in the normal exercise of employment, profession or duty; a complete and effective public disclosure of that information is made simultaneously unless such person owes a duty of confidentiality. Further, Bank has approved policy on Prohibition of Insider Trading which is effectively implemented throughout the Bank.

Investor Grievances

MCB Bank ensures safeguarding the interests of its stakeholders by effective communication at regular intervals through multiple mediums. However, the Bank acknowledges that there may be instances where the stakeholders may have unaddressed concerns which if unresolved may become a grievance. To timely address any untoward incident, the Bank has a well-functioning grievance resolution mechanism that provides a transparent and credible process resulting in outcomes that are seen as impartial, effective, and durable. Through this initiative the Bank is able to reduce investment risks, provide an effective avenue to express and resolve concerns, thereby substantiating positive relationship. The Bank ensures quality services with uncompromising focus on investors' concerns and transparency in execution thereby extending respect to the trust placed.

Redressal of investors' complaints

The Bank is rigorously following the complaints of investors received from any regulatory forum and designates exclusive resources to resolve the matter both effectively and efficiently. Further, a centralized function namely the Shares department in the Corporate Affairs Division strives hard to manage any such investor grievances in consultation with the share registrar. Investors can lodge complaints by contacting the shares registrar, or write a letter or send an email to the share department of the Bank. A designated e-mail address, (investor.relations@mcb.com.pk) has been created to timely address the same and is readily available through our website and annual reports.

Furthermore, in compliance with the regulatory requirements, the Bank has duly disclosed the link (<https://sdms.secp.gov.pk/>) to SECP's Service Desk Managements System on its website; hence offering an additional outlet to the stakeholders for lodging their unresolved grievances and reinforcing its commitment to secure stakeholder interests.

The Bank ensures resolution of any grievances within statutory timelines.

Human resource management policies and succession planning

Human Resource Policies have been approved by the Board of Directors of the Bank on the recommendation of Human Resource & Remuneration Committee (HR&RC) of the Board in order to provide clear and definitive directions on human resource (HR) related matters.

MCB being an equal opportunity employer is committed to creating a congenial and efficient work environment in which the employees are assured a non-discriminatory, transparent, harassment free and respectful atmosphere regardless of their cast, creed, religion and gender. The Bank's talent-acquisition policies provide unbiased criteria for hiring people through lateral and batch hiring from any background as long as they qualify for the professional criteria required by the Bank. The culture at MCB Bank also depicts a healthy, team based and cooperative environment. We value the unique talents and perspectives of our employees and strive to create a respectful workplace.

The Bank is committed towards employee development practices which enable all its employees to reach their optimum potential, thereby creating a high performance organization. This belief is supported by the Bank's comprehensive approach towards performance management, career development and management training. The Bank affirms its belief in motivating its work force through positive reinforcement and opportunities in each of these key areas regarding employee development. The Bank has a transparent KPI based performance assessment and reward mechanism that allows front office employees to track their performance with their goal achievement throughout the year.

Salient feature of Staff Compensation/Remuneration Policy

The Remuneration Policy of the Bank is designed to promote a culture of sound compensation aligned with risk and responsibilities in a transparent manner for acquisition of talent, retention of employees and achievement of stakeholder expectations. MCB's remuneration policy applies to all staff. The policy covers identification of Material Risk Taker (MRT) and Material Risk Controllers (MRC), performance assessment through balanced scorecards, compensation structure and deferral mechanism.

The responsibility for approving the remuneration policy rests with the Board of Directors. The Board has constituted Human Resource & Remuneration Committee (HR&RC) for recommending to the Board, the structure of the remuneration policy, including the remuneration setting mechanisms, composition of remuneration, and other related matters. HR&RC may take the support of Bank's functions (e.g. Finance, Risk, Audit, Compliance, and HR). At management level, HRMG leads the overall remuneration policy of MCB.

All compensation provided to MCB staff can be divided into fixed remuneration or variable remuneration. Fixed remuneration is that part of the compensation which remains unaffected by the performance of the Bank or the individual employee. Fixed component of remuneration consists of basic salary and allowances that are part of the total compensation package of the employee. Variable remuneration is that part of the total compensation package of an employee which is linked with some predetermined measures of performance. Variable compensation is linked with the individual's performance and comprises of performance bonus, commissions, incentives and allowances.

The Bank has identified functions and designations as MRTs/MRCs. These include, President/CEO, direct reportees to the President/CEO (members of management committee), Country heads of overseas branches, direct reportees to the members of senior management managing critical functions as determined by HR&RC and all other material Business units.

Balanced scorecards are defined for all MRTs & MRCs for carrying out an objective and transparent performance assessment. The variable compensation for the MRTs and MRCs is linked to the performance result derived from the scorecard. The performance assessment for MRTs and MRCs is performed via the structured balanced scorecard mechanism that is in place to ensure that objective risk and return measures are duly taken into account for determining the bonuses and awards for MRTs and MRCs. The bonuses and awards for MRTs are determined based on the performance of the individual, their respective department and the overall Bank.

MRCs in the Bank have suitable autonomy and authority to perform their tasks independently, without influence

from the functions they are assigned to oversee and review. KPIs in the scorecards of MRCs are independent of the KPIs of the business functions that they oversee. This ensures that achievement of financial targets of the business functions are not considered for the performance assessment of the MRCs.

For MCB employees' classified as MRTs and MRCs, at least 25% of their variable remuneration shall be deferred. Minimum deferral period is three years with no vesting prior to year 1.

Policy for Sustainability and Corporate Social Responsibility (CSR)

Policy Sustainability and Corporate Social Responsibility (CSR) is detailed in Sustainability and Corporate Social Responsibility Section of this report.

Responsibilities of Management and the Board of Directors toward the preparation and presentation of the financial statements

Responsibilities of Management and the Board of Directors toward the preparation and presentation of the financial statements

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

Policy for Safety of Records of the Bank:

Record management is a methodological approach to control the maintenance and disposition of organization's record. Record management ensures that valuable record evidencing an organization's activities that have legal, financial, administrative or historical value are protected and accessible while expired record is systematically destroyed. Thus MCB Bank has put in place comprehensive processes, controls and guidelines on handling, protection, retention, retrieval, and disposition of recorded business information generated daily which are of ongoing importance to MCB's overall service capability and regulatory compliance. In its endeavor to comply these guidelines / processes, the Bank has already achieved major milestones.

Social and Environmental Responsibility

MCB Bank Limited undertakes its responsibility to be recognized as an organization that is aware of both its social and environmental obligation. The Bank continuously strives to inculcate the same by creating

awareness amongst stakeholders, streamlining its operational processes and reinforcing the same through various policies. The key areas that the Bank focuses upon are to provide a safe and healthy workplace, protect the environment and conserve energy through use of appropriate technology and management practices. Some of the salient features of the Bank policy are as follows:

- Compliance with local, national and international laws and regulations as well as the spirit thereof and conduct of business operations with honesty and integrity
- Promote and engage in social welfare activities that help strengthen communities and contribute to the enrichment of society
- Provide innovative, safe and outstanding high quality banking products and services exceeding the expectations of customers
- Significant investment to develop technological based 'Alternative Delivery Channels' for maximum 'Financial inclusion'
- Sustainable development through building and maintaining sound relationships with our stakeholders through open and fair communication
- Communication and dialogue with employees, to build and share the value of "Mutual Trust and Mutual Responsibility" and work together for the success of all of our stakeholders
- Respect for people by honoring the culture, customs, history and laws of Pakistan. Constantly search for safer, cleaner and superior practices that satisfy the evolving needs of the society
- Minimize the environmental impact of business operations, by working to reduce the wastage of all resources
- Develop, establish and promote practices enabling the environment and economy to coexist harmoniously and build close and cooperative relationships with individuals and organizations involved in environmental preservation

Review by the Board of the Bank's Business Continuity Plan (BCP)

Business Continuity Management (BCM) is a process that identifies and recognizes risks, threats and vulnerabilities that could impact Bank's operations internally or externally. BCM provides framework and creates ability for an organization to mitigate risk, withstand changes in the environment and still perform its critical processes and functions.

A robust Business Continuity Plan (BCP) outlines a range of disaster scenarios and the steps to be taken in order to minimize the potential harm to business during adverse situations. BCP's/system recovery procedures are written ahead of time therefore Bank endeavors to have sustainable, effective enterprise wide BCM program

to provide seamless services and product reach to its customers/ stakeholders.

The Board of Directors periodically reviews and gauges Banks preparedness to deal with any untoward situation. Furthermore the senior management of the Bank ensures to maintain an effective Business Continuity Policy & Framework to ascertain that clear and concise plans are maintained for all critical areas which encompasses strong remedial actions to reduce the risk of downtime in any contingency scenario. In these difficult times when the world was taken aback by COVID-19 and every segment of life got affected the Bank adopted a proactive approach and immediately arranged for the Personal Protective Equipment's (PPEs) comprising of face masks, hand gloves, face shields, hand sanitizers etc. for its staff and visiting customers. Furthermore special screening arrangement, maintaining social distance, minimizing staff strength, periodic disinfection in branches and offices were the initiatives taken to ensure continuity of business and services, thus complying with Government and WHO precautionary instructions.

Further to nurture and enhance the confidence on Bank's system and processes; Business Continuity Plans are tested and updated on regular intervals. Since BCM is well knitted into the Banks structure and branch network, thus it gives confidence to its millions of customers, stakeholders and regulator that the Bank can live up-to the commitment and expectations by ensuring continued functionality of its critical businesses and functions in any circumstances.

Stakeholders' engagement

Stakeholders' engagement and the steps taken to solicit and understand the views of the shareholders is detailed in the stakeholders' engagement section of this report.

Statement by the Management of unreserved compliance of International Financial Reporting Standards (IFRS)

The management of the Bank strongly believes in adherence to unreserved compliance with all the applicable International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) for true and fair presentation of financial statements.

Financial statements for the year have been prepared in accordance with the accounting and reporting standards issued by IASB as are applicable in Pakistan. IFRS adoption status is detailed in note 3 of the unconsolidated financial statements.

Whistle Blowing Program

Overview

MCB Bank is committed to continually operate at the highest standards of conduct in our business. We are the trustees of public funds and it is our core value to serve

our community with integrity. We endeavor to earn and uphold the trust of all our customers and stakeholders by serving and dealing with them lawfully, ethically and professionally.

Purpose

This program provides a channel to Bank's staff and outside parties such as shareholders, vendors, customers etc. for raising concerns/complaints about any irregularities, AML/CFT/CPF related issues, impropriety, financial malpractices, frauds & forgeries, personnel harassment and improper conduct or wrongdoing without any fear of reprisal or adverse consequences. The objective of the program is to address/resolve these concerns/complaints to prevent and/or detect improper activities for safeguarding the interest and reputation of the Bank and its stakeholders.

Scope

The program covers deliberate, voluntary disclosure of individual or organizational impropriety by a person who has or had privileged access to data, information or event about an actual, suspected or anticipated wrongdoing within or by an organization that is within its ability to control.

Protection of Whistle Blowers

MCB Bank is committed for protection of genuine complainants against action(s) taken in reprisal for the making of protected disclosures. Confidentiality of the complainant's identity, the nature of the report and the identity of the suspected person is strictly maintained.

The Bank does not tolerate harassment or victimization and takes action, which could involve disciplinary proceedings, to protect complainants when they raise a concern in good faith.

Incentives for Whistle Blowing

Complainant may be awarded monetary benefit/career advancement depending upon the nature and gravity of the concerns/complaints

Whistle Blowing Mechanism

Employees or outside parties with concerns or complaints may report such concerns or complaints to Whistle Blowing Unit through any of the following means:

- Landline
- E-mail
- Fax
- Website
- Regular Mail

Concerns and complaints are investigated and findings are shared with the senior management for their necessary action. Information related to investigations is also shared with the Audit Committee and Board of Directors

Number of instances reported to Audit Committee

Number of whistle blowing incidents (wrongdoings) along with update on investigations/resolution reported to the Audit Committee and Board of Directors during the year 2021 was 36.

Significant changes from prior years

- During the year, the term of President & CEO, Mr. Imran Maqbool was completed on December 20, 2021 and the Board appointed Mr. Shoaib Mumtaz, as Acting President & CEO of the Bank with effect from December 21, 2021 subject to his Fit and Proper Test (FPT) clearance by the State Bank of Pakistan ("SBP"). Subsequently, SBP has cleared FPT of Mr. Shoaib Mumtaz as President & CEO of the Bank on February 09, 2022.
- During the year one group head (Key Management Personnel) resigned from his position and the Board approved his replacement accordingly.

Shares held by Directors, Chief Executive Officer, their Spouses and Minor Children

Shares held by Directors, Chief Executive Officer, their Spouses and Minor Children have been disclosed in "Categories of Shareholders" section of the Annual Report.

Presence of Chairman of Audit Committee at the AGM

The Chairman of the Board's Audit Committee was present at the AGM to answer questions on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.

Chairman's significant commitments

Mian Mohammad Mansha has served as Chairman of MCB Bank, after its privatization, from 1991 to mid-1995 and then from 1997 till date. Presently, he is also a member of the Board's Human Resource & Remuneration Committee, Committee on Physical Planning & Contingency Arrangements and Business Strategy & Development Committee at MCB Bank Limited. He does not have any significant commitment other than the one mentioned in his profile under "Directors Profile" section of the Annual Report.

Pandemic Recovery Plan by the Management and Policy Statement

The emergence of COVID - 19 pandemic during 2020 inflicted an unprecedented global crisis; taking a large toll on human lives, inducing a synchronized economic downturn and exerting long term socio-economic repercussions. The emanating uncertainty garnered emergency response from Governments' across the globe in the form of multiple policy measures implemented on the economic, fiscal and monetary fronts. The unprecedented COVID-19 crisis had brought about many challenges for the financial sector and regulator.

Responding to the challenge, MCB implemented comprehensive pandemic recovery plan based on guidelines by International and National authorities and a risk based focus to protect the staff from impact of pandemic illness and ensure information system uptime, data integrity, service availability and overall business resilience.

Pandemic impacted several aspects of the bank's operations such as shortage of staff, increase in use of ATMs, increase in volume of internet/mobile banking and call center services, delay in payments and increase in delinquencies etc.

During pandemic, the Bank ensured that strategies and processes are in place to enable business continuity to provide critical services while ensuring the health and safety of employees, customers, and vendors. Technology played a major role in business continuity.

1. Ensured the health and safety of employees, customers and vendors

During pandemic, the Bank implemented below measures to allow the continuity of operations with minimal contact between staff, customers, or suppliers for prolonged periods of time.

1. Redirected customers from branch/office visits to online banking services. Encouraged customers to use bank's digital tools and other resources for self- service banking and 24/7 account access.
2. Reduce hours of operation and enabled employees to work from home or from alternative sites.
3. Used teleconference/videoconference for meetings (even for people in the same building).
4. Implemented restrictions on visitor access to the bank facilities and enforced quarantine for sick staff.
5. Installed sanitizing gel dispensers throughout all areas used by clients inside the branch and in internal areas for employees.
6. Rearranged furniture in order to allow more space between employees and between employees and clients or vendors.
7. Ensured the regular disinfection of sensitive areas and defined office hygiene procedures.
8. Regular temperature check was ensured at entry points of all locations and face masks made mandatory.
9. Strict protocols on social distancing were put in place.

2. Ensured continuity of the Bank's operations

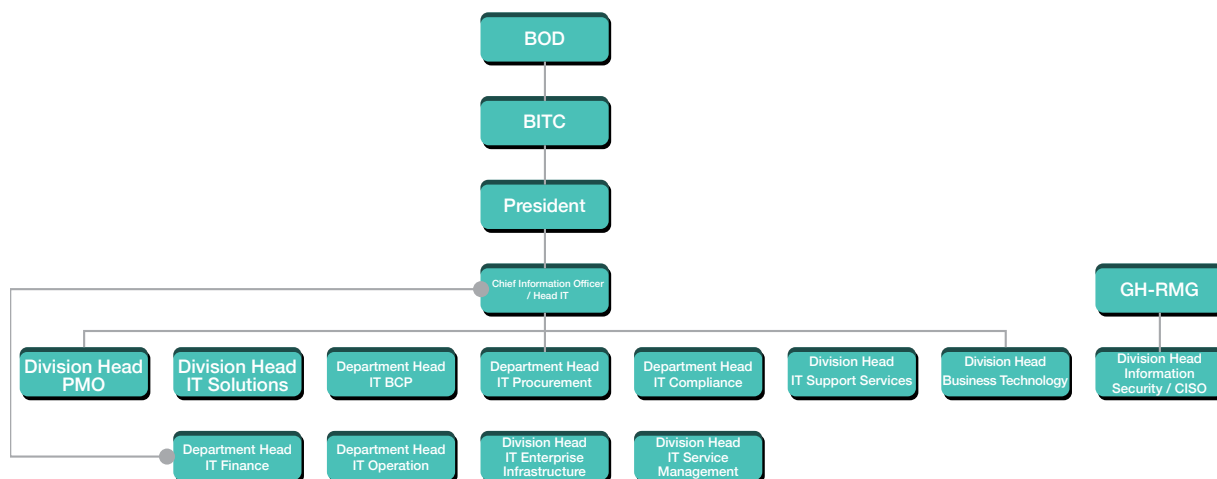
With shortage of staff, decline in branch activities, and the reduction in human interaction in general, the use of technology played an extremely important role.

1. Identified which jobs and tasks can and cannot be done, even partially, without being physically present in the office.
2. Ensured employees know how to use the various hardware and software dedicated for remote working.
3. Ensured preparedness for a high absentee rate and make back-up arrangements for key staff and functions.
4. Cross-train employees and ensure that succession/replacement plans are in place.
5. Established procedures for safeguarding data, including backups.
6. Audited the technology used for remote access and check for the need of increasing capacity, bandwidth and authentication mechanisms.
7. Checked the capacity of networks to handle increase in traffic.
8. Ensured telecommunication structure can handle increase in call volume.

3. COVID-19 Vaccination Drive

MCB Bank arranged vaccination drive for all its employees and their families at MCB House Lahore and MCB Tower Karachi. Along with safeguarding the health our employees and their families, this initiative this was an essential part of bank's business continuity plan to ensure its commitment to smooth running of all its operations which were disturbed due to emergence pandemic last year.

IT Governance



IT Governance is an integral part of Enterprise Governance and consists of the leadership and organizational structures and processes that ensure that the Bank's IT sustains and extends the Bank's strategies and objectives. IT Governance systematically engages the Board members, executive management and underlying staff. It establishes a discipline used by the organization to measure transparent accountability of decisions, and ensures the traceability of decisions to assigned responsibilities. Well-structured IT Governance would assist in creating efficiencies, enhance conformity to internationally accepted best practices, improve overall IT performance and also enable better control and security.

Information Technology Group is headed by CIO who in turn reports functionally and administratively to the President/CEO. The Office of the CIO provides the leadership for the development and delivery of world-class technology services.

The position is directly responsible for;

- Managing the operations of Information and Technology Services for efficient and smooth delivery;
- Recommending IT Strategy that is aligned with Bank's overall Strategy;
- Encouraging technical innovation and the development of a robust and dependable technology infrastructure;
- Strengthening the IT Governance;
- Providing guidance, oversight, and strategic thinking on information technology;
- Setting the overall direction for IT Group to introduce and implement innovative technology solutions;
- Ensuring the availability of Bank's services as up & running and active DR invocation mechanism at the time of disaster.

Information Technology Group (ITG) has been taken care by teams of committed professionals, providing innovative and efficient solutions to achieve and nurture strategic objectives and goals of Business as well as other support

groups under the guidance of Board IT Committee (BITC) and management IT Steering Committee (ITSC).

Group is further be strengthened by following functions:

- IT Enterprise Infrastructure
- IT Operations
- IT Software Solutions
- IT Service Management
- IT Support Services
- IT Business Technology
- IT Project Management
- IT Financial Services
- IT Procurement
- IT Compliances & Internal Control
- IT Business Continuity

INTERNAL GOVERNANCE

The Bank's Management IT Steering Committee (ITSC) & Board IT Committee (BITC) are the governing bodies that review, monitor, prioritize and approve major IT projects. Key Objectives of these committees are:

- To provide a forum for discussions, review and advice on Technology needs, Investments, Issues & Progress;
- Prioritize, approve and monitor investments (projects & resource allocation), financial objectives and performance in order to review whether IT and Business strategies aligned with each other;
- Assessment of IT capability and adequacy of the IT infrastructure & Guidance on strategic goals and direction to see if enterprise achieving the optimum use of the IT resources;
- To review adoption of best practices, standardization and interoperability internally and externally;
- To provide resolution of cross-function or intercompany critical issues;
- Consideration of risk exposures and monitoring of risk management;
- To review the communication path between the board/executive and middle management.

Profile of Shari'ah Advisor Board

(Annual Report – 2021)



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 49 years' teaching and 34 years' Fatawas issuance experience. He remained the member of Shari'ah Advisory Board of Securities and Exchange Commission of Pakistan (SECP) for three terms and the member of the Council of Islamic Ideology Pakistan (CIIP), he rendered voluntary services for the country since 2001 to 2020 as Chairman Central Moon Sighting Committee Pakistan. He served as Director of Islamic Studies, Hong Kong in 1985. He is the president of Tanzeem-ul-Madaris Ahle Sunnat Pakistan & Secretary General of Ittihad-e-Tanzeemat-e-Madaris Pakistan. He participated in international seminars in Saudi Arabia, UK, Norway, USA, Canada, Kazakhstan, Turkey and other Countries.

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



Mufti Syed Sabir Hussain

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

Mufti Syed Sabir Hussain, working with MCB Islamic Bank Ltd. since September 2015, is a prominent Shari'ah Scholar and experienced Islamic Banker with 22 years of teaching, 15 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhasus-Fil-Fiqh, M.A Islamic Studies, M.Phil. in Islamic Banking & Finance and M.S (I.T) degrees. He is enrolled in Phd. on Islamic Banking and Finance from International Islamic University, Islamabad (IIUI).

He is ex-member of Shari'ah Advisory Board of SECP, Member of the Committee on Accounting and Auditing Standards of ICAP and invitee participant of Shari'ah Advisory Committee of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he was member of review committee for Urdu translation of AAOIFI Shari'ah standards. He is author of 33 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 30 years' experience of teaching Islamic Jurisprudence and 18 years' experience of issuing Fatawa (Shari'ah Opinions). He has 16 years' experience in Islamic Banking. He holds Master's Degree in Islamic Studies from University of Karachi, Takhasus-Fil-Fiqh from Dar-ul-Uloom Amjadia, Karachi, Fazil Dars-e-Nizami, and Fazil Shahada-tul-Almia. He gave his services as Resident Shari'ah Board Member/

Shari'ah Advisor at Soneri Bank's Islamic Banking Division for 13 years. He 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.

Role of Shari'ah Board

- i. 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.
- ii. 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.
- iii. 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.
- iv. 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.
- v. 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.
- vi. 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.
- vii. 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 2021

S. No	Quarter	Date of Meeting	Meeting Attended (Yes / No)		
			Chairman	Member	RSBM
1	Q1	19-Mar-21	Yes	Yes	Yes
2	Q2	17-Jun-21	Yes	Yes	Yes
3	Q3	27-Sep-21	Yes	Yes	Yes
4	Q4	13-Dec-21	Yes	Yes	Yes

Meetings of Shari'ah Board-Board of Directors held in 2021

S. No	Half Year	Date of Meeting	Meeting Attended (Yes / No)		
			Chairman	Member	RSBM
1	1st	09-Feb-21	Yes	Yes	Yes
2	2nd	26-Oct-21	Yes	Yes	Yes

Membership on Shari'ah Board of other Companies

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

Report of Shari'ah Board

(For the Year ended December 31, 2021)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ وَالصَّلَاةُ وَالسَّلَامُ عَلَى خَاتَمِ الْأَنْبِيَاءِ وَالْمُرْسَلِينَ وَعَلَى آلِهِ وَصَحْبِهِ أَجْمَعِينَ أَمَّا بَعْدُ

The Shari'ah Board hereby present its annual report on the affairs of MCB Islamic Bank Ltd.

The Shari'ah Board (SB) of MCB Islamic Bank Ltd. (the Bank) was constituted in September, 2015. Currently Shari'ah Board comprises of respected Professor Mufti Munib-ur-Rehman as Chairman Shari'ah Board, Mufti Syed Sabir Hussain as Resident Shari'ah Board Member (RSBM) and Mufti Nadeem Iqbal as Member Shari'ah Board. Despite the tough conditions of COVID all Shari'ah Board Members remain available throughout the year and many meetings were held through audio and video conferencing. In addition to that, four formal meetings of the Shari'ah Board were held during the year 2021 on the following dates to review various matters which apart from other matters, include new products and services, product modifications, transactions, structures, processes and Shari'ah issues, referred to them:

- First Shari'ah Board Meeting – March 19, 2021
- Second Shari'ah Board Meeting – June 17, 2021
- Third Shari'ah Board Meeting – September 27, 2021
- Fourth Shari'ah Board Meeting – December 13, 2021

In order to assist the SB to supervise all these matters throughout the year, the Shari'ah Compliance Department (SCD) ensured that, apart from the SB meetings, it closely coordinate with SB. This resulted in the continuous involvement of SB on Shari'ah affairs of the Bank as well as enabled them to approve, by way of circulation, different matters in a timely manner.

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of the Bank are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of the Bank. During the year 2021 Shari'ah Board's held meetings with Board of Directors on the following dates:

- First Shari'ah Board – Board of Directors' Meeting – February 9, 2021
- Second Shari'ah Board – Board of Directors' Meeting – October 26, 2021

2. To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of the Bank carried out reviews of each type of transaction, product, process flow/modus operandi and concepts under the supervision of RSBM/Head Shari'ah Compliance. SCD kept Shari'ah board informed regarding Shari'ah compliance review activities of front and back offices of the Bank during tough conditions of COVID in the country. A list of branches for Shari'ah compliance review was approved by the Shari'ah Board. In this regard, 100 branches have been reviewed for Shari'ah compliance with strict compliance of COVID related SOPs and as far as Shari'ah compliance review of non-branch is concerned, it has been ensured to comply with the approved list of the Shari'ah Board. In order to enhance the Islamic Banking and Finance knowledge and expertise of branch & non-branch entities' staff members; Shari'ah trainings were made mandatory for all staff of the Bank with the coordination of Learning & Development Department (L&D – HRG). Further RSBM/Head-SCD made surprise visit to 15 branches to ensure compliance of regulatory and Shari'ah requirements.
3. Four (4) Instructions & Guidelines and Four (4) Fatawas by the Shari'ah Board of the Bank are in vogue without any changes. All Fatawas & Instructions and Guidelines issued by Shari'ah Board of the Bank are being implemented in the Bank in true letter and spirit.
4. SCD with the coordination of management and under the supervision of RSBM/Head Shari'ah Compliance has reviewed various Product documents and SB reviewed and approved 63 modus operandi out of which 16 for Corporate Banking, 29 for Commercial Banking, 10 for SME Banking and there were 8 Standard process flows. As far as Products are concerned, SB issued 71 Shari'ah Vetting Certificates related to products, 22 for Liability products which also includes Roshan Digital Accounts, 16 Diminishing Musharakah mode of financing, 4 each for Takaful, Guarantee & Treasury, 3 each for Musharakah Term Financing & Murabaha and some other Product related documents in the year 2021.
5. SCD has also facilitated Islamic Banking training sessions for the front and back offices staff of the Bank For compliance with regulatory instructions. L&D not only arranged class room sessions but also uploaded Online Islamic Banking training modules at Learning Management Systems (LMS) for the easy access of Islamic Banking & Finance knowledge to staff. Despite the difficult conditions due to COVID, L&D was determined to adhere to cover

the Islamic Banking & Finance trainings of its staff. Therefore, this year also, L&D had Virtual classroom session with facilitation of SCD for the safety of staff and it allows learning for all by overcoming geographical obstacles.

Moreover, in view of COVID conditions L&D-HRG has taken initiatives to establish an effective and comprehensive Islamic Banking training mechanism in compliance with IBD Circular No. 02 of 2018, Dated: June 29, 2018, "Enhanced Training & Capacity Building Measures for Islamic Banking Institutions (IBIs)" issued by Islamic Banking Department, State Bank of Pakistan, for the Bank's front and back offices staff at all levels. SCD's staff facilitated as internal trainers on the Shari'ah related training initiatives during the year. Furthermore, alongside regulatory requirements of executive management Shari'ah trainings, L&D and SCD have jointly developed Islamic Banking & Finance Module and AAOIFI Shari'ah Standards Module for capacity building of Executive Management, which was launched during 2021.

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

Recommendations:

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

- i. In future, there shall be more Shari'ah Trainings in compliance with regulatory requirements. There should be a continuity of comprehensive mechanism to cater situations like COVID to ensure continuity and compliance of Shari'ah Trainings.
- ii. More focus is needed on Product & Shari'ah trainings of Corporate, Commercial & SME banking and it is strongly recommended to ensure mandatory Product & Shari'ah trainings of the staff of Trade Operations, as some issues were found in its transactions during the Shari'ah Compliance review.
- iii. Arrange general public awareness programs like, Seminars, Workshops and Question & Answer Sessions from the Bank's platform for building up the true image of Islamic Banking & Finance as well as creating awareness/removing misconception about Islamic banking.
- iv. Continuity of Shari'ah trainings of the Bank's higher management.
- v. Continue with Microfinance activities and the Bank should encourage the Islamic Microfinance due to its requirement in the country. Through Islamic Microfinance, Islamic Banking Industry can penetrate at grass-root level to facilitate micro level traders.
- vi. Usage of Islamic Banking terminologies must be ensured during the Bank's activities. As far as internal environment of the Bank is concerned, all staff members of front and back offices are strongly recommended to follow the proper dress code strictly, which should be in line with the Bank Dress code policy, cultural norms, and reflect due modesty as required by the dictates of Shari'ah.

Conclusion:

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

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

- iii. The Bank has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Advisory Committee.
- iv. The Bank has a comprehensive mechanism in place to ensure Shari'ah Compliance in their overall operations.
- v. As far as Charity fund is concerned, separate liability account (non-chequing) is opened in separate General Ledgers for each type of Charity Fund Collection
 - a. Charity due to late payment,
 - b. Charity against other Non-Shariah compliant income and
 - c. Dividend purification amount.

Funds cumulated in above mentioned each type of "Charity Collection Fund Account" is maintained in Shari'ah Compliant remunerative account at the discretion of Shari'ah Board/Resident Shari'ah Board Member.

Charity Fund is utilized for charitable, social welfare, religious, educational or any other purposes approved by Charity Committee / Shari'ah Board.

In the year 2021 the addition in the amount of Charity was PKR 9.347 million from different heads which was instructed to transfer to the Charity account.

Additions in Charity account during the year	(Rupees in 000)
- Received from customers against late payment	7,316
- Dividend purification amount	1,093
- Charity against other Non-Shari'ah compliant income	265
- Profit on charity saving account	673
Total additions in Charity account during the year	9,347

The Bank has disbursed the Charity amount to Shari'ah approved charitable organizations as per Bank's charity policy and SBP's guidelines. Details of Charity account are available in the note # 19.2.1. Shari'ah Board would like to praise Shari'ah Compliance Department/RSBM for efforts made by SCD during tough times of COVID.

- vi. The Bank has complied with the SBP instructions on profit and loss distribution and pool management.
- vii. While the Bank is actively pursuing training of its human resources about various aspects of Islamic Banking & Finance through training sessions/seminars, however further improvement is required to enhance the level of awareness of Islamic Banking & Finance of the staff, management and the BOD through enhanced training mechanism for each level. The high level management and the BOD have made sincere efforts and appreciate the importance of Shari'ah compliance in overall operations of the Bank.
- viii. The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.

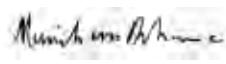
Shari'ah Board praises and acknowledged the efforts of Shari'ah Compliance Department/RSBM of the Bank that besides Shari'ah Compliance environment of the bank in regulatory inspection there was no instance regarding Non-compliance of regulatory requirements as far as Shari'ah Governance Framework is concerned.

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

وَاللَّهُ سُبْحَانَهُ وَتَعَالَى أَعْلَمُ



Mufti Syed Sabir Hussain
Resident Shari'ah Board Member


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



Mufti Nadeem Iqbal
Member Shari'ah Board

Date of Report: January 21, 2022

بینک نے جی بی بی کی رقم شریعہ سے منظور شدہ خیراتی تنظیموں کو ایم سی بی اسلامک بینک کی جی بی بی پالیسی اور اسٹیٹ بینک کی ہدایات والائحہ عمل کے مطابق فراہم کی ہے۔ جی بی بی اکاؤنٹ کی تفصیلات نوٹ نمبر 19.2.1 میں دستیاب ہیں۔ شریعہ بورڈ کو ووٹس کے مشکل حالات میں شریعہ کمیٹائنس ڈائریکٹ رSBM کی طرف سے کی گئی کوششوں کی تعریف کرنا چاہیے گا۔

و۔ ایسی ہی اسلامک بینک کے نفع و نقصان کی تقسیم اور پھل کی انتظام کاری اسٹیٹ بینک آف پاکستان کی ہدایات کے عین مطابق ہے۔

ز۔ اگرچہ بینک فعال طریقے سے اپنے افراد کو اسلامی بینکاری اور مالیاتی نظام کے بارے میں تربیت دے رہا ہے، تاہم افراد کا راعلیٰ سطحی انتظامیہ اور بورڈ آف ڈائریکٹرز میں آگہی پیدا کرنے کی غرض سے اسلامی بینکاری کی تربیت میں مزید اضافے کی ضرورت ہے۔ انتظامیہ اور بورڈ آف ڈائریکٹرز نے اخلاص پختی کی کوششیں کی ہیں اور انہوں نے ایسی ہی اسلامی بینک میں شریعہ کیپٹالسٹ کی اہمیت کو سراہا ہے۔

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

شرعیہ بورڈ، ایم ایس بی اسلامی بینک لیجنڈ کے شرعیہ کمپلائنس ڈیپارٹمنٹ اور یونیٹ شرعیہ بورڈ ممبر کی کاوشوں کا اعتراف کرتے ہوئے اس قابل ذکر امر کی تعریف کرتا ہے کہ شرعیہ کمپلائنس ڈیپارٹمنٹ اور یونیٹ شرعیہ بورڈ ممبر نے بینک کے شرعیہ کمپلائنس ماحول کو برقرار رکھتے ہوئے شرعیہ گورننس فریم ورک کی تعمیل کو یقینی بنایا۔

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

وَاللَّهُ سُبْحَانَهُ وَتَعَالَى أَعْلَمُ

پروفیسر مفتی منیب الرحمن
چیمبر مین شارعہ پورڈ

مفتی محمد اقبال
شریعہ بورڈ ممبئی

مفتی سید صابر حسین
ریزیڈنٹ شرعیہ بورڈ ممبئی

تاریخ اجراء: ۳۱ جنوری ۲۰۲۲ء

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

۷ شریعہ بورڈ اپنی جاری کردہ ہدایات والا عمل پر عملدرآمد کے اعتبار سے خاص طور پر کوڈ کے مشکل حالات میں بینک کے منتظمین کی مسلسل اور جامع کوششوں کی تعریف اور ہمت افزائی کرتا ہے۔

سفارشات:

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

- الف۔ مستقبل میں، ریگولیٹری تقاضوں کی قیام میں مزید شریعی ٹریٹنگز ہونی چاہئیں۔ شریعی ٹریٹنگز کے تسلسل اور قیام کو یقینی بنانے کے لئے کوڈ جیسے حالات کے لئے ایک جامع طریقہ کار ہونا چاہئے۔
- ب۔ کارپوریٹ، کمرشل اور ایس ایم ای بینکاری کی پروڈکٹس اور شریعی ٹریٹنگز پر زیادہ توجہ دینے کی ضرورت ہے اور بھرپور سفارش کی جاتی ہے کہ ٹریڈ آپریشنز کے عمل کے لازمی پروڈکٹ اور شرعی تربیت کو یقینی بنایا جائے، کیونکہ شریعی قیام کے جائزے کے دوران معاملات میں کچھ مسائل پائے گئے۔
- ج۔ اسلامی بینکاری اور مالیات کی اصل روح کے مطابق تشبیہ اور عام لوگوں کو آگاہی دینے کے ساتھ ساتھ اسلامی بینکاری کے بارے میں شعور پیدا کرنے اور غلط فہمیوں کو دور کرنے کے لئے، ایم سی بی اسلامک بینک کے پلیٹ فارم سے سیمینارز، ورکشاپس اور سوال و جواب کے سیشنز کا اہتمام کرنے کی سفارش کی جاتی ہے۔
- د۔ ایم سی بی اسلامک بینک کے اعلیٰ منتظمین کی شریعی ٹریٹنگز کی بھرپور سفارش کی جاتی ہے۔
- ه۔ ٹیکروفنانس سرگرمیوں کو جاری رکھنے کی سفارش کی جاتی ہے۔ ایم سی بی اسلامک بینک کو ملک میں مائیکروفنانس کی ضرورت کے سبب اسلامی مائیکروفنانس کی حوصلہ افزائی کرنی چاہئے۔ اسلامی مائیکرو فنانس کے ذریعے، اسلامی بینکاری کی صنعت کم سرمایہ کے ساتھ کام کرنے والے تاجروں کی سہولت کے لئے ابتدائی درجہ پر کام کر سکتی ہے۔
- و۔ ایم سی بی اسلامک بینک کی سرگرمیوں کے دوران اسلامی بینکاری اصطلاحات کے استعمال کو یقینی بنانا ہوگا۔ جہاں تک بینک کے داخلی ماحول کا تعلق ہے، تو فرنٹ اور بیک آفسز کے تمام عمل کو ڈریس کوڈ کی بنیاد سے پیروی کرنے کی تاکید کی جاتی ہے۔ اسٹاف کا پیروں ایم سی بی اسلامک بینک ڈریس کوڈ پالیسی، ثقافتی اصولوں اور شرعی تقاضوں کے مطابق شائستہ مزاج کی عکاسی کرتا ہو۔

خلاصہ کلام:

شریعی بورڈ نے ایس بی پی معیار رپورٹ، بیرونی اور داخلی شریعی آڈٹ اور شریعی کمپلائنس کی رپورٹس کو دیکھنے کے بعد اصلاحی اقدامات کے لئے ہدایات دیں، لہذا شریعی بورڈ کے مطابق:

- الف۔ ایم سی بی اسلامک بینک نے شریعی بورڈ کے جاری کردہ فتاویٰ بات اور ہدایات والا عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔
- ب۔ ایم سی بی اسلامک بینک نے تحقیقی معنوں میں اصل روح کو مدنظر رکھتے ہوئے ایس بی پی انسپیکشن رپورٹ پر عملدرآمد کیا ہے۔
- ج۔ ایم سی بی اسلامک بینک، اسٹیٹ بینک آف پاکستان کے احکامات، قوانین و ہدایات اور الاٹھ عمل (جو اسٹیٹ بینک آف پاکستان کے شریعی ایڈوائزرز کی کمیٹی کے احکام کے مطابق ہیں) سے ہم آہنگ ہے۔
- د۔ بینک کے پاس اپنے مجموعی آپریشنز میں شریعی کمپلائنس کو یقینی بنانے کے لیے ایک جامع طریقہ کار موجود ہے۔
- ه۔ جہاں تک چیریٹی فنڈ کا تعلق ہے، ہر طرح کے چیریٹی فنڈ جمع کرنے کے لئے علیحدہ نان چینیٹنگ، لائسنسڈ اکاؤنٹ کھولے جاتے ہیں۔

i. ادائیگی میں تاخیر کی وجہ سے چیریٹی،

ii. باطل معاملات کی وجہ سے چیریٹی، اور

iii. منافع (ڈیویڈنڈ Dividend) میں سے غیر شرعی منافع منہا کرنے کی وجہ سے چیریٹی۔

عام طور پر مذکورہ بالا تمام مدت میں جمع کی گئی رقم اپنے اپنے شریعی کمپلائنس ٹنچ چیریٹی فنانسنگ اکاؤنٹ میں شریعی بورڈ ریزرنڈ میں شریعی بورڈ ممبر کی صوابدید پر جمع کی جاتی ہیں، چیریٹی فنڈ، چیریٹی کمیٹی شریعی بورڈ کے منظور شدہ کسی خیراتی، معاشرتی، بہبود، مذہبی یا تعلیمی مقاصد کے لئے استعمال ہوتا ہے۔

سال 2021ء میں چیریٹی فنڈ کی مختلف مدت میں جمع کی گئی رقم میں کل اضافہ 9,347 ملین رہا، جس کو چیریٹی اکاؤنٹ میں منتقل کرنے کی ہدایت کی گئی۔

ایسال چیریٹی فنڈ میں اضافہ	روپے (000) میں
صارف کی طرف سیادا ایجنگ میں تاخیر کی وجہ سے	7,316
منافع (ڈیویڈنڈ Dividend) میں سے غیر شرعی منافع منہا کرنے کی وجہ سے	1,093
باطل معاملات کی وجہ سے	265
چیریٹی سینگ اکاؤنٹ پر منافع	673
ایسال چیریٹی فنڈ میں کل اضافہ	9,347

شریعی بورڈ رپورٹ

(مالی سال اختتام پزیر ۲۰۲۱-۲۰۲۲ء)

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

اَلْحَمْدُ لِلّٰهِ رَبِّ الْعَالَمِیْنَ وَالصَّلٰوةُ وَالسَّلَامُ عَلٰی خَاتَمِ الْاَنْبِیَاءِ وَالْمُرْسَلِیْنَ وَعَلٰی اٰلِهِ وَصَحْبِهِ اَجْمَعِیْنَ اَمَّا بَعْدُ

شریعی بورڈ ایم سی بی اسلامک بینک لمیٹڈ کے امور سے متعلق اپنی سالانہ رپورٹ پیش کرتا ہے۔

ایم سی بی اسلامک بینک کا شریعی بورڈ ستمبر ۲۰۱۵ء کو تشکیل پایا موجودہ شریعی بورڈ پروفیسر مفتی شبیب الرحمن چیئرمین شریعی بورڈ مفتی سید صابر حسین ریویژنٹ شریعی بورڈ ممبر اور مفتی ندیم اقبال ممبر شریعی بورڈ پر مشتمل ہے۔ ۲۰۲۱ء میں پورا سال کوڈ کی وجہ سے جس آئے والے سخت ترین حالات کے باوجود شریعی بورڈ کی خدمات ادا کرنے کو حاصل رہیں، بینک کے معاملات کے حوالے سے شریعی بورڈ نے ٹیلی فون اور ویڈیو کانفرنس کا لوگ کے ذریعے بھی کئی غیر رسمی ملاقاتیں کیں ملاوہ ازیں ۲۰۲۱ء میں شریعی بورڈ کے 44 ریکی اجلاس درج ذیل تاریخوں میں منعقد ہوئے، جس میں دیگر امور کے علاوہ پی اے کٹس اور خدمات کے ساتھ ساتھ موجودہ پراؤکٹس اور خدمات میں ترامیم کا شرعی جائزہ لیا گیا۔

☆	شریعی بورڈ کا پہلا اجلاس	۱۹ مارچ ۲۰۲۱ء
☆	شریعی بورڈ کا دوسرا اجلاس	۷ جون ۲۰۲۱ء
☆	شریعی بورڈ کا تیسرا اجلاس	۷ ستمبر ۲۰۲۱ء
☆	شریعی بورڈ کا چوتھا اجلاس	۱۳ دسمبر ۲۰۲۱ء

مندرجہ بالا شریعی بورڈ کی مجالس کے علاوہ سال بھر تمام امور کی شریعی بورڈ کی جانب سے نگرانی میں شریعی کمپلائنس ڈیپارٹمنٹ نے شریعی بورڈ کے ساتھ ہم آہنگی کو یقینی بنایا، جس کے نتیجے میں شریعی بورڈ کی بینک کے شرعی امور میں مستقل شمولیت اور بروقت منظوری کو یقینی بنایا گیا۔

۱ بورڈ آف ڈائریکٹرز اور ایگزیکٹو مینجمنٹ اس امر کے ذمہ دار ہیں کہ ایم سی بی اسلامک بینک کے جملہ معاملات شریعت کے اصولوں کے عین مطابق ہوں لہذا ہم (شریعی بورڈ) ایم سی بی اسلامک بینک کے شریعی کمپلائنس کی مجموعی صورت حال کے بارے میں ایک رپورٹ جمع کرانے کے ذمہ دار ہیں۔ ۲۰۲۱ء میں شریعی بورڈ کے بورڈ آف ڈائریکٹرز کیساتھ ریکی اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

☆	شریعی بورڈ بورڈ آف ڈائریکٹرز کا پہلا اجلاس	۹ فروری ۲۰۲۱ء
☆	شریعی بورڈ بورڈ آف ڈائریکٹرز کا دوسرا اجلاس	۱۲۶ اکتوبر ۲۰۲۱ء

۲ رپورٹ میں ظاہر کردہ امور کے مطابق اپنی رائے دیتے ہوئے عرض یہ ہے کہ ایم سی بی اسلامک بینک کے شریعی کمپلائنس ڈیپارٹمنٹ نے ریویژنٹ شریعی بورڈ ممبر شریعی کمپلائنس ڈیپارٹمنٹ کی زیر نگرانی تمام قسم کے مالی معاملات، پراؤکٹس، معاملات کے مراحل اور نظریات کا جائزہ لیا ہے۔ شریعی کمپلائنس ڈیپارٹمنٹ نے شریعی بورڈ کو ملک میں کوڈ کے تحت حالات کے دوران بینک کے فرنٹ اور بیک آفس کی شرعی فیصل کا جائزہ لینے کی سرگرمیوں سے آگاہ رکھا۔ ہر ایک کی فہرست شرعی فیصل کے جائزے کے لیے شریعی بورڈ نے منظور کی تھی اس سلسلے میں کوڈ سے متعلق ایس او پیز کی ترقی سے فیصل کے ساتھ شرعی فیصل کے جائزے کے لیے 100 ہزار کمپلائنس کا معائنہ کیا گیا ہے اور جہاں تک بینک آفس کے شرعی فیصل کے جائزے کا تعلق ہے اس کے لیے شریعی بورڈ کی منظور شدہ فہرست کی فیصل کو یقینی بنایا گیا ہے۔ ہر مین ریویسٹر گروپ کے سرنگ ایڈ ڈیویژنل ڈیپارٹمنٹ (L&D-HRG) کے تعاون سے فرنٹ اور بیک آفس کے ملے کے ارکان کی اسلامی بینکاری اور مالیاتی معلومات اور میاریت کو بخاندانے کی غرض سے بینک کے تمام ملے کے لیے شرعی تربیت کو لازمی قرار دیا گیا۔ مزید RSBM Head&SCD نے ریگولیٹری اور شرعی تقاضوں کی فیصل کو یقینی بنانے کے لیے 15 ہر ایچ او کا چارک دور کیا۔

۳ ایم سی بی اسلامک بینک کے شریعی بورڈ کی جاری کردہ چار دیواریات والا عمل اور چار دیواری بات بغیر کسی تبدیلی کے ابھی بھی موجود ہیں۔ ایم سی بی اسلامک بینک میں شریعی بورڈ کی جاری کردہ تمام دیواریات والا عمل اور فتویٰ بات پر عملدرآمد مکان کی اصل روح کے مطابق یقینی بنایا گیا۔

۴ بینک کے منتظمین کے تعاون سے شریعی کمپلائنس ڈیپارٹمنٹ نے ریویژنٹ شریعی بورڈ ممبر شریعی کمپلائنس ڈیپارٹمنٹ کی زیر نگرانی 2021ء میں ان تمام پراؤکٹس کی دستاویزات کا جائزہ لیا اور شریعی بورڈ نے 63 فنانسنگ کے لاکھوں کی دستاویزات جس میں سے 16 کارپوریٹ بینکاری، 29 کمرشل بینکاری، 10 ایس ایم ای بینکاری اور 8 تمام صارفین کے لئے استعمال کے ہونے والے فنانسنگ کے لاکھوں کا جائزہ لیا اور ان کی منظوری دی۔ جہاں تک پراؤکٹس کا تعلق ہے، شریعی بورڈ نے 71 شرعی معائنہ سرٹیفکیٹ جاری کئے، جن میں سے 22 انٹیلیجنٹی پراؤکٹس، جس میں رین وینجیلر اکاؤنٹ بھی شامل ہے، 16 شرعی تھتھ فنانسنگ اور قفل دھارنی اور بریڈری کے لیے 4، مشارک ٹرم فنانسنگ اور مزاحمت کے لیے 3 اور کچھ دیگر پروڈکٹ سے متعلق دستاویزات شامل ہیں۔

۵ شریعی کمپلائنس ڈیپارٹمنٹ نے اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ دیواریات پر عملدرآمد کو یقینی بنانے کے لئے بینک کے فرنٹ اور بیک آفس اسٹاف کے لئے اسلامی بینکاری کی ٹریننگ کے کئی پروگرام منعقد کئے۔ L&D نے اسٹاف کی اسلامی بینکاری اور مالیاتی حکام کی معلومات تک آسان رسائی کے لئے کلاس روم سیشن کا انعقاد کیا، اس کے ساتھ ساتھ ہر ملک منجنت مسلم کے ذریعے آئے ان اسلامک بینکنگ ٹرننگ مادیل بھی اپنا دیے۔ کوڈ کی وجہ سے مشکل حالات کے باوجود L&D نے اپنے اسٹاف کی اسلامی بینکاری اور مالیات کی تربیت کا عزم کیا۔ لہذا اس سال بھی L&D نے عملی کھاتہ کو مد نظر رکھتے ہوئے شریعی کمپلائنس ڈیپارٹمنٹ کے تعاون سے ورکشاپ کلاس روم سیشن کا انعقاد کیا جس کی وجہ سے حروفنی کی رکاوٹوں سے نکل کر اسٹاف کے لئے سیکھنے کے مواقع بھر ہوئے۔

مزید یہ کہ کوڈ کے حالات کو پیش نظر رکھتے ہوئے اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ سر (نمبر ۲۰۱۸/۲۰۱۹ تاریخ ۲۹ جون ۲۰۱۸ء) پر عملدرآمد کو یقینی بنانے کے لئے نوٹر اور جامع اقدامات کئے گئے۔ لہذا ایک پراثر اور جامع پروگرام L&D-HRG کی طرف سے ترتیب دیا گیا، جس کے تحت بینک کے ہر وجہ کے فرنٹ اور بیک آفس اسٹاف کو اسلامی بینکاری کی ٹریننگ دی گئی۔ شریعی کمپلائنس ڈیپارٹمنٹ کے اسٹاف ممبر نے شریعی ٹریننگ کے لئے پورا سال اپنی خدمات پیش کیں۔ مزید برآں، ایک ریویژنٹ کی شریعی ٹریننگ کی ریگولیٹری ضروریات کے ساتھ ساتھ شریعی کمپلائنس ڈیپارٹمنٹ اور L&D نے ایگزیکٹو منجنت کی مہارت کو مزید بخاندانے کی غرض سے اسلامی بینکاری اور شرعی معیارات، اکاؤنٹنگ اینڈ آڈٹنگ آرگنائزیشن برائے اسلامی مالیاتی ادارے (AAOIFI) کے گورنر تیار کئے، جو 2021ء کے دوران شروع کر دیے گئے۔

Sustainability & Corporate Social Responsibility

As a leader in the Pakistan banking sector, MCB Bank has a great legacy in looking after the preservation of the interests of all our stakeholders. Our employees fully embody our values of service and quality.

Through careful evaluation and selection, the Bank selects and promotes projects and services that benefit the Pakistani economy and society in the most effective manner. Particular emphasis is placed upon the need to promote environmental sustainability and social welfare.

Our policy

We ensure that CSR initiatives embody a vision of harmonious and sustainable development in Pakistani communities. Broadly speaking, the pillars of CSR activities undertaken by the Bank ensure:

1. Compliance with relevant laws and regulations both in letter and spirit
2. Business operations with honesty and integrity
3. Engagement in social welfare activities that help strengthen communities and contribute towards the uplift of society
4. Support and promote financial inclusion and literacy
5. To build and maintain sound relationships with customers and other stakeholders through open and fair communication in order to contribute towards sustainable image-building
6. Respect for culture, customs, history and laws as the Bank constantly searches for safer, cleaner and better practices that meet the growing needs of society
7. Minimize environmental footprint to coexist harmoniously whilst encouraging minimum wastage of resources



Our approach to sustainability

The Bank has focused on several key principles as an institution. It is committed towards fostering a better work place and cleaner environment through its varied initiatives. By committing to a culture of excellence, good governance, transparency and integrity, it ensures that all activities are conducted in a manner that is ethically responsible and beneficial for all stakeholders. MCB Bank has a well-defined Code of Ethics and Conduct policy that serves as a guideline for the behavior and ethics of employees.



Contributing to sustainable economic growth

MCB Bank uses its core business of banking to promote sustainable development in all the markets it operates in.



Contribution to Economy & National Exchequer

MCB Bank has the second highest market capitalization in the banking industry. In 2021, the Bank paid approximately PKR 21.49 billion on account of income taxes to Government Treasury and collected over PKR 17.36 billion for the National Exchequer as withholding tax agent under different provisions of Income Tax Ordinance 2001. In addition, the Bank has also paid PKR 1.66 billion in respect of sales tax and FED.

The contribution by the Bank to the national economy by way of value addition was PKR 72.67 billion, out of which around PKR 16.94 Billion were distributed to employees and PKR 22.52 billion to shareholders.

Zakat is an essential component in delivering assistance to those most in need. The Bank bolstered the zakat collection efforts of prominent public welfare organisations such as Shaukat Khanum and Edhi Welfare Organisation through its communication mediums such as MCB Mobile Banking, MCB Internet Banking and ATM Screens. MCB Bank also contributed to the national exchequer in Zakat Deductions to the sum of PKR 530 million.

The Bank is making significant contribution to the development and growth of the country. An analysis of the Bank's value creation and allocation of value among key stakeholder groups is represented in Statement of Value Added.

Key financial highlights

Key financial figures and related ratios are discussed in financial performance section.

Being a responsible organization:

As a responsible corporate citizen, MCB Bank is cognizant of its obligations towards conducting its business operations in a sustainable and socially responsible way. MCB Bank's foremost duty is to create a platform which reflects its values. The Bank has "Corporate Social Responsibility (CSR) Policy", which is approved by MCB Board of Directors. It envisions the strategic guidelines of incorporating CSR into the very core of all our business practices across the Bank. The Bank's CSR activities are centrally monitored throughout to ensure that the Bank invests in the right causes that magnify the goodwill of the Bank and our community at large. We do this by making the right investments in developing our human resources, protecting the interests of our customers, weighing environmental impact in our decision making and combating the scourge of corruption with our best practices.

Sustainability is therefore embedded in all policies of the Bank through direct and indirect means. All groups of the Bank work together to not only educate all employees regarding various aspects of corporate sustainability and social responsibility, but also to ensure that the strategic CSR vision is aligned with operational objectives.

The Bank's policies therefore address these key aspects:

- Measures for Unforeseen Events and Crisis
- Internship Program for Persons with Disabilities
- Financial Literacy for Un-banked Population / Gender equality and equal opportunity employment
- Occupational Health and Safety
- Business Continuity Management
- Business Ethics and Anti-Corruption Measures
- Quality Checks and Mystery Shopping/ Service Council
- Customer Experience Management, Consumer Protection Measures and Grievance Handling
- Investing in communities

The Bank's CSR goals are aligned with its operations for the betterment of all stakeholders. The aim of the Bank is to be well versed in CSR by being a sustainable organization. The performance against sustainability and integration of various groups in achieving this are explained through this report.

Continued Measures to Combat Covid-19 Pandemic

While ensuring business-as-usual for bank's customers, the safety and security of all employees and valued customers remained a key priority. The following measures helped us brave COVID-19 throughout the year:

- Arranging On-Premises COVID-19 Vaccination camps at Lahore and Karachi for bank staff and their family members.
- Ongoing effective implementation of and follow up on Regulator directed SOPs at all back office buildings and branches (including but not limited to sanitizers, thermal guns, masks).
- Initiation of installation of face recognizing devices at major office buildings for attendance marking to minimize the probability of physical interaction. 6 devices were installed at MCB House and MCB Centre, Lahore.



Internship Program for Persons with Disabilities

Talent, ability, skills, perseverance, commitment and loyalty are key personnel traits for any employee of a well reputed organization, which can't be assessed at first glance. We at MCB Bank try to find these characteristics through our expertise and available key indicators during job interview & recruitment process. Persons with disabilities deserve the same chance to prove themselves but, too often, only their disability is seen at first glance. Despite the fact that employees with disabilities possess skills and experiences that can offer the industry a competitive edge, we can miss out on a vast untapped talent pool for the Bank. Hiring persons with disabilities conveys and promotes an inclusive work environment as they also have been solving problems for many years and tend to bring a strong sense of loyalty to the workplace. Therefore, we at MCB Bank are starting an Internship program for Persons with Disabilities along with the opportunity of permanent hiring upon satisfactory completion of internship tenure with the Bank.

National Financial Literacy Program

MCB Bank is committed to increase financial literacy in society and towards that aim; we have significantly contributed to SBP's National Financial Literacy Program (NFLP), which is now in its 5th year. In FY 2020-21 alone, MCB was able to conduct 900 training sessions to enlighten 26,875 participants, with a balanced 49% female participants coverage. These sessions have imbued financial literacy that is reflected in impressive participant-to-account conversion rate of 83% (unbanked population).

Similarly during 1st quarter, 2021-22, MCB Bank has so far conducted 224 trainings, ensuring 93% female participation with 95% account opening rate.



Occupational Health and Safety

Through a healthy and safe work environment, MCB Bank is staunch in preserving its vision for the well-being of its employees, customers and visitors by being compliant with relevant health and safety standards.

Every workplace is unique and the health and safety needs vary accordingly. Therefore, in order to be effective, the occupational health and safety policy and initiatives need to be wholeheartedly supported by every member that is directly and indirectly affected or is being affected by the occupational and health related factors of the organization's workplace and its unique requirements.

The staff at MCB Bank, under the direction provided by the Management, has shown great commitment towards constantly maintaining occupational health and safety standards.

Based on expert medical advice and international best practices with respect to COVID-19, effective workplace guidelines have been implemented for the safety of all staff members, and precautionary steps from preceding year were maintained wherever applicable to counter the risks associated with the virus. The Bank also arranged a vaccination drive in different cities to safeguard its staff and their families against COVID-19. Other health related steps include the declaration of all Bank buildings as "No Smoking Zones", and the internal communication of messages regarding safeguarding against Dengue epidemic. First Aid Kits are available for circumstances involving emergency medical care within the Bank's premises.

Moreover, effective controls, processes, surveillance and security equipment pertaining to the physical security of employees, customers and visitors are in place while Facility Level Plan Regular Updates as to processes and procedures ensure readiness associated with possible eventualities. Trained security personnel at the Bank constantly supplement the controls, processes, and security equipment. A Safety and Security Audit of major iconic buildings through external consultants has also been conducted, and the Bank took up best possible measures as per the consultants' recommendations regarding the iconic buildings. All iconic buildings and branches of the Bank are equipped with modern fire safety, surveillance and security equipment (as applicable).

With respect to the facilitation of Persons with Disabilities (PWDs), Bank keeps on enhancing the availability of accessible infrastructure to PWDs through various measures vis-à-vis construction of ramps at the entrances of branch/office premises, provision of stationery forms/documents in braille scripts etc. This would promote safety and convenience of current and future staff members and customers who face physical constraints.

Guidelines in the form of pictorial messages on Health and Safety are constantly circulated – whenever applicable – amongst the Bank staff and also to customers through different available mediums for best safety and health practices at and outside work.

Business Continuity Management

MCB maintains high standards of Business Continuity Management (BCM) with regard to protecting the Bank against any potential business continuity events. BCM at the Bank can be described as a multifaceted approach comprising of policy, procedures and plans for developing, driving, leveraging, and protecting business continuity at all times. Critical business processes, are therefore assessed time and again to ascertain the sustainability, adaptability and ingenuity for optimal business and operational outcomes.

The Board of Directors approves the BCM policy and plans and also oversees their implementation. Subsequent to this, as a key component of MCB's Management's vision to maintain a Business Continuity strategy, Business Continuity Management Committee (BCMC) of the Bank translates the policy into executable action items so as to ensure the existence of an effective framework for all critical processes and systems. This, in turn, facilitates the flow of activities that are designed to safeguard the Bank during a business continuity event, and thus the BCM initiative serves as a way by which potential impacts on people, process and technology are positively funneled.

The dedicated BCM staff undertakes crisis management and contingency planning activities for the effective coordination of the BCM initiatives with the necessary steps and overall direction being guided by the business strategy of the Bank. During the Covid-19 pandemic, the Bank continues to leverage its business continuity strength by tackling the impact of this catastrophe until the economy and the overall health situation improve. The Bank personnel are operationally ready and adaptive during this time owing to the strong commitment towards high quality customer and client service standards at all times. Special screening arrangements, the maintenance of social distance, periodic disinfection, and work-health advisories, along with the rationalization of seating arrangement for providing flexible service delivery methods have been made possible to sustain business and service continuity in light of Government of Pakistan and World Health Organization precautionary advice.

Irrespective of the scope of disruption, the Bank management through its business continuity strategy, and the staff through the appropriate tactical measures, continuously aims to keep satisfying the needs of its valued stakeholders.

Business Ethics and Anti-Corruption Measures

The Bank actively identifies and addresses possible risk factors through the implementation of policies and procedures designed to reduce the possibility of such incidents. In this regard, it has fielded, alongside its Human Resource Policies and Procedures, a comprehensive "Code of Conduct and Business Ethics" which is disseminated to staff for information and sign off. This document is also readily available to all staff on MCB Bank's Intranet Portal.

The Bank continues to maintain a strong compliance culture across the board. Employees are expected to perform all tasks with diligence and honesty at all times. The Code of Conduct of the Bank comprehensively defines the values and minimum standards for ethical business conduct.

Employees ensure that all interactions with clients, competitors, business partners, government and regulatory authorities, shareholders, or with one another, follow a vigorous ethical standard. The Bank's foremost effort is to ensure that the

conduct of the employees is impeccable with the help of guidelines that ensure compliance with all applicable laws and regulations.

MCB Bank strives to ensure a friendly and harassment free environment for all employees. The policy for protection of women harassment is also circulated bank-wide every year. The Bank has zero tolerance for any form of harassment or discrimination as covered in the Bank's existing Code of Conduct.

The Disciplinary Action Committee (DAC) is tasked to address any violation of policies & procedures, acts of fraud & forgery, breaches of discipline and code of conduct, ethics and business practices, law of land and statutory regulations by an employee. These measures help us maintain a harmonious and efficient work environment in which employees are assured a nondiscriminatory, transparent, harassment free and respectful atmosphere regardless of their caste, religion and gender.

Consumer Grievances Handling Mechanism

Service Council

Service Council is a monthly forum, chaired by the President, which brings together key stakeholders from across the bank with a view to place service on the forefront through thought leadership, collaborative discussions and creation of a clear service roadmap.

Customer Experience Management

Feedback is solicited from customers for all contact points via surveys and remedial actions are taken for identified areas. The end goal of these measures is to be the most preferred bank in Pakistan.

Turnaround Time (TAT) Monitoring

Monitoring and evaluation of service indicators is part of the belief in increasing and retaining one's customer base. In order to maintain a strong hold on processes within the Bank, the Service Quality Division has devised several controllable measures at par with prevailing market practices. Against each measure, a tolerance level along with a timeline is set. Similar to Branch Banking, indicators for Consumer Assets, Credit Cards, Bancassurance, Agriculture Financing, MCB Lite, Contact Centre, Mobile Banking, Internet Banking and ATM Uptime are monitored on a monthly basis.

Quality Checks and Mystery Shopping

During 2021, 99% of total branches were monitored with respect to service parameters and protocols. The remaining branches were not visited owing to security concerns/remote locations and few were under renovation. Moreover, 942 branches were 'Mystery Shopped' by independent external agencies and results of this activity were shared with management for further improvement.

Consumer Protection Measures

The Bank is committed to provide quality products and services to its customers. It maintains a privacy statement for the usage of its products i.e. Credit Cards, ATM pins etc.

To ensure a culture of 'Quality Customer Service' the Bank has a dedicated Service Quality Division with the objective of strengthening the Bank's service culture. Regular training sessions are conducted in all Circles, Call Centers and other front-end staff offices regarding 'Service Excellence' & 'Customer Satisfaction'.

Customer Grievance Handling

Bank considers complaints as opportunities for improvement and understands the link between complaint resolution and customer loyalty. We believe that complaints are a primary measure of customer dissatisfaction; thus, they should be taken seriously and staff should be encouraged to bring complaints to the forefront so that gaps can be identified and fixed.

Service Quality (SQ) function is the custodian of customers' grievance handling and works in collaboration with all businesses / functions of the bank responsible for acknowledging, investigating, tracking, escalating and resolving customer complaints within specified turnaround times. A centralized complaint resolution team manages all customer complaints through a Complaint Management System. Currently, all our customer touch points have access to this system so as to ensure that all complaints, whether verbal or written, are immediately captured in the system.

Following are the Channels through which complaints are received:

- MCB Contact Center
- MCB Branches
- MCB E-mail
- Social Media
- Letter/Fax
- Customer Service Centers
- Banking Mohtasib Secretariat
- State Bank of Pakistan
- Management Committee (MANCOM)

The Bank makes its best effort to ensure that resolution of complaints is comprehensive, appropriate and quick. The customer is kept informed on the status of their complaint, starting from complaint acknowledgement till its resolution. The escalation matrix for complaint resolution observed and designed in the system is such that a complaint, if not resolved within the specified turnaround time, gets escalated to the next senior level of management and keeps on escalating further till resolved.

Service Quality Division also performs in-depth qualitative and quantitative complaints analysis followed by suggestions and recommendations in order to eliminate root causes of customer issues and drive continuous improvement.

During 2021, a total of 263,212 complaints were logged in the system out of which 262,778 complaints have been resolved till date (resolution rate 99.84%).

There was a 73 % increase in total logged complaints in 2021 as compared to the previous year. Total complaints logged during 2020 were 152,234.

Statement of Complaints	Numbers	Percentage
Total Complaints Received	263,212	–
Closed	262,778	99.84%
Open	434	0.16%
Average time taken for resolution		13 Working Days

Total Login Details:	Total	Contribution
Complaints	263,212	96%
Request/Queries/Reversals	11,430	4%
Total	274,642	100%

Investing in Communities

MCB Bank is committed to creating sustainable economic and social development for our stakeholders. All groups of the Bank work throughout to identify and execute opportunities that cover health, community, recycling, green banking and environment protection, education and empowerment etc.

Following areas were addressed by the Bank in 2021:

- Healthcare Sector
- Community Development & Sports
- International Outreach
- Education
- Equal Opportunity for All Employees
- Energy Conservation
- Environmental Protection
- Environmental Cleanliness & Protective Measures
- Green Banking

Healthcare Sector

The Bank seeks to support key initiatives that bolster the health care sector of Pakistan.

During 2021, the coronavirus pandemic was a key area of focus. To help ensure the health and safety of those fighting at the frontline of the crisis, the Bank donated one lac rupees to Murshid Hospital & Healthcare Centre for the treatment of low income and needy patients.

MCB Bank also donated PKR 5 million to Nigahban Welfare Association to support financing of their new endoscopy facility at Dr. Ruth KM PFAU Hospital Karachi.

MCB Bank deepened its commitment to major health initiatives throughout the year. Comprehensive marketing collateral was deployed to raise awareness of breast cancer in collaboration with Pink Ribbon. The awareness campaign also supported Pink Ribbon in the NGO's efforts to raise funds for Pakistan's first ever Breast Cancer Hospital.

The Bank also helped generate awareness for organizations like Edhi Welfare Organization, Sundus Foundation and Shaukat Khanum Memorial Cancer Hospital with its internal and external communication through platforms such as MCB Mobile Banking, MCB Internet Banking, ATMs, website, and internal communication, especially during the holy month of Ramadan.



Community Development & Sports

MCB Bank understands that collective efforts are required to provide better facilities to our nation especially during the prolonged pandemic worldwide. During 2021, the Bank played its part by contributing PKR 1.5 million to Jahandad Society Community for Development for a campaign to distribute free food ration packs to daily wage earners. The Bank also donated two lac rupees to Thardeep Rural Development Programme (TDRP) for the purchase of 200 mosquito nets to facilitate the dengue vulnerable houses in rural areas.

The Bank recognizes the important role played by sports in the well-being and health of the Nation. In this regard, it focused on encouraging local talent and avenues to make Pakistan's name stand out in the world of sports. Major support by the Bank was extended to Pakistan's porters for the K2 Hushe Expedition 2021. The Bank provided the talent team from Gilgit with financial support of PKR 5 million and continuously covered their expedition on social media. The successful expedition was also covered by local newspapers, electronic and social mediums. This support was aimed to encourage local talent and promote our competitive porters on the international scale, while promoting tourism in Pakistan.

During the year, the Government of Pakistan also organized the Pakistan Tourism Festival 2021 in Islamabad to promote Pakistan's landscape and tourism facilities which gained local and international coverage. MCB Bank was also one of its sponsors for the event with a contribution of PKR 1 million.

Furthermore, another milestone of the Bank to encourage healthy outdoor activities for youth and general public at large was achieved by contributing PKR 57 million to fund the development of Shuhada Park Chakwal. This park shall serve as a great recreational spot for young and old in Chakwal while commemorating Bank's tribute to the martyrs of the region who sacrificed their lives for the nation.

MCB Bank also supported the 17th State Bank Governor's Cup Interbank Regional Cricket Tournament 2020-21.



International Outreach – The Dubai Expo 2020

One of the key global events during the year was the Dubai Expo that attracted an influx of visitors from around the world. This festival, even during the pandemic restrictions, provided a huge international platform to thriving industries. MCB Bank also participated in the Dubai Expo through a sponsorship of PKR 50 million and the Bank presented itself as one of the leading financial institutions of Pakistan.

Education

Given the importance of the educational sector, MCB Bank fully supports its uplift. During 2021, the Bank donated an ambulance worth PKR 1.5 million to Sadiq Public School Bahawalpur for their in house hospital for students and staff members.

Equal Opportunity for All Employees

The Bank prides itself on providing equal employment opportunities, free of discrimination; by implementing a methodical merit based nondiscriminatory selection process. The Bank successfully closed the year 2021 with permanent staff strength of 13,612 employees and 106 contractual employees. The ratio of female staff members stood at 16.9% compared to 16.3% from the previous year.



Energy Conservation

MCB Bank is following a strict Policy to conserve energy, country-wide by exercising strict control over electricity lights discipline whether in the Bank Branches or Principal offices. MCB Bank accords priority to exercising national obligations.

WWF certification of Green Banking to MCB Centre building is a big achievement which showcases our energy conservation credentials through Solar energy, LED Lights, Paperless work culture and Water conservation.

The Bank also engages employees through its internal communication channels to follow best practices and initiatives to inculcate consciousness to save energy.

Energy Saving Measures

MCB Bank is already following the policy of exercising strict controls over the use of excessive lights in its offices / buildings and restricts the switching-on of lights to needed areas only, whereas unrequired lights / equipment are switched off in office areas / premises.

Natural light is utilized instead of artificial lights during day time wherever possible in office buildings. Window / blinds are kept open to capture sunlight for heating during winters.

Almost all Bank buildings have been switched over to LED Lights. The post office / late sitting is discouraged to exercise energy saving.

To exercise maximum control over building energy resources, a BUILDING MANAGEMENT SYSTEM (BMS) is installed at MCB Bank Principal Buildings i.e. MCB House Lahore, MCB Center Lahore and MCB Tower Karachi. The facility allows control of all the building fitted resources from a single point / place. Setting central heating / cooling system set points to maintain temperature at 24C degrees. Scheduled cleaning of air conditioner filters and air ducts is ensured. Building Management System (BMS), Waste Heat Recovery (Cogeneration-System) and Motion sensor lights system installed further support the conservation of energy.

MCB Tower Karachi Captive power generation from Gas Generators are being replaced with KE Electric Power. This action will notably contribute to savings of natural gas resources but will also result in less harmful gas emissions in future.

The first of its class, waste heat from cogeneration plant is installed at one of MCB Bank's principal buildings i.e. MCB Centre, Lahore. A waste heat of gas engine (1555 KW) is also installed at MCB Principal building, MCB Tower Karachi, to produce hot water to be used in chiller with boiler. Almost 100 to 150 tons of extra cooling is generated through this process.

Environmental Cleanliness & Protective Measures

MCB Management emphasises on “clean working environment” and invests to hire the best “Janitorial Companies” in our three Principal Buildings i.e. MCB House Lahore, MCB Centre Lahore and MCB Tower Karachi.

Waste is a major hazard to health of employees and aesthetics of the organizations. MCB focuses on waste reduction, reuse and recycling, which are essentials for environmental improvement and workforce productivity. Therefore, MCB Bank has segregated the building waste into recyclable and non-recyclable waste, by converting waste into recycling mode.

MCB Bank is moving towards paperless banking and resource efficiency in our operations. Some of our notable initiatives include reduction of environmental footprint in transportation and mobility of staff, energy efficiency in offices, greening of office premises and development of a culture of self-segregation of waste into dry and wet waste streams at source. We ensure that all our dry waste including paper and plastic streams are put back in the loop and reused in our corporate offices and bank branches through ethical recycling measures.

We ensure our wet waste including kitchen and organic materials are responsibly led to the landfills with minimum impact to the natural environment. For this purpose, we use technology to monitor and track our sustainability drive to achieve zero waste objectives. To enhance awareness and behavior change of employees and staff, formal and informal channels of corporate communications and campaigns are run to encourage staff to take actions, such as tree plantation and awareness walks.

Partnership building is very important for environmental sustainability. Therefore, we are keen to develop impactful collaboration with civil society organizations such as Amal who are facilitating us to run MCB Bank’s Green Office Program and achieve Net Zero objectives for the second consecutive year. With this collaboration, we intend to set new trends for sustainable banking in Pakistan. Our mutual objectives are in line with circular economy goals through voluntary actions with full top management commitment.

Plantation within the commercial business premises / branches are encouraged by Senior Management. Emails through corporate communication are circulated to each staff to maintain high standard of cleanliness inside / outside office buildings / premises. The respective building Administrators & building floor coordinators periodically emphasize hygiene directives to maintain high quality cleanliness.

During the pandemic all SOPs are religiously being followed and monitored by the administration which resulted in low number of affected staff. The staff are centrally monitored by the help of the Bank’s CCTV security system. HR department strictly imposes a culture of discipline to punish any violation in future.

Some of our efforts resulted in following impact:

- Collection of dry waste for ethical recycling = 11.24 tons
- Reduction in CO2 emissions = 548 tons

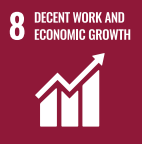
MCB Bank has taken these initiatives not only to meet legal requirements but as it’s corporate responsibility to address environmental concerns. We are proud that we remain ahead of our competitors as one of the first banks in Pakistan to adopt Green Banking Guidelines of the State Bank in letter and spirit. MCB Management appreciates the cooperation it received from its employees and staff and the interest shown by stakeholders in adopting their responsible and ethical business practices.

Certifications Acquired and International Standards Adopted

World Wide Fund for Nature (WWF) - Green Office Certification

MCB has successfully attained 'Green Office Certification' from WWF for one of its iconic buildings; MCB Centre, Lahore. This certification represents a landmark achievement in MCB's pursuit of reducing the ecological footprint at its workplace and has consequently placed the Bank in an exclusive club of domestic banks that have met the requirements of this rigorous assessment and certification program.

International Standards of Sustainability adopted as per UN SDGs and UN Global Compact

	UN SDG Indicator	UN Global Impact	MCB Banks' Alignment
	3: Good Health and Well Being		In addition to supporting employees' health and wellbeing, the Bank also actively engages in community services within the health sector under its CSR Plan. The detailed initiatives have been disclosed in the Sustainability & Corporate Social Responsibility section of the Annual Report.
	5: Gender Equality	6: Elimination of discrimination with respect to employment.	The Bank prides itself on providing equal employment opportunities that are free of discrimination and are being implemented on a methodical and merit based selection process: - There has been a consistent growth in the number of female staff at the Bank (16.3% in 2020 to 16.9% in 2021). - The representation of women in the senior management positions with one women staff reporting to CEO and 12% reporting directly to the Head of Departments (HOD's) who in turn report to the CEO. The Bank's product portfolio has been deployed to foster the captioned goal by actively promoting the MCB Ladies Account portfolio, wherein a total of 3,482 Accounts were opened till 2021.
	7: Affordable and Clean Energy	8: Initiatives to promote greater environmental responsibility 9: Fostering environment friendly practices	- MCB Bank has installed solar power systems in a few Branches/ ATMs to counter Greenhouse Gas (GHG) Emissions. These solar installations augmented the clean energy in the entire energy mix and led to the avoidance of Carbon Dioxide (CO2) emissions to the environment. - Green Banking Office has initiated the Own Impact Reduction initiative in compliance with SBP's Green Banking guidelines. A detailed baseline scenario assessment was conducted to finalize the electricity/energy mix reduction targets for branches. Initially 5% Energy Mix (KWHs)/Carbon Footprint reduction targets were assigned to 65 branches as a pilot.
	8: Decent Work and Economic Growth	3: Upholding freedom of association 10: Working against corruption.	Despite constraints created by the COVID-19 outbreak, the Bank continued to effectively play its role as a key service provider and intermediary in the financial market; hence, making a significant contribution to the country's economic growth: - Created employment opportunities which led to the hiring of 2,075 employees. - Contributed Rs. 21.5 billion to the national exchequer on account of income taxes to the Government Treasury. 37 differently abled people working for the bank as permanent staff. - Extended finance to all key economic segments including the SME and Agriculture sector which cumulatively contribute above 50% to the domestic GDP. - Played a central role in supporting Governments' and Central Banks key pandemic responses for credit extension and uninterrupted provision of essential banking services to the general public.
	9: Industry Innovation and Infrastructure		The Bank continues to actively contribute to the Central Banks cause of improving financial inclusion in the country by extending branch outreach and customer digital touchpoints.
	12: Responsible Consumption and Production		MCB's Green Banking Policy lays the foundation for safeguarding the Bank against environmental vulnerabilities and playing its due role in transforming the country towards a low carbon and climate resilient economy. The detailed policy has been disclosed in the Green Banking section of the Annual Report.

Green Banking

"Green Banking" is a term used in the context where sustainability is integrated into banking operations to safeguard our planet and its natural resources by mitigating environmental risk emanating from business and in-house operations.

MCB Bank is always striving to conserve the environment by contributing towards climate change mitigation through the adoption of measures. Since the establishment of the MCB Green Banking Office (GBO), Green Banking Culture has gained momentum within the Bank.

MCB Bank aims to make the Bank's processes, the use of IT, and physical infrastructure more sustainable and efficient to have minimal impact on the environment. Additionally, the Bank is continuously striving to inculcate a sense of environmental concern amongst its stakeholders such that operational processes are transformed to safeguard the Bank against the threat of environmental vulnerabilities. Likewise, the country's interests are taken into account, and a low-carbon & climate resilient economy is targeted.

A few Green Initiatives have been undertaken by MCB Bank are mentioned below:



Environmental Risk Management System

The Environmental Risk Assessment of customers who approach the Bank for a credit facility is now a component of the Credit Approval Process, and this assessment is carried out on an ongoing basis at the time of annual renewal of a customer's credit package.



Green Products/Services

MCB Bank has continued its efforts to integrate the sustainability into its products and services. Such products involve environment-friendly features including Renewable Energy, Modern Drip/Sprinkler irrigation techniques etc. Credit Card customers of the Bank are being offered household energy-efficient products via an affordable installment plan. In addition, the clients are also provided advisory services on availing Green Finance for Environmentally-Friendly and/or Renewable Energy Projects.



Renewable Energy Initiative

MCB Bank has installed solar power systems in a few Branches/ATMs to counter Greenhouse Gas (GHG) Emissions. These solar installations augmented the clean energy in the entire energy mix and led to the avoidance of Carbon Dioxide (CO₂) emissions to the environment.



Green Banking Web-Page

A dedicated webpage on Green Banking under the heading of 'Social and Environmental Responsibility' has been developed on the MCB Corporate Website. This webpage has facilitated the Bank in terms of updating stakeholders regarding Green Initiatives undertaken by the Bank.



Paperless Operations

MCB Bank is opting for ways and mechanisms by which to reduce, if not entirely eliminate, the consumption of paper and other associated resources through the automation of paper-based workflows and processes. A few initiatives have been undertaken for the elimination and/or reduction of paper consumption including but not limited to the suspension of paper-based internal circular dissemination practices, the introduction of web-based dispute claim filing utility for all Alternate Delivery Channels, and the deployment of application-based workflow systems for gradual migration towards a paperless environment. Moreover, the Bank has implemented a value-added feature to its ATMs by enabling the option for making financial transactions without receipt printouts.



Green Awareness Campaign

Green Awareness Campaign has been prepared to commemorate environment related annual days such as World Water Day, Mother Earth Day, and World Environment Day. The commemoration includes different dissemination mediums such as artwork-based Emails and Standee Displays at different buildings of the Bank. Similarly, in order to increase awareness amongst the customers, special web-based banners were prepared and displayed on the MCB Corporate Website and ATM screens. Furthermore, customized animated artworks were also displayed on the MCB official social media pages including Facebook, LinkedIn and Twitter.





World Wide Fund for Nature (WWF) - Green Office Certification

MCB Bank has successfully secured the WWF - Green Office Certification for the second time in a row owing to its iconic building - MCB Centre, Lahore. A detailed certification surveillance audit was conducted by WWF to verify the sustainability of resource conservation measures implemented in the building. This certification is a testimonial of MCB Bank's commitment as to reducing the carbon footprint at the workplace and also makes MCB Bank one of the few banks that have successfully met the requirements of such a prestigious Green Office certification program.

A WWF Certified Green Office is a workplace that reduces its burden on the environment, achieves savings and reduces its carbon footprint by implementing the Environmental Management Plan (EMP). MCB Centre, Lahore endeavored to implement the building-specific EMP which helps in cutting down the consumption of Energy/Electricity, Fuel, Paper and Water while enabling the recycling of dry waste generated from the building.



Tree Plantation Drive

The need for afforestation has increased nowadays owing to the adverse environmental impact of air pollution. MCB Bank undertakes the tree plantation drive as an environment based CSR initiative. Accordingly, a plantation drive was undertaken in collaboration with a civil society organization and relevant government authorities in September at Cavalry Ground Park, Lahore. These plants were procured using the Green Points that were earned by the Bank through the recycling of dry waste.



Dry Waste Management

MCB Bank has partnered with an organization that provides services pertaining to dry waste collection and recycling through its green partner network. Initially, the dry waste recycling services were only acquired for two buildings as a pilot initiative. Based on the successful results of the pilot initiative, this partnership has also been expanded to other iconic facilities in Lahore. The dry waste that weighs 11.2 tons is being recycled in an environment-friendly manner.



Reduction of Business Travel

Greenhouse Gas Emission through aviation and road transport is one of the greatest contributors to global warming. MCB Bank is committed to playing its role in the reduction of Greenhouse Gases by significantly reducing business-related travel where situations can be managed effectively through the use of video conferencing/tele-presence technology. These virtual meetings not only save time, money and other associated resources but also contribute towards the reduction of the carbon footprint when compared to travel-based meetings.



Own Impact Reduction Measures

Green Banking Office has initiated the Own Impact Reduction initiative in compliance with SBP's Green Banking guidelines. A detailed baseline scenario assessment was conducted to finalize the electricity/energy mix reduction targets for branches. Initially 5% Energy Mix (KWHs)/Carbon Footprint reduction targets were assigned to 65 branches as a pilot. These branches were selected across Pakistan and have representation from all business areas. Green Banking training sessions were conducted to motivate and spread awareness amongst the relevant staff members with regard to this pilot initiative. Similarly, customized artworks are also continuously reiterated on a periodic basis for staff awareness. By virtue of this initiative, the pilot branches have significantly reduced their electricity consumption which ultimately contributed towards the Bank's achievement of avoiding 88 tons of CO2 emissions to the environment as compared to the baseline year.



Employees Capacity Building

Green Banking training has been turned into a component of the Annual Training Calendar. The trainings are conducted through regular class room sessions/video conferencing in order to sensitize the staff regarding environmental implications and the adoption of Green Culture on a Bank wide level. 897 personnel have successfully received the training on Green Banking during 2021.

During Covid-19, e-learning portal has become the major source of Green Banking and other trainings for staff members. Furthermore, e-learning has enabled resource conservation associated with Paper, Printing, Electricity, Fuel etc. Overall, compared to a Class-Room Training setting, this amounted to a smaller carbon footprint.

Identifying our key stakeholders

We are committed to understanding each stakeholder's concerns and expectations and then applying the relevant inputs to our decision-making to ensure sustained value creation. We aggregate our material stakeholders in terms of their level of influence on us and our impact on them. Based on this broad-based assessment, we prioritize these relationships and while we engage with all our stakeholders, we have identified our key stakeholders as those with whom we need to collaborate with, consult and involve and as such have developed goals for each.

Stakeholder Engagement

The development of sustained stakeholder relationships is paramount to the performance of any institution. From short term assessments to long-term strategic relationship building, 'Stakeholders' Engagement' lies at the core of our business practices to promote improved risk management, compliance with regulatory and lender requirements in addition to overall growth of the Bank.

In achieving and entrenching its integrated approach to sustainability, MCB Bank takes a highly collaborative approach towards ensuring maximum interaction with, and input by all its stakeholders.

At MCB, stakeholder engagement involves far more than merely communicating with its various stakeholder groups. The Bank regards its stakeholders as partners and makes every effort to use all possible mediums to ensure that they are abreast with disclosures, aware of forums to provide valuable input and feedback that can help the Bank to grow, strengthen relations and meet expectations to serve better.

The following tables provide an overview of stakeholder engagements at MCB Bank

Stakeholders	Stakeholder worthiness and reasons of engagement	Engagement frequency	Mode of consultation / interaction
Institutional Investors / Shareholders / Analysts	- To deliver relevant and timeous information to existing and potential shareholders - To keep shareholders posted to ensure that our shares are traded at a fair value - To ensure that the image of the bank and the trust placed in by our valuable shareholders, continues to improve, thereby minimizing the potential for reputational risks	Quarterly, semi-annually and annually When the need arises	- Quarter, semi-annual and annual financial statements - Annual General Meeting - Participation in local and international road shows - Press releases / Media announcements - Communications and answering investor / analyst questions
Employees	- Integral to deliver strategic objectives - Our most important and valued ambassador - To ensure that we remain an employer of choice by providing a safe, positive and inspiring working environment - To understand and respond the needs and concerns of our staff members - To educate our staff regarding strategic direction and to communicate the pertinent information relating to bank activities - Continuously encouraging employees and working towards creating a healthy, ethical and supportive work environment	Annual When the need arises	Investing in a wide range of training programs for every member of the human capital to ensure personal and professional development. In addition to the regular communication that takes place with direct managers and teams through a range of interactive channels, specific employees engagement include: - Regular electronic and printed newsletters - Compliance letters - Annual conference - Strategy sessions - Grievance reporting procedure - One Bank, One Team sessions with senior management

Stakeholders	Stakeholder worthiness and reasons of engagement	Engagement frequency	Mode of consultation / interaction
Customers	- To win and maintain customers by developing and providing products and services to improve the brand. - To understand the growing financial services needs of our customers. - To provide better solution and advice to our customers' financial requirements - To ensure accuracy of our customers respective information. - Integral to achieve strategic objectives	Regular interaction of customers through branch staff Dependent on customers' specific requirements	- Spreading the geographical boundaries through opening more branches across the country. - Continuously innovating in product suite and operational process to meet customer requirements in the most efficient manner. - Interaction through our branches, relationship managers, call centers, social media, surveys and various advertising activities
Suppliers/Service Providers	Adhere to proper procurement regulations while maintaining a good business relationships with the service providers	Routine basis/ When the need arises	Rigorously following internal procurement policy and upgrading the policy regularly to ensure strong control and fair treatment of suppliers.
Regulator	- To maintain open, honest and transparent relationships with regulator - To ensure meticulous compliance with legal and regulatory requirements - Develop legislation and policies that impact the environment in which we operate	Daily, weekly, quarterly When the need arises	- Active engagement with regulator improves level of compliance these engagements include meetings with representative of regulator and written communications on need basis - One-on-one Meetings - Submission of applicable statutory returns - Responding / enquiring various queries / information
Communities	- To have best collaboration with our community for delivering our social responsibilities - To obtain input from communities regarding key focus areas - To create awareness of our integrated sustainability commitments and initiatives - Conducting business without causing disruptions in the society	When the need arises	The Bank actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the bank contributes to various social and charitable causes including towards health, education and social sectors. The bank is consistent in support for community development projects and interaction with a wide range of non-profit organizations. Enhancing financial access to marginalized population and most importantly, adding value to the society by being a good and transparent corporate citizen.
Government	- To build strong and constructive relationship with government, both as a partner in the development of our country and as a current / potential client - To contribute in legislative development for evolution in our activities and operations - To endorse our commitments for public sector business development	When the need arises or on request by either side	- Understanding and ensuring all legal and regulatory requirements are complied with - Engaging with the government to address matters impacting business
Media	To acknowledge the role of media as a channel to communicate with relevant stakeholders and public at large	When the need arises	Advertisements through print, electronic, social media, website, interviews and capacity building seminars

Investors Relations section on Corporate Website

The management of the Bank provides equal and fair treatment to all investors/shareholders through transparent investor relations, increased awareness, effective communication, and prompt resolution of investors'/shareholders' complaints.

The Bank disseminates information to its investors and shareholders through a mix of information exchange platforms, including its corporate website, maintained in both English and Urdu Languages under the applicable regulatory framework. The website is updated regularly to provide detailed and latest Bank information including but not limited to financial highlights, investor information, dividend and other requisite information besides the link to SECP's investor education portal, the 'Jamapunji'. The "Investor Relations" section is also maintained on MCB website www.mcb.com.pk to promote investor relations and facilitate access to the Bank for grievance / other query registration.

Steps to Encourage Minority Shareholders Participation in AGM

Apart from being an event for decision making on important matters, General Meeting also provides a forum for two-way engagement with the shareholders, particularly the minority shareholders. Therefore, the Bank takes the following measures to ensure meaningful participation of minority shareholders in General meetings:

- Notice of General meetings is sent to every member of the Bank at least 21 days before the meeting. The notice is also published in newspapers (both English & Urdu) having nationwide circulation. Moreover, the notice is also circulated from the forum of Pakistan Stock Exchange.
- The Bank timely updates its website with respect to all notices of general meetings.
- Annual Report of the Bank is sent to each member of the Bank before Annual General Meeting (AGM)
- During AGM, a detailed briefing on the Bank's performance and future plans is given to the shareholders in both Urdu and English
- The shareholders are encouraged to raise queries and give suggestions relating to the Bank's operations.

Stakeholder Engagement Policy & Summary of the Analyst Briefings

Analyst briefings are interactive sessions between the management of the Bank and the investor community whereby the Bank takes the opportunity to apprise the local and foreign investors about the business environment and economic indicators of the country, explain its financial performance, competitive environment in which the Bank operates, investment decisions, challenges faced as well as business outlook.

The idea behind the Bank's investor engagement through these briefings is to give the right perspective of the business affairs of the Bank to the investors (both existing and potential) which help them in making their investment decisions.

The Bank conducts quarterly analyst briefings in order to share details pertaining to results announced and to respond to any queries of analysts relating to results and future prospects.

Other than the quarterly analysts briefing, business analysts are provided with information and briefings as and when they require without compromising the confidentiality. Face to face discussions have also been arranged with foreign analysts as and when required. The briefing further envisages our transparent and continuously evolving stakeholders' engagement approach.

Briefing is being held as teleconferencing and during the year four analysts briefing were held on following dates;

Results	Date
Annual Results 2020	February 18, 2021
1st Quarter Results 2021	April 28, 2021
2nd Quarter Results 2021	August 24, 2021
3rd Quarter Results 2021	November 09, 2021

In addition to the above mentioned regular teleconferencing sessions, during the year Bank also held Corporate Analyst Briefing Session which was held on August 24 2021 & November 09, 2021. Due to Covid-19 precautionary measures issued from time to time by local authorities, Corporate Briefing Sessions were held remotely. CFO of the bank presented a detailed analysis of Bank's performance along with future outlook; session was followed by Q & A session.

Issues Raised in the Last Annual General Meeting (AGM)

The proceedings of the 73rd Annual General Meeting (AGM) of the shareholders of MCB Bank Limited was held on Saturday, March 27, 2021 at 11:00 am, through a video link facility. As per the notice of AGM circulated to members and published in the newspapers, the meeting was initially scheduled to be held physically at Nishat Hotel, Emporium Mall, Lahore; with the proceedings' to be also covered by a video link. However, in view of the ban imposed on all types of indoor gatherings by the Government of Punjab due to the imminent threat of COVID-19 outbreak, the meeting convened digitally through a video link.

Mian Mohammad Mansha, the Chairman of the Board of Directors, presided over the meeting. The meeting was attended by Board members of the Bank including the Chief Executive Officer along with the Chief Financial Officer (CFO) and the Company Secretary; through a video link.

The Company Secretary invited the CFO to present key highlights of the audited financial statements for the year 2020 and elucidate on the salient features of the Banks' performance. There were no significant issues raised in the last AGM that are pending implementation, however, the shareholders while appreciating the overall growth in Bank's financial performance sought some general clarifications and comments on the progress of the Bank.

One of the shareholders enquired about the reasons for significant increase reported in the net provision charge for the year. Responding to the shareholders query, the CFO updated the forum that although the management has been proactively monitoring the evolving macroeconomic and operating scenario amidst the COVID-19 outbreak, however, the eventual impact from the outbreak still remains extremely uncertain and largely dependent on the pandemics' pathway given the elevated global cases, emergence of new virus strains and the lingering reservations about the roll-out of vaccines. Hence, given the apprehensive outlook for domestic growth that could put a liquidity strain on the solvency of borrowers and impact their repayment capacities, the Bank has exercised prudence and recognized a general provision charge of Rs. 4.0 billion during the year under review.

The CEO informed the shareholders that the Bank remains a well-capitalized institution with a capital base well above the regulatory limits and Basel capital requirements. He also mentioned that the Bank had the highest cash dividend per share in the industry and also remained one of the prime stocks traded in the Pakistani equity markets which as appropriately reflected in its highest market capitalization in the financial institution category as at December 31, 2020.

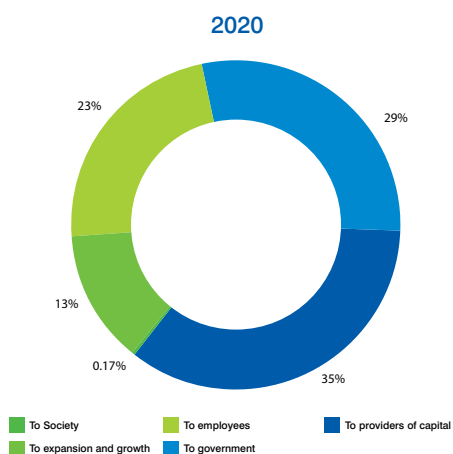
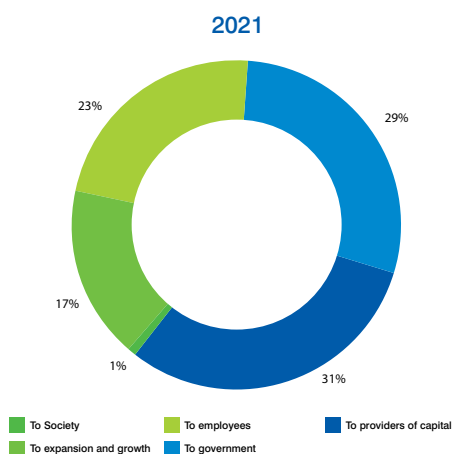
The shareholders appreciated the services of the Board of Directors for its visionary approach and collective wisdom reflecting in the sound financial performance of the Bank.

Following businesses were also discussed during the AGM:

- Consideration and approval of Annual Accounts of 2020
- Winding Up of Bank's Subsidiary - M/s Financial & Management Services (Pvt.) Limited
- Approval of Final Cash dividend – 2020
- Appointment of External Auditors

Statement of Value Added

	2021 PKR (mln)	%	2020 PKR (mln)	%
Value Added				
Net interest income	63,987		71,334	
Non interest income	20,074		18,136	
Operating expenses excluding staff costs, depreciation, amortization	(16,215)		(14,420)	
Provision against advances, investments & others	4,823		(7,313)	
Value added available for distribution	72,669		67,737	
Distribution of value added:				
To employees				
Remuneration, provident fund and other benefits	16,940	23.31%	15,806	23.33%
To government				
Income tax	21,178	29.14%	19,212	28.36%
To providers of capital				
Cash dividends to shareholders	22,516	30.98%	23,701	34.99%
To Society				
Donations	8	0.01%	113	0.17%
To expansion and growth				
Depreciation, amortization, Retained Earnings & Reserves	12,027	16.55%	8,906	13.15%
	72,669	100%	67,737	100%



Code of Conduct

- The Code of Conduct spells out the behaviour expected from employees of MCB Bank Limited (MCB), reflecting fairness, transparency and accountability. The Code of Conduct gives a quick reference check for acceptable business practices.
- However, the Code of Conduct does not replace defined and comprehensive HR Policies of MCB Bank Limited.
- MCB Bank is committed to conduct its business in accordance with the applicable laws, rules and regulations as defined by the State Bank of Pakistan by adhering to high standards of business ethics which reflect our corporate values.
- Adherence to the Code of conduct is mandatory for all employees of MCB Bank Ltd-Pakistan.

In line with code of conduct the employees of the bank shall

Abidance of Laws / Rules

- Conform to and abide by the Bank rules and policies, wherever we operate and obey all lawful orders and directives which may from time to time be given by any person or persons under whose jurisdiction, superintendence or control, the persona will, for the time being, be placed. To undertake at all times compliance with and observation of all applicable laws, regulations and Bank policies, wherever the Bank operates.

Integrity

- Conduct the highest standards of ethics, professional integrity and dignity in all dealings with the public, customers, investors, employees, and government officials, State Bank of Pakistan and fellow Bankers and non-engagement in acts discreditable to the Bank, profession and nation
- In case of awareness of any breaches of laws and regulations, frauds and other criminal activities or other similar serious incidents that might affect the interests of the Bank, the same shall be informed to the senior management immediately, including any issue, which may pose a reputational risk.
- Not use this policy to raise grievances or act in bad faith against colleagues.

Professionalism

- Serve the Bank honestly and faithfully and strictly serve the Bank affairs and the affairs of its constituents, use utmost endeavor to promote the interest and goodwill of the Bank and show courtesy and attention

in all transactions/ correspondence with officers of Government, State Bank of Pakistan, other Banks & Financial Institutions, other establishments dealing with the Bank, the Bank constituents and the public.

- In case the employment is terminated for any reason, all rights to property and information generated or obtained as part of employment relationship will remain the exclusive property of MCB.
- Comply with the laws and regulations on money laundering and fraud prevention and immediate reporting of all suspicions of money laundering as per the guidelines provided in CDD & AML/ CFT Handbook and Anti-fraud Framework Policy for the Management and the staff.
- Not to engage in any act of violation of CDD & AML / CFT Handbook's guidelines given by the State Bank of Pakistan and be extremely vigilant in protecting MCB Bank from being misused by anyone to launder money by violating these guidelines.
- Ensure that all customer complaints are resolved quickly, fairly and recorded appropriately.

Conflict of Interest

- Avoid all such circumstances in which there is personal conflict of interest, or may appear to be in conflict, with the interest of the Bank or its customers.
- In case of potential conflict of interest, the same should be declared immediately to senior management, action is taken to resolve and manage it in open manner and resolving the conflict of interest on their own would be avoided.
- Report to the Company Secretary within three (3) days about any sale and purchase of MCB shares (own or spouse) in case the annual basic salary exceeds Rs. 500,000/-.
- Not buy, sell or take position in any manner regarding MCB Bank shares during Closed Period, as announced by Company Secretary.

Relatives and close friends

- Avoid conflict of interest arising, where an employee makes or participates in a decision which affects another person with whom one has a personal relationship (such as a relative, parent, spouse, cousin, close friend or personal associate). In cases where a conflict may arise, employees must advise their immediate line manager. Wherever possible, employees should disqualify themselves from dealing with those persons in such situations.

Code of Conduct

Political Participation

- Not obtain membership of any political party, or take part in, subscribing in aid of, or assist in any way, any political movement in or outside of Pakistan or relating to the affairs of Pakistan.
- Not express views detrimental to the ideology, sovereignty or integrity of Pakistan.
- Not canvass or otherwise interfere or use influence in connection with or take part in any election as a candidate to a legislative/local body or issue an address to the electorate whether in Pakistan or elsewhere. However, the right to vote can be exercised.
- Not bring or attempt to bring political or other pressure/ influence directly or indirectly to bear on the authorities/ superior officers or indulge in derogatory pamphleteering, contribute, or write letters to the newspapers, anonymously or in own name contribute or appear in media, with an intent to induce the authority/ superior officers to act in a manner inconsistent with rules, in respect of any matter relating to appointment, promotion, transfer, punishment, retirement or for any other conditions of service of employment.

Financial Interest

- Not indulge in any of the following activities without prior permission of competent authority (GH - HRM for VP & below and President for SVP & Above):
- Borrow money from or in any way place myself under pecuniary obligation to a broker or moneylender or anyone, including but not limited to any firm, company or person having dealings with the Bank.
- Buy or sell stock, shares or securities of any description without funds to meet the full cost in the case of purchase or scripts for delivery in the case of sale. However, a bona-fide investment of own funds in such stocks, shares and securities as wished can be made.
- Lend money in private capacity to a constituent of the Bank or have personal dealings with a constituent in the purchase or sale of bills of exchange, Government paper or any other securities.
- Act as agent for an insurance company otherwise than as agent for or on behalf of the Bank.
- Be connected with the formation or management of a joint stock company or hold office of a director.
- Engage in any other commercial business or pursuit, either on own account or as agent for another or others.

- Engage in any outside employment or office whether stipendiary or honorary during my employment with MCB Bank.
- Undertake part-time work for a private or public body or private person, or accept fee thereof.
- Any kind of trading advice concerning the securities of MCB Bank or to third parties even when such director, officer or employee does not possess material nonpublic information about MCB Bank.
- In reviewing or approving a loan application from a corporation wherein holding office as director, partner or guarantor.

Gift, Favors Etc.

- Not use the employment status to seek personal gain from those doing business or seeking to do business with MCB, nor accept such gain if offered.
- Not accept any gift, favors, entertainment or other benefit the size or frequency of which exceeds normal business contacts from clients, stakeholders, colleagues of the Bank or from persons likely to have dealings with the Bank including candidates for employment in the Bank.
- Reporting in writing to immediate supervisor within three working days in case any sizeable gift / favor is received from any third parties.

Confidentiality

- Maintain the privacy and confidentiality (during the course of employment and after its termination for whatever reason), of all the information acquired during the course of professional activities and refrain from disclosing the same unless otherwise required by statutory authorities / law. Inside information about Bank's customers/affairs including customer data, product manuals, confidential financial and business information of the Bank etc., shall not be used for own gain or for that of others either directly or indirectly.
- Not trade in relevant investments or indulge in giving tips to another person or dealing on behalf of relatives, friends or any other third parties, whilst in possession of non-public price sensitive information.
- Not disclose to a customer or customers or to any irrelevant quarter(s) that a suspicious transaction or related information is being reported for investigation unless any law enforcement agency requires any lawful information. (Only authorized representatives can pass on information to Law enforcing agencies after obtaining clearance on information content from relevant GH / BH(for RBG) and LAG representative).

Code of Conduct

Data Security

- Only access or update the system and data according to the authority given by the Bank. Any unauthorized access or updation will hold the person liable for a penal action by the Bank in accordance with HR policies.
- Not compromise access to system by communicating identification and /or passwords to others.
- Ensure that material non-public information is secure. Not discuss such information in public places where it can be overheard, such as elevators, restaurants, taxis and airplanes.

Communication / Contact with Media

- Be truthful in all advertisings and promotional efforts and to publish only accurate information about the Bank operations under valid authority as prescribed in the Bank policy.
- Not give any kind of confidential information or interview on behalf of the Bank or in my official capacity in the print/electronic media or road / talk shows or participate or act in television/stage plays or in any media or cinema without having permission from the Head of Corporate Communication & GH - HRM.

Speak Up

- To inform line management & HR of any perceived wrong doing / malpractice at any level, as an obligation to report it under the Bank whistle blowing program / policy.

Business / Work Ethics

- Respect fellow colleagues and work as a team. To be, at all times, courteous and not to let any personal differences affect work.

Customer Centricity

- Treat every customer of the Bank with respect and courtesy.
- Be responsive to customer complaints, and to feedback on products and services.
- Provide relevant, complete and clear information to customers to the best of one's knowledge.
- Sell products or services to customers that are within the legitimate scope of one's job.
- Remain update with the latest products of the Bank, and provide all relevant information to the customers.

Personal Responsibility

- Safeguard as a personal responsibility, both the tangible and intangible assets of MCB and its customer(s) that are under personal control and not to use Bank assets for personal benefits except where permitted by MCB.
- Not use any Bank facilities including a car or telephone to promote trade union activities, or carry weapons into Bank premises unless so authorized by the management, or to carry on trade union activities during office hours, or in banking premises, or subject Bank officials to physical harassment or abuse.

Punctuality

- Ensure attendance and punctuality as per HR policies, departmental requirements & job standards and for any absence during working hours obtain written permission of the immediate supervisor.

Dress Code

- Maintain a standard of personal hygiene / neatness and follow MCB Bank dress code policy in true spirit to promote a professional work environment during office hours.

International Travel

- Be culturally sensitive to the socio-cultural norms of the host country.
- Represent Country and organization by conforming to high standards of personal and professional ethics at all times.

Work Environment

- Cooperate in maintaining a healthy and productive work environment and not get engaged in the selling, manufacturing and distributing using any illegal substance or being under the influence of illegal drugs or alcohol while on the job.
- Ensure strict adherence to all policies of the Bank, as announced by the management from time to time and contribute utmost effort in maintaining a conducive work environment.

Usage of Communication Tools

- Ensure strict adherence to the use of internet, emails and telephone provided by the Bank for official use only.
- Never use the Bank system to transmit or receive electronic images or text containing ethnic slurs, social epithets or anything that might be construed as harassing, offensive or insulting to others.

Code of Conduct

- Never utilize Bank system to disseminate any material detrimental to the ideology, sovereignty or integrity of Pakistan.
- Never indulge and /or utilize the Bank system for supporting any terrorist activity within and / or outside Pakistan.

Reporting and Accountability

- Maintain all books, data, information and records with scrupulous integrity, reflecting in an accurate and timely manner and to ensure that all business transactions are reported and documented correctly according to the business practices. Ensure facts are not misinterpreted / misused /tampered pertaining to:
- Issuing an incorrect account statement / any other information for any customer or fellow employees / management.
- Placing a fake claim for reimbursement of any expenses (including medical insurance).
- Unrecorded or recorded funds / assets or any other Bank's documents.
- Posting of false, artificial or misleading entries in the books or record of the Bank.
- Intimate line management and HRM of any changes in the personal circumstances relating to service tenure and other related benefits, provided by the Bank.

Ethics for working with Female Employees

Gender Discrimination In Employment Training / Promotion

- Ensure adherence to the guidelines of MCB Bank's non-discrimination on the basis of gender which limits the individual's right of recruitment, future training, promotion and any other related benefits.

Zero Tolerance for Favoritism or Discrimination

- Not be a part of any undue favor / discriminatory advantage to any colleague / subordinate staff.

Personal Space

- No right to intrude on the personal space / close proximity of any staff particularly females.

Female Staff/Employee Privacy

- Recognize that female staff have more privacy and sensitivity needs in keeping with our cultural norms. Therefore, behaviour towards them must reflect that sensitivity, respect and consideration.

Harassment Against Women

- Any type of harassment is not acceptable at MCB Bank. Harassment occurs when someone's actions or words, based on gender, race, sexuality, caste, creed, and color are unwelcome, violate another person's dignity and creates a hostile environment. (Reference to HR Policy Manual section 6, 6.2.5, Protection against harassment of women at the workplace Act, 2010)
- Accordingly, not engage in harassment in any form. It may include objectionable epithets, threatened or actual physical harm and intimidating conduct directed against the individual that negatively affects the performance and well-being of an individual.

Sexual Harassment

- Keeping in mind the Bank's policy with reference to the Protection against harassment of Women at the Workplace Act, 2010, adherence to all guidelines given by the Bank.

Communication

- Not send sexually explicit or offensive communications and respect the privacy of fellow employee especially female employees. Following factors should be adhered to in order to maintain effective communication and ethical standards:
 1. Not send any electronic mail that is abusive or threatens the safety of an Individual(s).
 2. Always use a professional tone in all official communications.
 3. Be careful when using sarcasm and humor

Workplace bullying

Refrain from any form of Workplace bullying:

- Shouting or swearing at an employee or otherwise verbally abusing him / her.
- Singling out an employee for excessive criticism/public humiliation.
- Excluding an employee from company activities and undermining his / her work contributions.
- Language or actions that embarrass or humiliate an employee.
- Inappropriate practical jokes, especially if they are targeted.

Insider Trading

Comply with insider trading policy and to abide by all guidelines provided in the policy.

Statement on Internal Controls

The internal control structure of MCB Bank Limited (Bank) comprises the Board of Directors, Senior Management, Risk Management Group, Financial Control Group, Operations Group, Compliance & Controls Group, Audit & Risk Assets Review (Audit & RAR) Group, Internal Control Units (ICUs) within all Groups and the controls & self-assessment procedures implemented at other functions within the Bank. The Bank's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures under the policies approved by the Board. The management is also responsible for evaluating effectiveness of the Bank's internal control system that covers material matters through identification of control objectives as well as review of significant policies and procedures.

Bank's internal control system has been designed to identify and mitigate the risk of failure to achieve overall business objectives of the Bank. Internal controls and policies are designed to provide reasonable assurance regarding the effectiveness and efficiency of the Bank's operations, reliability of financial information and compliance with applicable laws & regulations. However, it needs to be stated that systems are designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Bank has adopted the Integrated Framework on Internal Controls issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and has completed all the stages as set out in the roadmap provided by the State Bank of Pakistan (SBP) through the Guidelines on Internal Controls. Bank's assessment included documenting, evaluating and testing of the design and operating effectiveness of its Internal Controls over Financial Reporting (ICFR). Bank has developed a management testing and reporting framework for monitoring ongoing operating effectiveness of key controls.

Concerted efforts are made by every Group to improve the control environment at grass root level by regularly reviewing and streamlining procedures to prevent and rectify control lapses as well as imparting training for improvement at various levels. Compliance & Controls Group (CCG), through its specialized teams and centralized automated solutions, also oversees adherence to the regulatory requirements, with specific emphasis on Anti-Money Laundering (AML) / Combatting the Financing of Terrorism (CFT) / Countering Proliferation Financing (CPF). In addition, CCG also leads the Management's Committee on AML/CFT/CPF for oversight of AML/CFT/CPF compliance with respect to relevant laws, regulations, policies and procedures.

The scope of Audit & RAR Group, independent from the management, inter alia includes, review and assessment of the adequacy and effectiveness of the control activities across the Bank as well as evaluation of compliance

with the Bank's prescribed policies and procedures. All significant / material findings of the internal audit activities are reported to the Board's Audit Committee. The Audit Committee actively monitors implementation of internal controls to ensure that identified risks are mitigated to safeguard interest of 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 is reported periodically to the Board's Audit Committee and the Board's Compliance Review & Monitoring Committee respectively, which ensures that the management takes appropriate corrective actions and put in place a system to minimize repetition for strengthening of the control environment.

Senior management team, through different Management Sub-Committees, monitors resolution / compliance of issues identified by the Regulators, Statutory Auditors as well as Audit & RAR Group. Periodic meetings of these Management Sub-committees are held to ensure expeditious resolution / compliance of aforementioned issues. The performance of the Sub-committees is monitored by the President / CEO of the Bank.

In accordance with SBP's directives and as stated earlier, the Bank has completed all stages of ICFR roadmap and a Long Form Report (LFR) on the assessment of Bank's ICFR for the year 2020 issued by the statutory auditors has been submitted to SBP in compliance with its directives stated in OSED Circular No. 1 of 2014 dated February 07, 2014. None of the deficiencies identified had a material impact on Financial Reporting.

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.



Farid Ahmad
Chief Compliance Officer



Kashif Ali
Group Head Operations



Hamad Khalid
Chief Financial Officer



Muhammad Farooq Wasi
Chief Internal Auditor

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

MCB Bank Limited

For the year ended December 31, 2021

The Bank has complied with the requirements of the Regulations in the following manner:

1. Total number of Directors including the President & CEO are 13 as per the following:

- a. Male: 12
- b. Female: 01

2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Yahya Saleem Mr. Salman Khalid Butt Mr. Shahzad Hussain Mr. Masood Ahmed Puri
Non-Executive Directors	Mian Mohammad Mansha Mr. S. M. Muneer Mr. Muhammad Tariq Rafi Mian Umer Mansha Mr. Mohd Suhail Amar Suresh bin Abdullah Mr. Muhammad Ali Zeb Mr. Shariffuddin bin Khalid
Executive Director (President & CEO)	Mr. Shoaib Mumtaz
Female Director (Non-Executive)	Mrs. Iqraa Hassan Mansha

During the year, the term of the Board of Directors was completed and reconstituted in the Annual General Meeting held on March 27, 2021. All the outgoing directors were re-elected. Moreover, the term of President & CEO, Mr. Imran Maqbool was completed on December 20, 2021 and the Board appointed Mr. Shoaib Mumtaz, as Acting President & CEO of the Bank with effect from December 21, 2021 subject to his Fit and Proper Test (FPT) clearance by the State Bank of Pakistan ("SBP"). Subsequently, SBP has cleared FPT of Mr. Shoaib Mumtaz as President & CEO of the Bank on February 09, 2022.

As per the requirements of the Code of Corporate Governance, the independent directors constitute one third of the Board. Out of the total 12 elected directors and CEO (deemed director), the Bank has 4 independent directors, thereby resulting in 0.33 fraction higher than one third. The fraction of 0.33 is below half (0.50) and accordingly, the same has not been rounded up as one.

- 3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank;
- 4. 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;
- 5. 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 the significant policies along with their date of approval or updation is maintained by the Bank;
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the "Act") and the Regulations;
- 7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- 8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations and directives of the State Bank of Pakistan (SBP);

9. The Board Members either meet the minimum criteria of education and experience for exemption from Directors Training Program as required under Regulation 19 of the Regulations or have already undergone such training pursuant to the requirements of the Regulations;
10. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

1. Audit Committee (AC):		2. Business Strategy & Development Committee (BS&DC):	
Mr. Shahzad Hussain	Chairman	Mian Umer Mansha	Chairman
Mian Umer Mansha	Member	Mian Mohammad Mansha	Member
Mr. Muhammad Ali Zeb	Member	Mr. S. M. Muneer	Member
Mr. Shariffuddin Bin Khalid	Member	Mr. Mohd. Suhail Amar Suresh	Member
		Mr. Salman Khalid Butt	Member
		Mr. Masood Ahmed Puri	Member
		President & CEO	Member

3. Risk Management & Portfolio Review Committee (RM&PRC):		4. Human Resource & Remuneration Committee (HR&RC):	
Mr. Muhammad Ali Zeb	Chairman	Mr. Salman Khalid Butt	Chairman
Mian Umer Mansha	Member	Mian Mohammad Mansha	Member
Mr. Mohd. Suhail Amar Suresh	Member	Mrs. Iqraa Hassan Mansha	Member
Mr. Salman Khalid Butt	Member	Mr. Muhammad Ali Zeb	Member
President & CEO	Member		

5. Committee on Physical Planning & Contingency Arrangements (PP&CA)		6. IT Committee (ITC)	
Mian Umer Mansha	Chairman	Mian Umer Mansha	Chairman
Mian Mohammad Mansha	Member	Mr. Mohd. Suhail Amar Suresh	Member
Mr. Muhammad Ali Zeb	Member	Mr. Salman Khalid Butt	Member
Mrs. Iqraa Hassan Mansha	Member	President & CEO	Member
President & CEO	Member		

7. Compliance Review & Monitoring Committee (CR&MC)		8. Write Off & Waiver Committee (WO&WC)	
Mr. S. M. Muneer	Chairman	Mian Umer Mansha	Chairman
Mr. Muhammad Ali Zeb	Member	Mr. Muhammad Tariq Rafi	Member
Mr. Salman Khalid Butt	Member	Mr. Muhammad Ali Zeb	Member
President & CEO	Member		

Currently, the Board has not constituted a separate Nomination Committee and functions are being performed by the Board.

13. The Terms of Reference ("TORs") of the aforesaid Committees have been formed, documented and advised to the respective committee for compliance;

14. The frequency of meetings of the respective committee were as follows:

Name of Committee	No. of Meetings held during the year, 2021
Audit Committee	Five
Business Strategy & Development Committee	Four
Risk Management & Portfolio Review Committee	Four
Human Resource & Remuneration Committee	Four
Committee on Physical Planning & Contingency Arrangements	Three
IT Committee	Five
Compliance Review & Monitoring Committee	Four
Write Off & Waiver Committee	None

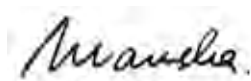
15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the Bank;

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 and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the President & 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 of the Regulations have been complied with.

For and on behalf of the Board of Directors



Mian Mohammad Mansha
Chairman

MCB Bank Limited

February 10, 2022
Lahore

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MCB BANK LIMITED

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

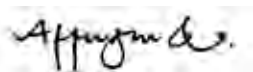
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of MCB Bank Limited (the Bank) for the year ended December 31, 2021, in accordance with the requirement of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2021.



A. F. Ferguson & Co
Chartered Accountants

Lahore

Date: March 3, 2022

UDIN: CR202110092VTi7zqYan

Report of the Audit Committee

The Audit Committee comprises four (4) non-executive directors including one Independent Director, being Chairman of the Audit Committee. Further, two qualified chartered accountants with diversified professional experience in various sectors are members of the Audit Committee. Moreover, one of the members is a fellow member of Chartered Institute of Management Accountants, United Kingdom. The members of the Audit Committee are qualified professionals and possess enriched experience of working at the Boards and Senior Management levels of entities operating in both banking and non-banking sectors.

Role of Audit Committee to discharge its responsibilities towards financial statements and Committee overall approach to risk management:

- In line with the requirements of Listed Companies (Code of Corporate Governance) Regulations – 2019 and Guidelines for Internal Audit Function issued by the State Bank of Pakistan, the Chief Internal Auditor functionally reports to the Board's Audit Committee and administratively to Bank's President / CEO. The Committee ensures staffing of the internal audit function with personnel of sufficient internal audit knowledge and experience, as well as equipping of the function with necessary resources and authority to execute their responsibilities independently and objectively.
- The Committee approves and oversees the risk assessment, annual audit plan and related enablers/budget along with resource requirements of Audit & Risk Assets Review (Audit & RAR) Group.
- All significant and material findings of the internal audit activities are reported to the Audit Committee. The Audit Committee actively monitors implementation of internal controls to ensure that identified risks are mitigated to safeguard the interest of the Bank.
- Audit Committee actively engages in the review of the Bank's quarterly, half yearly and annual financial statements as well as oversight of internal audit activities in accordance with the requirements of Listed Companies (Code of Corporate Governance) Regulations – 2019 and the Charter of the Board Audit Committee, duly approved by the Board of Directors.
- The Committee understands its responsibility to ensure that the significant issues in relation to financial statements are addressed properly by debating and challenging the critical judgments and estimates made by the management. Furthermore, Audit & RAR Group also reviews the Bank's quarterly, half yearly and annual financial statements and discusses the significant matters with management.
- The Committee ensures the independence of external auditor, effectiveness of external audit process and appointment / re-appointment of external auditor by performing the followings:
 - o Review the terms of engagement and ensure that external auditor is independent to the Bank in terms of local regulatory requirements.
 - o Ensure that external auditors have resources and professional qualification to conduct the audit.
 - o The Auditors have been allowed direct access to the Audit Committee.
 - o Discuss external auditors' feedback on the Bank's critical accounting estimates and judgments.
 - o Discuss the significant control issues and significant audit matters identified by external auditors.

Audit Committee held five (5) meetings, during the year 2021, and following matters (including significant matters) were discussed:

- 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 status of implementation of decisions of BOD and its Sub-Committees.
- Review of significant issues (including critical repeated observation) highlighted by internal auditors during audits/ reviews of branches and other functions of the Bank along with management actions thereon.
- Review of analysis related to significant frauds and forgery incidents in the Bank, with specific focus on nature and reasons along with Management action(s) thereof. Review of annual fraud risk assessment along with action plan for strengthening of internal controls.
- Review, approval and oversight of Risk Assessment, Annual Audit Plan and related enablers/budget along with resource requirements of Audit & Risk Assets Review (Audit & RAR) Group.
- Review of status of trainings imparted to internal audit staff, along with status of activities under Quality Assurance & Improvement Program of Internal Audit.
- Review of resolution status of complaints lodged under the Bank's Whistle Blowing Program.
- Review of performance of Chief Internal Auditor against Key Performance Indicators (KPIs) for Audit & RAR Group. Review and approval of KPIs of Chief Internal Auditor for 2022.
- Review & approval of Audit Group's (including Chief Internal Auditor) increments, bonuses, promotions and performance appraisal of Chief Internal Auditor.
- Review of progress on Audit Group's Strategic Initiatives and Milestones.

- Recommendation of scope and appointment of external auditors, including audit and consultancy fee. Audit Committee further ensured coordination between internal and external auditors.
- The Committee reviewed Annual Assessment by Audit & RAR Group on adequacy & effectiveness of Bank's processes for controlling and managing its risks in all core areas of the Bank's operations.
- The Committee reviewed annual confirmation regarding organizational independence of Audit & RAR Group.
- In addition to the above, the Committee also reviewed and recommended the following to the Board for approval:
 - Global Internal Audit Policy Version 4.0
 - IFRS-9 ECL Provisioning Policy MCB – Sri Lanka, Version 3.0
 - IFRS-9 ECL Provisioning Policy MCB – Bahrain, Version 3.0
 - IFRS-9 ECL Provisioning Policy MCB – UAE Operations, Version 3.0
 - Whistle Blowing Program, Version 8.0
 - Fraud Prevention Policy, Version 5.0
 - Related Party Transaction Policy, Version 8.0
 - Accounting and Disclosure Policy, Version 9.0
 - Policy on Internal Controls, Version 8.0
 - Policy for Appointment of External Auditors and Prohibition of Non-Audit Services - MCB UAE Operations

Committee performance

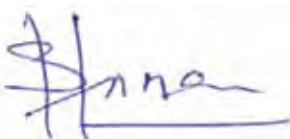
Performance of the Audit Committee is annually reviewed by the Board of Directors and Board appreciated the Committee's role in thoroughly reviewing the financial statements and Bank's internal audit function and other financial matters of critical importance.

Internal Control Framework and role of Internal audit

The Bank's internal control structure comprises the Board of Directors, Senior Management, Risk Management Group, Compliance & Controls Group, Financial Control Group, the controls and self-assessment procedures implemented at other functions within the Bank; and Audit & Risk Assets Review (RAR) Group. The Management is responsible for establishing and maintaining a system of adequate and effective internal controls and procedures for implementing strategy and policies, as approved by the Board of Directors. The Bank has adopted integrated framework on Internal Controls issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and has completed all the stages, as set out in the roadmap provided by the State Bank of Pakistan (SBP) through the Guidelines on Internal Controls.

Audit & RAR Group has performed its role effectively on both assurance and consultative fronts. The Group played pivotal role in evaluating the efficacy of Bank's control systems and contributing towards their ongoing effectiveness by enhancing visibility of the Board and the management on the risk management and internal control matters of the Bank. All significant and material findings of the internal audit activities are reported to the Audit Committee of the Board of Directors. The Audit Committee actively monitors implementation of internal controls to ensure that identified risks are mitigated to safeguard the interest of the Bank.

The Audit Committee will continue to provide guidance to the Audit & RAR Group and the Management for further strengthening of Bank's risk management practices and internal control environment.



Shahzad Hussain
Chairman Audit Committee
MCB Bank Limited
Lahore

Unconsolidated Financial Statements

MCB Bank Limited

Independent Auditor's Report

To the members of MCB Bank Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of MCB Bank Limited (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2021, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 52 branches which have been audited by us and notes to the unconsolidated 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 unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2021 and of the profit 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 Unconsolidated 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.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Provision against advances	
	(Refer note 3.4, note 6.4 and note 11.4 to the annexed unconsolidated financial statements) The Bank makes provision against advances extended in Pakistan on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP). In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.	Our audit procedures to verify provision against advances included, amongst others, the following: - We obtained an understanding of the design of relevant controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing advances. The testing of controls included testing of: - controls over correct classification of non-performing advances on time-based criteria; - controls over monitoring of advances with higher risk of default and correct classification of advances on subjective criteria;

S. No.	Key Audit Matter	How the matter was addressed in our audit
	The PRs also require the creation of general provision for certain categories of advances. Provision against advances of overseas branches is made as per the requirements of the respective regulatory regimes. Further, last year, several borrowers had availed the SBP enabled deferment / restructuring and rescheduling relief given as a result of the COVID-19 pandemic. The Bank had expected that the repayment capacity of borrowers could be impacted due to the pandemic and had accordingly recognised additional general provision against the domestic funded performing credit portfolio. The provision had been recognised based on management's best estimate. As at December 31, 2021, the Bank holds a total provision of Rs 45,863 million against advances in the unconsolidated financial statement of the Bank. The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements/ estimations and the materiality of advances relative to the overall unconsolidated statement of financial position of the Bank, we considered the area of provision against advances as a Key Audit Matter.	- controls over accurate computation and recording of provisions; and - controls over the governance and approval process related to provisions, including continuous reassessment by the management. We selected a sample of loan accounts and performed the following substantive procedures: - checked repayments of loan / mark-up installments and tested classification of non-performing advances based on the number of days overdue; and - evaluated the management's assessment for classification of a borrower's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation, discussions with the management and management's consideration of the impact of COVID-19 on the borrower. We checked the accuracy of specific provision made against non-performing advances and of general provision made against performing advances in accordance with the requirements of PRs by recomputing the provision amount in accordance with the criteria prescribed under the PRs. We evaluated the management's assessment with respect to general provision on account of the COVID-19 pandemic. We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us. We, as auditors of the Bank, evaluated the work performed by the component auditors and the results thereof.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

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

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

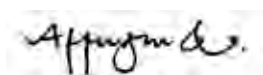
Report on Other Legal and Regulatory Requirements

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

Other Matter

The unconsolidated financial statements of the Bank for the year ended December 31, 2020 were audited by another firm of Chartered Accountants who expressed an unqualified opinion thereon vide their report dated February 26, 2021.

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



A. F. Ferguson & Co
Chartered Accountants
Lahore

Date: March 7, 2022

UDIN: AR202110092ExjV7N54O

Unconsolidated Statement of Financial Position

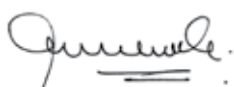
As at December 31, 2021

	Note	2021 (Rupees in '000)	2020
ASSETS			
Cash and balances with treasury banks	7	164,613,179	122,180,839
Balances with other banks	8	18,830,310	24,030,328
Lendings to financial institutions	9	42,467,110	17,139,453
Investments	10	1,035,585,496	1,015,869,448
Advances	11	589,711,091	462,941,787
Fixed assets	12	57,327,871	58,027,904
Intangible assets	13	978,785	938,458
Deferred tax assets		—	—
Other assets	14	60,954,606	56,334,253
		1,970,468,448	1,757,462,470
LIABILITIES			
Bills payable	16	24,589,644	23,980,692
Borrowings	17	269,525,556	164,001,533
Deposits and other accounts	18	1,411,851,527	1,289,502,304
Liabilities against assets subject to finance lease		—	—
Subordinated debt		—	—
Deferred tax liabilities	19	729,424	6,975,158
Other liabilities	20	89,364,889	82,900,828
		1,796,061,040	1,567,360,515
NET ASSETS			
		174,407,408	190,101,955
REPRESENTED BY			
Share capital	21	11,850,600	11,850,600
Reserves	22	84,602,024	80,696,335
Surplus on revaluation of assets – net	23	14,271,517	27,720,418
Unappropriated profit		63,683,267	69,834,602
		174,407,408	190,101,955

CONTINGENCIES AND COMMITMENTS

24

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



Shoaib Mumtaz
President/Chief Executive



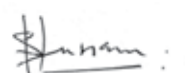
Hammad Khalid
Chief Financial Officer



S.M. Muneer
Director



Mian Umer Mansha
Director



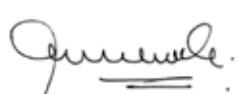
Shahzad Hussain
Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
Mark-up / return / interest earned	26	123,334,306	136,075,705
Mark-up / return / interest expensed	27	59,347,404	64,741,214
Net mark-up / interest income		63,986,902	71,334,491
NON MARK-UP / INTEREST INCOME			
Fee and commission income	28	12,439,679	10,936,325
Dividend income		2,251,473	1,209,753
Foreign exchange income		3,734,284	2,525,340
Income from derivatives		14,035	4,087
Gain / (loss) on securities	29	810,850	3,332,032
Other income	30	823,415	128,250
Total non-markup / interest Income		20,073,736	18,135,787
Total Income		84,060,638	89,470,278
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	31	35,380,554	32,645,782
Workers welfare fund		1,039,786	964,978
Other charges	32	473,716	297,397
Total non-markup / interest expenses		36,894,056	33,908,157
Profit before provisions		47,166,582	55,562,121
(Reversals) / provisions and write offs - net	33	(4,822,728)	7,313,166
Extra ordinary / unusual items		—	—
PROFIT BEFORE TAXATION		51,989,310	48,248,955
Taxation	34	21,178,263	19,211,654
PROFIT AFTER TAXATION		30,811,047	29,037,301
(Rupees)			
Basic and diluted earnings per share	35	26.00	24.50

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



Shoaib Mumtaz
President/Chief Executive



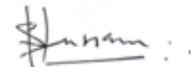
Hammad Khalid
Chief Financial Officer



S.M. Muneer
Director



Mian Umer Mansha
Director



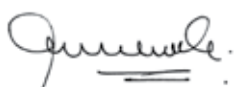
Shahzad Hussain
Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2021

	2021	2020
	(Rupees in '000)	
Profit after taxation for the year	30,811,047	29,037,301
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	824,584	201,352
Movement in (deficit) / surplus on revaluation of investments - net of tax	(12,978,358)	4,021,886
	(12,153,774)	4,223,238
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	37,922	(342,311)
Movement in surplus on revaluation of operating fixed assets - net of tax	(147,019)	-
Movement in surplus on revaluation of non-banking assets - net of tax	124,017	119,544
	14,920	(222,767)
Total comprehensive income	18,672,193	33,037,772

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



Shoaib Mumtaz
President/Chief Executive



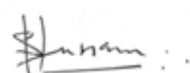
Hammad Khalid
Chief Financial Officer



S.M. Muneer
Director



Mian Umer Mansha
Director



Shahzad Hussain
Director

Unconsolidated Statement of Changes in Equity

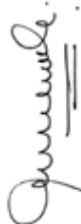
For the year ended December 31, 2021

	Share capital	Capital reserve			Statutory reserve	Revenue reserve		Suplus/(deficit) on revaluation of		Unappropriated profit	Total
		Share premium	Non-distributable capital reserve	Exchange translation reserve		General reserve	Investments	Fixed / non-banking assets			
(Rupees in '000)											
Balance as at December 31, 2019	11,850,600	23,751,114	908,317	2,675,131	31,656,691	18,600,000		4,217,747	19,477,694	55,777,489	168,914,783
Total comprehensive income for the year ended December 31, 2020											
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	-	-	29,037,301	29,037,301
Other comprehensive income - net of tax	-	-	-	201,352	-	-	-	4,021,886	119,544	(342,311)	4,000,471
Transfer to statutory reserve	-	-	-	201,352	-	-	-	4,021,886	119,544	28,694,990	33,037,772
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	2,903,730	-	-	-	-	(2,903,730)	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	(89,135)	89,135	-
Surplus realized on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	-	-	(22,544)	22,544	-
Transactions with owners, recorded directly in equity									(4,774)	4,774	-
Final cash dividend at Rs. 5.0 per share - December 31, 2019	-	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)
Interim cash dividend at Rs. 5.0 per share - March 31, 2020	-	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)
	-	-	-	-	-	-	-	-	-	(11,850,600)	(11,850,600)
Balance as at December 31, 2020	11,850,600	23,751,114	908,317	2,876,483	34,560,421	18,600,000		8,239,633	19,480,785	69,834,602	190,101,955
Total comprehensive income for the year ended December 31, 2021											
Profit after taxation for the year ended December 31, 2021	-	-	-	824,584	-	-	-	(12,978,358)	(23,002)	30,811,047	30,811,047
Other comprehensive loss - net of tax	-	-	-	824,584	-	-	-	(12,978,358)	(23,002)	37,922	(12,138,854)
Transfer to statutory reserve	-	-	-	-	3,081,105	-	-	-	-	30,848,969	18,672,193
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	(3,081,105)	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	(82,067)	82,067	-
Surplus realized on disposal of non-banking assets - net of tax	-	-	-	-	-	-	-	-	(115,263)	115,263	-
Transactions with owners, recorded directly in equity									(250,211)	250,211	-
Final cash dividend at Rs. 15.0 per share - December 31, 2020	-	-	-	-	-	-	-	-	-	(17,775,900)	(17,775,900)
Interim cash dividend at Rs. 4.5 per share - March 31, 2021	-	-	-	-	-	-	-	-	-	(5,332,770)	(5,332,770)
Interim cash dividend at Rs. 5.0 per share - June 30, 2021	-	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)
Interim cash dividend at Rs. 4.5 per share - Sep 30, 2021	-	-	-	-	-	-	-	-	-	(5,332,770)	(5,332,770)
	-	-	-	-	-	-	-	-	-	(34,366,740)	(34,366,740)
Balance as at December 31, 2021	11,850,600	23,751,114	908,317	3,701,067	37,641,526	18,600,000		(4,738,725)	19,010,242	63,683,267	174,407,408

For details of dividend declaration and appropriations, please refer note 46 to these unconsolidated financial statements.

For details of reserves, please refer note 22 to these unconsolidated financial statements.

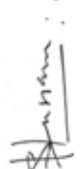
The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.


Shoaib Muntaz
 President/Chief Executive


Hamad Khalid
 Chief Financial Officer


S.M. Muneer
 Director


Mian Umer Mansha
 Director

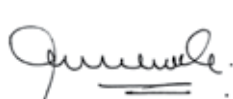

Shahzad Hussain
 Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		51,989,310	48,248,955
Less: Dividend income		(2,251,473)	(1,209,753)
		49,737,837	47,039,202
Adjustments:			
Depreciation on fixed assets	12.2	2,176,394	2,005,061
Depreciation on right of use assets	31	1,201,974	1,216,784
Depreciation on non-banking assets acquired in satisfaction of claims	31	35,544	30,049
Amortization	13	316,984	318,024
Provisions / (reversals) and write offs - net	33	(4,822,728)	7,313,166
Workers welfare fund		1,039,786	964,978
Gain on sale of non-banking assets acquired in satisfaction of claims	30	(571,449)	(3,976)
Charge / (reversal) for defined benefit plan	31.1	289,144	74,827
Gain on sale of fixed assets	30	(106,456)	(72,601)
(Gain) / loss on termination of lease liability against right of use assets	30	(54,854)	15,637
Unrealized loss on revaluation of investments classified as held for trading	29	12	224
Interest expensed on lease liability against right-of-use assets	27	914,209	1,106,824
Gain on sale of shares in a subsidiary	29.1	—	(72,194)
		418,560	12,896,803
		50,156,397	59,936,005
Decrease / (increase) in operating assets			
Lendings to financial institutions		(25,327,657)	(16,049,395)
Held-for-trading securities		1,296,425	8,179,715
Advances		(121,904,642)	26,262,334
Others assets (excluding advance taxation)		(5,202,789)	9,710,281
		(151,138,663)	28,102,935
(Decrease) / increase in operating liabilities			
Bills Payable		608,952	12,158,994
Borrowings from financial institutions		104,261,218	75,447,775
Deposits		122,349,223	144,739,045
Other liabilities (excluding current taxation)		6,229,912	(18,195,415)
		233,449,305	214,150,399
Defined benefits paid		(250,977)	(302,940)
Income tax paid		(21,496,866)	(16,078,289)
Net cash flow from operating activities		110,719,196	285,808,110
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(35,187,427)	(286,438,369)
Net (investment) / divestment in held-to-maturity securities		(6,276,699)	17,363,419
Dividends received		2,281,375	1,179,851
Investments in fixed assets		(2,764,311)	(2,791,537)
Investments in Intangible assets		(356,679)	(298,880)
Proceeds from sale of fixed assets		398,773	186,909
Proceeds from sale of non-banking assets acquired in satisfaction of claims		2,052,928	39,000
Proceeds from divestment in a subsidiary		—	99,694
Effect of translation of net investment in foreign branches		824,584	201,352
Net cash flow used in investing activities		(39,027,456)	(270,458,561)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid	36.1	(34,036,857)	(11,750,637)
Payment of lease liability against right-of-use-assets	36.1	(1,685,366)	(1,682,647)
Net cash flow used in financing activities		(35,722,223)	(13,433,284)
Effects of exchange rate changes on cash and cash equivalents		5,341,973	1,595,436
Increase in cash and cash equivalents		41,311,490	3,511,701
Cash and cash equivalents at beginning of the year		140,471,881	142,302,153
Cash and cash equivalents at end of the year	36	181,783,371	145,813,854

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



Shoaib Mumtaz
President/Chief Executive



Hammad Khalid
Chief Financial Officer



S.M. Muneer
Director



Mian Umer Mansha
Director



Shahzad Hussain
Director

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

1. STATUS AND NATURE OF BUSINESS

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on the Pakistan stock exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,426 branches (2020: 1,418 branches) within Pakistan and 11 branches (2020: 11 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

2. BASIS OF PRESENTATION

2.1 These unconsolidated financial statements represent the separate financial statements of MCB Bank Limited. The consolidated financial statements of the Group are being issued separately.

2.2 These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated January 25, 2018.

2.3 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.

2.4 The unconsolidated financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency of its primary economic environment. The amounts are rounded off to the nearest thousand.

3. STATEMENT OF COMPLIANCE

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

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

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

The State Bank of Pakistan has deferred the applicability of 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 unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 10 Consolidated Financial Statements was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O 56(I) /2016 dated January 28, 2016, that the requirements of consolidation under

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

section 237 of the repealed Companies Ordinance 1984 (Section 228 of Companies Act 2017) and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

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

There are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2021. These are considered either to not be relevant or not to have any significant impact on the Bank's unconsolidated 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, 2022:

	Effective date (annual periods beginning on or after)
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	January 1, 2022
Cost of Fulfilling an Onerous Contract – Amendments to IAS 37	January 1, 2022
Updating a Reference to the Conceptual Framework – Amendments to IFRS 3	January 1, 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
Amended Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
Deferred tax related to assets and liabilities arising from a single transaction – Amendment to IAS 12	January 1, 2023

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

As per the SBP's BPRD Circular Letter no. 24 dated July 5, 2021, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2022. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed as per aforementioned circular, however, SBP's final instructions are awaited.

These unconsolidated financial statements have been prepared in accordance with the existing prudential regime to the extent of the Bank's domestic operations, whereas the requirements of this standard are incorporated for overseas jurisdictions where IFRS 9 has been adopted.

Including the above, there are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or do not to have any significant impact on the Bank's unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

3.4 Critical accounting estimates and judgements

The preparation of unconsolidated 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

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. 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 / interest 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 other than those in subsidiaries and associates which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this requirement, various factors including the delinquency in the account, financial position of the borrowers 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 11.4.4.

c) Impairment of 'available for sale' equity investments

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.

d) Taxation

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

e) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.

f) Depreciation, amortization, impairment and revaluation of operating fixed assets

The management reviews the useful lives and residual values of assets annually by considering expected pattern of economic benefit that the management expects to drive from the item and the maximum period up to which such benefits are expected to be available. Any change in estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding effect on the depreciation charge and impairment. 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.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 38 of these unconsolidated financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

h) Lease term for lease liability and Right-Of-Use-Asset

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 recognized.

i) Provision and contingent assets and liabilities

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events, 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 reporting date and are adjusted to reflect the current best estimates. Contingent assets are not recognized and are also not disclosed until an inflow of economic benefits is probable. Contingent liabilities are not recognized and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except that certain classes of fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits and lease liabilities which have been carried at present value and right of use assets which are initially measured at an amount equal to the corresponding lease liability and depreciated over the respective lease terms.

5. FINANCIAL RISK MANAGEMENT

These risk management policies continue to remain robust and the Bank is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks. Detailed disclosure on financial risk management has been reported in Note 45 to the unconsolidated financial statements.

6. 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:

6.1 IFRS 16 - Lease Liability & Right of Use Assets

The bank enters into leasing arrangements for its branches and offices. Rental contracts are typically for a fixed period and may have extension options. At inception of a contract, the Bank assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of lease payments to be made over the term of the lease, discounted using the Bank's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. The carrying amount is remeasured/adjusted if there are changes in the future cash flows or the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date. On subsequent measurement, right-of-use assets are stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of the lease liability.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

Right-of-use assets are depreciated on a straight line basis over the lease term as this method closely reflects the expected pattern of consumption of future economic benefits. Carrying amount of the lease liability is derecognized upon termination of the lease contract with corresponding adjustment to right-of-use asset. Gain or loss on termination of lease contract is recognized in the profit and loss account.

The Bank has elected not to recognize a right-of-use asset and the corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Payments associated with these leases are recognized as an expense in the profit or loss account on a straight-line basis.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

6.2 Investments

The Bank classifies its investments as follows:

Held for trading

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

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.

Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Initial measurement

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment. Transaction costs on investments held for trading are expensed in the profit and loss account.

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.

Subsequent measurement

In accordance with the requirements of the SBP, quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is taken to surplus / deficit on revaluation of investments through statement of comprehensive income in equity till disposal at which time it is recorded in profit and loss account. Surplus / deficit arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account, currently.

Unquoted equity securities (excluding investments in subsidiaries and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

assets of the investee company as per the latest available financial statements. Investments classified as 'held to maturity' are carried at amortized cost less accumulated impairment losses, if any.

Investments in Subsidiaries and Associates

Associates are all entities over which the Bank has significant influence but not control. Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. Investments in subsidiaries and investments in associates are carried at cost less accumulated impairment losses, if any.

Impairment

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. Impairment of 'available for sale' equity investments is discussed in 3.4(c). Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the SBP.

Impairment against investment in subsidiaries and associates is assessed as per the requirements of IAS 36.

6.3 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in these unconsolidated financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in these unconsolidated financial statements as investments and the amount extended to the counter party is included in lending's to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.4 Advances

Advances 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 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 in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Advances are written off when there is no realistic prospect of recovery.

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

6.5 Fixed assets and depreciation

Fixed assets other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Buildings are carried at revalued amount less any accumulated depreciation and subsequent impairment losses, if any. Land is carried at revalued amount less any subsequent impairment losses, if any. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

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.

Depreciation on all fixed assets (excluding land) is charged using the straight line method in accordance with the rates specified in note 12.2 to these unconsolidated 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 reporting date.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

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.

Land and buildings are revalued by independent, professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. An increase arising on revaluation is credited to the surplus on revaluation of fixed assets account. A decrease arising on revaluation of fixed assets is adjusted against the surplus of that asset or, if no surplus exists, is charged to the profit and loss account as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the profit and loss account up to the extent of the original impairment.

Surplus on revaluation of fixed assets (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

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

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.

6.5.1 Intangible assets

Intangible assets 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 reporting date.

6.6 Impairment

The carrying amount of assets are reviewed at each reporting 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. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.7 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
 - an approved contributory provident fund;
 - an approved gratuity scheme; and
 - a contributory benevolent scheme
- b) For clerical / non-clerical staff who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
 - an approved pension fund; and
 - contributory benevolent scheme

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

- c) For officers who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:
- an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
 - an approved pension fund, and
 - contributory benevolent fund.

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.

- d) For executives and officers who joined the Bank on or after January 01, 2000, the Bank operates an approved contributory provident fund.

- e) Post retirement medical benefits to entitled employees.

Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the Projected Unit Credit Method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in other Comprehensive Income in the period of occurrence.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognizes past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs; and
- (ii) when the Bank recognizes related restructuring costs or termination benefits.

Employees' compensated absences

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss account in the period of occurrence.

6.8 Taxation

Current and prior years

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 recognized 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 reporting date expected to be applicable at the time of its reversal. Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Bank also recognizes 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'.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

6.9 Provisions

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 reporting date and are adjusted to reflect the current best estimates.

6.10 Foreign currencies

6.10.1 Foreign currency transactions

Transactions in foreign currencies other than the results of foreign operations discussed in note 6.10.2 are translated to Pak Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the reporting date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities.

6.10.2 Foreign operations

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

6.10.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Bank's net investment in foreign branches, which are taken to the capital reserve (exchange translation reserve) until the disposal of the net investment, at which time these are recognized in the profit and loss account.

6.10.4 Commitments

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

6.11 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers.

6.12 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the SBP or as permitted by the regulations of the overseas regulatory authorities of countries where the branches operate. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

- Fee, brokerage and commission income is recognised on an accrual basis.
- Dividend income is recognized when the Bank's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account.

6.13 Assets acquired in satisfaction of claims

Non-Banking Assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation and impairment loss. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non banking assets' account through statement of comprehensive income in equity and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to profit and loss account and not capitalized.

6.14 Cash and cash equivalents

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

6.15 Financial instruments

6.15.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

6.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

6.15.3 Off setting

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

6.16 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

6.17 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

6.17.1 Business segments

Retail banking

This includes retail lending and deposits, banking services, cards and branchless banking.

Corporate banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities / with Bank's corporate and public sector customers.

Consumer Banking

This segment primarily constitutes consumer financing activities with individual customers of the Bank. Product suite offered to these customers include credit cards, auto loans, housing finance and personal loans.

Treasury

This includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

International Banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities by Bank's overseas operations.

Others

This includes the head office related activities and other functions which cannot be classified in any of the above segments.

6.17.2 Geographical segments

The Bank operates in three geographic regions being:

- Pakistan
- South Asia
- Middle East

6.18 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

6.19 Business combination

Business combinations other than under common control transaction are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognized directly in the profit and loss account or as directed by the SBP.

6.20 Earnings Per Share

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

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		22,275,982	22,094,317
Foreign currencies		6,201,240	6,183,785
		28,477,222	28,278,102
With State Bank of Pakistan in			
Local currency current accounts	7.1	82,766,108	47,257,342
Foreign currency current accounts	7.2	2,315,211	1,966,635
Foreign currency deposit accounts	7.3	10,550,168	10,215,984
		95,631,487	59,439,961
With other central banks in			
Foreign currency current accounts	7.4	6,728,135	11,851,311
With National Bank of Pakistan in			
Local currency current accounts		33,521,087	21,673,576
Prize bonds		255,248	937,889
		164,613,179	122,180,839

7.1 This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962. In addition, Rs. 979.736 million have been placed in a special account under SBP directive.

7.2 This represents foreign currencies settlement account maintained with SBP.

7.3 This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. This includes balance of Rs. 7,033.445 million (2020: Rs. 6,810.656 million) which carries interest rate of 0% (2020: 0%) per annum as declared by SBP.

7.4 Foreign currency current account with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
8. BALANCES WITH OTHER BANKS			
Outside Pakistan			
In current account		8,494,144	21,798,363
In deposit account	8.1	10,336,166	2,231,965
		18,830,310	24,030,328
		18,830,310	24,030,328

8.1 Balances with other banks outside Pakistan in deposit accounts carry interest rate of 0.40% to 6.00% (2020: 1.5%) per annum.

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	9.1	27,571,021	11,002,195
Repurchase agreement lendings (Reverse Repo)	9.2	14,896,089	6,137,258
		42,467,110	17,139,453

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

9.1 Call money lending carries mark-up rate ranging from 0.15% to 10.45% (2020: 0.1% to 4.55%) per annum and is due to mature in February 2022.

9.2 Repurchase agreement lendings carry mark-up rate ranging from 10.50% to 10.70% (2020: 6.40% to 7.10%) per annum and is due to mature in January 2022.

		2021		2020	
		(Rupees in '000)			
9.3	Particulars of lending				
	In local currency	18,396,089		6,137,258	
	In foreign currencies	24,071,021		11,002,195	
		42,467,110		17,139,453	

		2021			2020		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
		(Rupees in '000)					
9.4	Securities held as collateral against lendings to financial institutions						
	Market Treasury Bills	14,896,089	–	14,896,089	6,137,258	–	6,137,258

10. INVESTMENTS

10.1 Investments by type:

		2021				2020			
		Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
		(Rupees in '000)							
Held-for-trading securities									
	Federal Government Securities	12,467	–	(12)	12,455	1,309,116	–	(224)	1,308,892
		12,467	–	(12)	12,455	1,309,116	–	(224)	1,308,892
Available-for-sale securities									
	Federal Government Securities	977,660,377	(22,288)	(9,111,067)	968,527,022	946,641,148	(4,719)	9,537,433	956,173,862
	Shares and units	31,011,555	(10,096,489)	1,342,189	22,257,255	26,582,088	(10,116,283)	3,119,160	19,584,965
	Non Government Debt Securities	1,443,840	–	5,900	1,449,740	1,797,840	–	2,252	1,800,092
	Foreign Securities	7,557,240	(1,748)	(5,424)	7,550,068	7,463,939	(1,714)	17,509	7,479,734
		1,017,673,012	(10,120,525)	(7,768,402)	999,784,085	982,485,015	(10,122,716)	12,676,354	985,038,653
Held-to-maturity securities									
	Federal Government Securities	14,360,970	(52,637)	–	14,308,333	4,612,390	(11,542)	–	4,600,848
	Provincial Government Securities	118	(118)	–	–	118	(118)	–	–
	Non Government Debt Securities	8,155,476	(477,541)	–	7,677,935	9,270,317	(490,341)	–	8,779,976
	Foreign Securities	792,607	(8,632)	–	783,975	3,149,647	(27,281)	–	3,122,366
		23,309,171	(538,928)	–	22,770,243	17,032,472	(529,282)	–	16,503,190
Associates	10.11	700,401	–	–	700,401	700,401	–	–	700,401
Subsidiaries	10.11	12,319,037	(725)	–	12,318,312	12,319,037	(725)	–	12,318,312
Total Investments		1,054,014,088	(10,660,178)	(7,768,414)	1,035,585,496	1,013,846,041	(10,652,723)	12,676,130	1,015,869,448

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

Note	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
(Rupees in '000)								
10.2 Investments by segments:								
Federal Government Securities:								
Market Treasury Bills	325,536,276	–	(478,211)	325,058,065	598,470,191	–	256,237	598,726,428
Pakistan Investment Bonds	660,197,527	–	(8,648,559)	651,548,968	349,738,865	–	9,180,611	358,919,476
Sukuks bonds	434,622	(1,410)	16,014	449,226	1,791,122	(2,872)	35,195	1,823,445
Naya Pakistan Certificates	925,513	–	–	925,513	465,779	–	–	465,779
Euro Bonds	4,939,876	(73,515)	(323)	4,866,038	2,096,697	(13,389)	65,166	2,148,474
	992,033,814	(74,925)	(9,111,079)	982,847,810	952,562,654	(16,261)	9,537,209	962,083,602
Provincial Government Securities	118	(118)	–	–	118	(118)	–	–
Shares and units:								
Listed Companies	29,382,484	(9,923,898)	1,342,189	20,800,775	24,999,638	(9,946,958)	3,119,160	18,171,840
Unlisted Companies	1,629,071	(172,591)	–	1,456,480	1,582,450	(169,325)	–	1,413,125
	31,011,555	(10,096,489)	1,342,189	22,257,255	26,582,088	(10,116,283)	3,119,160	19,584,965
Non Government Debt Securities								
Listed	4,234,441	(3,469)	5,900	4,236,872	5,064,730	(16,269)	7,918	5,056,379
Unlisted	5,364,875	(474,072)	–	4,890,803	6,003,427	(474,072)	(5,666)	5,523,689
	9,599,316	(477,541)	5,900	9,127,675	11,068,157	(490,341)	2,252	10,580,068
Foreign Securities								
Government securities	8,342,536	(8,632)	(5,424)	8,328,480	10,606,326	(27,281)	17,509	10,596,554
Unlisted equity securities	7,311	(1,748)	–	5,563	7,260	(1,714)	–	5,546
	8,349,847	(10,380)	(5,424)	8,334,043	10,613,586	(28,995)	17,509	10,602,100
Associates								
– Adamjee Insurance Company Limited	647,880	–	–	647,880	647,880	–	–	647,880
– Euronet Pakistan (Private) Limited	52,521	–	–	52,521	52,521	–	–	52,521
	700,401	–	–	700,401	700,401	–	–	700,401
Subsidiaries								
MCB Islamic Bank Limited	11,550,000	–	–	11,550,000	11,550,000	–	–	11,550,000
MCB Arif Habib Savings and Investments Limited	320,123	–	–	320,123	320,123	–	–	320,123
Financial Management Services (Pvt) Limited	725	(725)	–	–	725	(725)	–	–
MCB Non-Bank Credit Organization Closed Joint Stock Company	448,189	–	–	448,189	448,189	–	–	448,189
	12,319,037	(725)	–	12,318,312	12,319,037	(725)	–	12,318,312
Total Investments	1,054,014,088	(10,660,178)	(7,768,414)	1,035,585,496	1,013,846,041	(10,652,723)	12,676,130	1,015,869,448

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
10.2.1 Investments given as collateral			
- Market Treasury Bills		107,136,184	91,279,273
- Pakistan Investment Bonds		53,303,403	1,000,283
		160,439,587	92,279,556
10.3 Provision for diminution in value of investments			
10.3.1 Opening balance		10,652,723	10,689,171
Exchange and other adjustments		570	13,474
Charge / (reversals)			
Charge for the year		935,164	1,956,360
Reversals for the year		(18,390)	(1,529)
Reversal on disposals		(909,889)	(2,004,753)
		6,885	(49,922)
Closing balance	10.3.3	10,660,178	10,652,723

10.3.2 Particulars of provision against debt securities Category of classification

	2021		2020	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
Domestic				
Loss	477,659	477,659	490,459	490,459
	477,659	477,659	490,459	490,459

10.3.3 This includes a general provision of Rs 83.557 million (December 31, 2020: Rs 43.542 million) held by overseas branches in accordance with the requirements of IFRS 9.

10.4 Quality of Available for Sale Securities

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

	2021	2020
	Cost	
	(Rupees in '000)	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	325,523,809	597,161,075
Pakistan Investment Bonds	647,475,027	346,405,146
Euro Bonds	3,301,407	1,341,708
Sukuk Bonds	434,622	1,267,440
Naya Pakistan Certificates	925,512	465,779
	977,660,377	946,641,148

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	Cost	
	(Rupees in '000)	
Listed Companies and mutual funds		
Automobile Assembler	1,551,062	1,418,843
Automobile Part and Accessories	413,930	413,930
Cable and Electrical Goods	536,448	536,448
Cement	2,333,482	2,050,172
Chemical	634,587	285,638
Close end Mutual Fund	1,186,851	1,186,851
Commercial Banks	3,897,895	3,002,215
Engineering	1,550,301	1,574,425
Fertilizer	2,800,992	2,754,405
Food and Personal Care Products	1,122,096	1,229,398
Glass and Ceramics	89,048	—
Insurance	753,786	599,364
Investment Banks / Companies	585,624	585,624
NIT Units	5,253	5,253
Oil and Gas Exploration Companies	3,968,160	2,873,812
Oil and Gas Marketing Companies	683,965	452,460
Open End Mutual Fund	96,361	190,083
Paper and Board	543,706	340,473
Pharmaceutical	1,048,524	941,959
Power Generation and Distribution	3,454,440	2,516,198
Refinery	684,113	887,318
Technology and Communication	1,296,309	707,827
Textile composite	129,382	430,773
Textile spinning	16,169	16,169
	29,382,484	24,999,638

	2021		2020	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Unlisted Companies				
Central Depository Company Limited	184,426	819,324	184,426	756,153
First Capital Investment Private Limited	2,500	2,831	2,500	2,667
First Women Bank Limited	63,300	215,838	63,300	215,838
ISE Towers REIT Management Company Limited	30,346	101,804	30,346	93,780
National Investment Trust Limited	1,027,651	2,006,567	1,027,651	1,661,565
National Institutional Facilitation Technologies	1,527	35,899	1,527	51,998
Pak Agro Storage And Service Corporation	2,500	1,567,552	2,500	1,239,050
1 Link Private Limited	50,000	267,895	50,000	202,032
Naymat Collateral Management Company	29,286	21,021	29,285	25,876
Pakistan Corporate Restructuring Company	51,396	48,210	–	–
Arabian Sea Country Club*	5,000	–	5,000	–
SME Bank Limited*	10,106	–	10,106	–
Al–Ameen Textile Mills Limited*	197	–	197	–
Custodian Management Services*	1,000	–	1,000	–
Galaxy Textile Mills Limited*	30,177	–	30,178	–
Pakistan Textile City Private Limited*	50,000	–	50,000	–
Ayaz Textile Mills Limited*	2,253	–	2,253	–
Musarrat Textile Mills Limited*	36,045	–	36,045	–
Sadiqabad Textile Mills Limited*	26,361	–	26,361	–
Al–Arabia Sugar Mills Limited – Preference shares*	–	–	4,775	–
Pak Elektron Limited – Preference shares	25,000	25,000	25,000	25,000
	1,629,071	5,111,941	1,582,450	4,273,959

*These investments are fully provided.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	Cost	
	(Rupees in '000)	
Non Government Debt Securities		
Listed		
- AA+, AA, AA-	1,193,840	1,547,840
Unlisted		
- AA+, AA, AA-	250,000	250,000

	2021		2020	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
Foreign Securities				
Government debt Securities				
- Sri Lanka	7,549,929	Caa2	7,456,679	Caa1

	2021	2020
	Cost	
	(Rupees in '000)	
Unlisted Equity Securities		
Lanka Clear (Private) Limited	874	857
Credit Information Bureau of Sri Lanka	26	26
Lanka Financial Services Bureau Limited	1,748	1,714
Society for Worldwide Inter Fund Transfer (SWIFT)	4,663	4,663
	7,311	7,260
10.5 Particulars relating to Held to Maturity securities are as follows:		
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	12,722,500	3,333,719
Sukuk bonds	-	523,680
Euro Bonds	1,638,470	754,991
	14,360,970	4,612,390
Provincial Government Securities	118	118

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	Cost	
	(Rupees in '000)	
Non Government Debt Securities		
Listed		
- AAA	–	1,796,250
- AA+, AA, AA-	2,387,280	1,644,520
- Unrated	49,851	66,120
	2,437,131	3,506,890
Unlisted		
- AA+, AA, AA-	4,800,967	4,849,483
- A+, A, A-	439,838	439,874
- Unrated	477,540	474,070
	5,718,345	5,763,427

	2021		2020	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
Foreign Securities				
Government Securities				
- Sri Lanka	792,607	Caa2	3,149,647	Caa1

10.5.1 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Rs. 22,217.535 million (December 31, 2020: Rs. 17,002.908 million).

10.6 "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan.

10.7 Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (2020: Rs. 67.9 million) earmarked by the SBP against TT discounting facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2020: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account and Pakistan Investment Bonds amounting to Rs. 100 million (2020: Rs. 100 million) have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) on account of removal of irrevocable undertaking as alternate option for collateral against participant's exposure in stock market.

10.8 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 647.880 million (2020: Rs. 647.880 million) as at December 31, 2021. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2021 amounted to Rs. 2,800 million (2020: Rs. 2,752.400 million).

10.9 This investment is fully provided for. The company is dormant and has no asset and liability at the reporting dates.

10.10 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

10.11 Summarized financial information of associates and subsidiaries

Name	Country of incorporation	% of interest held	Revenue	Profit/(loss) after tax	Total comprehensive income / (loss)	Assets	Liabilities
(Rupees in '000)							
2021							
Associates							
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2021)	Pakistan	30%	720,665	13,916	13,916	773,972	632,732
Adamjee Insurance Company Limited (unaudited based on September 30, 2021)	Pakistan	20%	23,530,811	2,408,605	1,217,969	116,278,938	93,385,707
Subsidiaries							
MCB Islamic Bank Limited (audited based on December 31, 2021)	Pakistan	100.00%	9,202,716	100,432	(123,217)	161,267,393	150,662,838
MCB Arif Habib Savings and Investments Limited (audited based on June 30, 2021)	Pakistan	51.33%	993,695	376,434	376,434	2,375,511	772,381
MCB Non-Bank Credit Organization Closed Joint Stock Company (audited based on December 31, 2021)	Azerbaijan	99.94%	176,720	63,319	63,319	1,404,613	866,837
2020							
Associates							
Euronet Pakistan (Private) Limited (audited based on December 31, 2020)	Pakistan	30%	718,076	(84,235)	(79,622)	783,908	656,585
Adamjee Insurance Company Limited (unaudited based on September 30, 2020)	Pakistan	20%	20,596,203	1,319,951	439,880	95,997,472	74,918,209
Subsidiaries							
MCB Islamic Bank Limited (audited based on December 31, 2020)	Pakistan	100.00%	9,676,435	208,316	260,971	141,170,886	130,443,114
MCB Arif Habib Savings and Investments Limited (audited based on June 30, 2020)	Pakistan	51.33%	835,520	257,669	257,669	2,265,572	714,877
MCB Non-Bank Credit Organization Closed Joint Stock Company (audited based on December 31, 2020)	Azerbaijan	99.94%	163,849	46,863	46,863	825,024	400,034

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

11. ADVANCES

Note	Performing		Non Performing		Total	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Loans, cash credits, running finances, etc.	565,230,252	444,168,998	49,404,885	50,524,753	614,635,137	494,693,751
Bills discounted and purchased	19,852,814	18,192,157	1,085,920	664,294	20,938,734	18,856,451
Advances - gross	585,083,066	462,361,155	50,490,805	51,189,047	635,573,871	513,550,202
Provision against advances						
- Specific	-	-	(44,156,471)	(45,142,956)	(44,156,471)	(45,142,956)
- General	(1,706,309)	(5,465,459)	-	-	(1,706,309)	(5,465,459)
	(1,706,309)	(5,465,459)	(44,156,471)	(45,142,956)	(45,862,780)	(50,608,415)
Advances - net of provision	583,376,757	456,895,696	6,334,334	6,046,091	589,711,091	462,941,787

11.1 Includes net investment in finance lease as disclosed below:

	2021				2020			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
(Rupees in '000)								
Lease rentals receivable	1,494,858	1,495,106	853,040	3,843,004	1,521,860	1,436,815	1,133,794	4,092,469
Residual value	12,535	340,969	28,726	382,230	20,428	103,490	23,039	146,957
Minimum lease payments	1,507,393	1,836,075	881,766	4,225,234	1,542,288	1,540,305	1,156,833	4,239,426
Financial charges for future periods	(5,382)	(291,213)	(397,000)	(693,595)	(3,770)	(255,311)	(418,859)	(677,940)
Present value of minimum lease payments	1,502,011	1,544,862	484,766	3,531,639	1,538,518	1,284,994	737,974	3,561,486

2021
(Rupees in '000)

11.2 Particulars of advances (Gross)

In local currency	587,623,982	469,211,685
In foreign currencies	47,949,889	44,338,517
	635,573,871	513,550,202

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

- 11.3** Advances include Rs. 50,490.805 million (2020: Rs. 51,189.047 million) which have been placed under the non-performing status as detailed below:

		2021	2020		
	Note	Non performing loans	Provision	Non performing loans	Provision
(Rupees in '000)					
Category of Classification					
Domestic					
Other Assets Especially					
Mentioned	11.3.1	49,319	1,340	43,508	1,983
Substandard		264,462	65,075	211,900	52,156
Doubtful		118,054	59,027	264,759	132,380
Loss		40,666,099	40,203,253	42,224,438	41,485,949
		41,097,934	40,328,695	42,744,605	41,672,468
Overseas					
Not past due but impaired		–	–	–	–
Overdue by:					
Upto 90 days		38,999	14,993	5,321	4,913
91 to 180 days		12,212	5,750	2,020	505
181 to 365 days		109,551	54,776	19,961	9,981
>365 days		9,232,109	3,752,257	8,417,140	3,455,089
		9,392,871	3,827,776	8,444,442	3,470,488
Total		50,490,805	44,156,471	51,189,047	45,142,956

- 11.3.1** This represents non-performing portfolio of agricultural and small enterprise financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural and Small Enterprise Financing issued by the State Bank of Pakistan.

11.4 Particulars of provision against advances

Note	2021			2020		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	45,142,956	5,465,459	50,608,415	41,934,421	1,423,921	43,358,342
Exchange adjustments	319,945	18,623	338,568	50,555	7,065	57,620
Charge for the year	2,340,739	179,944	2,520,683	5,703,057	4,097,524	9,800,581
Reversals	(3,250,860)	(3,957,717)	(7,208,577)	(2,215,829)	(63,051)	(2,278,880)
	(910,121)	(3,777,773)	(4,687,894)	3,487,228	4,034,473	7,521,701
Amounts written off	(396,309)	–	(396,309)	(329,248)	–	(329,248)
Closing balance	44,156,471	1,706,309	45,862,780	45,142,956	5,465,459	50,608,415

11.4.1 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	39,981,173	1,327,163	41,308,336	41,672,468	5,148,833	46,821,301
In foreign currencies	4,175,298	379,146	4,554,444	3,470,488	316,626	3,787,114
	44,156,471	1,706,309	45,862,780	45,142,956	5,465,459	50,608,415

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

11.4.2 State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No. 1 of 2011 dated October 21, 2011 has allowed benefit of Forced Sale Value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against Non Performing Loans (NPLs) for five years from the date of classification. However, management has not taken the FSV benefit in calculation of specific provision.

11.4.3 This includes reversal of provisions and reduction of non-performing loans amounting to Rs. Nil (2020: Rs. 84 Million) as a result of settlement on debt asset swap arrangement with customers.

11.4.4 General provision of Rs. 4.0 billion was created last year on account of uncertainty emanating from COVID-19 outbreak, as many of Bank's borrowers had availed the SBP relief program relating to deferment/restructuring & rescheduling. During the current year, as part of the continuous credit assessment process, the Bank has created specific provision against exposures that reflected signs of financial distress. However, the Bank has reversed the general provision as the systematic risks surrounding the economic recovery have receded.

The Bank maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries in which the overseas branches operate. In addition, the Bank also maintains a general provision against gross advances on a prudent basis.

	Note	2021 (Rupees in '000)	2020
11.5 PARTICULARS OF WRITE OFFS:			
11.5.1 Against Provisions	11.4	396,309	329,248
		396,309	329,248
11.5.2 Write Offs of Rs. 500,000 and above			
- Domestic	11.6	384,417	299,535
- Overseas	11.6	10,108	-
Write Offs of below Rs. 500,000		1,784	29,713
	11.4	396,309	329,248

11.6 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2021 is given at Annexure I of the unconsolidated financial statements. However, this write off does not affect the Bank's right to recover the debts from these customers.

	Note	2021 (Rupees in '000)	2020
12. FIXED ASSETS			
Capital work-in-progress	12.1	857,736	802,966
Property and equipment	12.2	50,723,894	50,467,607
Right-of-use assets	12.3	5,746,241	6,757,331
		57,327,871	58,027,904
12.1 Capital work-in-progress			
Civil works		431,382	418,187
Equipment		1,922	98,383
Advances to suppliers		417,309	283,029
Others		7,123	3,367
		857,736	802,966

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12.2 Property and Equipment

	2021								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Leasehold improvements	Total
	(Rupees in '000)								
At January 1, 2021									
Cost / Revalued amount	26,313,272	2,900,078	14,770,261	806,387	2,052,270	15,340,049	1,012,162	1,217,035	64,411,514
Accumulated depreciation	-	-	(485,921)	(28,590)	(1,231,404)	(11,167,356)	(621,368)	(409,268)	(13,943,907)
Net book value	26,313,272	2,900,078	14,284,340	777,797	820,866	4,172,693	390,794	807,767	50,467,607
Year ended December 31, 2021									
Opening net book value	26,313,272	2,900,078	14,284,340	777,797	820,866	4,172,693	390,794	807,767	50,467,607
Additions	183,549	2,310	681,408	26,474	159,332	1,243,228	170,782	242,458	2,709,541
Disposals	(148,859)	-	(115,378)	-	(4,571)	(10,777)	(12,732)	-	(292,317)
Depreciation charge	-	-	(523,558)	(36,178)	(149,236)	(1,216,516)	(100,718)	(150,188)	(2,176,394)
Exchange rate adjustments	-	-	1,737	2,173	2,337	3,317	1,580	4,313	15,457
Transfers	-	-	-	-	-	-	-	-	-
Closing net book value	26,347,962	2,902,388	14,328,549	770,266	828,728	4,191,945	449,706	904,350	50,723,894
At December 31, 2021									
Cost / Revalued amount	26,347,962	2,902,388	15,331,276	835,142	2,148,120	16,173,830	1,123,000	1,470,318	66,332,036
Accumulated depreciation	-	-	(1,002,727)	(64,876)	(1,319,392)	(11,981,885)	(673,294)	(565,968)	(15,608,142)
Net book value	26,347,962	2,902,388	14,328,549	770,266	828,728	4,191,945	449,706	904,350	50,723,894
Rate of depreciation / estimated useful life	-	-	2.50%-5.0%	2.50%-5.0%	10%	10%-25%	20%	Lease term	
	2020								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Leasehold improvements	Total
	(Rupees in '000)								
At January 1, 2020									
Cost / Revalued amount	26,123,665	2,893,079	13,898,388	637,102	1,860,523	14,508,613	1,070,928	854,594	61,846,892
Accumulated depreciation	-	-	-	-	(1,107,450)	(10,205,701)	(603,975)	(308,832)	(12,225,958)
Net book value	26,123,665	2,893,079	13,898,388	637,102	753,073	4,302,912	466,953	545,762	49,620,934
Year ended December 31, 2020									
Opening net book value	26,123,665	2,893,079	13,898,388	637,102	753,073	4,302,912	466,953	545,762	49,620,934
Additions	189,607	6,999	975,707	168,601	209,610	985,975	56,916	370,722	2,964,137
Disposal	-	-	(85,546)	-	(488)	(4,336)	(23,938)	-	(114,308)
Depreciation charge	-	-	(487,380)	(28,597)	(141,646)	(1,112,379)	(109,472)	(125,587)	(2,005,061)
Exchange rate adjustments	-	-	413	691	256	582	335	(372)	1,905
Transfers	-	-	(17,242)	-	61	(61)	-	17,242	-
Closing net book value	26,313,272	2,900,078	14,284,340	777,797	820,866	4,172,693	390,794	807,767	50,467,607
At December 31, 2020									
Cost / Revalued amount	26,313,272	2,900,078	14,770,261	806,387	2,052,270	15,340,049	1,012,162	1,217,035	64,411,514
Accumulated depreciation	-	-	(485,921)	(28,590)	(1,231,404)	(11,167,356)	(621,368)	(409,268)	(13,943,907)
Net book value	26,313,272	2,900,078	14,284,340	777,797	820,866	4,172,693	390,794	807,767	50,467,607
Rate of depreciation / estimated useful life	-	-	2.50%-5.0%	2.50%-5.0%	10%	10%-25%	20%	Lease term	

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

12.2.1 Leasehold land include a plot of land measuring 3,120.46 square yards having book value of Rs. 1,426.809 million situated at Railway Quarters, I.I. Chundrigar Road, Karachi, (the "Plot"), where a tenant is claiming for the possession of an insignificant area of only 18 square feet of the plot, however there is no dispute over the title of the subject property that would impact the right of the Bank. Both the Constitutional Petitions filed by the Bank have been dismissed by the Sindh High Court on 28 January 2016 against the Bank. The Bank has filed an appeal before the Supreme Court of Pakistan.

12.2.2 The land and buildings of the Bank were revalued as at December 31, 2019 by independent valuers (K.G. Traders (Pvt) Limited, Tristar International Consultant (Pvt) Limited & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. The total surplus against revaluation of fixed assets as at December 31, 2021 amounts to Rs. 19,947.432 million (2020: Rs. 20,211.952 million).

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

	2021 (Rupees in '000)	2020
Land	12,806,111	12,676,870
Buildings	11,595,622	11,386,665

12.2.4 The gross carrying amount (cost) of fully depreciated assets that are still in use are as follows:

	2021 (Rupees in '000)	2020
Furniture and fixtures	642,688	604,447
Electrical, computers and office equipment	7,952,157	7,251,702
Vehicles	442,647	474,229

12.2.5 Carrying amount of temporarily idle property of the Bank is Rs. 44.479 million (2020: Rs. 436.136 million)

12.2.6 The information relating to disposal of operating fixed assets to related parties is given in Annexure II of these unconsolidated financial statements.

	Note	2021 (Rupees in '000)	2020
12.3	Movement in right-of-use assets is as follows:		
Opening balance		6,757,331	7,674,745
Additions / adjustments		405,848	734,068
Derecognition		(214,964)	(434,698)
Depreciation charge	31	(1,201,974)	(1,216,784)
Closing Net Book Value		5,746,241	6,757,331
13.	INTANGIBLE ASSETS		
Capital work-in-progress		429,453	394,643
Computer software	13.1	549,332	543,815
		978,785	938,458

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Rupees in '000)	
	Computer software	
13.1 At January 01		
Cost	4,185,598	3,963,740
Accumulated amortisation and impairment	(3,641,783)	(3,322,930)
Net Book Value	543,815	640,810
Year ended December 31		
Opening net book value	543,815	640,810
Additions	321,869	220,979
Amortisation charge	(316,984)	(318,024)
Exchange rate adjustments	632	50
Closing Net Book Value	549,332	543,815
At December 31		
Cost	4,513,840	4,185,598
Accumulated amortisation and impairment	(3,964,508)	(3,641,783)
Net Book Value	549,332	543,815
Rate of amortisation (percentage)	14% to 33.33%	14% to 33.33%
Useful life	3 - 7 years	3 - 7 years

- 13.2** The gross carrying amount (cost) of fully amortised intangible assets that are still in use is Rs. 3,257.802 million (2020: Rs. 3,085.368 million).

	Note	2021	2020
		(Rupees in '000)	
14. OTHER ASSETS			
Income/ mark-up accrued in local currency		21,654,370	17,085,615
Income/ mark-up accrued in foreign currencies		304,911	305,759
Advances, deposits, advance rent and other prepayments		1,897,020	2,249,497
Compensation for delayed income tax refunds		133,809	133,809
Non-banking assets acquired in satisfaction of claims	14.1	2,170,938	3,277,778
Branch adjustment account		–	276,102
Mark to market gain on forward foreign exchange contracts		4,319,018	4,854,527
Unrealized gain on derivative financial instruments	25	304,893	517,033
Acceptances	20	20,941,457	20,030,754
Receivable from the pension fund	38.4	3,218,426	3,370,179
Clearing and settlement accounts		4,794,316	2,698,271
Claims receivable against fraud and forgeries		1,117,067	1,087,306
Others		2,104,292	2,176,078
		62,960,517	58,062,708
Less: Provision held against other assets	14.2	2,709,281	2,582,686
Other Assets (net of provision)		60,251,236	55,480,022
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		703,370	854,231
Other Assets - total		60,954,606	56,334,253
14.1 Market value of Non-banking assets acquired in satisfaction of claims		2,785,535	4,036,914

Non-banking assets acquired in satisfaction of claims of the Bank are revalued as at December 31, 2021 by independent valuers (Material Design Services and J&M Associates) on the basis of market value.

Notes To The Unconsolidated Financial Statements

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	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
14.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		4,036,914	3,838,230
Additions		–	84,000
Revaluation		259,321	183,915
Disposals		(1,481,479)	(35,024)
Depreciation	31	(35,544)	(30,049)
(Charge) / reversal of impairment		6,323	(4,158)
Closing balance		2,785,535	4,036,914
14.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims			
Disposal proceeds		2,052,928	39,000
Less			
- Revalued amounts		1,493,844	35,820
- Accumulated depreciation		(12,365)	(796)
		1,481,479	35,024
Gain	30	571,449	3,976
	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
14.2 Provision held against other assets			
Non banking assets acquired in satisfaction of claims		88,773	95,095
Claims receivable against fraud and forgeries		486,976	478,773
Others		2,133,532	2,008,818
		2,709,281	2,582,686
14.2.1 Movement in provision held against other assets			
Opening balance		2,582,686	2,604,137
Charge for the year		56,128	54,269
Reversals		(25,036)	(77,917)
	33	31,092	(23,648)
Amount written off		(991)	(16,591)
Exchange and other adjustments		96,494	18,788
Closing balance		2,709,281	2,582,686

15. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2021 (2020: Nil).

Notes To The Unconsolidated Financial Statements

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	Note	2021 (Rupees in '000)	2020
16. BILLS PAYABLE			
In Pakistan		24,541,023	23,912,803
Outside Pakistan		48,621	67,889
		24,589,644	23,980,692
17. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	17.1	44,958,974	34,998,802
Under Long Term Financing Facility	17.2	22,532,703	22,150,335
Under Renewable Energy Performance Platform	17.3	1,443,069	74,760
Under Refinance Scheme for Payment of Wages & Salaries	17.4	5,683,739	10,074,011
Under Temporary Economic Refinance Facility	17.5	24,881,195	1,694,659
Under Refinance Facility for combating COVID-19	17.6	18,357	–
Under Financing Facility for Storage of Agricultural Produce	17.7	147,260	191,254
		99,665,297	69,183,821
Bai Muajjal	17.8	44,809,236	–
Repurchase agreement borrowings	17.9	116,920,102	92,225,530
Total secured		261,394,635	161,409,351
Unsecured			
Borrowings from other financial institution	17.10	41,365	1,712,914
Call borrowings	17.11	6,267,152	319,669
Overdrawn nostro accounts		1,660,118	397,313
Others		162,286	162,286
Total unsecured		8,130,921	2,592,182
	17.12	269,525,556	164,001,533

17.1 The Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within six months from the deal date. These carry mark up rates ranging from 1.0% to 2.0% per annum (2020: 1.0% to 2.0% per annum)

17.2 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.0% to 3.50% per annum (2020: 2.0% to 3.50% per annum)

17.3 These borrowings have been obtained from the SBP for providing financing facilities to customers against renewable energy projects. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within a maximum period of twelve years with two years of maximum grace period from date of disbursement. These carry mark up rate of 2% per annum (2020: 2.0% per annum)

17.4 These borrowings have been obtained from the SBP for providing financing facilities to help businesses in payment of wages and salaries to their workers and employees for supporting continued employment. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowing are repayable in 8 equal quarterly installments beginning from January 2021. These carry mark up rates ranging from 0% to 2% per annum (2020: 0% to 2.0% per annum)

Notes To The Unconsolidated Financial Statements

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- 17.5** These borrowings have been obtained from the SBP for providing concessionary refinancing facility to the industry for purchase of new imported and locally manufactured plant & machinery to set up new projects. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within a period of ten years including a grace period of upto 2 years. These carry mark up rate of 1% per annum (2020: 1.0% per annum).
- 17.6** These borrowings have been obtained from the SBP under a scheme to provide combat the emergency refinance facility to hospitals & medical centre to develop capacity for the treatment of COVID-19 patients. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These carry mark-up at 0% per annum and are due to mature latest by August 2025.
- 17.7** These borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.50% to 3.50% per annum (2020: 2.50% to 3.50% per annum).
- 17.8** These carry profit rates ranging from 7.30% to 7.35% per annum and are due to mature latest by June 2022. These are secured against government securities of carrying value of Rs. 43,930.974 million.
- 17.9** These carry mark-up rates ranging from 5.10% to 10.70% per annum (2020: 6.15% to 7.25% per annum) and are secured against government securities of carrying value of Rs. 116,508.613 million (2020: Rs. 92,279.556 million). These are repayable latest by March 2022.
- 17.10** These carry mark-up rates of 1% per annum (2020: 1.90% to 4.00% per annum). These are repayable latest by February 2023.
- 17.11** These carry mark-up at the rate of 6.00% to 10.70% per annum (2020: 1.15% per annum). These are repayable by January 2022.

	2021 (Rupees in '000)	2020
17.12 Particulars of borrowings with respect to currencies		
In local currency	266,453,798	161,494,499
In foreign currencies	3,071,758	2,507,034
	<u>269,525,556</u>	<u>164,001,533</u>

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

18. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	454,999,719	68,396,660	523,396,379	397,258,854	53,823,514	451,082,368
Savings deposits	692,860,151	44,991,159	737,851,310	649,410,009	45,805,328	695,215,337
Term deposits	80,826,341	12,107,066	92,933,407	71,492,234	14,103,734	85,595,968
Others	25,795,729	3,062,911	28,858,640	23,319,545	3,218,232	26,537,777
	1,254,481,940	128,557,796	1,383,039,736	1,141,480,642	116,950,808	1,258,431,450
Financial Institutions						
Current deposits	9,064,099	1,472,720	10,536,819	10,885,621	659,092	11,544,713
Savings deposits	10,894,817	117,898	11,012,715	14,068,212	115,935	14,184,147
Term deposits	539,968	6,319,339	6,859,307	1,030,968	4,090,613	5,121,581
Others	–	402,950	402,950	–	220,413	220,413
	20,498,884	8,312,907	28,811,791	25,984,801	5,086,053	31,070,854
	1,274,980,824	136,870,703	1,411,851,527	1,167,465,443	122,036,861	1,289,502,304

	2021	2020
	(Rupees in '000)	(Rupees in '000)
18.1 Composition of deposits		
- Individuals	912,825,109	829,982,651
- Government (Federal and Provincial)	74,581,258	55,860,439
- Public Sector Entities	87,893,826	82,241,309
- Banking Companies	4,958,226	4,909,064
- Non-Banking Financial Institutions	23,853,565	26,161,790
- Private Sector	307,739,543	290,347,051
	1,411,851,527	1,289,502,304

- 18.2** Deposits and other accounts include deposits eligible to be covered under the Deposits Protection insurance arrangements amounting to Rs 982,896.128 million (2020: Rs 895,879.416 million).

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

19. DEFERRED TAX LIABILITIES

		2021			
	Note	At January 01, 2021	Recognised in P&L A/C	Recognised in OCI	At December 31, 2021
(Rupees in '000)					
Taxable Temporary differences on					
- Surplus on revaluation of fixed assets	23.1	1,286,416	(67,190)	147,019	1,366,245
- Surplus on revaluation of Non-banking assets	23.2	298,982	(159,971)	135,304	274,315
- Accelerated tax depreciation		1,850,789	273,663	–	2,124,452
- Receivable from pension fund		1,179,562	386,088	(310,465)	1,255,185
- Business combination		705,218	–	–	705,218
		5,320,967	432,590	(28,142)	5,725,415
Deductible Temporary differences on					
- Provision against advances		(2,782,530)	816,216	–	(1,966,314)
- Deficit on revaluation of investments	23	4,436,721	–	(7,466,398)	(3,029,677)
		1,654,191	816,216	(7,466,398)	(4,995,991)
		6,975,158	1,248,806	(7,494,540)	729,424
		2020			
	Note	At January 01, 2020	Recognised in P&L A/C	Recognised in OCI	At December 31, 2020
(Rupees in '000)					
Taxable Temporary Differences on					
- Surplus on revaluation of fixed assets	23.1	1,346,550	(60,134)	–	1,286,416
- Surplus on revaluation of non-banking assets	23.2	237,181	(2,570)	64,371	298,982
- Accelerated tax depreciation		1,754,097	96,692	–	1,850,789
- Receivable from pension fund		1,261,793	119,428	(201,659)	1,179,562
- Business combination		705,218	–	–	705,218
- Surplus on revaluation of investments	23	2,271,094	–	2,165,627	4,436,721
		7,575,933	153,416	2,028,339	9,757,688
Deductible Temporary Differences on					
- Provision against advances		(1,725,288)	(1,057,242)	–	(2,782,530)
		5,850,645	(903,826)	2,028,339	6,975,158

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
20. OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency		5,303,967	2,272,650
Mark-up/ return/ interest payable in foreign currencies		171,780	247,926
Unearned commission and income on bills discounted		807,468	212,337
Accrued expenses		6,420,208	5,898,224
Provision for taxation (provisions less payments)		8,641,789	10,185,375
Workers' Welfare Fund	20.1	9,878,470	8,838,684
Acceptances	14	20,941,457	20,030,754
Unclaimed/dividend payable		2,022,825	1,692,942
Mark to market loss on forward foreign exchange contracts		4,388,436	4,485,302
Unrealized loss on derivative financial instruments	25	302,365	513,343
Staff welfare fund		4,755	5,598
Branch adjustment account	14	78,348	–
Provision for employees' compensated absences	38.4	1,100,865	919,407
Provision for post retirement medical benefits	38.4	1,982,169	2,004,122
Provision for employees' contributory benevolent scheme	38.4	197,712	222,084
Retention money		12,473	20,657
Insurance payable against consumer assets		736,768	698,949
Unclaimed balances		755,141	877,552
Duties and taxes payable		3,868,463	1,846,580
Provision against off-balance sheet obligations		46,319	46,189
Security deposits against lease		799,331	499,089
Lease liability against right of use assets		7,399,921	8,035,048
Clearing and settlement accounts		6,234,150	7,421,975
Others		7,269,709	5,926,041
		89,364,889	82,900,828

20.1 Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Bank maintained its provision in respect of WWF.

21. SHARE CAPITAL

21.1 Authorized Capital

	2021 (Number of shares)	2020		2021 (Rupees in '000)	2020
	1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	15,000,000	15,000,000

21.2 Issued, subscribed and paid up

	2021 (Number of shares)	2020		2021 (Rupees in '000)	2020
			Ordinary shares		
	197,253,795	197,253,795	Fully paid in cash	1,972,538	1,972,538
	915,776,953	915,776,953	Issued as bonus shares	9,157,769	9,157,769
	72,029,258	72,029,258	Issued for consideration other than cash	720,293	720,293
	1,185,060,006	1,185,060,006		11,850,600	11,850,600

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

21.3 The movement in the issued, subscribed and paid-up capital during the year is as follows:

	2021 (Number of shares)	2020 (Number of shares)		2021 (Rupees in '000)	2020 (Rupees in '000)
	1,185,060,006	1,185,060,006	Opening balance at January 01	11,850,600	11,850,600
	1,185,060,006	1,185,060,006	Closing balance at December 31	11,850,600	11,850,600

21.4 Number of shares held by the associated undertakings as at December 31, are as follows:

	2021 (Number of shares)	2020 (Number of shares)
Adamjee Insurance Company Limited	55,196,435	47,827,287
Nishat Mills Limited	88,015,291	88,015,291
Siddiqsons Limited	11,271,920	14,276,462
Nishat (Aziz Avenue) Hotels and Properties Limited	434,176	141,950
Nishat Real Estates Development Company (Private) Limited	68,900	54,500
Adamjee Life Assurance Company Limited	1,200,000	–
	156,186,722	150,315,490

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
22. RESERVES			
Share premium		23,751,114	23,751,114
Non- distributable capital reserve - gain on bargain purchase option	22.1	908,317	908,317
Exchange translation reserve		3,701,067	2,876,483
Statutory reserve	22.2	37,641,526	34,560,421
General reserve		18,600,000	18,600,000
		84,602,024	80,696,335

22.1 Under IFRS-3 a bargain purchase represents an economic gain which should be immediately recognized by the acquirer as income. However, the amount of bargain purchase gain was not taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 recommended that the amount of gain may be routed directly into equity as a Non-distributable Capital Reserve (NCR). The NCR may become available for distribution through a stock dividend only with prior approval of the SBP. The Bank, before distribution of the gain as a stock dividend, may adjust any subsequent provisions/deficit, assessed by the Bank or recommended by the Banking Inspection Department of SBP, in the acquired assets and liabilities of NIB Bank Limited against the NCR.

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

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
23. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	(7,768,402)	12,676,354
- Fixed Assets	23.1	19,947,432	20,211,952
- Non-banking assets acquired in satisfaction of claims	23.2	703,370	854,231
		12,882,400	33,742,537
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities	19	(3,029,677)	4,436,721
- Fixed Assets	23.1	1,366,245	1,286,416
- Non-banking assets acquired in satisfaction of claims	23.2	274,315	298,982
		(1,389,117)	6,022,119
		14,271,517	27,720,418
23.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 01		20,211,952	20,383,765
Recognised during the year		-	-
Realised on disposal during the year - net of deferred tax		(115,263)	(22,544)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(82,067)	(89,135)
Related deferred tax liability on incremental depreciation charged during the year		(52,471)	(47,995)
Related deferred tax liability on surplus realised on disposal		(14,719)	(12,139)
Surplus on revaluation of fixed assets as at December 31		19,947,432	20,211,952
Less: Related deferred tax liability on:			
- revaluation as at January 01		1,286,416	1,346,550
- opening liability remeasurement		147,019	-
- recognised during the year		-	-
- surplus realised on disposal during the year		(14,719)	(12,139)
- incremental depreciation charged during the year		(52,471)	(47,995)
	19	1,366,245	1,286,416
		18,581,187	18,925,536
23.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 01		854,231	677,660
Recognised during the year		259,321	183,915
Realised on disposal during the year - net of deferred tax		(250,211)	(4,774)
Related deferred tax liability on surplus realised on disposal		(159,971)	(2,570)
Surplus on revaluation as at December 31		703,370	854,231
Less: Related deferred tax liability on:			
- revaluation as at January 01		298,982	237,181
- revaluation recognised during the year		101,135	64,371
- opening liability remeasurement		34,169	-
- surplus realised on disposal during the year		(159,971)	(2,570)
	19	274,315	298,982
		429,055	555,249

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
24. CONTINGENCIES AND COMMITMENTS			
- Guarantees	24.1	186,607,084	178,571,960
- Commitments	24.2	406,841,074	507,506,107
- Other contingent liabilities	24.3	25,738,784	27,960,316
		619,186,942	714,038,383
24.1 Guarantees:			
Financial guarantees		158,802,090	149,925,920
Performance guarantees		25,596,864	25,900,273
Other guarantees		2,208,130	2,745,767
		186,607,084	178,571,960
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		178,952,056	172,617,563
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	217,379,046	318,420,575
- forward government securities transactions	24.2.2	5,098,200	11,089,775
- derivatives (notional)	24.2.3	4,434,780	4,471,383
Commitments for acquisition of:			
- operating fixed assets		806,239	710,570
- intangible assets		170,753	196,241
		406,841,074	507,506,107
24.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		119,831,839	168,432,858
Sale		97,547,207	149,987,717
		217,379,046	318,420,575
24.2.2 Commitments in respect of government securities transactions			
Purchase		5,098,200	11,089,775
Sale		—	—
		5,098,200	11,089,775

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Rupees in '000)	
24.2.3 Commitments in respect of derivatives		
FX options (notional)		
Purchase	1,432,779	182,800
Sale	1,432,779	182,800
	2,865,558	365,600
Cross Currency Swaps (notional)		
Purchase	784,611	1,975,311
Sale	784,611	2,130,472
	1,569,222	4,105,783
	4,434,780	4,471,383

- 24.2.4** The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	2021	2020
		(Rupees in '000)	
24.3 Other contingent liabilities			
Claims against the Bank not acknowledged as debts	24.3.1	25,738,784	27,960,316

- 24.3.1** These mainly represent counter claims by borrowers for damages and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these unconsolidated financial statements.

- 24.4** For assessment year 1988-89 through tax year 2020, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 1,497 million (2020: Rs. 6,033 million). Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. No provision has been made in the financial statements regarding the aforesaid additional tax demand and already issued favourable decisions where the department is in appeal, as the management is of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities.

24.5 Amortisation of goodwill and other intangibles amounting to Rs 28.08 billion of Ex. NIB

Issue of goodwill and other related assets amortization for few years has been assessed in Bank's favour at appellate forums during the year, however, the tax department has filed appeal against these decisions. The management has not recorded any tax benefit because the issue has not attained finality.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

25. DERIVATIVE INSTRUMENTS

25.1 Product Analysis

2021

	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss
(Rupees in '000)						
Counterparties						
With Banks for						
Hedging	784,611	298,956	-	-	1,432,779	5,937
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	784,611	(296,428)	-	-	1,432,779	(5,937)
Total						
Hedging	784,611	298,956	-	-	1,432,779	5,937
Market Making	784,611	(296,428)	-	-	1,432,779	(5,937)

2020

	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss
(Rupees in '000)						
Counterparties						
With Banks for						
Hedging	1,975,311	512,508	-	-	182,800	4,525
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	2,130,472	(508,818)	-	-	182,800	(4,525)
Total						
Hedging	1,975,311	512,508	-	-	182,800	4,525
Market Making	2,130,472	(508,818)	-	-	182,800	(4,525)

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

25.2 Maturity Analysis

2021					
	No. of contracts	Notional principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Remaining Maturity					
Upto 1 month	24	1,183,628	(843)	843	-
1 to 3 months	32	1,483,069	(4,097)	4,097	-
3 to 6 months	8	343,423	(40,122)	40,378	256
6 months to 1 Year	2	330,429	(95,142)	96,369	1,227
2 to 3 Years	2	1,094,231	(162,161)	163,206	1,045
Total	68	4,434,780	(302,365)	304,893	2,528
2020					
	No. of contracts	Notional principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Remaining Maturity					
Upto 1 month	8	924,787	(54,638)	54,840	202
1 to 3 months	4	120,859	(1,545)	1,545	-
3 to 6 months	4	421,010	(71,467)	71,915	448
6 months to 1 Year	3	329,626	(23,640)	18,177	(5,463)
1 to 2 Years	4	1,094,545	(220,328)	226,567	6,239
3 to 5 Years	2	1,580,556	(141,725)	143,989	2,264
Total	25	4,471,383	(513,343)	517,033	3,690

25.3 Risk management related to derivatives is discussed in note 45.5.

		2021	2020
		(Rupees in '000)	
26. MARK-UP/RETURN/INTEREST EARNED			
Loans and advances		33,123,048	42,879,345
Investments		89,523,092	91,983,471
Lendings to financial institutions		566,646	998,236
Balances with banks		121,520	214,653
		123,334,306	136,075,705

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
27. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		47,106,616	55,095,363
Borrowings		9,716,805	6,152,383
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,609,774	2,386,644
Unwinding cost of liability against right-of-use assets		914,209	1,106,824
		59,347,404	64,741,214
28. FEE & COMMISSION INCOME			
Branch banking customer fees		2,849,788	1,914,132
Consumer finance related fees		511,013	420,289
Card related fees (debit and credit cards)		2,946,442	3,130,966
Credit related fees		262,066	47,282
Investment banking fee		206,755	144,137
Commission on trade		1,386,348	1,277,171
Commission on guarantees		596,657	562,447
Commission on cash management		724,588	614,297
Commission on remittances including home remittances		987,133	1,010,735
Commission on utility bills		80,763	79,791
Commission on Bancassurance		1,474,872	1,329,986
Rent on lockers		233,155	216,420
Commission on investments services		42,696	30,131
Other commission		137,403	158,541
		12,439,679	10,936,325
29. GAIN ON SECURITIES - NET			
Realised	29.1	810,862	3,332,256
Unrealised - Held For Trading	10.1	(12)	(224)
		810,850	3,332,032
29.1 Realised gain / (loss) on:			
Federal Government Securities		383,592	3,438,217
Subsidiary		-	72,194
Non Government Debt Securities		40	(76,169)
Shares and units		427,230	(101,986)
		810,862	3,332,256
30. OTHER INCOME			
Rent on property		90,656	67,310
Gain on sale of fixed assets - net		106,456	72,601
Gain / (loss) on termination of lease liability against right of use assets		54,854	(15,637)
Gain on sale of non banking assets - net	14.1.2	571,449	3,976
		823,415	128,250

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
31. OPERATING EXPENSES			
Total compensation expense	31.1	16,939,722	15,805,510
Property expense			
Rent and taxes		193,157	160,642
Insurance		21,091	23,197
Utilities cost		1,567,229	1,218,168
Fuel expense generators		413,518	334,634
Security (including guards)		1,505,660	1,240,298
Repair and maintenance (including janitorial charges)		716,289	653,082
Depreciation on right-of-use assets	12.3	1,201,974	1,216,784
Depreciation	12.2	709,924	641,564
		6,328,842	5,488,369
Information technology expenses			
Software maintenance		1,096,825	1,148,436
Hardware maintenance		184,802	212,381
Depreciation	12.2	619,329	547,930
Amortisation	13.1	316,984	318,024
Network charges		518,317	598,380
Insurance		3,425	3,850
		2,739,682	2,829,001
Other operating expenses			
Directors' fees and allowances	40.2	46,300	50,060
Legal and professional charges		267,642	268,451
Outsourced services costs	37.1	766,445	691,787
Travelling and conveyance		271,750	260,676
NIFT clearing charges		154,329	166,175
Depreciation	12.2	847,141	815,567
Depreciation on non-banking assets acquired in satisfaction of claims	14.1.1	35,544	30,049
Training and development		35,410	36,791
Postage and courier charges		235,818	233,891
Communication		364,519	326,441
Stationery and printing		586,848	563,090
Marketing, advertisement & publicity		778,223	695,291
Donations	31.2	8,165	112,596
Auditors' remuneration	31.3	56,724	29,720
Cash transportation charges		860,210	709,262
Repair and maintenance		445,056	401,826
Subscription		12,994	20,637
Entertainment		203,250	183,703
Remittance charges		209,080	211,631
Brokerage expenses		36,364	36,124
Card related expenses		992,445	829,055
CNIC verification charges		262,250	128,614
Insurance		1,667,611	1,483,323
Others		228,190	238,142
		9,372,308	8,522,902
		35,380,554	32,645,782

Total cost for the year included in other operating expenses relating to outsourced activities is Rs 196.446 million (2020: Rs 275.517 million) which pertains to payments made to "Euronet Pakistan Private Limited" (a related party) incorporated in Pakistan. This includes payments other than outsourced services costs, which are disclosed above. Outsourcing shall have the same meaning as specified in BPRD Circular No. 06 of 2019.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
31.1	Total compensation expense		
	Fees and allowances	543,744	470,085
	Managerial remuneration		
	i) Fixed	12,260,442	11,514,132
	ii) Variable - cash bonus / awards	2,206,042	2,430,988
	Charge for defined benefit plan	289,144	74,827
	Contribution to defined contribution plan	430,857	394,598
	Commission	531,311	348,633
	Staff group insurance	384,854	386,388
	Rent and house maintenance	61,448	58,094
	Medical	37,001	35,135
	Conveyance	81,878	88,130
		16,826,721	15,801,010
	Sign-on bonus	31.1.1 2,501	3,700
	Severance allowance	31.1.2 110,500	800
		16,939,722	15,805,510

31.1.1 During the year sign on bonus was paid to 5 employees (2020: 4).

31.1.2 Severance allowance pertains to 6 employees (2020: 1).

31.2 Detail of donations made during the year is as follows:

	2021 (Rupees in '000)	2020
Murshid Hospital & Health Care Centre	100	–
Saleem Memorial Trust Hospital	–	95,000
Specialized Healthcare and Medical Education Department, Government of Punjab - (COVID 19 relief)	–	9,996
Jahandad Society For Community Development	1,500	5,000
Nigahban Welfare Association	5,000	–
Ambulance donation to Sadiq Public School	1,565	–
District Administration Lahore - (COVID 19 relief)	–	2,600
	8,165	112,596

31.2.1 None of the directors, executives and their spouses had any interest in the donees to whom donations were given during the year.

	2021 (Rupees in '000)	2020
31.3	Auditors' remuneration	
	Audit fee	16,500
	Fee for audit of foreign branches	11,514
	Special certifications and sundry advisory services	–
	Tax services	26,235
	Sales tax on audit fee	825
	Out-of-pocket expenses	1,650
		56,724
		29,720

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
32. OTHER CHARGES			
Penalties of State Bank of Pakistan		399,873	191,766
VAT & National Building tax & Crop Insurance Levy		49,907	92,502
Education cess		23,936	13,129
		473,716	297,397
33. PROVISIONS / (REVERSALS) & WRITE OFFS - NET			
Provisions / (reversals) against balance with Banks		6,600	(3,569)
Provisions / (reversals) for diminution in value of investments	10.3.1	6,885	(49,922)
(Reversals) / provisions against loans & advances	11.4	(4,687,894)	7,521,701
(Reversals) against off balance sheet items		(2,643)	(448)
Provisions / (reversals) against other assets	14.2.1	31,092	(23,648)
Recovery of written off / charged off bad debts		(176,768)	(130,948)
		(4,822,728)	7,313,166
34. TAXATION			
Current		19,929,457	20,115,480
Prior years		-	-
Deferred	19	1,248,806	(903,826)
		21,178,263	19,211,654
34.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		51,989,310	48,248,955
Tax rate		39%	39%
Tax on income		20,275,831	18,817,092
Tax effect of permanent differences		155,950	74,789
Others		746,482	319,773
Tax charge for the year		21,178,263	19,211,654
		(Rupees in '000)	
35. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year after tax		30,811,047	29,037,301
		(Number)	
Weighted average number of ordinary shares		1,185,060,006	1,185,060,006
		(Rupees)	
Basic and diluted Earnings Per Share		26.00	24.50

Diluted Earnings Per Share has not been presented separately as the Bank does not have any convertible instruments in issue at the reporting dates.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

36. CASH AND CASH EQUIVALENTS	2021				2020							
	Reconciliation of liabilities to cash flows arising from financing activities											
	Liabilities		Equity		Liabilities		Equity					
	Sub-ordinated loan	Other liabilities	Share capital	Reserves	Unappropriated profit	Total	Sub-ordinated loan	Other liabilities	Share capital	Reserves	Unappropriated profit	Total
(Rupees in '000)												
Opening Balance	-	82,900,828	11,850,600	80,696,335	69,834,602	245,282,365	-	94,295,738	11,850,600	77,591,253	55,777,489	239,515,080
Changes from Financing cash flows												
Redemption of Subordinated loan	-	-	-	-	-	-	-	-	-	-	-	-
Payment of lease liability against right-of-use-assets	-	(1,685,366)	-	-	-	(1,685,366)	-	(1,682,647)	-	-	-	(1,682,647)
Dividend paid	-	-	-	-	(34,036,857)	(34,036,857)	-	-	-	-	(11,750,637)	(11,750,637)
Total changes from financing cash flows	-	(1,685,366)	-	-	(34,036,857)	(35,722,223)	-	(1,682,647)	-	-	(11,750,637)	(13,433,284)
Liability related												
Changes in Other liabilities												
- Cash based	-	5,978,935	-	-	-	5,978,935	-	(18,498,355)	-	-	-	(18,498,355)
- Dividend payable	-	329,883	-	-	(329,883)	-	-	99,963	-	-	(99,963)	-
- Non cash based	-	1,840,609	-	-	-	1,840,609	-	8,686,129	-	-	-	8,686,129
Total liability related other changes	-	8,149,427	-	-	(329,883)	7,819,544	-	(9,712,263)	-	-	(99,963)	(9,812,226)
Total equity related other changes	-	-	-	3,905,689	28,215,405	32,121,094	-	-	-	3,105,082	25,907,713	29,012,795
Closing Balance	-	89,364,889	11,850,600	84,602,024	63,683,267	249,500,780	-	82,900,828	11,850,600	80,696,335	69,834,602	245,282,365

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Number)	
37. STAFF STRENGTH		
Permanent	13,737	13,536
On Bank contract	112	107
Bank's own staff strength at end of the year	13,849	13,643

37.1 In addition to the above, 87 (2020: 118) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding, tea and janitorial services. Outsourced staff includes 80 (2020: 111) working domestically and 7 (2020: 7) working abroad.

38. DEFINED BENEFIT PLAN

38.1 General description

The Bank operates the following retirement benefits for its employees:

- Pension fund - funded
- Benevolent scheme - unfunded
- Post retirement medical benefits - unfunded
- Employees compensated absence - unfunded

The plan assets and defined benefit obligations are based in Pakistan.

38.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2021	2020
	(Number)	
- Pension fund - funded	5,731	5,410
- Benevolent scheme - unfunded	1,002	1,108
- Post retirement medical benefits - unfunded	13,612	13,386
- Employees compensated absence - unfunded	13,612	13,386

38.3 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2021. The principal actuarial assumptions used are as follows:

	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2021	2020	2021	2020	2021	2020	2021	2020
	(%)							
Discount rate	11.75	9.75	11.75	9.75	11.75	9.75	11.75	9.75
Expected rate of return on plan assets	11.75	9.75	-	-	-	-	-	-
Expected rate of salary increase	9.75	7.75	9.75	7.75	-	-	9.75	7.75
Expected rate of increase in pension	0-5	0-5	-	-	-	-	-	-
Expected rate of increase in medical benefit	-	-	-	-	9.75	7.75	-	-

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For the year ended December 31, 2021

38.4 Reconciliation of (receivable from) / payable to defined benefit plans

			Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
			2021	2020	2021	2020	2021	2020	2021	2020
Note			(Rupees in '000)							
Present value of obligations	38.5		5,031,961	5,097,744	197,712	222,084	1,982,169	2,004,122	1,100,865	919,407
Fair value of plan assets	38.6		(8,250,387)	(8,467,923)	-	-	-	-	-	-
(Receivable) / payable	38.7		(3,218,426)	(3,370,179)	197,712	222,084	1,982,169	2,004,122	1,100,865	919,407

38.5 Movement in defined benefit obligations

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
	Obligations at the beginning of the year	5,097,744	5,182,991	222,084	221,193	2,004,122	1,921,348	919,407	939,495
	Current service cost 38.8.1	62,653	64,350	21,449	21,742	61,978	53,018	24,653	24,428
	Interest cost	477,989	560,303	20,249	22,931	188,540	208,381	85,558	98,224
	Benefits paid	(390,586)	(405,032)	(28,812)	(34,721)	(140,756)	(138,149)	(83,768)	(132,782)
	Re-measurement loss / (gain) 38.8.1 & 38.8.2	(215,839)	(304,868)	(37,258)	(9,061)	(131,715)	(40,476)	155,015	(9,958)
	Obligations at end of the year 38.4	5,031,961	5,097,744	197,712	222,084	1,982,169	2,004,122	1,100,865	919,407

38.6 Movement in fair value of plan assets

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
	Fair value at the beginning of the year	8,467,923	8,788,112	-	-	-	-	-	-
	Interest income on plan assets	806,581	965,880	-	-	-	-	-	-
	Benefits paid	(390,586)	(405,032)	-	-	-	-	-	-
	Re-measurement loss 38.8.2	(633,531)	(881,037)	-	-	-	-	-	-
	Fair value at end of the year 38.4	8,250,387	8,467,923	-	-	-	-	-	-

38.7 Movement in (receivable) / payable under defined benefit schemes

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
				</					

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38.8 Charge for defined benefit plans

38.8.1 Cost recognised in profit and loss

			Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
			2021	2020	2021	2020	2021	2020	2021	2020
Note			(Rupees in '000)							
	Current service cost	38.5	62,653	64,350	21,449	21,742	61,978	53,018	24,653	24,428
	Net interest on defined benefit asset / liability		(328,592)	(405,577)	20,249	22,931	188,540	208,381	85,558	98,224
	Employees' contribution		-	-	(2,359)	(2,712)	-	-	-	-
	Actuarial (gain)	38.5	-	-	-	-	-	-	155,015	(9,958)
		38.7	(265,939)	(341,227)	39,339	41,961	250,518	261,399	265,226	112,694

38.8.2 Re-measurements recognised in OCI during the year

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
Loss / (gain) on obligation –									
Financial assumptions	38.5	(542,097)	(389,052)	(18,272)	(17,065)	(100,133)	107,752	–	–
Experience adjustments		326,258	(693,920)	(18,986)	(26,126)	(31,582)	(148,228)	–	–
Actual return on plan assets									
over expected interest income	38.6	633,531	881,037	–	–	–	–	–	–
Re-measurement loss / (gain)									
recognised in OCI	38.7	417,692	576,169	(37,258)	(9,061)	(131,715)	(40,476)	–	–

38.9 Components of plan assets

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
	Cash and cash equivalents – net	133,780	24,451	–	–	–	–	–	–
	Shares	7,929,453	8,129,575	–	–	–	–	–	–
	Open ended mutual funds units	187,154	313,897	–	–	–	–	–	–
38.4		8,250,387	8,467,923	–	–	–	–	–	–

38.9.1 Significant risk associated with the plan assets

The Fund's investments in equity securities and units of mutual funds are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

38.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	Approved Pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees' compensated absences
	(Rupees in '000)			
1% increase in discount rate	(297,730)	(12,761)	(213,180)	(67,315)
1% decrease in discount rate	335,100	14,323	263,538	75,043
1 % increase in expected rate of salary increase	76,700	–	–	75,809
1 % decrease in expected rate of salary increase	(72,190)	–	–	(69,073)
1% increase in expected rate of pension increase	191,850	–	–	–
1% decrease in expected rate of pension increase	(291,090)	–	–	–
1% increase in expected rate of medical benefit increase	–	–	145,346	–
1% decrease in expected rate of medical benefit increase	–	–	(124,096)	–

38.11 Expected contributions to be paid to the funds in the next financial year

No contributions are being made to pension fund due to surplus of fair value of plan's assets over present value of defined obligation. No contribution to the pension fund is expected in the next year.

38.12 Expected charge / (reversal) for the next financial year

Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2022 would be as follows:

	Approved Pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees' compensated absences
	(Rupees in '000)			
Expected charge / (reversal) for the next financial year	(312,272)	35,998	294,973	162,927
38.13 Maturity profile				
The weighted average duration of the obligation (in years)	7.69	7.69	7.69	7.69

38.14 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

38.15 The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

Investment risk	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Longevity risk	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
Salary increase risk	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Withdrawal rate	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

39. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 11,570 (2020: 11,458) employees where contributions are made by the Bank at 8.33% (2020: 8.33%) and employees ranging from 8.33% to 15% per annum (2020: 8.33% to 15% per annum) of the basic salary.

The Bank also operates an approved non-contributory provident fund for 637 (2020: 687) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 15% per annum (2020: 8.33% to 15% per annum) of the basic salary.

40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1. Total compensation expense

		2021					
	Note	Directors			President/ CEO*	Key management personnel	Other material risk takers/ controllers
		Chairman	Executive (other than CEO)	Non executive			
		(Rupees in '000)					
Fee and allowances	40.2	5,500	–	40,800	–	369	10,668
Managerial Remuneration							
i) Fixed		–	–	–	75,073	304,376	750,890
ii) Cash Bonus / Awards	40.1.1	–	–	–	55,000	152,046	240,940
Contribution to defined contribution plan		–	–	–	–	9,268	29,196
Rent & house maintenance		–	–	–	240	16,756	8,387
Medical		–	–	–	2,267	1,597	7,715
Severance allowance		–	–	–	100,000	3,500	–
Overseas allowance		–	–	–	–	29,979	598
Security		–	–	–	833	–	–
Commission		–	–	–	–	1,690	61,287
Club membership		–	–	–	106	–	1,900
Total		5,500	–	40,800	233,519	519,581	1,111,581
Number of Persons		1	–	11	1	23	142

*Mr. Imran Maqbool completed his term as President & CEO on December 20, 2021 and Mr. Shoaib Mumtaz–Group Head CFIBG has taken charge as Acting President & CEO of the Bank effective from December 21, 2021.

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	2020					
	Directors			President/ CEO	Key management personnel	Other material risk takers/ controllers
	Chairman	Executive (other than CEO)	Non executive			
	(Rupees in '000)					
Fee and allowances	7,210	–	42,850	–	112	10,111
Managerial Remuneration						
i) Fixed	–	–	–	72,362	301,222	684,109
ii) Cash Bonus / Awards	–	–	–	50,000	144,349	218,954
Contribution to defined contribution plan		–	–	–	8,317	25,756
Rent & house maintenance		–	–	240	15,736	10,948
Medical	–	–	–	1,828	1,281	5,694
Severance allowance	–	–	–	–	800	–
Overseas allowance	–	–	–	–	37,559	–
Security	–	–	–	804	–	–
Commission	–	–	–	–	300	43,407
Club membership	–	–	–	1,872	–	300
Total	7,210	–	42,850	127,106	509,676	999,279
Number of Persons	1	–	11	1	23	124

40.1.1 During the year 2021, Rs 34.20 million bonus has been deferred (2020: Rs. 20.60 million).

40.2 Remuneration paid to Directors for participation in Board and Committee meetings

	2021									
	For Board Committee									
	Board meeting	Board's Audit Committee	BS & DC	RM & PRC	HR & RC	ITC	PP & CA	CR & MC	Wo & WC	As Board Chairman
(Rupees in '000)										
Mian Mohammad Mansha	4,800	–	200	–	400	–	100	–	–	–
Mr. S. M. Muneer	1,600	–	300	–	–	–	–	100	–	–
Mr. Tariq Rafi	2,000	–	–	–	–	–	–	–	–	–
Mian Umer Mansha	2,000	400	300	300	–	500	200	–	–	–
Mrs. Iqraa Hassan Mansha	2,000	–	–	–	100	–	100	–	–	–
Mr. Muhammad Ali Zeb	2,000	500	–	400	400	–	300	400	–	–
Mr. Mohd Suhail Amar Suresh	4,000	–	400	400	–	500	–	–	–	–
Mr. Yahya Saleem	4,000	–	–	–	200	100	–	–	–	–
Mr. Salman Khalid Butt	4,000	–	400	400	200	500	–	400	–	–
Mr. Masood Ahmed Puri	4,000	–	400	–	–	–	–	–	–	–
Mr. Shahzad Hussain	2,000	500	–	–	–	–	–	–	–	–
Mr. Shariffuddin Bin Khalid	4,000	500	–	–	–	–	–	–	–	–
	36,400	1,900	2,000	1,500	1,300	1,600	700	900	–	–

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For the year ended December 31, 2021

2020											
For Board Committee											
Board meeting	Board's Audit Committee	BS & DC	RM & PRC	HR & RC	ITC	PP & CA	CR & MC	Wo & WC	*As Board Chairman	Total	
(Rupees in '000)											
Mian Mohammad Mansha	3,840	–	300	–	300	–	400	–	–	2,370	7,210
Mr. S. M. Muneer	1,700	–	100	–	–	–	–	100	–	–	1,900
Mr. Tariq Rafi	1,700	–	–	–	–	–	–	–	200	–	1,900
Mian Umer Mansha	1,700	500	400	500	–	500	400	–	300	–	4,300
Mrs. Iqraa Hassan Mansha	1,200	–	–	–	200	–	100	–	–	–	1,500
Mr. Muhammad Ali Zeb	1,700	500	–	500	300	–	300	400	300	–	4,000
Mr. Mohd Suhail Amar Suresh	4,460	–	400	500	–	500	–	–	–	–	5,860
Mr. Yahya Saleem	4,466	–	–	–	300	200	–	–	–	–	4,966
Mr. Salman Khalid Butt	4,586	–	400	500	–	500	–	400	–	–	6,386
Mr. Masood Ahmed Puri	4,466	–	400	–	–	–	–	–	–	–	4,866
Mr. Shahzad Hussain	1,700	500	–	–	–	–	–	–	–	–	2,200
Mr. Shariffuddin Bin Khalid	4,472	500	–	–	–	–	–	–	–	–	4,972
	35,990	2,000	2,000	2,000	1,100	1,700	1,200	900	800	2,370	50,060

*During the year 2020, the Board Chairman was paid a proportionate amount of Rs 2,370 million in lieu of fixed annual remuneration approved by the shareholders of the Bank in its 62nd Annual General Meeting held on March 26, 2010. Effective from February 05, 2020 in accordance with BPRD Circular No. 03 of 2019 dated August 19, 2019, the remuneration to the Chairman for attending the Board and committee meetings was paid inline with the remuneration scale approved by the shareholders of the Bank in its 72nd Annual General Meeting held on March 19, 2020.

40.3 The Chairman has been provided with free use of the Bank maintained car. In addition to the above, the Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

41. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates and subsidiaries is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 6.4 to these unconsolidated financial statements.

The maturity and repricing profile and effective rates are stated in note 45.

In the opinion of the management, the fair value of the financial assets and financial liabilities other than those carried at fair value and disclosed in note 41.1 are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

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41.1 Fair value of financial assets

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).

Valuation techniques used in determination of fair valuation of financial instruments within level 2

Item	Valuation approach and input used
Federal Government securities	The fair values of Treasury Bills and fixed rate Pakistan Investments Bonds are determined using the PKRV rates. Floating rate PIBs are revalued using PKFRV rates.
Term Finance and Bonds	Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.
Unlisted Shares	Breakup value determined on the basis of NAV of the company using the latest available audited financial statements.
Mutual Funds	Units of mutual funds are valued using the Net Asset Value (NAV) announced by the Mutual Funds Association of Pakistan (MUFAP)
Operating fixed assets (land and building) & Non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

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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 debt 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.

	2021				
	Carrying	Level 1	Level 2	Level 3	Total
	value / Notional value				
	(Rupees in '000)				
On balance sheet					
financial instruments					
Financial assets – measured at fair value					
Investments					
Federal Government Securities	968,539,477	–	968,539,477	–	968,539,477
Shares	20,800,775	20,800,775	–	–	20,800,775
Non-Government Debt Securities	1,449,740	–	1,449,740	–	1,449,740
Foreign Securities	7,544,505	–	7,544,505	–	7,544,505
Financial assets – disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares, subsidiaries and associates)	37,250,999	–	–	–	–
Non – Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	44,349,165	–	44,349,165	–	44,349,165
Non-banking assets	2,785,535	–	2,785,535	–	2,785,535
Off-balance sheet financial instruments – measured at fair value					
Forward purchase of foreign exchange	119,831,839	–	3,767,037	–	3,767,037
Forward sale of foreign exchange	97,547,207	–	3,836,455	–	3,836,455
Derivatives purchase	2,217,390	–	304,893	–	304,893
Derivatives sale	2,217,390	–	302,365	–	302,365

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

		2020			
	Carrying value / Notional value	Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
On balance sheet financial instruments					
Financial assets – measured at fair value					
Investments					
Federal Government Securities	957,482,754	–	957,482,754	–	957,482,754
Shares	18,171,840	18,171,840	–	–	18,171,840
Non-Government Debt Securities	1,800,092	–	1,800,092	–	1,800,092
Foreign Securities	7,474,188	–	7,474,188	–	7,474,188
Financial assets – disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares, subsidiaries and associates)	30,940,574	–	–	–	–
Non – Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	44,275,487	–	44,275,487	–	44,275,487
Non-banking assets	4,036,914	–	4,036,914	–	4,036,914
Off-balance sheet financial instruments – measured at fair value					
Forward purchase of foreign exchange	168,432,858	–	3,902,198	–	3,902,198
Forward sale of foreign exchange	149,987,717	–	4,271,423	–	4,271,423
Derivatives purchase	2,158,111	–	517,033	–	517,033
Derivatives sale	2,313,272	–	513,343	–	513,343

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 and 2 during the year.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options, Cross Currency Swaps, Interest Rate Swaps and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

42 SEGMENT INFORMATION

42.1 Segment details with respect to business activities

The segment analysis with respect to business activity is as follows:

	2021								
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Others	Sub-total	Eliminations	Total
	(Rupees in '000)								
Profit & Loss									
Net mark-up/return/profit	(38,104,662)	2,780,007	19,317,165	78,719,819	1,274,573	-	63,986,902	-	63,986,902
Inter segment revenue – net	77,312,373	(634,693)	(14,651,272)	(68,680,723)	(130,761)	6,785,076	-	-	-
Non mark-up / return / interest income	7,557,975	2,449,023	3,705,780	4,720,484	860,667	779,807	20,073,736	-	20,073,736
Total Income	46,765,686	4,594,337	8,371,673	14,759,580	2,004,479	7,564,883	84,060,638	-	84,060,638
Segment direct expenses	23,132,042	1,645,322	612,300	385,746	1,186,267	9,932,379	36,894,056	-	36,894,056
Total expenses	23,132,042	1,645,322	612,300	385,746	1,186,267	9,932,379	36,894,056	-	36,894,056
Provisions / (reversals)	1,143,188	123,809	(128,002)	(27,836)	245,033	(6,178,920)	(4,822,728)	-	(4,822,728)
Profit before tax	22,490,456	2,825,206	7,887,375	14,401,670	573,179	3,811,424	51,989,310	-	51,989,310
Balance Sheet									
Cash and Bank balances	59,335,963	487,065	263,447	97,130,099	23,726,201	2,500,714	183,443,489	-	183,443,489
Investments	-	-	9,125,927	1,012,813,179	13,646,390	-	1,035,585,496	-	1,035,585,496
Net inter segment lending	1,109,475,892	-	-	-	-	187,691,251	1,297,167,143	(1,297,167,143)	-
Lendings to financial institutions	-	-	-	18,396,089	24,071,021	-	42,467,110	-	42,467,110
Advances – performing	100,287,979	36,615,372	427,159,422	-	19,313,984	-	583,376,757	-	583,376,757
– non performing – net	223,751	92,152	26,224	-	5,565,096	427,111	6,334,334	-	6,334,334
Others	38,048,057	1,846,406	25,494,493	15,021,037	1,897,356	36,953,913	119,261,262	-	119,261,262
Total Assets	1,307,371,642	39,040,995	462,069,513	1,143,360,404	88,220,048	227,572,989	3,267,635,591	(1,297,167,143)	1,970,468,448
Borrowings	15,037,907	-	84,434,986	167,180,272	2,872,391	-	269,525,556	-	269,525,556
Deposits and other accounts	1,260,878,141	24,186,891	59,464,220	-	67,311,591	10,684	1,411,851,527	-	1,411,851,527
Net inter segment borrowing	-	10,396,935	298,741,975	973,411,802	14,616,431	-	1,297,167,143	(1,297,167,143)	-
Others	31,455,594	4,457,169	19,428,332	2,768,330	3,419,635	53,154,897	114,683,957	-	114,683,957
Total liabilities	1,307,371,642	39,040,995	462,069,513	1,143,360,404	88,220,048	53,165,581	3,083,228,183	(1,297,167,143)	1,796,061,040
Equity	-	-	-	-	-	174,407,408	174,407,408	-	174,407,408
Total Equity & liabilities	1,307,371,642	39,040,995	462,069,513	1,143,360,404	88,220,048	227,572,989	3,267,635,591	(1,297,167,143)	1,970,468,448
Contingencies & Commitments	64,622,665	-	298,150,190	226,912,026	2,506,084	26,995,977	619,186,942	-	619,186,942
	2020								
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Others	Sub-total	Eliminations	Total
	(Rupees in '000)								
Profit & Loss									
Net mark-up/return/profit	(44,807,213)	2,788,656	28,085,051	83,819,922	1,448,075	-	71,334,491	-	71,334,491
Inter segment revenue – net	86,028,798	(486,242)	(22,360,468)	(69,939,999)	(171,994)	6,929,905	-	-	-
Non mark-up / return / interest income	6,306,650	2,118,001	3,282,442	5,618,895	813,588	(3,789)	18,135,787	-	18,135,787
Total Income	47,528,235	4,420,415	9,007,025	19,498,818	2,089,669	6,926,116	89,470,278	-	89,470,278
Segment direct expenses	20,460,118	1,462,911	586,415	368,025	1,309,898	9,720,790	33,908,157	-	33,908,157
Total expenses	20,460,118	1,462,911	586,415	368,025	1,309,898	9,720,790	33,908,157	-	33,908,157
Provisions / (reversals)	2,306,248	113,643	2,763,155	(31,111)	129,368	2,031,863	7,313,166	-	7,313,166
Profit before tax	24,761,869	2,843,861	5,657,455	19,161,904	650,403	(4,826,537)	48,248,955	-	48,248,955
Balance Sheet									
Cash and Bank balances	58,362,119	317,242	394,030	64,577,425	21,166,578	1,393,773	146,211,167	-	146,211,167
Investments	-	-	10,578,310	990,720,067	14,571,071	-	1,015,869,448	-	1,015,869,448
Net inter segment lending	1,050,376,236	-	-	-	-	201,834,399	1,252,210,635	(1,252,210,635)	-
Lendings to financial institutions	-	-	-	6,137,258	11,002,195	-	17,139,453	-	17,139,453
Advances – performing	94,735,206	26,845,772	313,633,477	-	21,681,241	-	456,895,696	-	456,895,696
non performing – net	171,804	177,613	2,382	-	4,973,954	720,338	6,046,091	-	6,046,091
Others	35,621,546	2,370,726	22,789,948	12,206,991	4,580,374	37,731,030	115,300,615	-	115,300,615
Total Assets	1,239,266,911	29,711,353	347,398,147	1,073,641,741	77,975,413	241,679,540	3,009,673,105	(1,252,210,635)	1,757,462,470
Borrowings	58,910,004	-	10,372,566	91,069,170	3,649,793	-	164,001,533	-	164,001,533
Deposits and other accounts	1,147,288,725	21,263,015	65,961,390	-	55,009,174	-	1,289,502,304	-	1,289,502,304
Net inter segment borrowing	-	4,616,853	252,358,835	981,733,802	13,301,145	-	1,252,210,635	(1,252,210,635)	-
Others	33,088,182	3,631,485	18,705,356	838,769	6,015,301	51,577,585	113,856,678	-	113,856,678
Total liabilities	1,239,266,911	29,711,353	347,398,147	1,073,641,741	77,975,413	51,577,585	2,819,571,150	(1,252,210,635)	1,567,360,515
Equity	-	-	-	-	-	190,101,955	190,101,955	-	190,101,955
Total Equity & liabilities	1,239,266,911	29,711,353	347,398,147	1,073,641,741	77,975,413	241,679,540	3,009,673,105	(1,252,210,635)	1,757,462,470
Contingencies & Commitments	55,974,597	-	288,001,956	320,068,131	20,930,195	29,063,504	714,038,383	-	714,038,383

Notes To The Unconsolidated Financial Statements

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42.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

2021						
	Pakistan	South Asia	Middle East	Sub-total	Eliminations	Total
(Rupees in '000)						
Profit & Loss						
Net mark-up/return/profit	62,725,653	679,587	581,662	63,986,902	-	63,986,902
Inter segment revenue – net	111,365	(81,756)	(29,609)	-	-	-
Non mark-up / return / interest income	19,226,781	215,132	631,823	20,073,736	-	20,073,736
Total Income	82,063,799	812,963	1,183,876	84,060,638	-	84,060,638
Segment direct expenses	35,803,737	564,433	525,886	36,894,056	-	36,894,056
Total expenses	35,803,737	564,433	525,886	36,894,056	-	36,894,056
Provisions / (reversals)	(5,067,762)	190,868	54,166	(4,822,728)	-	(4,822,728)
Profit before tax	51,327,824	57,662	603,824	51,989,310	-	51,989,310
Balance Sheet						
Cash and Bank balances	160,029,793	3,174,556	20,239,140	183,443,489	-	183,443,489
Investments	1,021,939,106	8,242,882	5,403,508	1,035,585,496	-	1,035,585,496
Net inter segment lendings	12,542,106	-	-	12,542,106	(12,542,106)	-
Lendings to financial institutions	18,396,089	42,821	24,028,200	42,467,110	-	42,467,110
Advances – performing	565,099,463	10,411,911	7,865,383	583,376,757	-	583,376,757
– non performing – net	6,249,090	85,244	-	6,334,334	-	6,334,334
Others	117,400,599	1,035,061	825,602	119,261,262	-	119,261,262
Total Assets	1,901,656,246	22,992,475	58,361,833	1,983,010,554	(12,542,106)	1,970,468,448
Borrowings	266,653,164	1,411,639	1,460,753	269,525,556	-	269,525,556
Deposits and other accounts	1,347,695,134	14,187,721	49,968,672	1,411,851,527	-	1,411,851,527
Net inter segment borrowing	-	6,246,496	6,295,610	12,542,106	(12,542,106)	-
Others	112,900,540	1,146,619	636,798	114,683,957	-	114,683,957
Total liabilities	1,727,248,838	22,992,475	58,361,833	1,808,603,146	(12,542,106)	1,796,061,040
Equity	174,407,408	-	-	174,407,408	-	174,407,408
Total Equity & liabilities	1,901,656,246	22,992,475	58,361,833	1,983,010,554	(12,542,106)	1,970,468,448
Contingencies & Commitments	616,680,858	604,010	1,902,074	619,186,942	-	619,186,942
2020						
	Pakistan	South Asia	Middle East	Sub-total	Eliminations	Total
(Rupees in '000)						
Profit & Loss						
Net mark-up/return/profit	69,887,495	862,868	584,128	71,334,491	-	71,334,491
Inter segment revenue – net	111,160	(95,930)	(15,230)	-	-	-
Non mark-up / return / interest income	17,325,905	265,900	543,982	18,135,787	-	18,135,787
Total Income	87,324,560	1,032,838	1,112,880	89,470,278	-	89,470,278
Segment direct expenses	32,601,367	650,469	656,321	33,908,157	-	33,908,157
Total expenses	32,601,367	650,469	656,321	33,908,157	-	33,908,157
Provisions / (reversals)	7,183,798	78,422	50,946	7,313,166	-	7,313,166
Profit before tax	47,539,395	303,947	405,613	48,248,955	-	48,248,955
Balance Sheet						
Cash and Bank balances	125,365,815	1,556,335	19,289,017	146,211,167	-	146,211,167
Investments	1,001,298,378	10,519,130	4,051,940	1,015,869,448	-	1,015,869,448
Net inter segment lendings	12,319,043	-	-	12,319,043	(12,319,043)	-
Lendings to financial institutions	6,137,258	1,864,193	9,138,002	17,139,453	-	17,139,453
Advances – performing	435,310,355	12,722,090	8,863,251	456,895,696	-	456,895,696
– non performing – net	6,034,187	11,904	-	6,046,091	-	6,046,091
Others	110,746,462	4,057,318	496,835	115,300,615	-	115,300,615
Total Assets	1,697,211,498	30,730,970	41,839,045	1,769,781,513	(12,319,043)	1,757,462,470
Borrowings	160,351,740	1,790,053	1,859,740	164,001,533	-	164,001,533
Deposits and other accounts	1,237,359,663	18,298,522	33,844,119	1,289,502,304	-	1,289,502,304
Net inter segment borrowing	-	6,525,907	5,793,136	12,319,043	(12,319,043)	-
Others	109,398,140	4,116,488	342,050	113,856,678	-	113,856,678
Total liabilities	1,507,109,543	30,730,970	41,839,045	1,579,679,558	(12,319,043)	1,567,360,515
Equity	190,101,955	-	-	190,101,955	-	190,101,955
Total Equity & liabilities	1,697,211,498	30,730,970	41,839,045	1,769,781,513	(12,319,043)	1,757,462,470
Contingencies & Commitments	693,108,189	17,479,001	3,451,193	714,038,383	-	714,038,383

42.3 Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include inter segment balances. Costs which are not allocated to segments are included in the Head office. Income taxes are managed at bank level and are not allocated to operating segments.

42.4 No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2021 or 2020.

Notes To The Unconsolidated Financial Statements

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RELATED PARTY TRANSACTIONS

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

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	2021						2020					
	Directors	Key management personnel	Subsidiaries	Associates	Other related Parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties		
	(Rupees in '000)											
Lendings to Financial Institutions												
Opening balance	-	-	-	-	-	-	-	880,853	-	-	-	-
Addition during the year	-	-	103,400,000	-	-	-	-	23,703,928	-	-	-	-
Repaid during the year	-	-	(99,900,000)	-	-	-	-	(24,584,781)	-	-	-	-
Closing balance	-	-	3,500,000	-	-	-	-	-	-	-	-	-
Investments												
Opening balance	-	-	12,319,037	700,401	254,253	-	-	12,346,537	700,401	254,253	-	-
Investment disposed off during the year	-	-	-	-	-	-	-	(27,500)	-	-	-	-
Closing balance	-	-	12,319,037	700,401	254,253	-	-	12,319,037	700,401	254,253	-	-
Provision for diminution in value of investments	-	-	725	-	5,000	-	-	725	-	5,000	-	-
Advances												
Opening balance	1,042	166,757	856,704	356,898	152,147	1,722	129,048	889,811	-	339,520	-	-
Addition / exchange adjustment during the year	16,460	48,891	83,358	1,390,000	3,103,637	18,202	60,257	-	356,898	336,695	-	-
Repaid during the year	(16,576)	(53,410)	-	(728,449)	(170,922)	(18,882)	(21,947)	(33,107)	-	(303,183)	-	-
Transfer in / (out) - net	(817)	(14,907)	-	-	-	-	(601)	-	-	(220,885)	-	-
Closing balance	109	147,331	940,062	1,018,449	3,084,862	1,042	166,757	856,704	356,898	152,147	-	-
Other assets												
Markup receivable	-	2,436	20,398	17,154	16,572	-	3,149	2,338	895	2,382	-	-
Advances, deposits, advance rent and other prepayments	-	-	7,040	182,467	44,060	-	-	12,715	310,504	27,835	-	-
Receivable from Pension Fund	-	-	-	-	3,218,426	-	-	-	-	3,370,179	-	-
Unrealized gain on forward foreign exchange contracts - outstanding	-	-	-	-	-	-	-	39,415	-	-	-	-
Closing balance	-	2,436	27,438	199,621	3,279,058	-	3,149	54,468	311,399	3,400,396	-	-
Borrowings												
Opening balance	-	-	25,356	-	77,139	-	-	3,902	-	69,166	-	-
Borrowings / exchange adjustment during the year	-	-	598,267	-	25,981	-	-	482,356	-	7,973	-	-
Settled during the year	-	-	(604,489)	-	-	-	-	(460,902)	-	-	-	-
Closing balance	-	-	19,134	-	103,120	-	-	25,356	-	77,139	-	-

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	2021						2020					
	Directors	Key management personnel	Subsidiaries	Associates	Other related Parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties		
	(Rupees in '000)											
Deposits and other accounts												
Opening balance	302,130	138,566	53,877	4,815,780	4,869,941	602,381	140,761	54,482	3,657,552	4,179,849		
Received during the year	2,874,441	1,315,435	3,162,263	49,364,225	86,845,287	669,282	1,189,437	2,349,111	44,628,206	76,375,987		
Withdrawn during the year	(2,468,887)	(1,256,285)	(3,164,179)	(50,352,159)	(83,429,013)	(969,533)	(1,163,832)	(2,346,830)	(43,469,978)	(75,154,115)		
Transfer in / (out) – net	(7,137)	(1,649)	–	–	(1,194)	–	(27,800)	(2,885)	–	(531,780)		
Closing balance	700,547	196,067	51,961	3,827,846	8,285,021	302,130	138,566	53,878	4,815,780	4,869,941		
Other liabilities												
Markup payable	1,475	–	2	18,219	16,792	50	100	–	42,549	10,654		
Accrued expenses and other payable	100,100	3,500	23,556	66,889	2,893	–	–	22,850	62,624	32		
Payable to MCB Employee Security Services	–	–	–	–	55,567	–	–	–	–	27,031		
Advance received against sale of property	–	–	20,000	–	–	–	–	20,000	–	–		
Closing balance	101,575	3,500	43,558	85,108	75,252	50	100	42,850	105,173	37,717		
Contingencies and Commitments												
Letter of Credit	–	–	–	–	5,207,768	–	–	–	10,512	1,756,270		
Forward foreign exchange contracts (Notional)	–	–	–	–	–	–	–	1,342,106	–	–		
Bank guarantee	–	–	35,276	10,739	666,342	–	–	102,038	–	–		
Closing balance	–	–	35,276	10,739	5,874,110	–	–	1,444,144	10,512	1,756,270		
Income												
Markup / return / interest earned	23	13,962	172,491	35,654	20,988	–	13,098	143,011	1,809	13,189		
Fee and commission income	–	–	48,228	968,003	7,748	–	–	30,253	1,177,371	1,638		
Dividend income	–	–	184,784	192,500	96,853	–	–	120,109	192,500	36,213		
Gain on forward foreign exchange contracts matured during the year	–	–	–	–	44,830	–	–	–	–	53,120		
Net gain / (loss) on sale of securities	(13)	–	–	(62)	(837)	72	40	–	3,836	6,485		
Gain on sale of assets	–	77	–	–	–	–	98	–	–	–		
Rent income	–	–	50,892	12,662	2,280	–	–	41,739	8,808	2,280		
Expense												
Markup / return / interest expensed	22,885	2,059	2,452	142,524	647,484	30,257	2,626	2,008	223,767	233,677		

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	2021					2020				
	Directors	Key management personnel	Subsidiaries	Associates	Other related Parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Other Operating expenses										
Clearing expenses paid to NIFT	-	-	-	-	154,329	-	-	-	-	166,175
Contribution to provident fund	-	-	-	-	430,857	-	-	-	-	394,598
Rent expenses	-	-	11,787	55,945	47,990	-	-	10,715	42,264	37,947
Cash sorting expenses	-	-	-	-	99,821	-	-	-	-	114,845
Stationery expenses	-	-	-	-	259,775	-	-	-	-	244,697
Security guards expenses	-	-	-	-	354,797	-	-	-	-	329,116
Remuneration to key executives and non-executive directors fee	279,819	519,581	-	-	-	177,166	509,676	-	-	-
Outsourcing service expenses	-	-	-	196,446	-	-	-	-	275,517	95,000
Donation Expense	-	-	-	-	-	-	-	-	-	4,757
E-dividend processing fee and CDC charges	-	-	-	-	6,209	-	-	-	-	-
Travelling expenses	-	-	-	-	51,534	-	-	-	-	38,507
Hotel stay expenses	-	-	-	-	146	-	-	-	-	3,410
Repair and maintenance charges	-	-	-	-	2,148	-	-	-	-	1,989
Advertisement expenses	-	-	-	-	3,132	-	-	-	-	7,308
Miscellaneous expenses and payments	-	-	587	-	2,466	-	-	-	-	3,225
Insurance premium-net of refund	-	-	-	495,818	-	-	-	-	646,676	-
Insurance claim settled	-	-	-	40,991	-	-	-	-	46,067	-
Other Transactions										
Proceeds from sale of assets	-	77	-	-	-	-	381	-	-	-
Purchase of fixed assets	-	-	-	18,782	33,245	-	-	1,550	3,277	5,712
Sale of foreign currency	-	-	23,435,469	-	-	-	-	45,457,828	-	-
Purchase of foreign currency	-	-	13,597,031	-	-	-	-	35,244,343	-	-
Payments against home remittances	-	-	4,701,212	-	-	-	-	3,898,627	-	-
Reimbursement of other expenses	-	-	43,048	-	-	-	-	27,289	-	-
Sale of government securities	903,221	33,431	-	10,113,189	19,669,035	268,847	124,304	-	5,740,348	8,592,672
Purchase of government securities	26,076	-	-	19,077,222	5,096,819	19,827	999	-	1,232,917	653,148
Forward exchange contracts matured during the year	-	-	-	-	5,527,242	-	-	-	-	11,446,226

The Chairman has been provided with free use of the Bank maintained car. The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

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	2021	2020
	(Rupees in '000)	
44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
44.1 Capital Adequacy		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,850,600	11,850,600
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	150,353,964	152,901,428
Eligible Additional Tier 1 (ADT 1) Capital	–	–
Total Eligible Tier 1 Capital	150,353,964	152,901,428
Eligible Tier 2 Capital	19,249,838	35,507,111
Total Eligible Capital (Tier 1 + Tier 2)	169,603,802	188,408,539
Risk Weighted Assets (RWAs):		
Credit Risk	711,304,243	635,599,185
Market Risk	132,894,633	122,603,850
Operational Risk	153,080,409	139,735,092
Total	997,279,285	897,938,127
Common Equity Tier 1 Capital Adequacy ratio	15.08%	17.03%
Tier 1 Capital Adequacy Ratio	15.08%	17.03%
Total Capital Adequacy Ratio	17.01%	20.98%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid up capital (net of losses) for all locally incorporated banks of Rs. 10 billion. The paid up capital of the Bank for the year ended December 31, 2021 stood at Rs. 11.851 billion (2020: Rs. 11.851 billion) and is in compliance with the SBP requirements. Further, under Basel III instructions, banks are required to maintain minimum Capital Adequacy Ratio (CAR) of 11.50% as at reporting dates (including a capital conservation buffer of 1.5% which has been revised downwards from 2.5% as per BPRD Circular No. 12 dated March 26, 2020), Common Equity Tier 1 (CET 1) ratio of 6.0% and Tier 1 ratio of 7.50% as at reporting dates. The Bank is fully compliant with prescribed ratios.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under simple approach.

	2021	2020
	(Rupees in '000)	
44.2 Leverage Ratio (LR):		
Eligible Tier-1 Capital	150,353,964	152,901,428
Total Exposures	2,451,779,962	2,174,932,446
Leverage Ratio	6.13%	7.03%

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	2021	2020
	(Rupees in '000)	
44.3 Liquidity Requirements		
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	1,109,267,469	934,508,535
Total Net Cash Outflow	450,352,949	393,109,786
Liquidity Coverage Ratio	246.31%	237.72%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,213,585,786	1,130,301,361
Total Required Stable Funding	782,982,025	646,417,507
Net Stable Funding Ratio	155.00%	174.86%

The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time are available at <https://www.mcb.com.pk/investor-relations/capital-adequacy-statements>.

45 RISK MANAGEMENT

Risk is an inherent part of banking business activities. The risk management framework and governance structure at 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 Global Risk Management Policy, the Bank sets the best course of action under 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:

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

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

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

The Bank ensures that not only the relevant risks are identified but their implications are also considered and 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 risk.

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

- Risk Management Policy Formulation
- Credit Risk Management
- Credit Review
- Credit Risk Control

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- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management
- IT Risk Management

Keeping in view the international best practices and SBP requirements, Board of Directors of the Bank has approved a Risk Appetite Statement, which takes into account quantitative and qualitative risk indicators, covering target ratios, credit, market, operational, liquidity and business risks.

45.1 Credit Risk

Credit risk arises from bank's dealings with individuals, corporate borrowers, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its lending and investment activities. Credit risk makes up the largest part of the Bank's exposure and it stems from Bank's both on and off-balance sheet activities. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel 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 borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, Probability Default based Internal Credit Risk Rating (ICRR) system based on the statistical modeling and validation in line with Basel principles. The revamped ICRR is currently focused on Corporate Commercial and Corporate Large customer categories. The ICRR Model for rating of SME Customers has also been revamped to achieve more accurate results and to improve the quality of credit decisions.

In order to manage 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;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

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 is responsible for performing 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 Limit Controls

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 Regulations.

The Bank creates specific provision against Non-Performing Loans (NPLs) 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 loans and Small enterprise (SEs) made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to

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overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Please refer note No. 11.4 for reconciliation of changes in specific and general provisions.

The Risk Management function of the Bank has further strengthened its credit review procedures in the light of COVID-19 and is regularly conducting assessments of the credit portfolio to identify borrowers most likely to be affected due to changes in the business and economic environment.

Management of Non Performing Loans

The Bank has a Special Assets Management (SAM) function, which is responsible for management of non performing loans. SAM undertakes restructuring / rescheduling of problem loans, as well as litigation of both civil and criminal cases for collection of debt.

Stress Testing

Credit Risk stress testing is a regular exercise. Bank's credit exposures including funded and non-funded facilities are subjected to stress tests. 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.

45.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Note	Gross lendings		Non - performing lendings		Provision held	
		2021	2020	2021	2020	2021	2020
		(Rupees in '000)					
Public/ Government		24,071,021	15,975,261	–	–	–	–
Private		18,396,089	1,164,192	–	–	–	–
	9	42,467,110	17,139,453	–	–	–	–

45.1.2 Investment in debt securities

Credit risk by industry sector

	Gross Investments		Non - performing Investments		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Chemical and pharmaceuticals	1,750,000	1,750,000	–	–	–	–
Financials including government securities	1,007,748,243	971,996,915	118	118	118	118
Manufacture of cement	285,000	285,000	285,000	285,000	285,000	285,000
Manufacture of sugar	145,656	145,656	145,656	145,656	145,656	145,656
Manufacture of textiles	40,732	53,531	40,732	53,531	40,732	53,532
Others	6,153	6,153	6,153	6,153	6,153	6,153
	1,009,975,784	974,237,255	477,659	490,458	477,659	490,459
Credit risk by public / private sector						
Public/ Government	1,000,376,469	963,820,326	–	–	–	–
Private	9,599,315	10,416,929	477,659	490,459	477,659	490,459
	1,009,975,784	974,237,255	477,659	490,459	477,659	490,459

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45.1.3 Advances

Credit risk by industry sector

Note	Gross Advances		Non - performing Advances		Provision held	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Agriculture, forestry and fishing	6,296,378	5,122,317	418,737	477,421	358,691	437,355
Construction	14,212,957	18,081,634	351,226	289,791	296,478	278,464
Electricity, gas, steam and air conditioning supply	33,914,125	37,521,494	376,717	376,717	376,717	374,996
Electronics and electrical appliances	8,492,204	5,842,215	92,104	102,262	92,104	101,825
Financials	32,744,189	17,534,127	301,280	462,665	301,280	462,665
Footwear and Leather garments	5,357,720	3,778,108	163,781	170,131	163,781	169,736
Human health and social work activities	548,329	922,333	45,081	45,596	45,081	34,973
Individuals	51,083,890	43,906,423	3,824,895	4,316,081	3,713,883	3,911,755
Manufacture of basic metals and metal products	19,213,851	14,913,709	3,980,254	3,028,467	3,881,891	3,018,387
Manufacture of cement	16,801,079	9,742,405	392,862	392,862	392,862	392,862
Manufacture of chemicals and pharmaceutical products	60,149,203	42,384,893	232,324	275,980	232,324	273,047
Manufacture of coke and refined petroleum products	4,031,606	4,982,529	855,984	412,061	855,984	411,445
Manufacture of food & beverages products	49,347,312	39,631,918	3,066,745	3,274,437	2,851,306	3,058,910
Manufacture of machinery, equipment and transport Equipment	7,573,933	2,182,220	373,053	433,943	373,053	396,551
Manufacture of rubber and plastics products	6,056,179	4,034,047	606,722	665,778	606,722	662,506
Manufacture of sugar	39,228,616	33,283,221	4,419,576	4,658,087	4,419,576	4,655,219
Manufacture of textiles	114,257,523	76,794,166	12,733,639	13,475,285	12,497,961	13,322,828
Mining and quarrying	4,359,943	5,033,270	3,714	5,019	3,714	5,019
Manufacturing of Pulp, Paper, Paperboard	6,238,915	2,492,010	174,634	179,539	174,634	150,661
Ship Breaking	4,088,794	5,520,548	3,988,794	4,348,014	3,988,794	4,348,014
Services	14,907,349	10,353,488	430,017	464,150	415,831	460,207
Telecommunications	23,855,551	18,287,167	42,798	42,798	42,798	42,798
Transportation and storage	61,872,867	53,061,768	67,125	75,901	66,559	66,253
Wholesale and retail traders	45,169,859	53,691,912	13,041,819	12,521,768	7,500,461	7,471,824
Others	5,771,499	4,452,280	506,924	694,294	503,986	634,656
11	635,573,871	513,550,202	50,490,805	51,189,047	44,156,471	45,142,956
Credit risk by public / private sector						
Public/ Government	89,835,878	74,377,320	639,825	639,825	639,825	639,825
Private	545,737,993	439,172,882	49,850,980	50,549,222	43,516,646	44,503,131
11	635,573,871	513,550,202	50,490,805	51,189,047	44,156,471	45,142,956

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	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
45.1.4 Contingencies and Commitments			
Credit risk by industry sector			
Agriculture, forestry and fishing		2,834,653	2,134,487
Construction		17,599,642	20,639,681
Electricity, gas, steam and air conditioning supply		19,650,014	24,907,422
Electronics and electrical appliances		7,447,158	4,968,549
Financials		291,315,065	390,150,887
Footwear and Leather garments		1,478,562	517,178
Human health and social work activities		336,876	1,612,922
Individuals		2,269,551	2,618,245
Manufacture of basic metals and metal products		7,468,627	8,207,595
Manufacture of cement		15,168,937	4,686,576
Manufacture of chemicals and pharmaceutical products		25,749,257	25,507,582
Manufacture of coke and refined petroleum products		1,671,507	8,129,298
Manufacture of food & beverages products		22,767,423	16,304,638
Manufacture of machinery, equipment and transport Equipment		14,812,389	8,946,430
Manufacture of rubber and plastics products		5,096,950	4,883,983
Manufacture of sugar		14,556,109	6,848,689
Manufacture of textiles		37,035,617	33,696,488
Mining and quarrying		887,679	144,328
Manufacturing of Pulp, Paper, Paperboard		4,388,673	1,362,984
Ship Breaking		114,933	412,969
Services		62,032,269	57,348,336
Telecommunications		19,642,288	17,006,854
Transportation and storage		8,835,202	10,643,212
Wholesale and retail traders		11,845,793	25,016,888
Others		24,181,768	37,342,162
	24	619,186,942	714,038,383
Credit risk by public / private sector			
Public/ Government		165,079,709	216,881,697
Private		454,107,233	497,156,686
	24	619,186,942	714,038,383

45.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 250,579.571 million (2020: Rs. 235,823.259 million) are as following:

	2021 (Rupees in '000)	2020 (Rupees in '000)
Funded	95,079,790	75,373,723
Non Funded	155,499,781	160,449,536
Total Exposure	250,579,571	235,823,259

The sanctioned limits against these top 10 exposures aggregated to Rs 296,220.092 million (2020: 311,201.617 million)

There is no provision against these top 10 exposures.

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45.1.6 Advances - Province/Region-wise Disbursement & Utilization

2021

		Disbursements		Utilization			
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit Baltistan
(Rupees in '000)							
Province/Region							
Punjab	495,695,792	467,859,096	13,081,055	13,872,568	121,783	761,290	–
Sindh	387,450,221	19,418,862	343,177,444	8,359,802	16,494,113	–	–
KPK including FATA	5,699,929	–	–	5,699,929	–	–	–
Balochistan	2,396,999	–	–	–	2,396,999	–	–
Islamabad	24,269,595	35,023	–	1,347,469	–	22,887,103	–
AJK including Gilgit-Baltistan	338,167	44,871	–	–	–	–	293,296
Total	915,850,703	487,357,852	356,258,499	29,279,768	19,012,895	23,648,393	293,296

2020

	2008						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit Baltistan
(Rupees in '000)							
Province/Region							
Punjab	419,237,388	374,143,233	37,128,846	6,191,473	337,087	1,436,749	–
Sindh	411,850,220	12,962,814	351,555,947	6,776,970	40,554,489	–	–
KPK including FATA	4,741,216	171,325	–	4,569,891	–	–	–
Balochistan	1,676,862	–	–	–	1,676,862	–	–
Islamabad	15,574,363	1,180,640	–	2,287,606	–	12,106,117	–
AJK including Gilgit-Baltistan	281,068	62,557	–	–	–	–	218,511
Total	853,361,117	388,520,569	388,684,793	19,825,940	42,568,438	13,542,866	218,511

45.2 Market Risk

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. The Bank is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign Exchange Group and the Capital Market Division. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Bank's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, Management Credit and Risk Committee, ALCO and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk function 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 management decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

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

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The Bank measures and manages Market Risk by using different risk parameters with combinations of various limits. Board approved Global Risk Management Policy provides guidelines for assuming controlled market risk, its monitoring and management. The approved limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Besides 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 covering 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.

The Bank is also exposed to interest rate risk both in trading and banking books. Risk parameters along with the marked to market values of government securities held by the Bank's treasury are generated on daily basis. The risk parameters include duration, PVBP, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

45.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	164,613,179	-	164,613,179	122,180,839	-	122,180,839
Balances with other banks	18,830,310	-	18,830,310	24,030,328	-	24,030,328
Lendings to financial institutions	42,467,110	-	42,467,110	17,139,453	-	17,139,453
Investments	35,788,956	999,796,540	1,035,585,496	29,521,903	986,347,545	1,015,869,448
Advances	589,711,091	-	589,711,091	462,941,787	-	462,941,787
Fixed assets	57,327,871	-	57,327,871	58,027,904	-	58,027,904
Intangible assets	978,785	-	978,785	938,458	-	938,458
Other assets	60,954,606	-	60,954,606	56,334,253	-	56,334,253
	970,671,908	999,796,540	1,970,468,448	771,114,925	986,347,545	1,757,462,470

45.2.2 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 investments in foreign branches, foreign currency-denominated loans, 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 remain within defined risk appetite and insulate bank against undue losses that may arise due to volatile movements in foreign exchange rates or interest rates.

Limit structure to manage Foreign exchange risk including gap limits on different tenors in major currencies are in place to control risk. Bank's net open position and Foreign Exchange Exposure Limit (FEEL) is monitored and reported on intra-day and day end basis. Foreign exchange risk parameters including VaR is generated and monitored on daily basis. Stress testing of foreign exchange portfolio and its reporting to senior management and RM&PRC of the Board is a regular feature.

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	2021				2020			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	33,031,553	55,915,494	15,257,912	(7,626,029)	44,103,967	54,985,985	10,749,737	(132,281)
Sri Lankan Rupees	676,927	-	-	676,927	144,228	-	-	144,228
Arab Emirates Dirham	197,995	97,575	-	100,420	-	248,645	39,598	(209,047)
Euro	3,077,040	7,312,669	4,217,347	(18,282)	2,433,944	6,576,870	4,143,526	600
Great Britain Pound Sterling	4,039,717	6,855,354	2,716,087	(99,550)	2,474,888	6,151,953	3,637,777	(39,288)
Japanese Yen	-	783,686	823,221	39,535	22,226	20	22,007	44,214
Other currencies	1,409,312	271,732	(811,293)	326,287	323,737	-	47,086	370,823
	42,432,544	71,236,510	22,203,274	(6,600,692)	49,502,990	67,963,473	18,639,731	179,249

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account		(66,007)	-	1,792
- Other comprehensive income		117,543	-	106,202

45.2.3 Equity position Risk

Bank's proprietary positions in the equity instruments exposes 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 on a daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index using certain assumptions. In addition to this stress testing, historical scenario analysis on equities is also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

	2021		2020	
	AFS	HFT	AFS	HFT
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Other comprehensive income	-	1,040,039	-	908,592

45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Bank's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off-balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

The increase / (decrease) in earnings due to change in the interest rate is as follows:

	2021		2020	
	Banking Book	Trading Book	Banking Book	Trading Book
	(Rupees in '000)			
Impact of 1% increase in interest rates on				
- Profit and loss account	(3,632,054)	(4)	(3,987,679)	5,250,521
- Other comprehensive income	-	(7,457,483)	-	(7,497,582)

The Bank has classified Available for Sale investments as Trading in Basel-II.

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45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective yield / interest rate	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
		2021									
		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	
(Rupees in '000)											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	-	164,613,179	7,033,445	-	-	-	-	-	-	-	157,579,734
Balances with other banks	0.11%	18,830,310	7,345,038	1,939,826	352,182	699,120	-	-	-	-	8,494,144
Lending to financial institutions	2.39%	42,467,110	40,467,110	2,000,000	-	-	-	-	-	-	-
Investments	8.30%	1,035,585,496	452,671,333	184,596,534	129,320,167	4,363,410	69,431,247	54,078,471	37,596,845	68,245,970	35,281,519
Advances	7.22%	589,711,091	540,163,100	21,002,108	5,442,647	3,210,790	2,245,303	4,861,606	1,673,527	2,463,637	8,648,373
Other assets		53,137,079	-	-	-	-	-	-	-	-	53,137,079
		1,904,344,265	1,047,680,026	209,538,468	135,114,996	8,273,320	71,676,550	58,940,077	39,270,372	70,709,607	254,492,476
Liabilities											
Bills payable		24,589,644	-	-	-	-	-	-	-	-	24,589,644
Borrowings	5.02%	269,525,566	93,350,424	76,884,401	53,887,609	4,615,742	5,701,961	2,816,770	5,607,738	26,660,911	-
Deposits and other accounts	3.42%	1,411,851,527	771,620,918	27,229,903	19,657,886	27,529,119	211,101	1,495,106	700,706	212,000	563,194,788
Other liabilities		67,485,536	-	-	-	-	-	-	-	-	67,485,536
		1,773,452,263	864,971,342	104,114,304	73,545,495	32,144,861	5,913,062	4,311,876	6,308,444	26,872,911	655,289,968
On-balance sheet gap		130,892,002	182,708,684	105,424,164	61,569,501	(23,871,541)	65,763,488	54,628,201	32,961,928	43,836,696	8,648,373
Off-balance sheet financial instruments											
FX options purchase		1,432,779	591,814	741,535	99,430	-	-	-	-	-	-
Forward purchase of Government securities		5,098,200	5,098,200	-	-	-	-	-	-	-	-
Cross Currency Swaps purchase		784,611	-	-	72,281	165,214	-	547,116	-	-	-
Foreign exchange contracts purchase		119,831,839	51,990,885	31,472,430	22,348,898	14,019,626	-	-	-	-	-
		127,147,429	57,680,889	32,213,965	22,520,609	14,184,840	-	547,116	-	-	-
FX options sale		1,432,779	591,814	741,535	99,430	-	-	-	-	-	-
Forward sale of Government securities		-	-	-	-	-	-	-	-	-	-
Cross Currency Swaps sale		784,611	-	-	72,281	165,214	-	547,116	-	-	-
Foreign exchange contracts sale		97,547,207	26,232,294	34,190,934	21,804,433	15,319,546	-	-	-	-	-
		99,764,597	26,824,108	34,932,469	21,976,144	15,484,760	-	547,116	-	-	-
Off-balance sheet gap		27,382,832	30,856,791	(2,718,504)	544,465	(1,299,920)	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			213,565,475	102,705,660	62,113,966	(25,171,461)	65,763,488	54,628,201	32,961,928	43,836,696	8,648,373
Cumulative Yield/Interest Risk Sensitivity Gap			213,565,475	316,271,135	378,385,101	353,213,640	418,977,128	473,605,329	506,567,257	550,403,953	559,052,326

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2020

	Effective yield / interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total	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		
			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 '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	122,180,839	6,810,656	-	-	-	-	-	-	-	-	115,370,183
Balances with other banks	0.21%	24,030,328	2,556,166	799,172	-	-	-	-	-	-	-	20,674,990
Lending to financial institutions	7.27%	17,139,453	17,139,453	-	-	-	-	-	-	-	-	-
Investments	10.77%	1,015,869,448	179,084,505	415,139,293	160,598,685	61,659,011	22,916,286	41,949,392	30,794,310	71,118,966	-	32,609,000
Advances	9.34%	482,941,787	432,461,756	6,982,362	3,401,653	1,931,754	3,619,904	1,742,088	4,803,725	1,859,527	6,139,018	-
Other assets		46,267,752	-	-	-	-	-	-	-	-	-	46,267,752
		1,688,429,607	638,052,536	422,920,827	164,000,338	63,590,765	26,536,200	43,691,480	35,598,035	72,978,483	6,139,018	214,921,925
Liabilities												
Bills payable		23,980,692	-	-	-	-	-	-	-	-	-	23,980,692
Borrowings	5.30%	164,001,533	121,266,747	8,214,674	5,044,522	1,813,871	8,392,537	2,571,133	4,831,690	11,876,359	-	-
Deposits and other accounts	4.50%	1,289,502,304	730,683,033	21,243,238	13,630,588	30,543,903	1,998,833	115,810	1,689,628	212,000	-	489,385,271
Other liabilities		60,731,156	-	-	-	-	-	-	-	-	-	60,731,156
		1,538,215,685	851,949,780	29,457,912	18,675,110	32,357,774	10,381,370	2,686,943	6,521,318	12,088,359	-	574,097,119
		150,213,922	(213,887,244)	393,462,915	145,325,228	31,232,991	16,154,830	41,004,537	29,076,717	60,890,124	6,139,018	(359,175,194)
On-balance sheet gap												
Off-balance sheet financial instruments												
FX options purchase		182,800	122,370	60,430	-	-	-	-	-	-	-	-
Outright purchase of Government Securities		11,089,775	11,089,775	-	-	-	-	-	-	-	-	-
Cross currency swaps - purchase		1,975,311	339,938	-	210,505	87,318	547,272	-	790,278	-	-	-
Interest Rate Swaps - purchase		-	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts purchase		168,432,858	69,994,741	64,922,148	24,944,134	8,571,835	-	-	-	-	-	-
		181,680,744	81,546,824	64,982,578	25,154,639	8,659,153	547,272	-	790,278	-	-	-
FX options sale		-	-	-	-	-	-	-	-	-	-	-
Forward sale of Government securities		-	-	-	-	-	-	-	-	-	-	-
Cross Currency Swaps - sale		2,130,472	340,109	-	210,505	242,308	547,272	-	790,278	-	-	-
Foreign exchange contracts sale		149,987,717	52,355,290	60,513,836	23,089,616	14,028,975	-	-	-	-	-	-
		152,300,989	52,817,769	60,574,266	23,300,121	14,271,283	547,272	-	790,278	-	-	-
Off-balance sheet gap												
		29,379,755	28,729,055	4,408,312	1,854,518	(5,612,130)	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap												
		(185,168,189)	397,871,227	147,179,746	25,620,861	16,154,830	41,004,537	29,076,717	60,890,124	6,139,018		
Cumulative Yield/Interest Risk Sensitivity Gap												
		(185,168,189)	212,703,038	359,882,784	385,503,645	401,658,475	442,663,012	471,739,729	532,629,853	538,768,871		

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	2021 (Rupees in '000)	2020 (Rupees in '000)
Reconciliation to total assets		
Balance as per balance sheet	1,970,468,448	1,757,462,470
Less: Non financial assets		
Fixed assets	57,327,871	58,027,904
Intangible assets	978,785	938,458
Other assets	7,817,527	10,066,501
Total financial assets	1,904,344,265	1,688,429,607
Reconciliation to total liabilities		
Balance as per balance sheet	1,796,061,040	1,567,360,515
Less: Non financial liabilities		
Other liabilities	21,879,353	22,169,672
Deferred tax liability	729,424	6,975,158
Total financial liabilities	1,773,452,263	1,538,215,685

45.3

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 Global Risk Management Policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

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

45.3.1

Operational Risk-Disclosures Basel II Specific

Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). The Bank took a number of initiative with respect to operational risk management like using Key Risk Indicators (KRIs), Loss events database and Risk & Control Self Assessments (ROSA) to manage its operational risk effectively.

In accordance with the Operational Risk Management (OR) regulations, policy and framework, a database covering operational risk events is being maintained using a state of the art software solution, which has enhanced features and a better workflow management. This new software has further augmented bank's capacity to capture and report operational risk events and KRIs. The software is also capable of generating periodical regulatory and management reports. Periodical updates on Operational Risk events are presented to senior management and the Risk Management and Portfolio Review Committee of the Board.

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45.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Bank understands that liquidity does not come for free, and surplus liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Liquidity is essential to the ability to operate financial services businesses and, therefore, the ability to maintain surplus levels of liquidity through economic cycles is crucial. Particularly during periods of adverse conditions, liquidity management is among the most important activities that the Bank conducts during both normal and stress periods. The Bank recognizes that liquidity risk can arise from the Bank's activities and can be grouped into three categories:

- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

Liquidity Management

The Asset Liability Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and stress scenarios. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. Bank's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing, to ensure effective and timely decision making.

The Bank's liquidity risk management framework is designed to identify measure and manage in a timely manner the liquidity risk position of the Bank. The underlying policies and procedures include: Global Risk Management policy, Global Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy and Limit Structure which are reviewed and approved regularly by the senior management / Board members. Moreover; the Bank also prepares a 'Contingency Funding Plan' (CFP) to address liquidity issues in time of stress/crises situation containing early warning indicators to preempt unforeseen liquidity crises. The Bank conducts Liquidity Risk Analysis on regular basis as well as Maturity of gaps are also reviewed in order to ensure diversification in terms of tenors. MCB liquidity risk framework envisages to project the Bank's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling statement of financial position changes. The Bank performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. The Bank's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.

In view of the relaxation granted by SBP for deferral of principal and markup and for rescheduling / restructuring of loans there will be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

Intraday Liquidity Management

Intraday liquidity management is about managing the daily payments and cash flows. Bank has policies to ensure that sufficient cash is maintained during the day to make payments through local payment system. The policy of the Bank is to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet obligations, repay depositors and fulfill commitments.

Managing Funding Sources

Managing funding sources, as per policy the Bank maintain a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash flows for meeting unexpected liquidity requirement. As a part of liquidity management the Bank maintains borrowing relationships to ensure the continued access to diverse market of funding sources. The Bank's sound credit rating together with excellent market reputation has enabled the Bank to secure ample call lines with local and foreign banks. The level of liquidity reserves as per regulatory requirements also mitigates risks. The Bank's investment in marketable securities is much higher than the Statutory Liquidity Requirements.

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45.4.1 Maturities of Assets and Liabilities – based on contractual maturity of the assets and liabilities of the Bank

2021

	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 or 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	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	164,613,179	164,613,179	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	18,830,310	8,479,616	3,618,039	882,436	2,859,091	-	1,939,826	352,182	-	689,120	-	-	-	-
Lending to financial institutions	42,467,110	-	38,987,110	1,500,000	-	2,000,000	-	-	-	-	-	-	-	-
Investments	1,035,585,496	1,128,473	1,910,677	3,251,786	161,304,474	20,746,287	91,714,919	56,744,509	5,928,230	100,689,851	243,369,263	59,193,297	93,244,539	196,359,191
Advances	589,711,091	93,634,281	26,981,914	17,982,637	54,776,059	36,344,294	67,216,112	59,118,178	18,211,823	28,895,790	43,595,236	36,304,713	46,309,189	60,340,865
Fixed assets	57,327,871	8,429	50,569	58,987	229,569	347,223	346,910	1,025,704	1,012,706	1,002,518	3,386,486	3,357,964	3,296,892	43,203,904
Intangible assets	978,785	2,074	12,441	14,514	33,175	62,203	62,203	186,609	186,609	186,609	232,348	-	-	-
Other assets	60,954,606	253,571	1,770,106	4,486,335	7,877,570	13,926,658	9,444,232	2,280,659	2,726,778	737,471	6,670,206	4,777,059	6,003,961	-
	1,970,468,448	288,119,623	73,310,856	28,176,705	227,079,938	73,426,665	170,724,202	119,707,841	28,065,146	132,211,359	297,253,539	103,633,033	148,854,581	299,903,960
Liabilities														
Bills payable	24,589,644	819,654	4,917,929	5,737,584	13,114,477	-	-	-	-	-	-	-	-	-
Borrowings	269,525,556	17,888,987	73,678,410	1,132,836	670,191	14,626,692	62,257,709	53,887,609	535,632	4,080,110	5,701,961	2,816,770	5,607,738	26,660,911
Deposits and other accounts	1,411,851,527	1,313,023,149	5,580,757	4,885,942	11,342,858	6,906,515	20,323,388	19,657,886	13,938,237	13,590,882	211,101	1,495,106	700,706	212,000
Deferred tax liabilities – net	729,424	1,462	(17,491)	(26,260)	(197,446)	(132,467)	(172,871)	(392,258)	(354,339)	(387,932)	277,582	(254,654)	1,647,263	738,835
Other liabilities	89,364,889	13,222,676	3,018,501	2,641,074	7,543,912	6,766,989	4,970,156	3,041,626	13,999,136	3,170,038	8,012,667	5,773,682	11,762,756	5,441,666
	1,796,061,040	1,344,935,928	87,158,106	14,374,176	32,473,992	28,167,729	87,378,382	76,194,863	28,118,666	20,453,098	14,203,311	9,830,914	19,718,463	33,053,412
Net assets	174,407,408	(1,076,816,305)	(13,847,250)	13,802,529	194,605,946	45,258,936	83,345,820	43,512,978	(62,520)	111,758,261	283,050,228	93,802,119	129,136,118	266,850,548
Share capital	11,850,600													
Reserves	84,602,024													
Surplus on revaluation of assets – net	14,271,517													
Unappropriated profit	63,683,267													
	174,407,408													

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2020													
Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 or 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	Over 5 years
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	122,180,839	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	24,030,328	639,225	-	799,031	-	799,031	-	-	-	-	-	-	-
Lending to financial institutions	17,139,453	1,864,192	-	-	-	-	-	-	-	-	-	-	-
Investments	1,015,869,448	1,032,330	91,757,770	72,188,252	159,114,738	179,247,663	114,811,198	60,862,579	5,059,417	28,051,162	75,507,721	36,666,731	190,909,687
Advances	462,941,787	69,434,527	5,567,948	21,964,456	20,382,678	31,484,973	53,402,604	34,512,637	28,348,910	51,224,268	36,344,592	56,301,425	37,691,881
Fixed assets	58,027,904	7,799	54,601	218,707	327,908	327,908	983,725	983,725	983,725	3,528,643	3,562,702	4,097,577	42,904,084
Intangible assets	938,458	1,979	13,857	31,674	59,389	59,389	178,167	178,167	178,167	225,791	-	-	-
Other assets	56,334,253	115,353	7,413,870	6,023,597	9,571,753	9,356,338	1,992,478	579,658	83,001	2,260,624	6,419,673	10,837,500	-
	1,757,462,470	34,594,660	104,808,046	101,225,717	189,456,466	221,275,302	171,368,172	97,116,766	34,653,220	85,290,488	121,834,688	107,903,233	271,505,652
Liabilities													
Bills payable	23,980,692	799,357	4,796,138	12,789,702	-	-	-	-	-	-	-	-	-
Borrowings	164,001,533	27,145,780	91,245,233	1,338,623	6,239,388	1,975,286	5,044,522	924,633	889,239	8,382,537	2,571,133	4,831,690	11,876,359
Deposits and other accounts	1,289,502,304	1,199,768,203	3,244,480	11,883,056	11,137,355	10,105,884	13,630,588	17,258,524	13,285,379	1,998,833	115,810	1,689,628	212,000
Deferred tax liabilities - net	6,975,158	25,551	(10,573)	(125,929)	(93,436)	(215,952)	(607,946)	25,284	(497,412)	655,206	1,911,154	2,455,143	3,477,402
Other liabilities	82,900,828	11,993,186	3,496,367	5,147,109	5,533,265	5,961,832	13,433,608	2,147,942	2,087,801	3,880,245	7,956,617	15,387,832	3,913,030
	1,567,360,515	1,239,732,077	15,778,202	31,032,561	22,816,572	17,827,050	31,500,772	20,366,383	15,765,007	14,916,821	12,554,714	24,364,293	19,478,791
Net assets	190,101,955	(1,023,302,017)	89,029,844	70,193,156	166,639,894	203,448,252	139,867,400	76,760,383	18,888,213	70,373,667	109,279,974	83,538,940	252,026,861
Share capital													
Reserves	11,850,600												
80,696,335													
Surplus on revaluation of assets - net													
27,720,418													
69,834,602													
Unappropriated profit													
	190,101,955												

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

45.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2021

	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 '000)										
Assets										
Cash and balances with treasury banks	164,613,179	164,613,179	-	-	-	-	-	-	-	-
Balances with other banks	18,830,310	15,839,182	1,939,826	352,182	699,120	-	-	-	-	-
Lending to financial institutions	42,467,110	40,467,110	2,000,000	-	-	-	-	-	-	-
Investments	1,035,585,496	167,582,777	112,452,542	56,744,509	106,597,213	243,329,393	59,153,428	92,720,144	181,489,930	15,515,560
Advances	589,711,091	104,876,503	65,335,048	40,389,661	42,804,053	86,887,301	81,446,869	92,269,889	63,560,997	12,140,770
Fixed assets	57,327,871	347,563	694,134	1,025,704	2,015,224	3,386,486	3,357,964	3,258,966	7,023,734	36,218,096
Intangible assets	978,785	62,203	124,406	186,609	373,219	232,348	-	-	-	-
Other assets	60,954,606	14,387,582	23,370,890	2,280,659	3,464,249	6,670,206	4,777,059	6,003,961	-	-
	1,970,468,448	508,176,099	205,916,846	100,979,324	155,953,078	340,505,734	148,735,320	194,252,960	252,074,661	63,874,426
Liabilities										
Bills payable	24,589,644	24,589,644	-	-	-	-	-	-	-	-
Borrowings	269,525,556	93,350,424	76,884,401	53,887,609	4,615,742	5,701,961	2,816,770	5,607,738	26,660,911	-
Deposits and other accounts	1,411,851,527	89,509,734	80,961,172	112,618,476	37,339,238	326,852,299	328,136,304	327,341,905	109,092,399	-
Deferred tax liabilities - net	729,424	(239,735)	(305,337)	(392,258)	(742,272)	277,582	(254,654)	1,647,263	1,317,464	(578,629)
Other liabilities	89,364,889	26,426,163	11,737,145	3,041,626	17,169,174	8,012,667	5,773,692	11,762,756	4,662,839	778,827
	1,796,061,040	233,636,230	169,277,381	169,155,453	58,381,882	340,844,509	336,472,112	346,359,662	141,733,613	200,198
Net assets										
Share capital	174,407,408	274,539,869	36,639,465	(68,176,129)	97,571,196	(338,775)	(187,736,792)	(152,106,702)	110,341,048	63,674,228
Reserves	11,850,600									
Surplus on revaluation of assets - net	84,602,024									
Unappropriated profit	14,271,517									
	63,683,267									
	174,407,408									

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

2020									
	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
(Rupees in '000)									
Assets									
Cash and balances with treasury banks	122,180,839	122,180,839	-	-	-	-	-	-	-
Balances with other banks	24,030,328	23,231,297	799,031	-	-	-	-	-	-
Lending to financial institutions	17,139,453	17,139,453	-	-	-	-	-	-	-
Investments	1,015,869,448	165,626,376	338,357,141	114,805,937	65,897,443	28,013,808	75,470,367	36,564,210	175,676,689
Advances	462,941,787	69,597,045	32,217,300	27,668,757	49,069,203	79,509,554	66,966,890	82,943,687	46,065,324
Fixed assets	58,027,904	327,909	655,816	983,725	1,967,449	3,528,643	3,562,702	4,046,673	6,266,060
Intangible assets	938,458	59,388	118,778	178,167	356,334	225,791	-	-	-
Other assets	56,334,253	15,233,227	18,917,932	2,002,637	662,660	2,260,624	6,419,673	10,837,500	-
	1,757,462,470	413,395,534	391,065,998	145,639,223	117,953,089	113,538,420	152,419,632	134,392,070	228,008,073
Liabilities									
Bills payable	23,980,692	23,980,692	8,214,674	5,044,522	1,813,871	8,382,537	2,571,133	4,831,690	11,876,359
Borrowings	164,001,533	121,266,747	48,536,715	57,946,390	56,649,804	317,092,872	315,209,849	316,783,667	105,243,346
Deposits and other accounts	1,289,502,304	72,039,661	(309,434)	(608,257)	(473,200)	654,883	1,910,831	2,432,012	1,711,329
Deferred tax liabilities	6,975,158	(132,904)	11,491,122	13,437,582	4,235,743	3,880,245	7,956,617	15,387,832	3,451,697
Other liabilities	82,900,828	22,598,657	67,933,077	75,820,237	62,226,218	330,010,537	327,648,430	339,435,201	122,282,731
	1,567,360,515	239,752,853	67,933,077	75,820,237	62,226,218	330,010,537	327,648,430	339,435,201	122,282,731
Net assets									
Share capital	190,101,955	173,642,681	323,132,921	69,818,986	55,726,871	(216,472,117)	(175,228,798)	(205,043,131)	105,725,342
Reserves	11,850,600								
Surplus on revaluation of assets - net	80,696,335								
Unappropriated profit	27,720,418								
	69,834,602								
	190,101,955								

Liquidity Gap Reporting

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity. Bank regularly conducts an objective and systematic behavioral study using regression analysis technique to ascertain the maturity of its non-contractual assets and liabilities. Core and non-core parts of the non-contractual assets and liabilities are segregated through the behavioral study. Non Core part is placed among the short term maturity buckets i.e. up to 1 Year based on the model results, whereas core part is distributed among the longer terms buckets based on the discussion and decision by the ALCO. Following percentages are used to distribute the core assets and liabilities among longer term buckets:

Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years
30%	30%	30%	10%

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

45.5 Derivative Risk

Most business clients have either interest rate exposures arising from debt financing or currency exposures arising out of commercial transactions from import and export of goods. Businesses face the risk of sudden movements in interest rates or foreign exchange rates that may adversely affect their profitability. The Bank provides solutions to this problem through its derivatives desk in major types of derivative instruments i.e.; forwards, futures, swaps and options. As an Authorized Derivative Dealer (ADD), the Bank is an active participant in Derivative market and has flexibility in providing a broad range of derivatives products covering both hedging and market making to satisfy customers' needs. As an ADD, the bank offers derivative products which are permitted under the Financial Derivative Business Regulations (FDBR) or as permitted by the State Bank of Pakistan. Before executing Derivative transactions, the bank ensures that the clients understand the risk and reward associated with the derivative being offered. Derivative transactions are executed with appropriate clients only.

Risk management activities take place at the following different levels.

Strategic Level:

By senior management Assets and Liabilities Committee (ALCO), Management Credit and Risk Committee (MC&RC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Bank-wide basis. The Board provides the overall limits/thresholds for derivatives business.

Macro Level:

By Treasury and FX Group and Risk Management Group, responsible for policy formulation, procedure development and implementation, monitoring and reporting.

Micro Level:

Treasury Derivatives and Structured Product Desk where risks are actually created and Treasury Operations for settlements of the transactions.

Derivative Risk Management caters the following risks:-

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. In line with SBP's regulatory guidelines, Bank hedges back-to-back all option transactions with other financial institutions. Bank minimizes the exchange rate risk on its Cross Currency Swap Portfolio by hedging the exposure in interbank market. Bank also manages interest rate risk on its Interest Rate Derivatives and Cross Currency Swaps through various sensitivity limits approved by ALCO. Marked to market positions and sensitivity of the derivatives transactions are monitored on regular basis. All individual deals are approved at the appropriate level of authority after analyzing the risk and benefits associated with the deals.

Credit risk is a probable risk of loss resulting from customer's inability to meet contractual obligation that may have adverse impact on Bank's profitability. Bank manages the risk by setting policies and limits for counterparty based on a pre-defined criteria linked with financial health of the customer. The exposure of each counterparty is monitored by Risk Management Function of the Bank on daily basis.

Considering small Derivative portfolio, bank is not exposed to any liquidity risk. However; Bank manages its liquidity risk through Bank's liquidity risk framework which is defined in relevant Liquidity Risk Section.

Bank has adequate system and controls for smooth execution of derivative transactions. Transactions are executed in line with well defined accounting and operational aspects to mitigate the operational risk. Policies and control functions are regularly reviewed on periodic basis.

Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2021

The Bank uses a third party's Super Derivative System which provides front end sales and structuring capabilities, end to end valuation solutions, risk management systems, back end processing and provides analytical tools to measure various risk exposures and carry out sensitivity analysis.

The goal of asset/liability management (ALM) is to properly manage the risk related to changes in interest rates, the mix of balance sheet assets and liabilities, the holding of foreign currencies, and the use of derivatives. Due to thin liquidity in the derivative market, interest rate derivatives are not actively used to manage/alter the interest rate risk profile of the bank.

46 EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 10, 2022 has announced a final cash dividend in respect of the year ended December 31, 2021 of Rs. 5.00 per share (2020: Rs. 15.00 per share). These unconsolidated financial statements for the year ended December 31, 2021 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

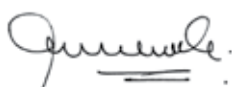
47 GENERAL

Comparative information has been rearranged wherever necessary for better presentation of the financial statements. There have been no significant reclassifications during the year.

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

48 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 10, 2022.



Shoaib Mumtaz
President/Chief Executive



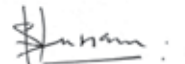
Hammad Khalid
Chief Financial Officer



S.M. Muneer
Director



Mian Umer Mansha
Director



Shahzad Hussain
Director

Annexure I

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2021

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of the year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
1	ACMA International G.T. Road, Near Jamia Masjid Umar-e-Farooq, Behind Bhutta Centre, Gujranwala	Muhammad Ashraf Kamboh Muhammad Ilyas Kamboh Muhammad Shabbir Ahmad	34101-4531402-1 34101-8974256-9 34101-0681710-9	Muhammad Abdullah Muhammad Abdullah Muhammad Abdullah	-	1,503	82	1,585	-	1,503	82	1,585
2	Muhammad Arshad Vanike Chowk, Tehsil & District Hafizabad	Muhammad Arshad	34301-1776599-3	Khadim Hussain	-	600	57	657	-	600	57	657
3	Younas Commission Shop Mohallah Masoom Gunj, Kasesay, Jalalpur Bhattian, District Hafizabad	Muhammad Younas	34302-1221429-5	Muhammad Sharif	-	1,165	74	1,239	-	1,165	74	1,239
4	Itehad Commission Shop New Ghallah Mandi, Kamokey, Distt Gujranwala	Muhammad Afzal	34102-0433291-7	Ali Hussain	-	1,191	117	1,308	-	1,191	117	1,308
5	Hamid Sultan Corporation Vanikay Road, Jalalpur Bhattian, District Hafizabad	Umar Daraz	34302-1201509-7	Sultan Ahmad	-	2,758	72	2,830	-	2,758	72	2,830
6	Malik Cloth House Chak No.266/RB, Khurianwala Faisalabad	Khadim Hussain	33104-4312180-3	Mubarak Ali	-	579	30	609	-	579	30	609
7	Akhlaq & Co House No.627-B Peoples Colony No.01, Faisalabad	Akhlaq Ahmed	33100-0898836-9	Mushtaq Ahmed	-	2,046	49	2,095	-	2,046	49	2,095
8	Muhammad Younas House No.P-14, Karim Block Doctor Street Muslim Town No.01, Faisalabad	Muhammad Younas	33100-8585636-3	Abdul Qayum	-	2,188	117	2,305	-	2,188	117	2,305
9	GN Fabrics 7- Chak Saim Nala Sargodha Road Faisalabad	Niaz Ahmed Haroon Ahmed Rohina Niaz	33100-4686338-9 33100-8305200-3 33100-1949889-8	Ghulam Nabi Niaz Ahmed Niaz Ahmed	-	3,496	-	3,496	-	3,496	-	3,496
10	Al Meezan Steel Mills House # G-40, Sabzi Mandi, Mohallah Alam Khel, Mianwali	Imran Ahmed Khan	38302-1216171-1	Abdul Razzaq Khan	-	1,348	67	1,415	-	1,348	67	1,415
11	Hassan Oil Mills House # L-8, Block # 8, L-type, Jahurabad, Tehsil & District Khushab	Muhammad Azhar Malik	38201-1224648-9	Zafar Ullah Malik	-	1,002	31	1,033	-	1,002	31	1,033

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2021

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of the year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
12	Sheikh Corporation House # 90/A, Mohallah Kotla Tolay Khan Multan	Shahid Rasheed	36302-7235834-5	Abdul Rasheed	-	880	21	901	-	880	21	901
13	Friends Iron Store Colony road near Shama Cinema Tehsil Malisi & District Vehari	Shah Muhammad Shah	36602-4632499-5	Syed Sattar Shah	-	734	49	783	-	734	49	783
14	Kaswa Agro Chemicals 294-C Khayaban-E-Sarwar, D.G Khan, Tehsil & District D.G Khan	Barkat Ahmad Nudrat Qasim Shah	32102-8444410-5 32102-0622620-8	Mian Rasheed Ahmad W/o Barkat Ahmad	-	783	38	821	-	783	38	821
15	Advent Marketing & Company 294-C Khayaban-E-Sarwar, D.G Khan, Tehsil & District D.G Khan	Barkat Ahmad	32102-8444410-5	Mian Rasheed Ahmad	-	534	55	589	-	534	55	589
16	Manzoor Model Factory Basti Rahim Post Office Sehja Tehsil Khanpur District Rahim Yar Khan	Hafiz Manzoor Ahmad Muhammad Akar Muhammad Anwar	31301-0144282-1 31303-2796510-9 31303-3012436-5	Hafiz Yar Muhammad Hafiz Manzoor Ahmad Hafiz Manzoor Ahmed	-	1,207	67	1,274	-	1,207	67	1,274
17	Muhammad Najamul Hassan Siddiqui House No. 6, Nazir Apartment, New Town, Chandni Chowk, Karachi	Muhammad Najamul Hassan Siddiqui	42401-2004370-3	Muhammad Abdul Qayyum	-	12,100	33	12,133	-	12,100	33	12,133
18	Farooq Optical Co. 2nd Floor, Musarat Plaza Optical Market, Shah Alam Gate, Lahore	Chaudhry Muhammad Farooq Alam Chaudhry Muhammad Shahid Alam	35201-4494526-7 34104-2324585-1	Chaudhry Muhammad Alam Chaudhry Muhammad Alam	-	7,799	20	7,819	-	7,799	20	7,819
19	Next Corporation 2 Noon Avenue, Old Muslim Town, Lahore	Fayyaz Kamal Aneela Fayyaz	35202-2326647-9 35202-2241001-2	Mustafa Kamal Jarral Fayyaz Kamal	-	11,416	19	11,435	-	11,416	19	11,435
20	Shabir Hussain Mohalla Rasoolabad, Maduni Road, Po Dhal Bagh, Chak Ghummana, Jhang	Shabir Hussain	33202-1204366-1	Muhammad Ameer Khan	-	632	32	664	-	632	32	664
21	Waheed Brothers P-1/11, Street No.08-B, Yasrab Colony Faisalabad	Abdul Waheed	33100-0986498-5	Abdul Qayyum Shahid	-	1,336	68	1,404	-	1,336	68	1,404
22	Muhammad Farooq Warriach House No.p-394, Street No.01 Madina Town Officer Colony Faisalabad	Muhammad Farooq Warriach	33100-7829391-9	Muhammad Rafiq	-	757	-	757	-	757	-	757
23	Shahid Traders Main Kot Farid, Iqbal Colony Road, Mouza Chak No.44/NB Ikram Colony Sargodha	Shahid Khan	38403-2049842-1	Manzoor Khan	-	2,686	68	2,754	-	2,686	68	2,754

Annexure I

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2021

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of the year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
24	Punjab Autos General Bus Stand	Shaukat Riaz	38403-2025496-5	Ghulam Hussain	-	1,335	88	1,423	-	1,335	88	1,423
25	Khushab Oil Mills House # L-8, Block # 8, L-type, Jahurabad, Tehsil & District Khushab	Muhammad Azhar Malik Farooq Malik Farhat Malik	38201-1224648-9 235-58-01513-8 61101-2008447-5	Zafar Ullah Malik Abdul Ghafoor Malik Abdul Ghafoor Malik	-	1,924	57	1,981	-	1,924	57	1,981
26	Zeeshan Traders Iqbal Pura, Town Committee Jalalpur Bhattian.	Khalil Ahmad	34302-5823066-3	Khushi Muhammad	-	1,749	68	1,817	-	1,749	68	1,817
27	Usman Commission Shop Village & PO Kolo Tarar Tehsil & District Hafizabad	Usman	34301-1723806-9	Rana Irshad Ullah	-	995	92	1,087	-	995	92	1,087
28	Ashraf Billah Stainless Steel Pasban Colony Rajkot Gujranwala	Muhammad Ashraf Ansari Khuram Shahzad Tahir Tabbasum	34101-2562187-9 34101-2562190-9 34101-6393304-9	Rehmat Ali Ansari Muhammad Ashraf Muhammad Ashraf	-	1,292	-	1,292	-	1,292	-	1,292
29	Muhammad Javed Khan House # 62-A, Multan Road Malisi, Tehsil Duniyapur District Lodhran	Muhammad Javed Khan	36201-0583856-9	Saif Ullah	-	660	31	691	-	660	31	691
30	City Agro 102-104 1st Floor, Mall Plaza Multan Cantt	Syed Hamid Raza Azhar Nawaz Ather Nawaz	36302-6934612-9 36302-6132586-1 36302-0469516-7	Syed Murtaza Shah Mazhar Nawaz Mazhar Nawaz	-	7,359	97	7,456	-	7,359	97	7,456
31	Shahzad Asghar Sheikh Gate No. 01, House No. 3, Near Safari Hospital, Phase-VI, Mohallah Guirazi Housing Scheme, Rawalpindi	Shahzad Asghar Sheikh	37405-0614490-5	Muhammad Asghar Sheikh	-	7,894	-	7,894	-	7,894	-	7,894
32	Sardar Muhammad Tariq Hayat Khan House No. 04, Street No. 07, Muzammil Town, Shakrial Rawalpindi	Sardar Muhammad Tariq Hayat Khan	37405-0374748-5	Sardar Muhammad Hayat Khan	-	621	88	709	-	621	88	709
33	Sadaat Enterprises Plot No. 390, Sector I-9, Industrial Area, Islamabad	Tahammal Abbas Hamdani	37405-0521349-1	Shaukat Abbas Hamdani	-	22,117	-	22,117	-	22,117	-	22,117
34	Islam Uddin House # 37, Block-5, Shah Faisal Colony, Karachi	Islam Uddin	42201-1249961-7	Phelwan Fareed Uddin	-	1,262	-	1,262	-	1,262	-	1,262
35	Sohail Baloch Banglow # 1, Faraz Villas, Phase-I, Qasimabad, Hyderabad	Sohail Baloch	41306-3534168-1	Nizam Uddin	-	1,898	-	1,898	-	1,898	-	1,898

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2021

(Rupees in '000)

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of the year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
36	Alif Sani Industries Plot # 8,9,10, Korangi Industrial Area, Karachi	Abdul Razzak Muhammad Fahad Muhammad Faisal	42201-8297373-3 42201-2965802-1 42201-2975302-1	Ghulam Nabi Abdul Razzak Abdul Razzak	-	2,723	-	2,723	-	2,723	-	2,723
37	Muhammad Nadeem House # R-64, Block 'H', KDA Scheme # 2, North Nazimabad, Karachi	Muhammad Nadeem	42101-1465815-1	Muhammad Ramzan	-	919	33	952	-	919	33	952
38	Taj Textile Mills Ltd House# 85-L Model Town Lahore	Jahangir elahi Tanvir Elahi Amir Jahangir Shahrukh Elahi Muhammad Ashraf Tariq Latif Ashfaq Nadeem	35202-2561094-5 35202-5522225-3 35202-0676798-7 35202-6374883-5 35202-9135980-9 35201-8390613-3 35202-5269188-9	Aehsan Elahi Aehsan Elahi Jahangir Elahi Tanveer Elahi Sh. Naseer Ahmed Abdul Latif Muhammad Bashir	21,115	43,641	17	64,773	21,115	43,641	17	64,773
39	Qadeer Ahmad 185 Qayyum Block Mustafa Town, Lahore	Qadeer Ahmad	35202-8934079-7	Nazir Ahmad	-	1,257	17	1,274	-	1,257	17	1,274
40	Shalimar Shoes Haq Nawaz Road, Main Bazar, Haroon Market, Baghbanpura, Lahore	Muhammad Ghafoor	35201-2362090-3	Muhammad Bashir	-	887	-	887	-	887	-	887
41	Raheel Younis St No 02, Mohallah Khalza College, Faisalabad	Raheel Younis	33201-4127274-3	Muhammad Younis	-	480	56	536	-	480	56	536
42	Tanveer Ahmed Kot Kamoh Shah, Dakkhana Bahader Pur, Rahim Yar Khan	Tanveer Ahmed	31303-7524582-3	Mohammad Ramzan	-	489	71	560	-	489	71	560
43	Farhan Ahmed Paracha House No 82-B/1 Khayaban E Sehar DHA Phase 7, Karachi	Farhan Ahmed Paracha	42201-0559928-5	Ghulam Fareed Paracha	639	857	-	1,496	-	1,102	34	1,136
44	Alam Cotton Mills (Pvt.) Limited A-201-B, 2nd Floor, City Tower, Lahore.	M. Shafiq Faraz Shafiq Alam Adeel Shafiq Alam Hamad Shafiq Alam	42201-0547606-5 42000-0503055-9 42000-0503449-9 42201-7410183-7	Muhammad Rafiq M. Shafiq Alam M. Shafiq Alam M. Shafiq Alam	-	7,670	-	7,670	-	7,670	-	7,670
45	Zafar Ahmad Bajwa & Co Mohallah Taj Pura Qila Dider Singh Dist. Gujranwala.	Zafar Ahmad Bajwa Malik Fazal Hussain"	34101-2314715-7 34101-2545078-3	Muhammad Sharif Naseer ud din	2,490	1,363	100	3,953	-	1,377	100	1,477
46	Raza Steel 42- Peco Road Badami Bagh, Lahore	Ali Raza Sheikh M. Raza	35202-2350603-3 35202-2969469-3	Sheikh Anwer Hussain Ali Raza	-	1,529	-	1,529	-	1,529	-	1,529
47	VIP Motors 1- Ghali Ghulam Mohammed Chakkiwa Fatehganj, Sialkot	Abdul Qadeer Zaidi	34603-2842530-5	Muhammed Shafi	-	759	-	759	-	759	-	759

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		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
48	Habib Ur Rehman 68-A, Satellite Town, Sargodha	Habib Ur Rehman	38403-5214071-7	Mehr Allah Baksh Lak	-	4,477	-	4,477	-	4,477	-	4,477
49	Rehmat Ali & Co. 1 – Link Mcleod Road, Lahore	Abdul Rauf Rashid Rauf Rehan Rauf Rumeza Rauf	35201-1360971-7 35201-4987340-1 35201-1276421-7 42201-0342422-8	Rehmat Ali Abdul Rauf Abdul Rauf Afzal Noor	-	11,523	145	11,668	-	11,523	145	11,668
50	Muhammad Jamil Khan House No: 576, K Block, Sabzazar, Lahore.	Mr. Muhammad Jamil Khan	35202-2858208-9	Muhammad Tufail	-	882	45	927	-	882	45	927
51	Haripur Food Industries (Pvt.) Ltd. (Formerly SDA Cold Storage, Haripur) 36-Nazimuddin Roa, F/8-4, Islamabad.	Mian Abid Manzoor Mian Tariq Manzoor Munazza Abid Asiya Khalid	2201-0341248-5 42201-03588130-1 42201-0396564-0 42201-0547736-2	Mian Manzoor Hussain Mian Manzoor Hussain Mian Abid Manzoor Khalid Manzoor	-	23,607	-	23,607	-	23,607	-	23,607
52	Saim Mahmood Khan Baloch Colony Jhang Road Sahwial Dist Sargodha	Saim Mahmood Khan	38402-1577510-9	Talib Hussain Khan	-	550	27	577	-	550	27	577
53	Ejaz Ahmad House# 247/C Officer Colony 2, Faisalabad	Ejaz Ahmad	33100-7434532-7	Mushtaq Ahmed	342	561	17	920	-	556	17	573
54	Nasim Ul Ghani Khan I-G-4/21 Nazimabad N O.1, Karachi	Nasim Ul Ghani Khan	42101-1494703-9	A.Ghani Khan	214	391	-	605	214	391	-	605
55	Sohail Shaikh R-595 Block-I,Sharifabad, FB,Area, Karachi	Sohail Shaikh	42101-1402686-3	Shaikh Noor Muhammad	1,331	2,105	-	3,436	1,331	2,105	-	3,436
56	Lutfulah Mir Ali Bazar Khair Pur City Distt. Khair Pur	Lutfulah	45203-7298803-7	Noor Muhammad Shaikh	725	1,150	-	1,875	725	1,167	-	1,892
57	Sultan Qamer 202E, E Market, Block-6, Commercial Area, PECHS, Karachi	Sultan Qamer	514-90-149064	Noor Muhammad	375	1,155	-	1,530	375	1,155	-	1,530
58	Muhammad Ahsan Raza Turabi House, D-Block, Al-Faisal Town, Lahore Cantt.,	Muhammad Ahsan Raza	35201-0747119-9	Imdad Hussain	499	1,294	-	1,793	499	1,294	-	1,793
59	Irfan Qudus Gali School Wali Kot Ghulam Muhammad Khan, Kasur	Irfan Qudus	61101-8824847-1	Chaudhary M Siddique	1,210	1,461	-	2,671	1,210	1,461	-	2,671
60	Hakim Ali C/O Luqum Din Unar, Sakrand, P.O.Nawabshah.	Hakim Ali	42201-1997875-1	Shafi Muhammad	622	602	-	1,224	622	602	-	1,224

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Domestic												
61	Muhammad Qasim 43/2 20Th Street, Ph Ase-5, D.H.A. Karachi	Muhammad Qasim	41201-9748915-9	Haji Muhammad Hashim	620	1,046	-	1,666	620	1,046	-	1,666
62	Nasreen Akhtar H.No.24, Pcfi Housing Colony, Hattar Road, Haripur.	Nasreen Akhtar	37405-3045484-0	Muhammad Naem	371	573	-	944	371	573	-	944
63	Syed Zaffar Hassan Naqvi Moza Bullah Shah, P/O. Mamu Kanjan, Dist: Faisalabad	Syed Zaffar Hassan Naqvi	33106-1800579-7	Syed Mohd Hassan Naqvi	779	1,229	-	2,008	779	1,229	-	2,008
64	Aamir Khan Apt.101 Tower A. Shadman Residency,Block-2, Clifton, Karachi	Aamir Khan	42301-7584979-7	Iqbal A.Khan	329	702	-	1,031	329	702	-	1,031
65	Muhammad Tariq House # 03, Street # 05, Old Thana Road, Hussainab Rahim Yar Khan Rahim Yar Khan	Muhammad Tariq	31303-5075888-9	Shabir Ahmed	857	1,014	-	1,871	857	1,014	-	1,871
66	Asim Shahzad House # 17/8-A, Kamalabad, Rawalpindi	Asim Shahzad	37405-0526645-9	Ashiq Hussain	354	572	-	926	354	572	-	926
67	Faakhir Umair Mussoni House, Fazil Pur Distt, Rajan Pur, Fazil Pur	Faakhir Umair	32402-2262332-7	Yaar Muhammad	606	866	-	1,472	606	866	-	1,472
68	Zulfiqar Hussain A 71,Block R , North Nazimabad Karachi	Zulfiqar Hussain	42101-0456961-7	Iftikhar Hussain	361	817	-	1,178	361	817	-	1,178
69	Aamir Mehmood Khan House No.01, Near Bilal Masjid Sahulat Market,Gik Road Gujranwala	Aamir Mehmood Khan	34101-7750674-9	Shoukat Ali khan	598	917	-	1,515	598	917	-	1,515
70	Rashid Amin H No 147 -D Vehari	Rashid Amin	36603-5985734-7	Muhammad Amin Sheikh	306	350	-	656	306	350	-	656
71	Fida Hussain Jatoi Village Thorha, Talika Moro, Distt Nowsheroierz	Fida Hussain Jatoi	42301-9277862-1	M Ayaz Jatoi	453	745	-	1,198	453	745	-	1,198
72	Ahsan Ullah House No 41 A Street No 18 Railway Officers Colony, Walton Lahore	Ahsan Ullah	31304-2080133-9	Muhammad Ashraf	470	759	-	1,229	470	759	-	1,229
73	Asif Ahmed Siddiqui House No 115 7/8 Jln Nah Housing Society Karachi	Asif Ahmed Siddiqui	42501-5326664-3	M.Akbar Siddiqui	486	677	-	1,163	486	677	-	1,163

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Domestic												
74	Danish Jamal Hashmi 79-2 Khv E Nishat D H A Phase 5 Karachi	Danish Jamal Hashmi	42301-6267600-9	Syed Yousuf Jamal Hashmi	702	1,116	-	1,818	702	1,116	-	1,818
75	Nadeem Sajjad H No.49-C,Sc Lane #5 Sher Zaman,Tulsa Road, Lalazar Rwp Cantt	Nadeem Sajjad	17301-0771171-9	M. Sajjad Younas	576	871	-	1,447	576	871	-	1,447
76	Balouch Zari Services Basti Tariqabad, Mouza Lal Wah Jagguwala, Lodhran	Mr. Khalid Mehmood	31202-1584584-1	Khuda Buksh Khan	-	2,127	83	2,210	-	2,127	83	2,210
77	Jamal Automobile Industry House # 394, Ponch Road, Main Samanabad, Lahore	Danish Ahmed	35202-2458517-7	Muhammad Younas	697	2,005	95	2,797	-	1,879	95	1,974
78	Muhammad Jamil Akhtar Rai House # 10, Kiran Villas Aziz Avenue, Gulberg V, Lahore.	Muhammad Jamil Akhtar Rai	35202-5025616-3	Rai Ameer Ahmed Bhatti	-	4,590	17	4,607	-	4,590	17	4,607
79	Murtaza Nawaz Commission Shop Shope No. 06, New Ghalla Mandi Karnoki District Gujranwala	Muhammad Nawaz	34101-8839481-1	Chaudhary Muhammad Sadiq	-	1,721	-	1,721	-	1,721	-	1,721
80	Butt Dairy Farms Tensil Tandlianwala District Faisalabad	Muhammad Boota Butt Maqbool Ahmed Maqsood Ahmed Muhammad Ashfaq Muhammad Rafiq Muhammad Ramzan Mehmood Ahmed Muhammad Siddique	33106-2848613-9 33106-0306449-5 33106-0289990-5 33106-6847106-3 33106-0310746-5 33106-7445690-9 33106-3026794-5 252-91-106525	Imam Din Muhammad Siddique Muhammad Siddique Muhammad Boota Imam Din Imam Din Muhammad Siddique Imam Din	-	5,772	169	5,941	-	5,772	169	5,941
81	Al Umar Traders House No.311/D, Peoples Colony No.01, Post office Khas Faisalabad	Muhammad Farooq Azam	33100-1026584-7	Muhammad Hussain	-	1,288	37	1,325	-	1,288	37	1,325
82	Haryali Traders New Grain Market Faisalabad Road Chiniot	Maqsood Ahmed	33100-4735042-1	Bashir Ahmed	498	1,302	92	1,892	-	1,307	92	1,399
83	Ch. Noor Muhammad Main Road, House # 4-11, Noor Pur Basti Sargodha	Ch. Noor Muhammad	38403-6863636-1	Deewan Ali	999	809	49	1,857	-	618	49	667
84	Asif Hosiery Store Talha Market, Block # 2, Sargodha	Muhammad Naeem	38403-7474795-9	Muhammad Siddique	1,345	724	45	2,114	-	581	45	626

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Domestic												
85	Ghulam Abbas New General Bus Stand, Bhowana, District Chiniot	Ghulam Abbas	33201-5931531-1	Muhammad Iqbal Khan	-	838	17	855	-	638	17	655
86	Ghousia Lasani Rice Mills Kassoki Road Kamonki	Muhammad Sattar	34102-6510182-1	Muhammad Ramzan	5,910	27,371	-	33,281	5,910	27,371	-	33,281
87	Khaiil Ullah International 1-2 Basement, Merah Hussain Center, Montgomery Road Lahore	Khawaja Shakeel	35200-1454285-5	Khawaja Abdul Rasheed	31,959	35,426	-	67,385	31,959	35,426	-	67,385
88	Abdullah Enterprises Fazal House Behind Faysal Bank, Khanewal Road Chowk Khumharanwala Multan	Sheikh Fazal Ellahi	36302-7039576-7	Sheikh Muhammad Shafi	20,147	19,128	-	39,275	20,147	19,128	-	39,275
89	Masetti Ladies Shoes Shop No. 06, Al-Habib Terrace, Block-09, Clifton, Karachi, and Shop No. 1, Plot No. 15- C, Zamzama Commercial Lane No. 02, Phase-V, DHA, Karachi.	Waseem Riyaz Ahmed	42101-7364610-1	Riyaz Ahmed	4,990	7,079	-	12,069	4,990	7,079	-	12,069
90	Integral Commodities Export 109, landmark Plaza M.Bin Qasim Road, I.I Chundrigar Road, Karachi	Farhan Ahmed	42301-916970-4	Zafar Ahmed	8,898	22,925	-	31,823	8,898	22,925	-	31,823
91	Taj Weaving Factory P-1651/39, Street No. 07, New Millat colony Samundari Road Faisalabad	Zulfiqar Ahmed	33100-1853913-9	Abdul Ghafoor	2,246	1,725	-	3,971	2,246	1,725	-	3,971
92	ZML Printing Press Shop No.07, Ground Plaza Minshi Mohallah Amin Pur Bazar Faisalabad	Inam Ul Haq	33100-2896020-7	Ghulam Qadir	2,506	4,342	-	6,848	2,506	4,342	-	6,848
93	Sine International Pvt Limited CD-388 & 389 Gabol Town Sector 16, F.B. Area Karachi	Muhammad Sultan Ahmed Abdul Qayyum Naseema Ahmed Andleeb Qayyum Safdar Sayeed Qaiser Sayeed Hyder Sayeed Shahid Jamil	42301-6003411-9 42301-6742580-7 42301-6727725-4 42301-2638693-8 42101-1557527-5 42201-3331659-9 42101-1950087-9 42101-9447644-1	Muhammad Saeed Muhammad Saeed Sultan Ahmed Abdul Qayyum Muhammad Saeed Muhammad Saeed Muhammad Saeed Muhammad Saeed	108,888	101,929	-	210,817	108,888	101,929	-	210,817

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Domestic												
94	M.A. Enterprises P-20 Sheikhpura Road Opposite MCB Bank Limited Near Jalal Ice Factory	Sh. Muhammad Riaz Sheikh Muhammad Ijaz	33100-6090439-5 33100-0898955-7	Haji Sh. Muhammad Ilyas Haji Sh. Muhammad Ilyas	3,319	1,714	-	5,033	3,319	1,714	-	5,033
95	Kausar Textile Industries Atlas Street Maqbool Road Faisalabad	Muhammad Idrees Lubna Idrees	33100-0666263-5 33100-7916767-4	Ghulam Muhammad Muhammad Idrees	10,567	22,037	-	32,604	10,567	22,037	-	32,604
96	Muhammad Aslam Village and PO Uppi, Tehsil Kotmoman	Muhammad Aslam	38401-0267967-1	Muhammad Anwar	998	857	32	1,887	-	667	32	699
97	Arslan Weaving Factory Chak No. 187/RB Tehsil Chak Jhumra District Faisalabad	Muhammad Boota	33101-1713988-5	Bashir Ahmed	-	712	57	769	-	508	57	565
98	Barkaat Electronics Kaghan Colony, Near Elahi Masjid, Abbottabad.	Munir Ahmad	42501-3708351-1	Gohar Rehman	4,994	371	45	5,410	-	478	45	523
99	Mirza Zaheer Baig House # 44/4, Sakhi Sultan Colony, Suraj Milani Road, Multan.	Mirza Zaheer Baig	36302-3356996-1	Mirza Naseeb Baig	1,586	2,505	70	4,161	-	2,507	70	2,577
100	Indus Chemicals Multan Road, Opp. Main Market Khayaban E Sarwar D.G Khan.	Ejaz Fareed Muhammad Baksh Khosa Fayyaz Fareed Zahid Fareed Mumtaz Fareed Abdul Majeed Mushtaq Ahmad	32102-8256634-3 32102-9983753-5 32102-2180086-5 32102-1704817-3 32102-4912040-5 32102-0965627-1 32102-0926245-1	Muhammad Buksh Muhammad Azeem Muhammad Buksh Muhammad Buksh Muhammad Mitha Din Muhammad	3,375	956	80	4,411	-	990	80	1,070
101	Rana Muhammad Afzal & Brothers Shop No.18 Ghallah Mandi Khanewal.	Rana Muhammad Afzal Khan	36103-6588695-3	Ghualm Nabi Khan	-	1,669	16	1,685	-	1,669	16	1,685
102	Maher Iqbal Iron Store Chak # 386 WB P/o Makhdoom Aali Tehsil Dunyapur District Lodhran.	Muhammad Iqbal	36201-5949652-7	Khuda Buksh	794	508	44	1,346	-	507	44	551
103	Sheikh Qudrat Elahi 423/17-A Qursi Colony, Ahmedpuri Gate Bahawalpur.	Sheikh Qudrat Elahi	31202-0265528-3	Sheikh Riaz Ahmed	1,397	1,617	57	3,071	-	1,628	57	1,685
104	Sheikh Mehboob Elahi 423/14-15 Qursi Colony, Ahmedpuri Gate Bahawalpur.	Sheikh Mehboob Elahi	31202-0264427-7	Sheikh Riaz Ahmed	998	1,247	49	2,294	-	1,253	49	1,302
105	Khalid Brothers 9-A Mohalaz Town, Gujranwala.	Khalid Mehmood	34101-2203300-1	Abdul Hameed	7,911	14,829	23	22,763	7,911	14,829	23	22,763

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Domestic												
106	Irfan & Co. 9-A Mohafiz Town, Gujranwala.	Irfan Tuheed	34101-5794325-9	Abdul Hameed	7,911	10,817	18	18,746	-	10,817	18	10,835
107	Syed Abid Hussain House # R-102, Sector 15-B Buffer Zone, North Karachi	Syed Abid Hussain	42501-6789337-9	Syed Muhammad Hussain	515	701	-	1,216	-	705	-	705
108	Yasir Arafat House No: 290-J, Phase-I, DHA Housing Authority, Lahore Cantt. Lahore.	Yasir Arafat Shahzadi Yasir	35201-6722419-3 35201-6221160-0	Malik Gulzar Ahmed Yasir Arafat	4,337	2,484	19	6,840	-	2,170	19	2,189
109	EXIN Chemicals Corporation 33-B, Industrial Estate, Multan Road, Lahore	Muhammad Hanif Tariq Manzoor Ahmed Ch. Muhammad Latif Ch. Tuqeer Ahmed	31205-3464301-9 36603-0346108-3 35201-8390365-9 36302-2784093-9	Nazir Ahmed Ch. Chiragh Din Nazir Ahmed Ch. Bashir Ahmed	-	22,899	22	22,921	-	22,899	22	22,921
110	Al-Khair Filling Station Main Harbanspura Road, Mouza Tajpura, Lahore Cantt.	Hamid Sarwar Ghulam Dastagir	35201-9128780-5 35201-1538315-1	Ghulam Sarwar Rehmat Ali	-	643	18	661	-	643	18	661
111	Saeed Ahmed Shafi House No. 217, Block-W, Phase-III, DHA, Lahore	Saeed Ahmed Shafi	35201-9934830-3	Sheikh Nazir Ahmed Shafi	2,103	5,912	-	8,015	-	5,710	-	5,710
112	Data Paper Cone Factory 79/J.B Gojra Road Faisalabad.	Ehsan Ahmed Rana Muhammad Adnan Muhammad Shafiq	33100-0651035-1 33100-1955966-9 33303-5711835-3	Khan Ahmed Muhammad Shafiq Muhammad Sharif	3,005	2,445	52	5,502	-	2,450	52	2,502
113	Sajawal Weaving Factory Chak No. 79/JB Adda Gojra Road Faisalabad	Muhammad Shafiq Bushra	33303-6711835-3 33100-5557408-4	Muhammad Sharif Muhammad Shafiq	1,612	1,456	-	3,068	-	1,493	-	1,493
114	Muhammad Shafiq Chak No.78 Javodi Post office Khars Faisalabad	Muhammad Shafiq	33303-6711835-3	Muhammad Sharif	4,309	4,803	40	9,152	-	4,905	40	4,945
115	Shafiq Brothers House No. P-81, Street No. 04, main Bazar Dhobi Ghat Faisalabad	Muhammad Shafiq	33303-6711835-3	Muhammad Sharif	-	768	35	803	-	768	35	803
116	Cast N Link Consortium Loan, Plot # C-133, Noorabad Industrial Estate, Dadu	Nisar Ahmed	42301-3612315-7	Muhammad Yaqoob	1,529	4,116	11	5,656	-	4,105	11	4,116
117	Itehad Enterprises Thatha Ghara, Hafizabad	Israr Ahmad Ejaz Ahmad	343025-930321-5 343021-231363-9	Ahmad Din Sher Muhammad	843	1,116	42	2,001	-	1,116	42	1,158
118	Ayub Enterprises 17-KM, Bank Stop, Ferozepur Road Lahore.	Tahair Ayub	35201-1621692-3	Muhammd Ayub Khan	504	12,119	67	12,690	-	11,705	67	11,772

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Domestic												
119	Fatima Enterprises Ltd. 487-A Vehari Road, Mumtazabad Multan	Kashif Tafazzal Warsi Muhammad Saeed Khan Muhammad Ibad Raja Nishat Ahmed Sh. Syed Arshad Hussain Shah Sh. Zafar Iqbal Muhammad Islam	36302-0474444-3 36302-0408146-7 36302-4607310-7 36302-9521257-1 36302-0420122-3 61101-3583343-9 36302-2636750-3	Nasir Hussain Warsi Shareef Khan Sher Khan Sh. Fazal Rehman Syed Asghar Hussain Shah Sh. Fazal Rehman Muhammad Ramzan	25,029	29,950	679	55,658	25,029	29,950	679	55,658
120	Ahmed Shah Industries 40-KM Vehari Road Chowk Matla, Multan	Mehmood-ul-Hassan Shah	36302-9267986-1	Manzoor Ahmad Shah	16,499	50,991	75	67,565	16,499	50,991	75	67,565
121	Sardar Muhammad Nawaz Mohallah Farooq Park, Peco Road, Near Multan Chungi, Lahore	Sardar Muhammad Nawaz	35202-0560068-3	Muhammad Hanif Nawaz	-	650	16	666	-	650	16	666
122	Asif Shahzad H No 6 St No 3 Mohallah New Shalimar Colony Boson Road Multan	Asif Shahzad	36302-6490070-3	Sheikh Habib Ur Rehman	8,464	-	-	8,464	-	1,644	317	1,961
123	Nadeem Traders 979/36Shan Badar Road, Behind Eid Gah Multan.	Khawaja Nadeem Bashir Ahmad Malik Mushtaq Ahmad	36302-2987306-9 36302-0752112-3	Khawaja Bashir Sahmad Siddiqui Malik Hayyat Muhammad Rustam Khan	1,550	3,519	-	5,069	-	3,541	-	3,541
124	AK Traders House # 29 Mohallah New Mumtazabad Multan.	Muhammad Azam Khan	36302-5739058-1		478	965	51	1,494	-	930	51	981
125	Umar Hayat Bajwa Village Dilawar Bajwa Bhag,Po Khas, Tehsil Pasur Distt Sialkot	Umar Hayat Bajwa	34101-6320425-5	Muhammad Hayat Bajwa	800	519	25	1,344	-	546	25	571
126	Raushi Builders & Town Planners Dogah House Rehman Shaheed Road Gujrat	Waheed uz Zaman	34201-9015793-1	Chaudhary Mohammad Zaman Doga	423	1,840	82	2,345	-	1,745	82	1,827
127	M. Shafi Gulzaman House#40, Gosh-e- Ehbab, Phase-III, PECO Road, Lahore	Muhammad Shafi Gulzaman	35202-2970172-3	Ghulam Hussain	2,318	1,241	-	3,559	-	1,113	-	1,113
128	Grain Tech Pvt Ltd 99-C Model Town Lahore	Syed Faisal Hasan Nosheen Faisal Feroza Bano	35202-2835900-7 35202-2667973-4 35202-2654126-4	Mukhtar Hussain Faisal Hassan Mukhtar Hussain	33,744	57,358	624	91,726	8,744	57,747	624	67,115
129	Zia ur Rehman Bukhari House No. 60, Model Town -B, Labour Colony, Bahawalpur	Zia ur Rehman Bukhari	31202-9059292-3	Abdur Rehman	305	284	-	589	305	284	-	589
130	Nadeem Ahmad MCB Gari K Hata Hyderabad. Dheri Zardad	Nadeem Ahmad	42101-5247735-9	Abdul Hameed	300	325	-	625	300	325	-	625

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		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
131	Aftab Ali Khaskheli K-Old Golimar Bismillah Hotel Karachi	Aftab Ali Khaskheli	41504-0418310-7	Imam Bux Khaskheli	312	316	-	628	312	316	-	628
132	Chaudhry Fakhar-Ul-Islam K-block Shah Rukan-E-Alam Multan	Chaudhry Fakhar-Ul-Islam	36302-6574889-7	Ch. Faqeer Muhammad	322	400	-	722	322	400	-	722
133	Aziz Anwar Ali Nathani C-Dha. Karachi Karachi	Aziz Anwar Ali Nathani	45104-2311606-5	Mir A Hussain Shah	493	429	-	922	493	429	-	922
134	Muhammad Mushahid Khan House No.98, Mohalla Garden Road, Rawalpindi Cantt	Muhammad Mushahid Khan	37405-9658869-3	Muhammad Hamid Khan	308	326	-	634	308	326	-	634
135	Ashtaque Ahmed Shaikh C.S.No. / Shaikh Mohalla Shikarpur Shikarpur Jacobabad	Ashtaque Ahmed Shaikh	43102-2477184-8	Bashir Ahmed Shaikh	296	242	-	538	296	242	-	538
136	Saad Akhtar Qureshi Mouza Niaz Baig Mouza Niaz Baig Niaz Baig Lahore	Saad Akhtar Qureshi	34603-5468990-3	Ghulam Farid Qureshi	248	270	-	518	248	270	-	518
137	Malik Ehtisham Khair-Uddin High Sch Antisheen Street Bahr Mandi Road Lahore Lahore	Malik Ehtisham	274-89-388555	Malik Ahmad	241	365	-	606	241	365	-	606
138	Ahmed Dawood Hashmi House # 1, Faisal St Peet, Bosan Road, Neelkot Karachi	Ahmed Dawood Hashmi	36302-3269195-9	Zafar Iqbal Hashmi	210	300	-	510	210	309	-	519
139	Muhammad Itrat 24/A, Noor Ullah Colony, Multan Road, Lahore	Muhammad Itrat	35202-2971519-1	Ashraf Nazir	280	433	-	713	280	445	-	725
140	Imran Ali House.No.126 Street, No.4 Muslimabad Sahiwal	Imran Ali	36502-1373719-3	Abdul Gohazoor	685	466	-	1,151	685	495	-	1,180
141	Mehboob Ali Kili Bungalzai Near Wapda Grid Station, Saryab Road Quetta	Mehboob Ali	55302-1775372-9	Abdul Ghani	513	744	-	1,257	513	766	-	1,279
142	Abbas Raza Hussain Katchery Chowk Near T1/2 Phone Exchange Depalpur Okara	Abbas Raza Hussain	35301-1962238-1	Syed Mumtaz Ali Shah	429	830	-	1,259	429	848	-	1,277
143	Maqsood Ahmed H.No.5-7/4 Kaikabad Road, Quetta. Quetta Quetta	Maqsood Ahmed	54400-2852664-1	Abdul Sattar	634	678	-	1,312	634	705	-	1,339

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		Name	NIC No.		Principal	Interest / mark up			Total				
						Interest / mark up	Others	Total					
Domestic													
144	Ali Raza House # 5C1 Satellite Town, Rawalpindi,	Ali Raza	37405-0279824-9	Raja Aman Ullah	1,201	1,274	-	2,475	1,201	1,325	-	2,526	
145	Qaisar Shahzad H-No-45, St # 35-A, 1-9/4 Islamabad	Qaisar Shahzad	61101-4264678-5	Abdul Hameed	848	1,100	-	1,948	848	1,136	-	1,984	
146	Rao Naveed Ahmed P O Lar . Main Multan Bahawalpur Road	Rao Naveed Ahmed	36303-9853090-5	Rao Abdul Sattar	918	1,124	-	2,042	918	1,163	-	2,081	
147	Jaffar Hussain House # 322, Block 1, Zia Shaheed Road, Sillanwali, Sargodha	Jaffar Hussain	38405-6284274-9	Ch. Munir Ahmed	1,278	642	-	1,920	-	564	-	564	
148	Sajawal Sanitary Fittings Kacha Sheikhpura Road, Gujranwala.	Basharat Ali	34102-7637089-5	Qaim Din	926	607	196	1,729	-	543	196	739	
149	Madina Commission Shop Daera Khaleka, P/o Solengee Kharal , Jalal pur Bhattian Tehsil pindi Bhattian District Hafizabad	Sana Ullah	34302-1570278-5	Muhammad Nazir	328	570	38	936	-	546	38	584	
150	Hamid Parvez & Qazi Muhammad Masood House No. 90, Block P ,Model Town Extension Scheme, Lahore	Hamid Parvez Qazi Muhammad Masood	35202-7765404-7 35202-2540360-9	Qazi Muhammad Mehboob Qazi Muhammad Mehboob	1,877	2,936	63	4,876	-	2,733	63	2,796	
151	Iqbal Baig Marbal Factory Talwara Mughlan Sialkot Sialkot"	Mirza Ejaz Baig Mirza Afzal Baig Mirza Sarfraz Baig Shahzad Baig	34603-2958630-5 34603-4823831-3 34603-5421666-1 34603-8801390-5	Mirza Iqbal Baig Mirza Iqbal Baig Mirza Iqbal Baig Mirza Iqbal Baig	796	1,520	52	2,368	-	1,478	52	1,530	
152	Qamar Abbas Tabbasum Chowk Sarwar Shaheed Road Rangpur, Tehsil & District Muzaffargarh.	Qamar Abbas Tabbasum Muhammad Nawaz Misry Ameer Hayder	36103-4574161-7 32304-2302113-1 32304-2168022-5	Muhammad Hussain Allah Dad Khan Muhammad Nawaz	265	655	37	957	-	663	37	700	
153	Ghulam Murtaza & Ghulam Mustafa Muza Heela Watooan, PO Baonga Hayat, Tehsil & District Pakpattan Sharif.	Ghulam Murtaza Ghulam Mustafa	36402-7733111-9 36402-7279330-1	Ghulam Qadir Ghulam Qadir	161	536	-	697	-	540	-	540	
154	Ali Brothers Construction Company Pace N Pace, Chungi # 6 Multan.	Ali Murad Muhammad Imran	36302-3754518-9 36302-0430104-9	Haji Ghulam Akbar Siddiqui Haji Ghulam Akbar Siddiqui	5,183	4,538	105	9,826	-	4,438	105	4,543	
155	N. Brothers P/o Khas Chak # 135/9 AL, Tehsil & District Sahiwal.	Muhammad Niaz	36502-1288490-1	Abdul Aziz Karmani	86	554	31	671	-	507	31	538	

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		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
156	Delta Agro Chemicals Trust Plaza Chowk Dera Adda Multan.	Muhammad Mazhar Javed	36302-0038778-3	Muhammad Sarwar	2,999	2,137	50	5,186	-	2,089	50	2,139
157	Allah Rakha Mouza Lal Deh Tehsil & District Vehari.	Allah Rakha	36603-6337806-1	Sakandar Ali Khan	350	324	30	704	-	674	30	704
158	Mola Bux House # B-48, PH-II, Qasimabad, Hyderabad	Mola Bux	41306-9318285-1	Balu Faqeer	1,990	762	-	2,752	-	752	-	752
159	Mumtaz Electronic House # R-1020 Sector 15-B, Buffer Zone, North Karachi	Syed Naeem Ahmed	42101-5309082-5	Syed Mumtaz Ahmed	3,996	2,931	-	6,927	-	2,975	-	2,975
160	Muhammad Bashir House # 121, Block-6, E Market, PECHS, Karachi	Muhammad Bashir	42201-1900731-9	Muhammad Ali	1,000	603	-	1,603	-	620	-	620
161	Syed Shan e Ali Naqvi House # R-1145, Block-20, Incholi Society, FB, Area, Karachi	Syed Shan e Ali Naqvi	42101-1567806-9	Syed Shan e Muhammad Naqvi	1,013	542	-	1,555	-	513	-	513
162	Hassan Board Industries 22-Kilometer, Mannoabad G.T Road Muridke	Chaudhary Muhammad Ramzan	34101-0264801-5	Muhammad Hassan	-	30,485	8	30,493	-	30,485	8	30,493
163	Diamond Paper Board Mills (Pvt) Ltd 8-Km Faisalabad Road, Opposite Mitha Masoon Darbar Sargodha	Muhammad Ashraf Muhammad Umair Asif Mian Maqsood ul Hassan	33100-0628011-5 34101-4139549-7 34101-6135784-5	Talib Hussain Muhammad Ramzan Mian Muhammad Hassan	-	8,046	8	8,054	-	8,046	8	8,054
164	Muhammad Imran Khan St# 31, Charaghia Chowk, Gulzaib Colony, Mumtaz Abad, Multan	Muhammad Imran Khan	36302-3589832-7	Muhammad Usman Khan	160	564	30	754	-	525	30	555
165	Malik Tashif Yousaf Pul Aik Habib Pura Pasrur Road C/O Muhammad Saleem Mir Timber Market Sialkot	Malik Tashif Yousaf	34603-2824318-7	Malik Muhammad Yousaf Khan	404	572	17	993	-	534	17	551
166	Sajjad Traders Ghalla Mandi Jhang	Sajjad Raza Khan Anjad Hussain	33202-1771658-3 36501-4929276-3	Muhammad Hussain Ahmed Raza Khan	3,442	1,611	65	5,118	-	1,680	65	1,745
167	AL Kisan Sizing Industries Qadirabad Ghulam Muhammadabad Faisalabad	Muhammad Ijaz	33100-6446481-9	Chaudhry Muhammad Saleem	19,327	13,837	28	33,192	-	13,893	28	13,921
168	Wasif Mazhar House No. 1137, Street No. 26, Sector I-10/4, Islamabad	Wasif Mazhar	61101-4121015-3	Mian Mazhar ul Haq	512	953	-	1,465	-	918	-	918

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		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
169	Super Master Industries Plot # 35, Sector 12/B, Industrial Area, North Karachi, Karachi	Aqeel Ahmed	42101-4620989-9	Aziz Mohammad	4,210	15,490	34	19,734	-	14,602	34	14,636
170	F. Y. International Shop # 1, Ground Floor, Rehman Heights, Plot # PR-1/20/V-4-B-25, Preedy Quarters, Karachi	Muhammad Younus	42101-3082237-5	Muhammad Yousuf	750	1,207	33	1,990	-	1,175	33	1,208
171	Zafar Iqbal and Brothers Ghalla Mandi Jalalpur Bhattian District Hafizabad	Sana Ullah	34302-1250301-9	Sher Muhammad	250	1,149	58	1,457	-	860	58	918
172	Muhammad Nawaz Khad Dealer Ghalla Mandi Ghakhar, Tehsil Wazirabad District Gujranwala.	Muhammad Nawaz	34104-2214278-9	Rehmat Khan	1,147	965	17	2,129	-	735	17	752
173	Wajid Traders Ghalla Mandi Ghakhar, Tehsil Wazirabad District Gujranwala.	Wajid Javed	34104-2280839-9	Muhammad Javed	-	878	17	895	-	728	17	745
174	Qasim Brothers Ghalla Mandi Ghakhar, Tehsil Wazirabad District Gujranwala.	Qasim Javed	34104-5615422-5	Muhammad Javed	-	647	-	647	-	647	-	647
175	Cherished Pharmaceutical (Pvt.) Ltd Office No.143, Street Nio.65, Sector F-10/3, Islamabad	Muhammad Azam	61101-1903673-1	Muhammad Hafeez Chaudhary	1,041	968	-	2,009	-	1,003	-	1,003
176	AZM Chemical Company Plot No. F-18, Block-06, P.E.C.H.S., Shahrah-e-Faisal, Karachi.	Syed Wajahat Hussain Zaidi	42201-0967845-9	Syed Muhammad Aslam Zaidi	24,999	30,240	1,470	56,709	-	30,686	1,470	32,156
177	Royal Cosmo Industries (Pvt.) Ltd Addha Town, Daska Road, Sialkot.	Mian Imran Saeed Shazia Saeed	34601-0733320-3 34601-0711490-0	Mian Khalid Saeed Mian Imran Saeed	84,302	174,932	-	259,234	84,302	174,932	-	259,234
178	Rahmz International 6 K.M. Daska Road, Sialkot.	Mian Imran Saeed	34601-0733320-3	Mian Khalid Saeed	-	26,849	-	26,849	-	26,849	-	26,849
179	Sohail Siraj Shop # 3, Ground Floor, Kiran Hight, Bhhar Muslim Co-operative Housing Society Ltd, Karachi	Sohail Siraj	42201-2919992-1	Siraj ul Arfin	1,121	1,506	-	2,627	-	1,211	-	1,211

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Domestic												
180	New Malik Enterprises Street # 1, House # 1, Reza Abad, Suraj Miani Road, Multan.	Mumtaz Hussain	36103-2008740-9	Ashiq Hussain	1,435	1,834	-	3,269	-	1,887	-	1,887
181	Saba Corporation Opposite Atta Faiz-e-Aam High School, Chowk Shahbaz, Vehari Road Multan.	Tahir Hussain Kamran Ahmad	36302-0366520-7 36302-0471008-9	Malik Hussain Buksh Javed Hussain	5,997	4,647	66	10,710	-	4,847	66	4,913
182	Fauji Brothers Rice Dealer Quaid-E-Azam Millat Road Khan Pur.	Muhammad Farooq Toor Farzana Iqbal Rafiqan Bibi	31301-1287943-9 31301-3876499-4 31301-1429404-6	Ghulam Nabi Muhammad Farooq Hassan Ud Din	1,593	1,190	100	2,883	-	1,222	100	1,322
183	Rana Muhammad Iqbal Shakir Mauza Jatoti Shumali Bismillah Colony, Tehsil Jatoti & District Muzaffargarh.	Rana Muhammad Iqbal Shakir Shafaq Ali	32302-1712274-9 32302-5901986-7	Rana Naseer Liaqat Ali	379	589	27	995	-	582	27	609
184	Abbas Rice Mills House # 49-C-1, Nespak Housing Society, College Road Township Lahore & Faiz Pur Colony, Dakh Khana Mandi Faizabad, Tehsil Nankana Sahib, District Sheikhupura.	Ch. Jameel Ahmad	35402-7515531-1	Ch. Munir Ahmad	3,991	15,313	20	19,324	-	15,302	20	15,322
185	Asif Yousaf House # 396, Block-Z, Phase-III, Lahore	Asif Yousaf	35201-5979837-7	Muhammad Yousaf	3,713	2,482	17	6,212	-	2,581	17	2,598
186	Al Hamd Commission Shop Main Lahore Jaranwala Road, Mandi Faizabad, Tehsil and Dist Nankana Sahab, Sheikhupura	Ashfaq Ahmed	35402-1971810-9	Muhammad Ashfaq	999	1,605	-	2,604	-	1,635	-	1,635
187	Muhammad Younis Bhatti Chak No. 106GB Tehsil Jaranwala distt Faisalabad	Muhammad younis Bhatti	33104-2194702-1	Allah DAD Khan	-	663	-	663	-	663	-	663
188	Nawaz Ahmad Malik H#209 J2, Johar Town Near Expo Centre Lahore	Nawaz Ahmad Malik	35202-2795373-3	Fayyaz Ahmad Malik	329	427	16	772	-	506	16	522
189	Muhammad Ishfaq Chak Kot Wala, Ward No 4, Shah Shakor, Jhang	Muhammad Ishfaq	33202-6962971-3	Bahadur	348	169	32	549	-	531	-	531

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Domestic												
190	Inam Ur Rahim 162-A Tnt Abpara Housing Society raivind Road ,Lahore	Inam Ur Rahim	35202-2909989-5	Javed Iqbal	3,865	590	-	4,455	-	579	-	579
191	National Poultry Farm Machli Chowk, Pakpattan Sharif, Tehsil & District Pakpattan Sharif.	Fida Hussain	36402-0765986-5	Mian Muhammad Akbar	499	654	36	1,189	-	674	36	710
192	Muhammad Akram Flat # 401, Block -20, Samama Corner , Gulistan-E-Johar Karachi	Muhammad Akram	36302-6439255-7	Riyasat Ali	8	492	128	628	-	596	-	596
193	Arshad Diyal Kiryana Store Shop No.26, Jaranwala Road Chak Jhumra District Faisalabad	Muhammad Arshad Muhammad Afzal	33101-8948485-5 33101-1687705-7	Muhammad Akbar	1,499	741	58	2,298	-	790	58	848
194	Hamid Nazir Chaudhry House No. P-57/2 Bilal Road Civil Line Faisalabad.	Hamid Nazir Chaudhry	33100-0576921-5	Haji Nazir Ahmed	3,746	5,486	67	9,299	-	5,596	67	5,663
195	A H Zed & Knitwear P-119/H Tahir Road Near Hashmat Chowk Gulistan Colony No.01 Faisalabad	Hamid Nazir Chaudhry	33100-0576921-5	Haji Nazir Ahmed	-	1,046	59	1,105	-	1,046	59	1,105
196	Sooban Cotton Industries (Pvt) Ltd (Borrower Code: 54847) Adda Sanjar Syyedani, Mouza Pridhan Sharqi, Tehsil Taunsa Sharifi & District Dera Ghazi Khan.	Muhammad Rafi Manzoor Hussain Ahmad Yar	32303-8986094-5 32303-5416573-7 32303-4833161-7	Mehar Allah Yar Mehar Allah Yar Khuda Bux	1,721	7,224	66	9,011	-	7,289	66	7,355
197	Yasir Saleem Traders Madni Colony Ghallah Mandi Bahawalnagar.	Muhammad Naseem Akhtar Zubaida Begum Nusrat Parveen	31101-2517744-3 31101-4700105-4 31101-9398118-8	"Rao Ahmad Khan Muhammad Ameen Muhammad Naseem Akhtar	81	527	32	640	-	499	32	531
198	Muhammad Akram & Co Ghallah Mandi Burewala District Vehari	Muhammad Akram Munawar Khan	36601-8373179-5 36601-0559628-1	Fateh Muhammad Farzand Ali Khan	406	757	26	1,189	-	641	26	667
199	Andani Medicine Co Office No. 303 3Rd Floor Makkah Medicine Market Kachi Gali Marriot Road Karachi	Muhammad Farooq Andani	42201-0622163-1	Haji Ahmed	-	1,700	-	1,700	-	1,700	-	1,700
200	Muhammad Shahnawaz Ahmed	Muhammad Shahnawaz Ahmed	42401-1849634-7	Ghulam Jillani	-	3,608	33	3,641	-	3,458	33	3,491

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Domestic												
201	Chaudhry Steel Re-Rolling Mills (Pvt.) Ltd 79-Peco Road, Badami Bagh, Lahore	Ch. Muhammad Shafique Mrs Sarwar Sultana Khalid Pervaiz Muhammad Umer Aniqa Shafique Shamsa Yaseen Muhammad Ilyas Butt Ch. Yasin Mukhtar Waheed Akbar	35202-0217025-7 35202-3779689-2 35201-1221392-9 35202-6366524-1 35202-2367448-0 35202-1715045-6 35202-2559536-3 35202-4650926-3 34601-0336550-1	Ch. Noor Muhammad Muhammad Shafique Abdul Rahim Muhammad Hussain Ch. Muhammad Shafique Ch. Yaseen Mukhtar Jamal Din Mukhtar Ahmed Muhammad Akbar Ali	-	61,225	15	61,240	-	61,225	15	61,240
202	Tallat Mehmood House No 69 Block B-III Johar Town Lahore	Tallat Mehmood	35202-6147786-9	Ch. Muhammad Alam	4,716	2,446	25	7,187	-	2,686	17	2,703
203	Rana Brothers Moulding Works 11-K M G.T Road Soo Moria Pul Ferozwala Shahdara Lahore.	Mushtaq Ahmed Salamat Ali	35202-8437757-1 35202-8328320-9	Allah Rakha Ahmed Din	407	11,516	-	11,923	-	10,787	-	10,787
204	Ch. Fazal Hussain House No. D-6/G. 7Th Road, D Block, Satellite Town, Rawalpindi H. No. 309 D, Satellite Town Rwp	Ch. Fazal Hussain	37405-6946504-7	Ch. Muhammad Shafi	4,996	1,381	-	6,377	-	1,582	-	1,582
205	Syeda Zaheen Akhtar House No Na-85D Street No#9, Near 07Th Road New Malpur, Satellite Town, Rawalpindi 54/3C, School Road, Sector G-7/2, Islamabad	Syeda Zaheen Akhtar	61101-1877240-8	Syed Saleh Hussain Shah	1,113	1,202	-	2,315	-	1,236	-	1,236
206	Mr. Ghulam Abbas Chattha Muhallah Madni Town Near Unchy Minar Wali Masjid Rasool Nagar Road Alipur Chattha	Ghulam Abbas	34104-5188852-9	Allah Ditta	2,951	355	52	3,358	-	524	52	576
207	Awais Ashraf Commission Shop Mangla Wala Road Tehsil Pindi Bhattian Dist Hafizabad	Muhammad Ashraf	34302-3834624-1	Sai Muhammad	361	547	168	1,076	-	568	114	682
208	Al Mudassar Corporation Thatta Gahra Near Ali Rice Mills Tehsil Pindi Bhattian Dist Hafizabad	Ansar Iqbal	34302-1252625-9	Nasar Ullah Khan	327	467	78	872	-	427	78	505
209	Umer Aslam Haji Ghulam Muhallah Ram Garh Gujranwala Road Sheikhupura	Umer Aslam	35404-2759799-7	Mian Muhammad Aslam	438	488	32	958	-	509	32	541

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		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
210	Asif Azhar VPO akwal tehsil Talagang Distt Chakwal	Asif Zafar	37203-8205476-3	Zafar Iqbal	1,646	689	-	2,335	-	704	-	704
211	Khurshed Towel House # 97-11, Sector 5-G, North Karachi Township, Karachi	Dilshad Ahmed Khan Lodhi	42101-8574119-7	Khurshed Ahmed Khan Lodhi	-	499	46	545	-	499	46	545
Overseas												
1	N.B. Foods (Pvt) Ltd N0. 125, 5th Cross Street, Colombo-11, Sri Lanka	Andrew James Alston Poobalarayen Kannpathy Suresh Hewavilage Sunil Perera Asha Seneviratne Anusha Seneviratne	882341330V 792520030V 650422651V 655791884V 665661563V	Poobalarayen Suresh Perera Seneviratne Seneviratne	-	31,797	-	31,797	-	31,797	-	31,797
2	Abi Trades No.25, 1.X,Perera Street, Colombo -11.	Arokiaj Ravi Premila	665804143V		3,687	64,749	-	68,436	3,687	64,749	-	68,436
3	Arkem Pharmaceuticals No.12 1/1, Prince Of Wales Avenue, Colombo-14.	Ramasamy Sivaraj	662753491V	Sivaraj	5,312	62,961	-	68,273	5,312	62,961	-	68,273
4	Ulka Apparel Manuf. (P) Ltd 71/4-1/1, Temple Road, Nawala.	Syed Shaifqat Hussain Shah Syed Abdullah Shah Asghar Ali Randhawa Ahmed Ali Randhawa Ejaz Ahmed Chaudry Mobeen Shahzad Chaudry	34202-8307644-5 228-91-092182 270-65-390326 61101-1863743-1	Syed Rehm Shah Syed Fateh Shah Asghar Ali Randhawa Haji Muhammad Akbar	3,580	15,804	-	19,384	-	15,804	-	15,804
5	Rajaah's Enterprises No.143, Bankshall Street, Colombo 11.	A K Fernando M N A Fernando J F Machado	692453344V 4077318V 786020031V	Fernando Fernando Machado	1,109	12,465	-	13,574	1,109	12,465	-	13,574
					612,133	1,400,864	8,754	2,021,751	394,525	1,400,719	8,883	1,804,127

Disposal of fixed assets (refer note 12.2.6)

Description	Cost/ revalued amount	Accumu- lated depreciation	Book value	Sales pro- ceeds	Mode of disposal	Particulars of buyers	Location
(Rupees in '000)							
Computers							
Laptop	268	268	-	54	As per Bank's policy	Kamran Zafar Muggo	Lahore
	268	268	-	54			

Consolidated Financial Statements

MCB Bank Limited

Directors' Report

On Consolidated Financial Statements

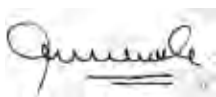
The Board of Directors present the report on the consolidated financial statements of MCB Bank Limited and its subsidiaries namely MCB – Arif Habib Savings & Investments Limited, MCB Islamic Bank Limited, Financial & Management Services (Private) Limited and MCB Non-Banking Credit Organization Closed Joint Stock Company for the year ended December 31, 2021.

Profit and Appropriation

The profit before and after taxation for the year ended December 31, 2021 together with appropriations is as under:

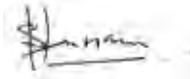
	Rs. in Million
Profit Before Taxation	53,275
Taxation	(21,947)
Profit After Taxation	31,328
Profit attributable to non-controlling interest	(148)
Profit attributable to Equity shareholders of the Bank	31,180
Un-appropriated profit brought forward	70,499
Re-measurement gain on defined benefit obligations – net of tax	38
Surplus realized on disposal of revalued fixed assets - net of tax	115
Surplus realized on disposal of non-banking assets - net of tax	250
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	83
	70,985
Profit Available for Appropriation	102,165
Appropriations:	
Statutory Reserve	3,101
Final Cash Dividend at Rs. 15.0 per share - December 31, 2020	17,776
First Interim Cash Dividend at Rs. 4.5 per share - March 31, 2021	5,333
Second Interim Cash Dividend at Rs. 5.0 per share - June 30, 2021	5,925
Third Interim Cash Dividend at Rs. 4.5 per share - September 30, 2021	5,333
Total Appropriations	37,468
Un-appropriated Profit Carried Forward	64,697
Earnings Per Share (Rs)	26.31

For and on behalf of the Board of Directors,



Shoaib Mumtaz
President & CEO
MCB Bank Limited

February 10, 2022



Shahzad Hussain
Director
MCB Bank Limited

ڈائریکٹر رپورٹ

بورڈ آف ڈائریکٹرز، ایم سی بی بینک لمیٹڈ اور اس کے ذیلی اداروں جن میں عارف حبیب سیونگز اینڈ انویسٹمنٹس لمیٹڈ، ایم سی بی اسلامک بینک لمیٹڈ، فنانشل اینڈ مینجمنٹ سروسز (پرائیویٹ) لمیٹڈ اور ایم سی بی نان بینک کریڈٹ آرگنائزیشن کلوزڈ جوائنٹ اسٹاک کمپنی شامل ہیں، کی مجموعی مالیاتی اسٹیٹمنٹس برائے سال ختم شدہ 31 دسمبر 2021ء پر رپورٹ پیش کرتے ہیں۔

منافع اور تخصیص:

31 دسمبر 2021ء کو اختتام پذیر سال میں منافع قبل و بعد از ٹیکس اور تخصیص، مندرجہ ذیل ہے:

ملین روپے	منافع قبل از ٹیکس
53,275	ٹیکس
(21,947)	منافع بعد از ٹیکس
31,328	نان کنٹرولنگ انٹرسٹ کے لیے تفویض شدہ منافع
(148)	عام حصص یافتگان کے لیے تفویض شدہ منافع
31,180	افتتاحی غیر تخصیص شدہ منافع
70,499	ڈیٹا سٹریٹجیٹ واجبات کی دوبارہ تعین شدہ آمدنی - خالص از ٹیکس
38	پائیدار اثاثوں کے سرپلس پر فروخت سے حاصل آمدن - خالص از ٹیکس
115	غیر بینکاری اثاثوں کے سرپلس پر فروخت سے حاصل آمدن - خالص از ٹیکس
250	پائیدار اثاثوں کی تخمینہ نوے اضافی آمدنی کی غیر تخصیص شدہ منافع کی
83	اکریڈیٹل ڈیپریسی ایشن (قدر میں کمی) کی مد میں منتقلی
70,985	تخصیص کے لیے دستیاب منافع
102,165	تخصیص:
3,101	قانونی ریزرو
17,776	حتمی کیش ڈیویڈنڈ 15 روپے فی حصص 31 دسمبر 2020
5,333	پہلا عبوری کیش ڈیویڈنڈ 4.5 روپے فی حصص 31 مارچ 2021
5,925	دوسرا عبوری کیش ڈیویڈنڈ 5 روپے فی حصص 30 جون 2021
5,333	تیسرا عبوری کیش ڈیویڈنڈ 4.5 روپے فی حصص 30 ستمبر 2021
37,468	کل تخصیص
64,697	اختتامی غیر تخصیص شدہ منافع
26.31	فی حصص آمدنی

مخائب و برائے بورڈ آف ڈائریکٹرز

شہزاد حسین

ڈائریکٹر - ایم سی بی بینک لمیٹڈ

شعیب ممتاز

پریزیڈنٹ اور سی ای او -

ایم سی بی بینک لمیٹڈ

10 فروری 2022ء

INDEPENDENT AUDITOR'S REPORT

To the members of MCB Bank Limited

Opinion

We have audited the annexed consolidated financial statements of MCB Bank Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the 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.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Provision against advances (Refer note 3.4, note 6.5 and note 11.4 to the annexed consolidated financial statements) The Group makes provision against advances extended in Pakistan on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP). In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances. The PRs also require the creation of general provision for certain categories of advances. Provision against advances of overseas branches is made as per the requirements of the respective regulatory regimes.	Our audit procedures to verify provision against advances included, amongst others, the following: - We obtained an understanding of the design of relevant controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing advances. The testing of controls included testing of: - controls over correct classification of non-performing advances on time-based criteria; - controls over monitoring of advances with higher risk of default and correct classification of advances on subjective criteria; - controls over accurate computation and recording of provisions; and - controls over the governance and approval process related to provisions, including continuous reassessment by the management.

S. No.	Key Audit Matter	How the matter was addressed in our audit
	Further, last year, several borrowers had availed the SBP enabled deferment / restructuring and rescheduling relief given as a result of the COVID-19 pandemic. The Group had expected that the repayment capacity of borrowers could be impacted due to the pandemic and had accordingly recognised additional general provision against the domestic funded performing credit portfolio. The provision had been recognised based on management's best estimate. As at December 31, 2021, the Group holds a total provision of Rs 46,052 million against advances in the consolidated financial statement of the Group. The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements/ estimations and the materiality of advances relative to the overall consolidated statement of financial position of the Group, we considered the area of provision against advances as a Key Audit Matter.	We selected a sample of loan accounts and performed the following substantive procedures: - checked repayments of loan / mark-up installments and tested classification of non-performing advances based on the number of days overdue; and - evaluated the management's assessment for classification of a borrower's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation, discussions with the management and management's consideration of the impact of COVID-19 on the borrower. We checked the accuracy of specific provision made against non-performing advances and of general provision made against performing advances in accordance with the requirements of PRs by recomputing the provision amount in accordance with the criteria prescribed under the PRs. We evaluated the management's assessment with respect to general provision on account of the COVID-19 pandemic. We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us. We, as auditors of the Group, evaluated the work performed by the component auditors and the results thereof.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 controls.
- Obtain an understanding of internal controls 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

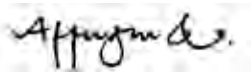
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2020 were audited by another firm of Chartered Accountants who expressed an unqualified opinion thereon vide their report dated February 26, 2021.

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



A. F. Ferguson & Co
Chartered Accountants
Lahore

Date: March 7, 2022

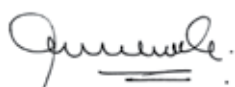
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Consolidated Statement of Financial Position

As at December 31, 2021

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	7	175,922,469	132,053,041
Balances with other banks	8	22,554,329	29,011,521
Lendings to financial institutions	9	40,617,110	17,968,243
Investments	10	1,062,568,511	1,036,217,535
Advances	11	686,388,652	547,685,708
Fixed assets	12	62,351,545	63,679,312
Intangible assets	13	1,838,136	1,867,244
Deferred tax assets		—	—
Other assets	14	69,880,727	62,793,791
		2,122,121,479	1,891,276,395
LIABILITIES			
Bills payable	16	26,486,445	26,451,513
Borrowings	17	282,898,882	184,577,340
Deposits and other accounts	18	1,534,586,671	1,388,737,961
Liabilities against assets subject to finance lease		—	—
Subordinated debt		—	—
Deferred tax liabilities	19	1,578,782	7,491,040
Other liabilities	20	99,002,039	91,027,158
		1,944,552,819	1,698,285,012
NET ASSETS			
		177,568,660	192,991,383
REPRESENTED BY			
Share capital	21	11,850,600	11,850,600
Reserves	22	85,043,592	81,060,051
Surplus on revaluation of assets - net	23	15,225,689	28,803,351
Unappropriated profit		64,697,360	70,498,820
		176,817,241	192,212,822
Non-controlling interest		751,419	778,561
		177,568,660	192,991,383
CONTINGENCIES AND COMMITMENTS			
	24		

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.



Shoaib Mumtaz
President/Chief Executive



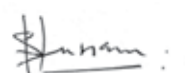
Hammad Khalid
Chief Financial Officer



S.M. Muneer
Director



Mian Umer Mansha
Director



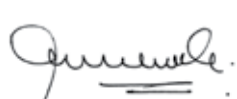
Shahzad Hussain
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
Mark-up / return / interest earned	26	132,609,303	145,772,451
Mark-up / return / interest expensed	27	64,231,302	69,929,012
Net mark-up / interest income		68,378,001	75,843,439
NON MARK-UP / INTEREST INCOME			
Fee and commission income	28	13,691,432	11,971,491
Dividend income		1,955,213	969,322
Foreign exchange income		3,847,755	2,735,228
Income from derivatives		14,035	4,087
Gain / (loss) on securities	29	262,835	3,396,296
Other income	30	883,253	192,103
Total non-markup / interest Income		20,654,523	19,268,527
Total Income		89,032,524	95,111,966
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	31	40,589,732	37,763,917
Workers welfare fund		1,058,419	974,808
Other charges	32	525,339	297,987
Total non-markup / interest expenses		42,173,490	39,036,712
Share of profit of associates		943,587	573,078
Profit before provisions		47,802,621	56,648,332
(Reversals) / provisions and write offs - net	33	(5,472,779)	7,330,044
Extra ordinary / unusual items		—	—
PROFIT BEFORE TAXATION		53,275,400	49,318,288
Taxation	34	21,947,646	19,756,019
PROFIT AFTER TAXATION		31,327,754	29,562,269
Attributable to:			
Equity shareholders of the Bank		31,179,708	29,410,227
Non-controlling interest		148,046	152,042
		31,327,754	29,562,269
(Rupees)			
Basic and diluted earnings per share attributable to ordinary shareholders	35	26.31	24.82

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.



Shoaib Mumtaz
President/Chief Executive



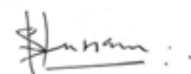
Hammad Khalid
Chief Financial Officer



S.M. Muneer
Director



Mian Umer Mansha
Director



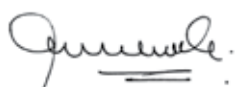
Shahzad Hussain
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

	2021	2020
	(Rupees in '000)	
Profit after taxation for the year	31,327,754	29,562,269
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	874,022	212,508
- Non-controlling interest	29	7
	874,051	212,515
Share of exchange translation reserve of associate	8,328	7,321
Movement in surplus/ (deficit) on revaluation of investments - net of tax		
- Equity shareholders of the Bank	(13,196,825)	4,074,542
Movement in surplus on associated undertaking - net of tax	96,189	(24,823)
	(13,100,636)	4,049,719
	(12,218,257)	4,269,555
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	37,922	(342,311)
Movement in surplus on revaluation of operating fixed assets - net of tax	(152,202)	-
Movement in surplus on revaluation of non-banking assets - net of tax	124,017	119,544
	9,737	(222,767)
Total comprehensive income	19,119,234	33,609,057
Attributable to:		
- Equity shareholders of the Bank	18,971,159	33,457,008
- Non-controlling interest	148,075	152,049
	19,119,234	33,609,057

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.



Shoaib Mumtaz
President/Chief Executive



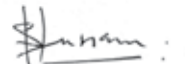
Hammad Khalid
Chief Financial Officer



S.M. Muneer
Director



Mian Umer Mansha
Director



Shahzad Hussain
Director

Consolidated Statement of Changes in Equity

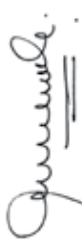
For the year ended December 31, 2021

	Share capital		Capital reserve		Statutory reserve	Revenue reserve			Surplus/(deficit) on revaluation of			Unappropriated profit	Sub Total	Non controlling interest	Grand Total
	Share premium	Non-distributable capital reserve	Exchange translation reserve	General reserve		Investments	Associate	Fixed / non-banking assets							
(Rupees in '000)															
Balance as at December 31, 2019	11,850,600	23,973,024	908,317	2,730,354	31,683,134	18,600,000	4,326,251	344,762	20,081,193	56,108,779	170,606,414	740,403	171,346,817		
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	-	-	-	-	29,410,227	29,410,227	152,042	29,562,269		
Profit after taxation for the year ended December 31, 2020	-	-	-	219,829	-	-	4,074,542	(24,823)	119,544	(342,311)	4,046,781	7	4,046,788		
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-		
Transfer to statutory reserve	-	-	-	219,829	-	-	4,074,542	(24,823)	119,544	29,067,916	33,457,008	152,049	33,609,057		
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	(2,945,393)	-	-	-		
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	(90,800)	90,800	-	-	-		
Surplus realized on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	-	-	(22,544)	22,544	-	-	-		
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	(4,774)	4,774	-	-	-		
Final cash dividend at Rs. 5.0 per share - December 31, 2019	-	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)	-	(5,925,300)		
Interim cash dividend at Rs. 5.0 per share - March 31, 2020	-	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)	-	(5,925,300)		
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	-	(11,850,600)	(11,850,600)	-	(11,850,600)		
Balance as at December 31, 2020	11,850,600	23,973,024	908,317	2,950,183	34,628,527	18,600,000	8,400,793	319,939	20,082,619	70,498,820	192,212,822	778,561	192,991,383		
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	31,179,708	31,179,708	148,046	31,327,754		
Profit after taxation for the year ended December 31, 2021	-	-	-	882,350	-	-	(13,196,825)	96,189	(28,185)	37,922	(12,208,549)	29	(12,208,520)		
Other comprehensive loss - net of tax	-	-	-	-	-	-	(13,196,825)	96,189	(28,185)	31,217,630	18,971,159	148,075	19,119,234		
Transfer to statutory reserve	-	-	-	-	3,101,191	-	-	-	-	(3,101,191)	-	-	-		
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(83,370)	83,370	-	-	-		
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	(115,260)	115,260	-	-	-		
Surplus realized on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	-	-	(250,211)	250,211	-	-	-		
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	(17,775,900)	(17,775,900)	-	(17,775,900)		
Final cash dividend at Rs. 15.0 per share - December 31, 2020	-	-	-	-	-	-	-	-	-	(5,332,770)	(5,332,770)	-	(5,332,770)		
Interim cash dividend at Rs. 4.5 per share - March 31, 2021	-	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)	-	(5,925,300)		
Interim cash dividend at Rs. 5.0 per share - June 30, 2021	-	-	-	-	-	-	-	-	-	(5,332,770)	(5,332,770)	-	(5,332,770)		
Interim cash dividend at Rs. 4.5 per share - Sep 30, 2021	-	-	-	-	-	-	-	-	-	(34,366,740)	(34,366,740)	-	(34,366,740)		
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(175,217)	(175,217)		
Balance as at December 31, 2021	11,850,600	23,973,024	908,317	3,832,533	37,729,718	18,600,000	(4,796,032)	416,128	19,605,593	64,697,360	176,817,241	751,419	177,568,660		

For details of dividend declaration and appropriations, please refer note 46 to these consolidated financial statements.

For details of reserves, please refer note 22 to these consolidated financial statements.

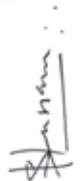
The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.


Shoaib Mumtaz
 President/Chief Executive


Hamad Khalid
 Chief Financial Officer


S.M. Muneer
 Director


Mian Umer Mansha
 Director

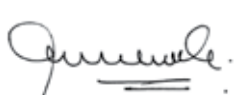

Shahzad Hussain
 Director

Consolidated Cash Flow Statement

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		53,275,400	49,318,288
Less: Dividend income and share of profit of associates		(2,898,800)	(1,542,400)
		50,376,600	47,775,888
Adjustments:			
Depreciation on fixed assets	12.2	2,587,352	2,403,220
Depreciation on right of use assets	31	1,709,613	1,697,826
Impairment on fixed assets		-	4,269
Depreciation on non-banking assets acquired in satisfaction of claims	31	35,544	30,049
Amortization	13	480,826	469,860
Provisions / (reversals) and write offs - net	33	(5,472,779)	7,330,044
Workers Welfare Fund		1,058,419	974,808
Gain on sale of non-banking assets acquired in satisfaction of claims	30	(571,449)	(3,976)
Gain on conversion of Ijarah agreements	30	(20,761)	(63,290)
Charge for defined benefit plan	31.1	289,144	74,827
Gain on sale of fixed assets	30	(107,783)	(73,164)
(Gain) / loss on termination of lease liability against right of use assets	30	(149,129)	15,637
Unrealized Loss / (gain) on revaluation of investments classified as held for trading	29	7,026	(110,269)
Interest expensed on lease liability against right-of-use assets	27	1,257,256	1,495,614
		1,103,279	14,245,455
		51,479,879	62,021,343
Decrease / (increase) in operating assets			
Lendings to financial institutions		(22,648,867)	(11,907,374)
Held-for-trading securities		1,316,226	8,244,331
Advances		(133,965,474)	(6,724,193)
Others assets (excluding advance taxation)		(5,854,958)	9,319,674
		(161,153,073)	(1,067,562)
(Decrease) / increase in operating liabilities			
Bills Payable		34,932	13,656,188
Borrowings from financial institutions		97,007,799	92,691,055
Deposits		145,848,710	162,144,936
Other liabilities (excluding current taxation)		6,448,651	(18,845,300)
		249,340,092	249,646,879
Defined benefits paid		(250,977)	(302,940)
Income tax paid		(21,722,469)	(16,309,576)
Net cash flow from operating activities		117,693,452	293,988,144
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(41,999,823)	(297,967,382)
Net (investment) / divestment in held-to-maturity securities		(4,886,763)	17,593,419
Dividends received		2,177,615	1,161,822
Investments in fixed assets		(3,205,076)	(3,051,399)
Investments in Intangible assets		(451,086)	(358,181)
Proceeds from sale of fixed assets		405,766	191,342
Proceeds from sale of non-banking assets acquired in satisfaction of claims		2,052,928	39,000
Proceeds from divestment in a subsidiary		-	99,694
Effect of translation of net investment in foreign branches & subsidiaries		882,350	212,515
Net cash flow used in investing activities		(45,024,089)	(282,079,170)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid	36.1	(34,211,540)	(11,872,206)
Payment of lease liability against right-of-use-assets	36.1	(2,359,330)	(2,327,634)
Net cash flow used in financing activities		(36,570,870)	(14,199,840)
Effects of exchange rate changes on cash and cash equivalents		5,341,973	1,595,436
Increase in cash and cash equivalents		41,440,466	(695,430)
Cash and cash equivalents at beginning of the year		155,353,669	161,391,072
Cash and cash equivalents at end of the year	36	196,794,135	160,695,642

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.



Shoaib Mumtaz
President/Chief Executive



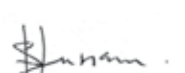
Hammad Khalid
Chief Financial Officer



S.M. Muneer
Director



Mian Umer Mansha
Director



Shahzad Hussain
Director

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of

– Holding company

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on the Pakistan stock exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,426 branches (2020: 1,418 branches) within Pakistan and 11 branches (2020: 11 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

– Subsidiary companies

a) MCB - Arif Habib Savings and Investments Limited

MCB - Arif Habib Savings and Investments Limited was incorporated on August 30, 2000, as an unquoted public limited company. During 2008, the company was listed on the Pakistan Stock Exchange by way of offer for sale of shares by a few of the existing shareholders of the company to the general public. The registered office of the company is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan.

The Company is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005, as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Bank owns 51.33% shares of the company.

b) MCB Non-Bank Credit Organization Closed Joint Stock Company

MCB Non-banking Credit Organization Closed Joint Stock Company was incorporated on 16 October 2009 and domiciled in the Republic of Azerbaijan. The company is a closed joint stock company limited by shares and was set up in accordance with Azerbaijani regulations. The registered office of the company is located at 49B Tbilisi Ave. Baku AZ1065, Republic of Azerbaijan. The Bank owns 99.94% shares of the company.

The Company's principal business activity is provision of finance leases within the Republic of Azerbaijan. The Company leases out various types of automotive vehicles, industrial equipment, equipment used in medicine, health care, and for other business needs. In addition, the Company leases out cars and trucks. Further the Company is involved in real estate finance leases. During the year on November 12, 2021, the Central Bank of the Republic of Azerbaijan (CBAR) has issued non-banking credit organization (NBCO) license (BKT-42) to the Company.

c) MCB Islamic Bank Limited

MCB Islamic Bank Limited (MCBIBL) was incorporated in Pakistan as an unlisted public limited company on May 15, 2014 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 MCBIBL on January 30, 2015. MCBIBL is a wholly owned subsidiary of MCB Bank Limited (MCB).

The State Bank of Pakistan (SBP) granted a "Certificate of Commencement of Banking Business" to MCBIBL on September 14, 2015 under Section 27 of the Banking Companies Ordinance, 1962. MCBIBL 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, MCBIBL is engaged in corporate, commercial, consumer, micro finance, investment and retail banking activities.

MCBIBL is operating through 176 branches in Pakistan (December 31, 2020: 187 branches). The Registered Office of the Bank is situated at 59 Block T, Phase II, DHA, Lahore Cantt and Principal Office is situated at 14-A Main Jail Road, Gulberg, Lahore.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

d) **Financial & Management Services (Private) Limited**

Financial & Management Services (Private) Limited is fully provided subsidiary and the company is dormant and has no asset and liability. The Members and board of directors of the Bank has approved the winding up of Financial & Management Services (Private) Limited. The Bank holds 95.90% shareholding in this subsidiary.

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of associates (the "Group").

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The Islamic Banking operations of the Group have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Act, 2017.

2.3 Key financial figures of the MCBIBL are disclosed in Annexure II to these consolidated financial statements.

2.4 Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Holding Company operates. The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded off to the nearest thousand.

2.5 These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated January 25, 2018.

3. STATEMENT OF COMPLIANCE

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

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

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

The State Bank of Pakistan has deferred the applicability of 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 consolidated financial statements. However, investments have been classified and valued in

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. IFRS 10 Consolidated Financial Statements was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O 56(I) /2016 dated January 28, 2016, that the requirements of consolidation under section 237 of the repealed Companies Ordinance 1984 (Section 228 of Companies Act 2017) and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

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.

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

There are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2021. These are considered either to not be relevant or not to have any significant impact on the Group's consolidated 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, 2022:

	Effective date (annual periods beginning on or after)
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	January 1, 2022
Cost of Fulfilling an Onerous Contracts – Amendments to IAS 37	January 1, 2022
Updating a Reference to the Conceptual Framework – Amendments to IFRS 3	January 1, 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
Amended by Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
Deferred tax related to assets and liabilities arising from a single transaction – Amendment to IAS 12	January 1, 2023

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 Group which are exposed to credit risk.

As per the SBP's BPRD Circular Letter no. 24 dated July 5, 2021, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2022. The impact of the application of IFRS 9 in Pakistan on the Group's financial statements is being assessed as per aforementioned circular, however, SBP's final instructions are awaited.

These consolidated financial statements have been prepared in accordance with the existing prudential regime to the extent of the Group's domestic operations, whereas the requirements of this standard are incorporated for overseas jurisdictions where IFRS 9 has been adopted.

Including the above, there are other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or do not to have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

3.4 Critical accounting estimates and judgements

The preparation of consolidated 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 Group'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. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Group'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 Group 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 / interest 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 Group evaluates its intention and ability to hold such investment to maturity.
- The investments other than those in associates which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) Provision against advances

The Group reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this requirement, various factors including the delinquency in the account, financial position of the borrowers 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 11.4.4.

c) Impairment of 'available for sale' equity investments

The Group 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 Group 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.

d) Taxation

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. 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) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

f) Depreciation, amortization, impairment and revaluation of operating fixed assets

The management reviews the useful lives and residual values of assets annually by considering expected pattern of economic benefit that the management expects to drive from the item and the maximum period up to which such benefits are expected to be available. Any change in estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding effect on the depreciation charge and impairment. 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 Group 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.

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 38 of these consolidated financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

h) Lease term for lease liability and Right-Of-Use-Asset

The Group 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 Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

i) Provision and contingent assets and liabilities

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events, 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 reporting date and are adjusted to reflect the current best estimates.

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

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain classes of fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits and lease liabilities which have been carried at present value and right of use assets which are initially measured at an amount equal to the corresponding lease liability and depreciated over the respective lease terms.

5. FINANCIAL RISK MANAGEMENT

These risk management policies continue to remain robust and the Group is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

Detailed disclosure on financial risk management has been reported in note 45 to the consolidated financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

6.1 Basis of consolidation

- a) These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of associates are accounted for under the equity basis of accounting.
- b) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiaries are disposed off. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the financial statements as at December 31, 2021 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statement. Material intra-group balances and transactions have been eliminated.
- c) Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost, thereafter for the post-acquisition change in the Group's share of net assets of the associate, the cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.
- d) Non-controlling interest is that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

6.2 IFRS 16 - Lease Liability & Right of Use Assets

The lease liability is initially measured at the present value of lease payments to be made over the term of the lease, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. The carrying amount is remeasured/adjusted if there are changes in the future cash flows or the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date. On subsequent measurement, right-of-use assets are stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of the lease liability.

Right-of-use assets are depreciated on a straight line basis over the lease term as this method closely reflects the expected pattern of consumption of future economic benefits. Carrying amount of the lease liability is derecognized upon termination of the lease contract with corresponding adjustment to right-of-use asset. Gain or loss on termination of lease contract is recognized in the consolidated profit and loss account.

The Group has elected not to recognize a right-of-use asset and the corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Payments associated with these leases are recognized as an expense in the consolidated profit or loss account on a straight-line basis.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

6.3 Investments

The Group classifies its investments as follows:

Held for trading

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

Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity.

Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Initial measurement

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment. Transaction costs on investments held for trading are expensed in the profit and loss account.

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 Group commits to purchase or sell the investment.

Subsequent measurement

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is taken to surplus / deficit on revaluation of investments through statement of comprehensive income in equity till disposal at which time it is recorded in profit and loss account. Surplus / deficit arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account, currently.

Unquoted equity securities (excluding investments in subsidiaries and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. Investments classified as 'held to maturity' are carried at amortized cost less accumulated impairment losses, if any.

Investment in Associates

Investment in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Impairment

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. Impairment of 'available for sale' equity investments is discussed in 4.2(c). Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Impairment against investment in associates is assessed as per the requirements of IAS 36.

Notes To The Consolidated Financial Statements

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6.4 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in these consolidated financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in these consolidated financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.5 Advances

Advances 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 and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Advances are written off when there is no realistic prospect of recovery.

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

In Murabaha transactions, the Group 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 remaining unsold at the statement of financial position date are recorded as inventories.

The Group 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 Group / customers as the agent of the Group for subsequent sale.

In Ijarah financing, the Group 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 Group 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.

In Diminishing Musharaka based financing, the Group 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 Group's Musharaka share by the customer.

In Istisna financing, the Group acquires the described goods to be manufactured by the customer from raw material of its own and deliver to the Group within an agreed time. The goods are then sold and the amount financed is received back by the Group along with profit.

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

In Running Musharaka based financing, the Group 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.

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6.6 Fixed assets and depreciation

Fixed assets other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Buildings are carried at revalued amount less any accumulated depreciation and subsequent impairment losses, if any. Land is carried at revalued amount less any subsequent impairment losses, if any. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

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.

Depreciation on all fixed assets (excluding land) is charged using the straight line method in accordance with the rates specified in note 12.2 to these consolidated 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 reporting 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.

Land and buildings are revalued by independent, professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. An increase arising on revaluation is credited to the surplus on revaluation of fixed assets account. A decrease arising on revaluation of fixed assets is adjusted against the surplus of that asset or, if no surplus exists, is charged to the profit and loss account as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the consolidated profit and loss account up to the extent of the original impairment.

Surplus on revaluation of fixed assets (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

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

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit and loss account.

6.6.1 Intangible assets

Intangible assets 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 Group. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

6.7 Impairment

The carrying amount of assets are reviewed at each reporting 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. The resulting impairment loss is taken to the consolidated 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.

Notes To The Consolidated Financial Statements

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6.8 Staff retirement benefits

MCB Bank Limited (Holding Company)

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
 - an approved contributory provident fund;
 - an approved gratuity scheme; and
 - a contributory benevolent scheme
- b) For clerical / non-clerical staff who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
 - an approved pension fund; and
 - contributory benevolent scheme
- c) For officers who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
 - an approved pension fund, and
 - contributory benevolent fund.

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.

- d) For executives and officers who joined the Bank on or after January 01, 2000, the Bank operates an approved contributory provident fund.
- e) Post retirement medical benefits to entitled employees.

Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the Projected Unit Credit Method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in other Comprehensive Income in the period of occurrence.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognizes past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs; and
- (ii) when the Bank recognizes related restructuring costs or termination benefits.

Employees' compensated absences

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Consolidated Profit and Loss account in the period of occurrence.

MCB Islamic Bank Limited

MCBIBL 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

Notes To The Consolidated Financial Statements

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the rate of 8.33% of the basic salaries of employees. However, an employee has an option to increase his/her contribution upto 15% but the Bank will still contribute 8.33% of the employee's basic salary. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

6.9 Taxation

Current and prior years

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 recognized 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 reporting date expected to be applicable at the time of its reversal. Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Group also recognizes 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'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations and subsidiary, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

6.10 Provisions

Provisions are recognized when the Group 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 reporting date and are adjusted to reflect the current best estimates.

6.11 Foreign currencies

6.11.1 Foreign currency transactions

Transactions in foreign currencies other than the results of foreign operations discussed in note 6.11.2 are translated to Pak Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the reporting date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities.

6.11.2 Foreign operations

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations and subsidiary are translated to Rupees at the average rate of exchange for the year.

6.11.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Group's net investment in foreign branches and subsidiary, which are taken to the capital reserve (exchange translation reserve) until the disposal of the net investment, at which time these are recognized in the consolidated profit and loss account.

Notes To The Consolidated Financial Statements

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6.11.4 Commitments

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

6.12 Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers.

6.13 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP) or as permitted by the regulations of the overseas regulatory authorities of countries where the branches operate. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.
- Fee, brokerage and commission income is recognised on an accrual basis.
- Dividend income is recognized when the Group's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account.
- Profit on Salam financing is recognised on 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.
- 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 from Bai-Mua'jjal is recognised on an accrual basis.
- Profit on Diminishing Musharaka is recognised on an accrual basis.
- Profit on Istisna financing is recognised on accrual basis.
- Profit from Musharaka placements with financial institutions is recognised on accrual basis.
- Profit from Murabaha financing is accounted for on culmination of Murabaha transaction. Profit on Murabaha is recognised on an accrual 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.
- Revenue for acting as trustee is recognized on Net Assets Value (NAV) of respective funds.
- Management / advisory fee is calculated on a daily / monthly basis by charging specified rates to the net assets value / income of the Collective Investment Schemes. Advisory fee from the discretionary portfolio is calculated in accordance with the respective agreements with the clients. Management fee from the pension funds is calculated by charging the specified rates to the average net assets value.
- Revenue from trusteeship and custodian is recognised when the Group satisfies a performance obligation by rendering promised services as per respective agreements.

Notes To The Consolidated Financial Statements

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The income on 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 Group.

6.14 Assets acquired in satisfaction of claims

Non-Banking Assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation and impairment loss. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non banking assets' account through statement of comprehensive income in equity and any deficit arising on revaluation is taken to consolidated profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to consolidated profit and loss account and not capitalized.

6.15 Cash and cash equivalents

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

6.16 Financial instruments

6.16.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

6.16.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the consolidated profit and loss account currently.

6.16.3 Off setting

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

6.17 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

Deposits, with respect to Islamic Banking operations, are generated on the basis of two modes i.e. Qard and Mudaraba.

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

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

Notes To The Consolidated Financial Statements

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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 Group's discretion and the Group may add, amend, and transfer an asset to any other pool in the interests of the deposit holders.

6.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format of reporting is based on business segments.

6.18.1 Business segments

Retail banking

This includes retail lending and deposits, banking services, cards and branchless banking.

Corporate banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities / with Group's corporate and public sector customers.

Consumer Banking

This segment primarily constitutes consumer financing activities with individual customers of the Group. Product suite offered to these customers include credit cards, auto loans, housing finance and personal loans.

Islamic Banking

This segment includes Islamic Banking operations of the Group.

Treasury

This includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

Assets Management

It includes asset management, investment advisory, portfolio management, equity research and underwriting.

International Banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities by Group's overseas operations.

Others

This includes the head office related activities and other functions which cannot be classified in any of the above segments.

6.18.2 Geographical segments

The Group operates in four geographic regions being:

- Pakistan
- South Asia
- Middle East
- Eurasia

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

6.19 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

6.20 Business combination

Business combinations other than under common control transaction are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated profit and loss account or as directed by the SBP.

6.21 Earnings per share

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

6.22 Pool Management

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

Under the general deposits pool, the Group accepts funds on Mudaraba basis from depositors (Rabb-ul-Maal) where the Group acts as Manager (Mudarib) and invests the funds in the Shari'ah Compliant modes of financings, investments and placements. When utilising investing funds, the Group 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 Groups for Islamic Export Refinance to Group's customers and liquidity management respectively under the Musharaka / Mudaraba modes. The Group also maintains an Equity Pool which consists of Group'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 utilizing 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.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

6.23 Funds due to / from financial institutions

Bai Mu'ajjal

In Bai Mu'ajjal, the Group 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 Group invests in the Shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio / fees.

	Note	2021 (Rupees in '000)	2020
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		24,962,316	25,039,386
Foreign currencies		6,622,320	7,088,257
		31,584,636	32,127,643
With State Bank of Pakistan in			
Local currency current accounts	7.1	89,811,750	51,920,851
Foreign currency current accounts	7.2	2,937,151	2,271,659
Foreign currency deposit accounts	7.3	10,550,168	10,532,776
		103,299,069	64,725,286
With other central banks in			
Foreign currency current accounts	7.4	6,728,135	11,851,311
With National Bank of Pakistan in			
Local currency current accounts		34,016,028	22,308,442
Prize bonds		294,601	1,040,359
		175,922,469	132,053,041

7.1 This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962. In addition, Rs. 979.736 million (2020: Nil) have been placed in a special account under SBP directive.

7.2 This includes foreign currencies settlement account maintained with SBP along with Rs. 544.429 million (2020: 588.351 million) maintained to comply with the cash reserve and special cash reserve requirements by a subsidiary.

7.3 This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. This includes balance of Rs. 7,033.445 million (2020: Rs. 6,810.656 million) which carries interest rate of 0% (2020: 0%) per annum as declared by SBP.

7.4 Foreign currency current account with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Group.

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	Note	2021 (Rupees in '000)	2020
8. BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		27,123	9,190
In deposit account	8.1	71,563	1,554
		98,686	10,744
Outside Pakistan			
In current account		12,119,471	26,768,812
In deposit account	8.2	10,336,172	2,231,965
		22,455,643	29,000,777
		22,554,329	29,011,521

8.1 This represents saving accounts carrying profit at expected rates ranging from 2.35% to 6.00% per annum (2020: 2.13% to 6.00% per annum).

8.2 Balances with other banks outside Pakistan in deposit accounts carry interest rate of 0.40% to 6.00% (2020: 1.5%) per annum.

	Note	2021 (Rupees in '000)	2020
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	9.1	24,071,021	11,002,195
Repurchase agreement lendings (Reverse Repo)	9.2	14,896,089	6,137,258
Musharaka arrangements	9.3	1,650,000	–
Bai Muajjal receivable - with State Bank of Pakistan		–	828,790
		40,617,110	17,968,243

9.1 Call money lending carries mark-up rate ranging from 0.15% to 10.45% (2020: 0.1% to 4.55%) per annum and is due to mature in February 2022.

9.2 Repurchase agreement lendings carry mark-up rate ranging from 10.50% to 10.70% per annum and is due to mature in January 2022.

9.3 This represents Musharaka placements with various financial institutions carrying average profit rate of 10.35% per annum (2020: Nil) and having maturity till January 04, 2022.

		2021 (Rupees in '000)	2020
9.4 Particulars of lending			
In local currency		16,546,089	6,966,048
In foreign currencies		24,071,021	11,002,195
		40,617,110	17,968,243

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

		2021			2020		
		Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
(Rupees in '000)							
9.5	Securities held as collateral against lendings to financial institutions						
	Market Treasury Bills	14,896,089	–	14,896,089	6,137,258	–	6,137,258

10. INVESTMENTS

10.1 Investments by type:

		2021				2020			
Note		Cost/ amortised cost	Provision for diminution	Surplus/ (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
(Rupees in '000)									
	Held-for-trading securities								
	Federal Government Securities	12,467	–	(12)	12,455	1,309,116	–	(224)	1,308,892
	Mutual Fund Units	1,249,644	–	(7,014)	1,242,630	1,158,952	–	110,493	1,269,445
		1,262,111	–	(7,026)	1,255,085	2,468,068	–	110,269	2,578,337
	Available-for-sale securities								
	Federal Government Securities	1,008,297,650	(22,288)	(9,216,775)	999,058,587	969,144,840	(4,719)	9,477,853	978,617,974
	Shares and units	31,651,347	(10,358,683)	1,342,018	22,634,682	28,398,065	(11,155,719)	3,412,147	20,654,493
	Non Government Debt Securities	2,342,840	–	17,833	2,360,673	2,841,840	–	16,780	2,858,620
	Foreign Securities	7,557,240	(1,748)	(5,424)	7,550,068	7,463,939	(1,714)	17,509	7,479,734
		1,049,849,077	(10,382,719)	(7,862,348)	1,031,604,010	1,007,848,684	(11,162,152)	12,924,289	1,009,610,821
	Held-to-maturity securities								
	Federal Government Securities	15,901,861	(52,637)	–	15,849,224	7,313,217	(11,542)	–	7,301,675
	Provincial Government Securities	118	(118)	–	–	118	(118)	–	–
	Non Government Debt Securities	8,270,476	(477,541)	–	7,792,935	9,615,317	(490,341)	–	9,124,976
	Foreign Securities	792,607	(8,632)	–	783,975	3,149,647	(27,281)	–	3,122,366
		24,965,062	(538,928)	–	24,426,134	20,078,299	(529,282)	–	19,549,017
	Associates	5,283,282	–	–	5,283,282	4,479,360	–	–	4,479,360
	Total Investments	1,081,359,532	(10,921,647)	(7,869,374)	1,062,568,511	1,034,874,411	(11,691,434)	13,034,558	1,036,217,535

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

10.2 Investments by segments:

Note	2021				2020			
	Cost/ amortised cost	Provision for diminution	Surplus/ (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
(Rupees in '000)								
Federal Government Securities:								
Market Treasury Bills	325,536,276	-	(478,211)	325,058,065	598,470,191	-	256,237	598,726,428
Pakistan Investment Bonds	660,197,527	-	(8,648,559)	651,548,968	349,738,865	-	9,180,611	358,919,476
Sukuks bonds	31,071,895	(1,410)	(89,694)	30,980,791	24,294,814	(2,872)	(24,383)	24,267,559
Naya Pakistan Certificates	925,513	-	-	925,513	465,779	-	-	465,779
Euro Bonds	4,939,876	(73,515)	-	4,866,361	2,096,697	(13,389)	65,166	2,148,474
Bai Mu'ajjal	1,540,891	-	(323)	1,540,568	2,700,827	-	-	2,700,827
	1,024,211,978	(74,925)	(9,216,787)	1,014,920,266	977,767,173	(16,261)	9,477,631	987,228,543
Provincial Government Securities								
	118	(118)	-	-	118	(118)	-	-
Shares and units:								
Listed Companies	31,271,920	(10,186,092)	1,335,004	22,420,832	27,974,567	(10,986,392)	3,522,638	20,510,813
Unlisted Companies	1,629,071	(172,591)	-	1,456,480	1,582,450	(169,325)	-	1,413,125
	32,900,991	(10,358,683)	1,335,004	23,877,312	29,557,017	(11,155,717)	3,522,638	21,923,938
Non Government Debt Securities								
Listed	4,478,441	(3,469)	10,222	4,485,194	5,613,730	(16,269)	12,037	5,609,498
Unlisted	6,134,875	(474,072)	7,611	5,668,414	6,843,427	(474,072)	4,743	6,374,098
	10,613,316	(477,541)	17,833	10,153,608	12,457,157	(490,341)	16,780	11,983,596
Foreign Securities								
Government securities	8,342,536	(8,634)	(5,424)	8,328,478	10,606,326	(27,281)	17,509	10,596,554
Unlisted equity securities	7,311	(1,746)	-	5,565	7,260	(1,716)	-	5,544
	8,349,847	(10,380)	(5,424)	8,334,043	10,613,586	(28,997)	17,509	10,602,098
Associates								
- Adanijee Insurance Company Limited	5,240,911	-	-	5,240,911	4,435,075	-	-	4,435,075
- Euronet Pakistan (Private) Limited	42,371	-	-	42,371	44,285	-	-	44,285
	5,283,282	-	-	5,283,282	4,479,360	-	-	4,479,360
Total Investments	1,081,359,532	(10,921,647)	(7,869,374)	1,062,568,511	1,034,874,411	(11,691,434)	13,034,558	1,036,217,535

2021 **2020**
(Rupees in '000)

10.2.1 Investments given as collateral

- Market Treasury Bills	107,136,184	91,279,273
- Pakistan Investment Bonds	53,303,403	1,000,283
	160,439,587	92,279,556

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

10.3 Provision for diminution in value of investments

	Note	2021 (Rupees in '000)	2020
10.3.1 Opening balance		11,691,434	11,747,618
Exchange and other adjustments		570	13,474
Charge / (reversals)			
Charge for the year		985,236	1,993,335
Reversals for the year		(18,390)	(1,529)
Reversal on disposals		(1,737,203)	(2,061,464)
		(770,357)	(69,658)
Closing balance	10.3.3	10,921,647	11,691,434

10.3.2 Particulars of provision against debt securities

Category of classification

	2021		2020	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
Domestic				
Loss	477,659	477,659	490,459	490,459
	477,659	477,659	490,459	490,459

10.3.3 This includes a general provision of Rs 83.557 million (December 31, 2020: Rs 43.542 million) held by overseas branches in accordance with the requirements of IFRS 9.

10.4 Quality of Available for Sale Securities

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

	2021	2020
	Cost	
	(Rupees in '000)	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	325,523,809	597,161,075
Pakistan Investment Bonds	647,475,027	346,405,146
Euro Bonds	3,301,407	1,341,708
Sukuk Bonds	31,071,895	23,771,132
Naya Pakistan Certificates	925,512	465,779
	1,008,297,650	969,144,840

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	Cost	
	(Rupees in '000)	
Listed Companies and mutual funds		
Automobile Assembler	1,607,719	1,573,156
Automobile Part and Accessories	413,930	413,930
Cable and Electrical Goods	573,042	672,851
Cement	2,333,482	2,050,172
Chemical	634,587	285,638
Close end Mutual Fund	1,186,851	1,186,851
Commercial Banks	3,897,895	3,002,215
Engineering	1,550,301	1,840,590
Fertilizer	2,957,126	2,925,460
Food and Personal Care Products	1,122,096	1,229,398
Glass and Ceramics	89,048	–
Insurance	753,786	599,364
Investment Banks / Companies	585,624	585,624
NIT Units	5,253	5,253
Oil & Gas Exploration Companies	4,084,865	2,990,518
Oil & Gas Marketing Companies	886,817	760,532
Open End Mutual Fund	96,361	190,083
Paper and Board	543,706	648,581
Pharmaceutical	1,048,524	1,103,229
Power Generation and Distribution	3,525,290	2,616,001
Refinery	684,113	981,399
Technology and Communication	1,296,309	707,827
Textile Composite	129,382	430,774
Textile Spinning	16,169	16,169
	30,022,276	26,815,615

	2021		2020	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Unlisted Companies				
Central Depository Company Limited	184,426	819,324	184,426	756,153
First Capital Investment (Private) Limited	2,500	2,831	2,500	2,667
First Women Bank Limited	63,300	215,838	63,300	215,838
ISE Towers REIT Management Company Limited	30,346	101,804	30,346	93,780
National Investment Trust Limited	1,027,651	2,006,567	1,027,651	1,661,565
National Institutional Facilitation Technologies	1,527	35,899	1,527	51,998
Pak Agro Storage And Service Corporation	2,500	1,567,552	2,500	1,239,050
1 Link (Private) Limited	50,000	267,895	50,000	202,032
Naymat Collateral Management Company	29,286	21,021	29,285	25,876
Pakistan Corporate Restructuring Company	51,396	48,210	–	–
Arabian Sea Country Club*	5,000	–	5,000	–
SME Bank Limited*	10,106	–	10,106	–
Al-Ameen Textile Mills Limited*	197	–	197	–
Custodian Management Services*	1,000	–	1,000	–
Galaxy Textile Mills Limited*	30,177	–	30,178	–
Pakistan Textile City (Private) Limited*	50,000	–	50,000	–
Ayaz Textile Mills Limited*	2,253	–	2,253	–
Musarrat Textile Mills Limited*	36,045	–	36,045	–
Sadiqabad Textile Mills Limited*	26,361	–	26,361	–
Al-Arabia Sugar Mills Limited - Preference shares*	–	–	4,775	–
Pak Elektron Limited - Preference shares	25,000	25,000	25,000	25,000
	1,629,071	5,111,941	1,582,450	4,273,959

*These investments are fully provided.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	Cost	
	(Rupees in '000)	
Non Government Debt Securities		
Listed		
- AA+, AA, AA-	1,322,840	1,676,840
- A+, A, A-	–	75,000
	1,322,840	1,751,840
Unlisted		
AAA - AA+, AA, AA-	920,000	990,000
- A+, A, A-	100,000	100,000
	1,020,000	1,090,000

	2021		2020	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
Foreign Securities				
Government Debt Securities				
- Sri Lanka	7,549,929	Caa2	7,456,679	Caa1

	2021	2020
	Cost	
	(Rupees in '000)	
Unlisted Equity Securities		
Lanka Clear (Private) Limited	874	857
Credit Information Bureau of Sri Lanka	26	26
Lanka Financial Services Bureau Limited	1,748	1,714
Society for Worldwide Inter Fund Transfer (SWIFT)	4,663	4,663
	7,311	7,260
10.5 Particulars relating to Held to Maturity securities are as follows:		
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	12,722,500	3,333,719
Sukuk Bonds	–	523,680
Euro Bonds	1,638,470	754,991
Bai Mu'ajjal	1,540,891	2,700,827
	15,901,861	7,313,217
Provincial Government Securities	118	118

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	Cost	
	(Rupees in '000)	
Non Government Debt Securities		
Listed		
- AAA	–	1,796,250
- AA+, AA, AA-	2,502,280	1,989,520
- Unrated	49,851	66,120
	2,552,131	3,851,890
Unlisted		
- AA+, AA, AA-	4,800,967	4,849,483
- A+, A, A-	439,838	439,874
Unrated	477,540	474,070
	5,718,345	5,763,427

	2021		2020	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
Foreign Securities				
Government Securities				
- Sri Lanka	792,607	Caa2	3,149,647	Caa1

- 10.5.1** This represents receivable from Government of Pakistan against sale of GoP Ijarah Sukuk certificate (GIS - 18). The deferred price will be recovered at the time of maturity.
- 10.5.2** The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Rs. 22,233.571 million (December 31, 2020: Rs. 17,351.392 million).
- 10.6** Available for sale” Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan.
- 10.7** Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (2020: Rs. 67.9 million) earmarked by the SBP against TT discounting facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2020: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account and Pakistan Investment Bonds amounting to Rs. 100 million (2020: Rs. 100 million) have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) on account of removal of irrevocable undertaking as alternate option for collateral against participant’s exposure in stock market.
- 10.8** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.
- 10.9** Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) ‘Accounting for Investments in Associates’. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2021 amounted to Rs. 2,800.000 million. (2020: Rs. 2,752.400 million).

Notes To The Consolidated Financial Statements

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Investment in Adamjee Insurance Company Limited under equity method - holding 20.00% (2020: 20%)

	Note	2021 (Rupees in '000)	2020
Opening balance		4,435,075	4,211,707
Share of profit for the year before tax		934,170	585,968
Dividend from associate		(192,500)	(192,500)
Share of tax		(155,337)	(143,175)
		586,333	250,293
Share of other comprehensive income / (loss)	10.9.1	219,503	(26,925)
Closing balance		5,240,911	4,435,075
10.9.1 Share of other comprehensive income			
Share of unrealized (deficit) / surplus on assets -net of tax		211,175	(34,246)
Share of exchange translation reserve of associate		8,328	7,321
		219,503	(26,925)

10.10 Investment of the Group in Euronet Pakistan Private Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

Investment in Euronet Pakistan Private Limited under equity method - holding 30% (2020: 30.00%)

		2021 (Rupees in '000)	2020
Opening balance		44,285	63,951
Share of (loss) / profit for the year before tax		9,417	(12,890)
Share of tax		(11,331)	(6,776)
Closing balance		(1,914)	(19,666)
		42,371	44,285

Notes To The Consolidated Financial Statements

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10.11 Summarized financial information of associates

Name	Country of incorporation	% of interest held	Revenue	Profit/ (loss) after tax	Total comprehensive income / (loss)	Assets	Liabilities
(Rupees in '000)							
2021							
Associates							
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2021)	Pakistan	30%	720,665	13,916	13,916	773,972	632,732
Adamjee Insurance Company Limited (unaudited based on September 30, 2021)	Pakistan	20%	23,530,811	2,408,605	1,217,969	116,278,938	93,385,707
2020							
Associates							
Euronet Pakistan (Private) Limited (audited based on December 31, 2020)	Pakistan	30%	718,076	(84,235)	(79,622)	783,908	656,585
Adamjee Insurance Company Limited (unaudited based on September 30, 2020)	Pakistan	20%	20,596,203	1,319,951	439,880	95,997,472	74,918,209

11. ADVANCES

Note	Performing		Non Performing		Total	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Loans, cash credits, running finances, etc.	565,602,060	444,022,138	49,404,885	50,524,753	615,006,945	494,546,891
Islamic financing and related assets *	95,793,392	84,205,962	701,770	756,471	96,495,162	84,962,433
Bills discounted and purchased	19,852,814	18,192,157	1,085,920	664,294	20,938,734	18,856,451
Advances - gross	681,248,266	546,420,257	51,192,575	51,945,518	732,440,841	598,365,775
Provision against advances						
- Specific	-	-	(44,281,189)	(45,168,351)	(44,281,189)	(45,168,351)
- General	(1,771,000)	(5,511,716)	-	-	(1,771,000)	(5,511,716)
	(1,771,000)	(5,511,716)	(44,281,189)	(45,168,351)	(46,052,189)	(50,680,067)
Advances - net of provision	679,477,266	540,908,541	6,911,386	6,777,167	686,388,652	547,685,708

*Details of Islamic financing and related assets have been mentioned in Annexure II of these consolidated financial statements.

11.1 Includes net investment in finance lease as disclosed below:

	2021				2020			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
(Rupees in '000)								
Lease rentals receivable	2,047,805	1,935,215	853,040	4,836,060	2,022,558	1,835,337	1,133,794	4,991,689
Residual value	12,535	340,969	28,726	382,230	20,428	103,490	23,039	146,957
Minimum lease payments	2,060,340	2,276,184	881,766	5,218,290	2,042,986	1,938,827	1,156,833	5,138,646
Financial charges for future periods	(111,377)	(351,445)	(397,000)	(859,822)	(99,749)	(309,852)	(418,859)	(828,460)
Present value of minimum lease payments	1,948,963	1,924,739	484,766	4,358,468	1,943,237	1,628,975	737,974	4,310,186

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		(Rupees in '000)	
11.2	Particulars of advances (Gross)		
	In local currency	683,535,698	554,179,378
	In foreign currencies	48,905,143	44,186,397
		732,440,841	598,365,775

11.3 Advances include Rs. 51,192.575 million (2020: Rs. 51,945.518 million) which have been placed under the non-performing status as detailed below:

		2021		2020	
	Note	Non performing loans	Provision	Non performing loans	Provision
(Rupees in '000)					
Category of Classification					
Domestic					
Other Assets Especially					
Mentioned	11.3.1	49,911	1,340	61,612	1,983
Substandard		279,422	67,795	309,191	60,382
Doubtful		750,097	169,179	459,053	137,341
Loss		40,720,274	40,215,099	42,671,220	41,498,157
		41,799,704	40,453,413	43,501,076	41,697,863
Overseas					
Not past due but impaired		–	–	–	–
Overdue by:				–	–
Upto 90 days		38,999	14,993	5,321	4,913
91 to 180 days		12,212	5,750	2,020	505
181 to 365 days		109,551	54,776	19,961	9,981
> 365 days		9,232,109	3,752,257	8,417,140	3,455,089
		9,392,871	3,827,776	8,444,442	3,470,488
Total		51,192,575	44,281,189	51,945,518	45,168,351

11.3.1 This represents non-performing portfolio of agricultural and small enterprise financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural and Small Enterprise Financing issued by the State Bank of Pakistan.

11.4 Particulars of provision against advances

		2021			2020		
	Note	Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		45,168,351	5,511,716	50,680,067	41,937,761	1,461,011	43,398,772
Exchange adjustments		319,945	18,951	338,896	50,555	7,162	57,717
Charge for the year		2,457,017	230,979	2,687,996	5,730,579	4,106,594	9,837,173
Reversals	11.4.3 & 11.4.4	(3,258,052)	(3,990,646)	(7,248,698)	(2,215,829)	(63,051)	(2,278,880)
		(801,035)	(3,759,667)	(4,560,702)	3,514,750	4,043,543	7,558,293
Amounts written off	11.5	(406,072)	–	(406,072)	(334,715)	–	(334,715)
Closing balance		44,281,189	1,771,000	46,052,189	45,168,351	5,511,716	50,680,067

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

11.4.1 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	40,105,891	1,389,045	41,494,936	41,697,863	5,189,680	46,887,543
In foreign currencies	4,175,298	381,955	4,557,253	3,470,488	322,036	3,792,524
	44,281,189	1,771,000	46,052,189	45,168,351	5,511,716	50,680,067

- 11.4.2** State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No.1 of 2011 dated October 21, 2011 has allowed benefit of forced sale value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for five years from the date of classification. The Holding company has not taken the FSV benefit in calculation of specific provision. However, one of the subsidiaries has availed benefit of forced sale values amounting to Rs. 249.750 million (December 31, 2020: Rs. 543.151 million) in determining the provisioning against non-performing Islamic financing and related assets as at December 31, 2021. The additional benefit on the Bank's statement of profit and loss arising from availing the FSV benefit - net of tax amounts to Rs 152.378 million as at December 31, 2021 (December 31, 2020: Rs. 353.048 million). However, the additional impact on profitability arising from availing the benefit of forced sales value is not available for payment of cash or stock dividends to shareholders.

- 11.4.3** This includes reversal of provisions and reduction of non-performing loans amounting to Rs. Nil (2020: Rs. 84 Million) as a result of settlement on debt asset swap arrangement with customers.

- 11.4.4** General provision of Rs. 4.0 billion was created last year on account of uncertainty emanating from COVID-19 outbreak, as many of Group's borrowers had availed the SBP relief program relating to deferment/restructuring & rescheduling. During the current year, as part of the continuous credit assessment process, the Group has created specific provision against exposures that reflected signs of financial distress. However, the Group has reversed the general provision as the systematic risks surrounding the economic recovery have receded.

The Group maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries in which the overseas branches operate. In addition, the Holding company also maintains a general provision against gross advances on a prudent basis.

		Note	2021 (Rupees in '000)	2020
11.5	PARTICULARS OF WRITE OFFs:			
11.5.1	Against Provisions	11.4	406,072	334,715
			406,072	334,715
11.5.2	Write Offs of Rs. 500,000 and above			
	- Domestic	11.6	384,417	299,532
	- Overseas	11.6	10,108	–
	Write Offs of below Rs. 500,000		11,547	35,183
		11.4	406,072	334,715

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

11.6 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2021 is given at Annexure I of the unconsolidated financial statements. However, this write off does not affect the Bank's right to recover the debts from these customers.

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
12. FIXED ASSETS			
Capital work-in-progress	12.1	928,545	871,274
Property and equipment	12.2	53,472,833	53,190,768
Right-of-use assets	12.3	7,950,167	9,617,270
		62,351,545	63,679,312
12.1 Capital work-in-progress			
Civil works		483,986	472,314
Equipment		15,180	98,383
Advances to suppliers		422,256	296,456
Others		7,123	4,121
		928,545	871,274

12.2 Property and Equipment

	2021 (Rupees in '000)								
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Leasehold improvements	Total
At January 01, 2021									
Cost / Revalued amount	27,141,272	2,900,078	15,273,596	806,387	2,239,957	16,995,598	1,120,324	1,775,260	68,252,472
Accumulated depreciation	-	-	(497,662)	(28,590)	(1,297,854)	(11,874,750)	(673,674)	(681,889)	(15,054,419)
Accumulated Impairment	-	-	-	-	(726)	-	-	(6,559)	(7,285)
Net book value	27,141,272	2,900,078	14,775,934	777,797	941,377	5,120,848	446,650	1,086,812	53,190,768
Year ended December 31, 2021									
Opening net book value	27,141,272	2,900,078	14,775,934	777,797	941,377	5,120,848	446,650	1,086,812	53,190,768
Additions	188,968	2,310	682,583	26,474	191,163	1,433,068	186,005	437,234	3,147,805
Disposals	(148,859)	-	(115,378)	-	(6,908)	(11,072)	(12,732)	(3,034)	(297,983)
Depreciation charge	-	-	(535,089)	(36,178)	(173,457)	(1,457,297)	(116,856)	(268,475)	(2,587,352)
Exchange rate adjustments	-	-	1,737	2,173	2,681	3,424	3,768	5,812	19,595
Transfers	-	-	-	-	-	-	-	-	-
Closing net book value	27,181,381	2,902,388	14,809,787	770,266	954,856	5,088,971	506,835	1,258,349	53,472,833
At December 31, 2021									
Cost / Revalued amount	27,181,381	2,902,388	15,835,783	835,142	2,361,270	18,013,550	1,243,942	2,204,571	70,578,027
Accumulated depreciation	-	-	(1,025,996)	(64,876)	(1,405,688)	(12,924,579)	(737,107)	(939,663)	(17,097,909)
Accumulated Impairment	-	-	-	-	(726)	-	-	(6,559)	(7,285)
Net book value	27,181,381	2,902,388	14,809,787	770,266	954,856	5,088,971	506,835	1,258,349	53,472,833
Rate of depreciation / estimated useful life	-	-	2.00%-5.0%	2.50%-5.0%	10%	10%-25%	20%	Lease term	-

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For the year ended December 31, 2021

	2020								
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Leasehold improvements	Total
	(Rupees in '000)								
At January 01, 2020									
Cost / Revalued amount	26,951,665	2,893,079	14,400,594	637,102	2,047,789	15,989,634	1,176,389	1,352,983	65,449,235
Accumulated depreciation	–	–	(236)	–	(1,159,800)	(10,690,712)	(643,336)	(488,611)	(12,982,695)
Net book value	26,951,665	2,893,079	14,400,358	637,102	887,989	5,298,922	533,053	864,372	52,466,540
Year ended December 31, 2020									
Opening net book value	26,951,665	2,893,079	14,400,358	637,102	887,989	5,298,922	533,053	864,372	52,466,540
Additions	189,607	6,999	976,836	168,601	228,078	1,174,108	60,767	443,560	3,248,556
Disposal	–	–	(85,546)	–	(2,579)	(6,910)	(23,938)	(1,300)	(120,273)
Depreciation charge	–	–	(498,884)	(28,597)	(172,075)	(1,345,944)	(125,219)	(232,501)	(2,403,220)
Impairment	–	–	–	–	(870)	(561)	–	(2,838)	(4,269)
Exchange rate adjustments	–	–	412	691	773	1,294	1,987	(1,723)	3,434
Transfers	–	–	(17,242)	–	61	(61)	–	17,242	–
Closing net book value	27,141,272	2,900,078	14,775,934	777,797	941,377	5,120,848	446,650	1,086,812	53,190,768
At December 31, 2020									
Cost / Revalued amount	27,141,272	2,900,078	15,273,596	806,387	2,239,957	16,995,598	1,120,324	1,775,260	68,252,472
Accumulated depreciation	–	–	(497,662)	(28,590)	(1,297,854)	(11,874,750)	(673,674)	(681,889)	(15,054,419)
Accumulated Impairment	–	–	–	–	(726)	–	–	(6,559)	(7,285)
Net book value	27,141,272	2,900,078	14,775,934	777,797	941,377	5,120,848	446,650	1,086,812	53,190,768
Rate of depreciation / estimated useful life	–	–	2.00%-5.0%	2.50%-5.0%	10%	10%-25%	20%	Lease term	–

12.2.1 Leasehold land include a plot of land measuring 3,120.46 square yards having book value of Rs. 1,426.809 million situated at Railway Quarters, I.I. Chundrigar Road, Karachi, (the "Plot"), where a tenant is claiming for the possession of an insignificant area of only 18 square feet of the plot, however there is no dispute over the title of the subject property that would impact the right of the Group. Both the Constitutional Petitions filed by the Group have been dismissed by the Sindh High Court on 28 January 2016 against the Group. The Group has filed an appeal before the Supreme Court of Pakistan.

12.2.2 The land and buildings of the Group were revalued as at December 31, 2019 by independent valuers (K.G. Traders (Pvt) Limited, Tristar International Consultant (Pvt) Limited & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. The total surplus against revaluation of fixed assets as at December 31, 2021 amounts to Rs. 20,589.804 million (2020: Rs. 20,856.881 million).

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

	2021	2020
	(Rupees in '000)	
Land	13,407,405	13,007,065
Buildings	12,003,314	11,731,135

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

12.2.4 The gross carrying amount (cost) of fully depreciated assets that are still in use are as follows:

	2021	2020
	(Rupees in '000)	
Furniture and fixtures	651,496	608,625
Electrical, computers and office equipment	8,146,030	7,347,691
Vehicles	460,238	488,175
Lease Hold Improvements	92,635	35,697

12.2.5 Carrying amount of temporarily idle property of the Group is Rs. 44.479 million (2020: Rs. 436.136 million)

12.2.6 The information relating to disposal of operating fixed assets to related parties is given in Annexure I of these consolidated financial statements.

12.3 Movement in right-of-use assets is as follows:

	Note	2021	2020
		(Rupees in '000)	
Opening balance		9,617,270	10,666,838
Additions / adjustments		723,039	1,263,307
Derecognition		(680,529)	(615,049)
Depreciation charge	31	(1,709,613)	(1,697,826)
Closing Net Book Value		7,950,167	9,617,270

13. INTANGIBLE ASSETS

Capital work-in-progress		468,679	435,330
Goodwill		82,127	82,127
Management rights		192,000	192,000
Computer software	13.1	1,095,330	1,157,787
		1,838,136	1,867,244

		2021	2020
		(Rupees in '000)	
		Computer software	
13.1 At January 01			
Cost		5,262,979	4,865,584
Accumulated amortisation and impairment		(4,105,192)	(3,633,072)
Net book value		1,157,787	1,232,512
Year ended December 31			
Opening net book value		1,157,787	1,232,512
Additions		417,737	395,186
Amortisation charge		(480,826)	(469,860)
Exchange rate adjustments		632	(51)
Closing net book value		1,095,330	1,157,787
At December 31			
Cost		5,687,650	5,262,979
Accumulated amortisation and impairment		(4,592,320)	(4,105,192)
Net book value		1,095,330	1,157,787
Rate of amortisation (percentage)		14% to 33.33%	14% to 33.33%
Useful life		3 - 7 years	3 - 7 years

13.2 The gross carrying amount (cost) of fully amortised intangible assets that are still in use is Rs. 3,260.094 million (2020: Rs. 3,085.368 million).

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
14. OTHER ASSETS			
Income/ mark-up accrued in local currency		24,316,843	19,451,779
Income/ mark-up accrued in foreign currencies		313,062	311,024
Advances, deposits, advance rent and other prepayments		2,253,754	2,524,851
Compensation for delayed income tax refunds		133,809	133,809
Non-banking assets acquired in satisfaction of claims	14.1	2,170,938	3,277,778
Branch adjustment account		–	421,204
Mark to market gain on forward foreign exchange contracts		4,335,561	4,847,284
Unrealized gain on derivative financial instruments	25	304,893	517,033
Acceptances	20	25,430,129	22,747,369
Receivable from the pension fund	38.4	3,218,426	3,370,179
Clearing and settlement accounts		5,553,219	2,698,271
Claims receivable against fraud and forgeries		1,117,067	1,087,306
Others		2,738,937	3,134,359
		71,886,638	64,522,246
Less: Provision held against other assets	14.2	2,709,281	2,582,686
Other Assets (net of provision)		69,177,357	61,939,560
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		703,370	854,231
Other Assets - total		69,880,727	62,793,791
14.1 Market value of Non-banking assets acquired in satisfaction of claims		2,785,535	4,036,914

Non-banking assets acquired in satisfaction of claims of the Group are revalued as at December 31, 2021 by independent valuers (Material Design Services and J&M Associates) on the basis of market value.

	Note	2021 (Rupees in '000)	2020
14.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		4,036,914	3,838,230
Additions		–	84,000
Revaluation		259,321	183,915
Disposals		(1,481,479)	(35,024)
Depreciation	31	(35,544)	(30,049)
(Charge) / reversal of impairment		6,323	(4,158)
Closing balance		2,785,535	4,036,914
14.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims			
Disposal proceeds		2,052,928	39,000
Less			
- Revalued amounts		1,493,844	35,820
- Accumulated depreciation		(12,365)	(796)
		1,481,479	35,024
Gain	30	571,449	3,976

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
14.2	Provision held against other assets		
	Non banking assets acquired in satisfaction of claims	88,773	95,095
	Claims receivable against fraud and forgeries	486,976	478,773
	Others	2,133,532	2,008,818
		2,709,281	2,582,686
14.2.1	Movement in provision held against other assets		
	Opening balance	2,582,686	2,604,137
	Charge for the year	56,128	54,269
	Reversals	(25,036)	(77,917)
		31,092	(23,648)
	33 Amount written off	(991)	(16,591)
	Exchange and other adjustments	96,494	18,788
	Closing balance	2,709,281	2,582,686

15. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2021 (2020: Nil).

	Note	2021 (Rupees in '000)	2020
16.	BILLS PAYABLE		
	In Pakistan	26,437,824	26,383,624
	Outside Pakistan	48,621	67,889
		26,486,445	26,451,513
17.	BORROWINGS		
	Secured		
	Borrowings from State Bank of Pakistan		
	Under Export Refinance Scheme	47,986,546	37,844,720
	Under Long Term Financing Facility	23,577,802	22,596,183
	Under Renewable Energy Performance Platform	1,536,207	74,760
	Under Refinance Scheme For Payment Of Wages & Salaries	6,660,043	11,789,824
	Under Temporary Economic Refinance Facility	28,773,614	2,878,487
	Under Refinance Facility For Combating Covid-19	42,817	–
	Under Financing Facility For Storage Of Agricultural Produce	147,260	191,254
		108,724,289	75,375,228
	Bai Muajjal	44,809,236	–
	Repurchase agreement borrowings	116,920,102	92,225,530
	Total secured*	270,453,627	167,600,758
	Unsecured		
	Borrowings from other Financial Institution	464,272	1,720,341
	Call Borrowings	2,767,152	319,669
	Overdrawn Nostro Accounts	1,682,663	368,920
	Musharaka Arrangements	7,368,882	14,405,366
	Others	162,286	162,286
	Total unsecured	12,445,255	16,976,582
	17.13	282,898,882	184,577,340

*Details of secured balances due to financial institutions relating to MCB Islamic Bank Limited have been mentioned in Annexure II of these consolidated financial statements.

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- 17.1** The Group has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current account maintained by the Group with SBP. These borrowings are repayable within six months from the deal date. These carry mark up rates ranging from 1.0% to 2.0% per annum (2020: 1.0% to 2.0% per annum)
- 17.2** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. As per the agreements, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.0% to 3.50% per annum (2020: 2.0% to 3.50% per annum)
- 17.3** These borrowings have been obtained from the SBP for providing financing facilities to customers against renewable energy projects. As per the agreements, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current account maintained by the Group with SBP. These borrowings are repayable within a maximum period of twelve years with two years of maximum grace period from date of disbursement. These carry mark up rate of 2% per annum (2020: 2.0% per annum)
- 17.4** These borrowings have been obtained from the SBP for providing financing facilities to help businesses in payment of wages and salaries to their workers and employees for supporting continued employment. As per the agreements, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current account maintained by the Group with SBP. These borrowing are repayable in 8 equal quarterly installments beginning from January 2021. These carry mark up rates ranging from 0% to 2% per annum (2020: 0% to 2.0% per annum)
- 17.5** These borrowings have been obtained from the SBP for providing concessionary refinancing facility to the industry for purchase of new imported and locally manufactured plant & machinery to set up new projects. As per the agreements, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within a period of ten years including a grace period of upto 2 years. These carry mark up rate of 1% per annum (2020: 1.0% per annum).
- 17.6** These borrowings have been obtained from the SBP under a scheme to provide combat the emergency refinance facility to hospitals & medical centre to develop capacity for the treatment of COVID-19 patients. As per the agreements, the Group has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These carry mark-up at 0% per annum and are due to mature latest by August 2025.
- 17.7** These borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. As per the agreements, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current account maintained by the Group with SBP. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.50% to 3.50% per annum (2020: 2.50% to 3.50% per annum).
- 17.8** These carry profit rates ranging from 7.30% to 7.35% per annum and are due to mature latest by June 2022. These are secured against government securities of carrying value of Rs. 43,930.974 million.
- 17.9** These carry mark-up rates ranging from 5.10% to 10.70% per annum (2020: 6.15% to 7.25% per annum) and are secured against government securities of carrying value of Rs. 116,508.613 million (2020: Rs. 92,279.556 million). These are repayable latest by March 2022.

Notes To The Consolidated Financial Statements

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17.10 These carry mark-up rates of 1% per annum (2020: 1.90% to 4.00% per annum). These are repayable latest by February 2023.

17.11 These carry mark-up at the rate of 6.00% to 10.70% per annum (2020: 1.15% per annum). These are repayable by January 2022.

17.12 This includes Musharaka arrangements with banks carrying profit at expected rates ranging from 9.80% to 10.45% per annum (2020: 6.70% to 7.20% per annum) and having maturity till February 03, 2022.

	2021	2020
	(Rupees in '000)	
17.13 Particulars of borrowings with respect to currencies		
In local currency	279,404,217	182,091,272
In foreign currencies	3,494,665	2,486,068
	282,898,882	184,577,340

18. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	489,666,685	71,126,591	560,793,276	425,760,845	55,999,023	481,759,868
Savings deposits	738,874,979	46,969,241	785,844,220	689,241,146	47,759,213	737,000,359
Term deposits	109,600,671	12,107,066	121,707,737	89,353,999	14,182,837	103,536,836
Others	30,673,250	3,062,911	33,736,161	26,013,457	3,218,232	29,231,689
	1,368,815,585	133,265,809	1,502,081,394	1,230,369,447	121,159,305	1,351,528,752
Financial Institutions						
Current deposits	9,317,311	1,472,847	10,790,158	11,033,694	659,230	11,692,924
Savings deposits	11,808,667	117,895	11,926,562	16,530,222	117,569	16,647,791
Term deposits	3,066,268	6,319,339	9,385,607	4,557,468	4,090,613	8,648,081
Others	-	402,950	402,950	-	220,413	220,413
	24,192,246	8,313,031	32,505,277	32,121,384	5,087,825	37,209,209
	1,393,007,831	141,578,840	1,534,586,671	1,262,490,831	126,247,130	1,388,737,961

	2021	2020
	(Rupees in '000)	
18.1 Composition of deposits		
- Individuals	958,717,425	873,722,061
- Government (Federal and Provincial)	81,069,556	60,113,810
- Public Sector Entities	96,652,947	87,102,803
- Banking Companies	4,996,116	4,893,635
- Non-Banking Financial Institutions	27,509,161	32,315,574
- Private Sector	365,641,466	330,590,078
	1,534,586,671	1,388,737,961

18.2 Deposits and other accounts include deposits eligible to be covered under the Deposits Protection insurance / takaful arrangements amounting to Rs 1,054,566.518 million (2020: Rs 957,118.596 million)

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

19. DEFERRED TAX LIABILITIES

		2021			
	Note	At January 01, 2021	Recognised in P&L A/C	Recognised in OCI	At December 31, 2021
(Rupees in '000)					
Taxable Temporary differences on					
- Surplus on revaluation of fixed assets	23.1	1,329,511	(68,447)	152,202	1,413,266
- Surplus on revaluation of non-banking assets	23.2	298,982	(159,971)	135,304	274,315
- Accelerated tax depreciation		2,054,509	242,881	–	2,297,390
- Receivable from pension fund		1,179,562	386,088	(310,465)	1,255,185
- Business combination		705,218	–	–	705,218
- Investments in associated undertaking		1,325,520	350,777	114,984	1,791,281
		6,893,302	751,328	92,025	7,736,655
Deductible Temporary differences on					
- Tax losses carried forward		(772,357)	178,175	–	(594,182)
- Provision against advances		(2,786,856)	778,721	–	(2,008,135)
- Deficit on revaluation of investments	23	4,523,498	–	(7,589,814)	(3,066,316)
- Minimum Tax and WWF		(366,547)	(122,693)	–	(489,240)
		597,738	834,203	(7,589,814)	(6,157,873)
		7,491,040	1,585,531	(7,497,789)	1,578,782
2020					
	Note	At January 01, 2020	Recognised in P&L A/C	Recognised in OCI	At December 31, 2020
(Rupees in '000)					
Taxable Temporary Differences on					
- Surplus on revaluation of fixed assets	23.1	1,390,542	(61,031)	–	1,329,511
- Surplus on revaluation of non-banking assets	23.2	237,181	(2,570)	64,371	298,982
- Accelerated tax depreciation		1,961,113	93,396	–	2,054,509
- Receivable from pension fund		1,261,793	119,428	(201,659)	1,179,562
- Business combination		705,218	–	–	705,218
- Investments in associated undertaking		1,247,340	87,603	(9,423)	1,325,520
- Surplus on revaluation of investments	23	2,329,519	–	2,193,979	4,523,498
		9,132,706	236,826	2,047,268	11,416,800
Deductible Temporary Differences on					
- Tax losses carried forward		(949,800)	177,443	–	(772,357)
- Provision against advances		(1,726,151)	(1,060,705)	–	(2,786,856)
- Minimum Tax and WWF		(242,532)	(124,015)	–	(366,547)
		(2,918,483)	(1,007,277)	–	(3,925,760)
		6,214,223	(770,451)	2,047,268	7,491,040

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	Note	2021 (Rupees in '000)	2020
20. OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency		6,100,587	2,884,255
Mark-up/ return/ interest payable in foreign currencies		178,437	254,433
Unearned commission and income on bills discounted		862,173	252,312
Accrued expenses		6,905,279	6,888,435
Provision for taxation (provisions less payments)		8,627,030	10,130,229
Workers' Welfare Fund	20.1	9,931,139	8,838,684
Acceptances	14	25,430,129	22,747,369
Unclaimed/dividend payable		2,027,825	1,697,408
Mark to market loss on forward foreign exchange contracts		4,397,120	4,618,138
Unrealized loss on derivative financial instruments	25	302,365	513,343
Staff welfare fund		4,755	5,598
Branch adjustment account	14	238,420	—
Provision for employees' compensated absences	38.4	1,100,865	919,407
Provision for post retirement medical benefits	38.4	1,982,169	2,004,122
Provision for employees' contributory benevolent scheme	38.4	197,712	222,084
Retention money		12,473	20,657
Insurance payable against consumer assets		736,768	698,949
Unclaimed balances		755,141	877,552
Duties and taxes payable		4,344,738	1,860,730
Charity fund balance		8,823	46,615
Provision against off-balance sheet obligations		46,319	46,188
Security deposits against lease		1,506,241	1,283,999
Lease liability against right of use assets		10,059,815	11,268,508
Clearing and settlement accounts		6,234,150	7,421,975
Others		7,011,566	5,526,168
		99,002,039	91,027,158

20.1 Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Group maintained its provision in respect of WWF.

21. SHARE CAPITAL

21.1 Authorized Capital

	2021 (Number of shares)	2020		2021 (Rupees in '000)	2020
	1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	15,000,000	15,000,000

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21.2 Issued, subscribed and paid up

2021 (Number of shares)	2020 (Number of shares)		2021 (Rupees in '000)	2020 (Rupees in '000)
		Ordinary shares		
197,253,795	197,253,795	Fully paid in cash	1,972,538	1,972,538
915,776,953	915,776,953	Issued as bonus shares	9,157,769	9,157,769
72,029,258	72,029,258	Issued for consideration other than cash	720,293	720,293
1,185,060,006	1,185,060,006		11,850,600	11,850,600

21.3 The movement in the issued, subscribed and paid-up capital during the year is as follows:

2021 (Number of shares)	2020 (Number of shares)		2021 (Rupees in '000)	2020 (Rupees in '000)
1,185,060,006	1,185,060,006	Opening balance at January 01	11,850,600	11,850,600
1,185,060,006	1,185,060,006	Closing balance at December 31	11,850,600	11,850,600

21.4 Number of shares held by the associated undertakings as at December 31, are as follows:

	2021 (Number of shares)	2020 (Number of shares)
Adamjee Insurance Company Limited	55,196,435	47,827,287
Nishat Mills Limited	88,015,291	88,015,291
Siddiqsons Limited	11,271,920	14,276,462
Nishat (Aziz Avenue) Hotels and Properties Limited	434,176	141,950
Nishat Real Estates Development Company (Private) Limited	68,900	54,500
Adamjee Life Assurance Company Limited	1,200,000	–
	156,186,722	150,315,490

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
22. RESERVES			
Share premium		23,973,024	23,973,024
Non- distributable capital reserve - gain on bargain purchase option	22.1	908,317	908,317
Exchange translation reserve		3,832,533	2,950,183
Statutory reserve	22.2	37,729,718	34,628,527
General reserve		18,600,000	18,600,000
		85,043,592	81,060,051

22.1 Under IFRS-3 a bargain purchase represents an economic gain which should be immediately recognized by the acquirer as income. However, the amount of bargain purchase gain was not taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 recommended that the amount of gain may be routed directly into equity as a Non-distributable Capital Reserve (NCR). The NCR may become available for distribution through a stock dividend only with prior approval of the SBP. The Group, before distribution of the gain as a stock dividend, may adjust any subsequent provisions/deficit, assessed by the Group or recommended by the Banking Inspection Department of SBP, in the acquired assets and liabilities of NIB Bank Limited against the NCR.

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

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
23. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	(7,862,348)	12,924,291
- Fixed Assets	23.1	20,589,804	20,856,881
- Non-banking assets acquired in satisfaction of claims	23.2	703,370	854,231
- Associated undertaking		788,174	577,001
		14,219,000	35,212,404
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities	19	(3,066,316)	4,523,498
- Fixed Assets	23.1	1,413,266	1,329,511
- Non-banking assets acquired in satisfaction of claims	23.2	274,315	298,982
- Associated undertaking		372,046	257,062
		(1,006,689)	6,409,053
		15,225,689	28,803,351
23.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 01		20,856,881	21,031,256
Recognised during the year		–	–
Realised on disposal during the year - net of deferred tax		(115,260)	(22,544)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(83,370)	(90,800)
Related deferred tax liability on incremental depreciation charged during the year		(53,728)	(48,892)
Related deferred tax liability on surplus realised on disposal		(14,719)	(12,139)
Surplus on revaluation of fixed assets as at December 31		20,589,804	20,856,881
Less: Related deferred tax liability on:			
- revaluation as at January 01		1,329,511	1,390,542
- opening liability remeasurement		152,202	–
- recognised during the year		–	–
- surplus realised on disposal during the year		(14,719)	(12,139)
- incremental depreciation charged during the year		(53,728)	(48,892)
	19	1,413,266	1,329,511
		19,176,538	19,527,370
23.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 01		854,231	677,660
Recognised during the year		259,321	183,915
Realised on disposal during the year - net of deferred tax		(250,211)	(4,774)
Related deferred tax liability on surplus realised on disposal		(159,971)	(2,570)
Surplus on revaluation as at December 31		703,370	854,231
Less: Related deferred tax liability on:			
- revaluation as at January 01		298,982	237,181
- revaluation recognised during the year		101,135	64,371
- opening liability remeasurement		34,169	–
- surplus realised on disposal during the year		(159,971)	(2,570)
	19	274,315	298,982
		429,055	555,249

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
24. CONTINGENCIES AND COMMITMENTS			
- Guarantees	24.1	194,370,616	186,572,634
- Commitments	24.2	422,956,200	525,404,920
- Other contingent liabilities	24.3	26,189,566	28,397,749
		643,516,382	740,375,303
24.1 Guarantees:			
Financial guarantees		158,777,702	149,925,920
Performance guarantees		29,097,931	29,835,397
Other guarantees		6,494,983	6,811,317
		194,370,616	186,572,634
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		192,773,466	180,272,534
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	218,878,371	327,646,242
- forward government securities transactions	24.2.2	5,098,200	11,089,775
- derivatives (notional)	24.2.3	4,434,780	4,471,383
- commitments to extent credit	24.2.4	708,954	1,007,451
Commitments for acquisition of:			
- operating fixed assets		836,275	710,570
- intangible assets		225,794	206,965
		422,955,840	525,404,920
24.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		120,320,899	172,137,589
Sale		98,557,472	155,508,653
		218,878,371	327,646,242
24.2.2 Commitments in respect of government securities transactions			
Purchase		5,098,200	11,089,775
Sale		—	—
		5,098,200	11,089,775

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Rupees in '000)	
24.2.3 Commitments in respect of derivatives		
FX options (notional)		
Purchase	1,432,779	182,800
Sale	1,432,779	182,800
	2,865,558	365,600
Cross Currency Swaps (notional)		
Purchase	784,611	1,975,311
Sale	784,611	2,130,472
	1,569,222	4,105,783
	4,434,780	4,471,383

24.2.4 The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	2021	2020
		(Rupees in '000)	
24.3 Other contingent liabilities			
Claims against the Group not acknowledged as debts	24.3.1	26,189,566	28,397,749

24.3.1 These mainly represent counter claims by borrowers for damages and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Group favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these consolidated financial statements.

24.4 For assessment year 1988-89 through tax year 2020, the tax department disputed Group treatment on certain issues, where the Group appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 1,497 million (2020: Rs. 6,033 million). Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

The Group has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Group are being contested by the department at higher forums. No provision has been made in the consolidated financial statements regarding the aforesaid additional tax demand and already issued favourable decisions where the department is in appeal, as the management is of the view that the issues will be decided in the Group's favour as and when these are taken up by the Appellate Authorities.

24.5 Amortisation of goodwill and other intangibles amounting to Rs 28.08 billion of Ex. NIB

Issue of goodwill and other related assets amortization for few years has been assessed in Holding company favour at appellate forums during the year, however, the tax department has filed appeal against these decisions. The management has not recorded any tax benefit because the issue has not attained finality.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

25. DERIVATIVE INSTRUMENTS

25.1 Product Analysis

		2021					
		Cross currency swaps		Interest rate swaps		FX options	
Counterparties		Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss
(Rupees in '000)							
With Banks for							
Hedging		784,611	298,956	–	–	1,432,779	5,937
Market Making		–	–	–	–	–	–
With other entities for							
Hedging		–	–	–	–	–	–
Market Making		784,611	(296,428)	–	–	1,432,779	(5,937)
Total							
Hedging		784,611	298,956	–	–	1,432,779	5,937
Market Making		784,611	(296,428)	–	–	1,432,779	(5,937)
		2020					
		Cross currency swaps		Interest rate swaps		FX options	
Counterparties		Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss
(Rupees in '000)							
With Banks for							
Hedging		1,975,311	512,508	–	–	182,800	4,525
Market Making		–	–	–	–	–	–
With other entities for							
Hedging		–	–	–	–	–	–
Market Making		2,130,472	(508,818)	–	–	182,800	(4,525)
Total							
Hedging		1,975,311	512,508	–	–	182,800	4,525
Market Making		2,130,472	(508,818)	–	–	182,800	(4,525)

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

25.2 Maturity Analysis

2021					
	No. of contracts	Notional principal	Mark to Market		Net
			Negative	Positive	
(Rupees in '000)					
Remaining Maturity					
Upto 1 month	24	1,183,628	(843)	843	–
1 to 3 months	32	1,483,069	(4,097)	4,097	–
3 to 6 months	8	343,423	(40,122)	40,378	256
6 month to 1 Year	2	330,429	(95,142)	96,369	1,227
2 to 3 Years	2	1,094,231	(162,161)	163,206	1,045
Total	68	4,434,780	(302,365)	304,893	2,528
2020					
	No. of contracts	Notional principal	Mark to Market		Net
			Negative	Positive	
(Rupees in '000)					
Remaining Maturity					
Upto 1 month	8	924,787	(54,638)	54,840	202
1 to 3 months	4	120,859	(1,545)	1,545	–
3 to 6 months	4	421,010	(71,467)	71,915	448
6 month to 1 Year	3	329,626	(23,640)	18,177	(5,463)
1 to 2 Years	4	1,094,545	(220,328)	226,567	6,239
3 to 5 Years	2	1,580,556	(141,725)	143,989	2,264
Total	25	4,471,383	(513,343)	517,033	3,690

25.3 Risk management related to derivatives is discussed in note 45.5.

		2021	2020
		(Rupees in '000)	
26.	MARK-UP/RETURN/INTEREST EARNED		
	Loans and advances	40,072,099	50,061,684
	Investments	91,855,343	94,248,954
	Lendings to financial institutions	553,052	1,092,986
	Balances with banks	128,809	368,827
		132,609,303	145,772,451
27.	MARK-UP/RETURN/INTEREST EXPENSED		
	Deposits	50,999,880	59,436,050
	Borrowings	10,364,392	6,610,704
	Cost of foreign currency swaps against foreign currency deposits / borrowings	1,609,774	2,386,644
	Unwinding cost of liability against right-of-use assets	1,257,256	1,495,614
		64,231,302	69,929,012

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
28. FEE & COMMISSION INCOME			
Branch banking customer fees		2,864,064	1,924,884
Consumer finance related fees		531,005	431,539
Card related fees (debit and credit cards)		3,051,196	3,206,215
Credit related fees		279,009	60,484
Investment banking fee		206,755	161,192
Commission on trade		1,477,332	1,353,430
Commission on guarantees		650,657	608,822
Commission on cash management		726,239	615,001
Commission on remittances including home remittances		999,448	1,020,949
Commission on utility bills		80,763	79,791
Commission on Bancassurance		1,532,115	1,384,111
Rent on lockers		248,475	230,996
Commission on investments services		806,981	694,750
Other commission		237,393	199,327
		13,691,432	11,971,491
29. GAIN ON SECURITIES - NET			
Realised	29.1	269,861	3,286,027
Unrealised (Loss) / Gain - Held For Trading	10.1	(7,026)	110,269
		262,835	3,396,296
29.1 Realised gain / (loss) on:			
Federal Government Securities		383,592	3,438,493
Non Government Debt Securities		40	(76,066)
Shares and units		(113,771)	(76,400)
		269,861	3,286,027
30. OTHER INCOME			
Rent on property		34,131	67,310
Gain on sale of fixed assets - net		107,783	73,164
Gain / (loss) on termination of lease liability against right of use assets		149,129	(15,637)
Gain on conversion of Ijarah agreements		20,761	63,290
Gain on sale of non banking assets - net	14.1.2	571,449	3,976
		883,253	192,103

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
31. OPERATING EXPENSES			
Total compensation expense	31.1	19,367,589	18,201,007
Property expense			
Rent and taxes		214,326	214,770
Insurance/ Takaful		57,399	66,237
Utilities cost		1,698,101	1,350,228
Fuel expense generators		439,089	334,634
Security (including guards)		1,724,713	1,444,492
Repair and maintenance (including janitorial charges)		822,431	758,318
Depreciation on right-of-use assets	12.3	1,709,613	1,697,826
Depreciation	12.2	946,628	845,654
		7,612,300	6,712,159
Information technology expenses			
Software maintenance		1,349,334	1,304,566
Hardware maintenance		215,094	342,392
Depreciation	12.2	759,076	688,155
Amortisation	13.1	480,826	469,860
Network charges		628,853	705,798
Insurance/ Takaful		5,728	6,294
		3,438,911	3,517,065
Other operating expenses			
Directors' fees and allowances	40.2	46,300	50,060
Fees and allowances to Sharia Board members		10,433	9,417
Legal and professional charges		310,962	312,026
Outsourced services costs	37.1	902,214	892,810
Travelling and conveyance		345,446	322,162
NIFT clearing charges		172,508	186,480
Depreciation	12.2	881,648	869,411
Depreciation on non-banking assets acquired in satisfaction of claims	14.1.1	35,544	30,049
Training and development		41,787	43,062
Postage and courier charges		278,075	286,548
Communication		399,504	353,513
Stationery and printing		656,178	624,477
Marketing, advertisement & publicity		804,122	713,479
Donations	31.2	8,165	112,596
Auditors' remuneration	31.3	72,449	41,295
Cash transportation charges		860,210	709,262
Repair and maintenance		447,841	404,247
Subscription		36,862	43,581
Entertainment		251,200	225,692
Remittance charges		209,080	211,631
Brokerage expenses		77,053	69,542
Card related expenses		992,445	829,055
CNIC verification charges		262,250	128,614
Insurance/ Takaful		1,773,782	1,570,511
Others		294,874	294,166
		10,170,932	9,333,686
		40,589,732	37,763,917

Total cost for the year included in other operating expenses relating to outsourced activities is Rs 217.816 million (2020: Rs 280.848 million) which pertains to payments to companies incorporated in Pakistan. Outsourcing shall have the same meaning as specified in BPRD Circular No. 06 of 2019. This includes cost of outsourcing pertaining to Euronet Private Limited (a related party) is Rs 196.446 million (2020: 275.517 million)

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
31.1 Total compensation expense			
Fees and allowances		543,744	488,500
Managerial remuneration			
i) Fixed		13,763,999	12,914,590
ii) Variable - cash bonus / awards		2,344,413	2,640,316
Charge / (reversal) for defined benefit plan		289,144	74,827
Contribution to defined contribution plan		491,210	455,012
Commission		547,162	350,803
Staff group insurance		436,506	433,891
Rent and house maintenance		428,386	419,324
Medical		70,096	68,143
Conveyance		339,928	351,101
		19,254,588	18,196,507
Sign-on bonus	31.1.1	2,501	3,700
Severance allowance	31.1.2	110,500	800
		19,367,589	18,201,007

31.1.1 During the year sign on bonus was paid to 5 employees (2020: 4).

31.1.2 Severance allowance pertains to 6 employees (2020: 1).

31.2 Detail of donations made during the year is as follows:

	2021 (Rupees in '000)	2020
Murshid Hospital & Health Care Centre	100	–
Saleem Memorial Trust Hospital	–	95,000
Specialized Healthcare and Medical Education Department, Government of Punjab - (COVID 19 relief)	–	9,996
Jahandad Society For Community Development	1,500	5,000
Nigahban Welfare Association	5,000	–
Ambulance donation to Sadiq Public School	1,565	–
District Administration Lahore - (COVID 19 relief)	–	2,600
	8,165	112,596

31.2.1 None of the directors, executives and their spouses had any interest in the donees to whom donations were given during the year.

	2021 (Rupees in '000)	2020
31.3 Auditors' remuneration		
Audit fee	16,500	16,500
Fee for audit of foreign branches	11,514	10,272
Fee for audit of subsidiaries	15,725	11,575
Special certifications and sundry advisory services	–	473
Tax services	26,235	–
Sales tax on audit fee	825	825
Out-of-pocket expenses	1,650	1,650
	72,449	41,295

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
32. OTHER CHARGES			
Penalties of State Bank of Pakistan		451,496	192,356
VAT & National Building tax & Crop Insurance Levy		49,907	92,502
Education cess		23,936	13,129
		525,339	297,987
33. PROVISIONS / (REVERSALS) & WRITE OFFS - NET			
Provisions / (reversals) against balance with banks		6,599	(3,547)
(Reversals) for diminution in value of investments	10.3.1	(770,357)	(69,658)
(Reversals) / provisions against loans & advances	11.4	(4,560,702)	7,558,293
(Reversals) against off balance sheet items		(2,643)	(448)
Provisions / (reversals) against other assets	14.2.1	31,092	(23,648)
Recovery of written off / charged off bad debts		(176,768)	(130,948)
		(5,472,779)	7,330,044
34. TAXATION			
Current		20,202,269	20,384,542
Prior years		(6,822)	(8,023)
Deferred	19	1,585,531	(770,451)
Share of tax of associates		166,668	149,951
		21,947,646	19,756,019
34.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		53,275,400	49,318,288
Tax rate		39%	39%
Tax on income		20,777,406	19,234,132
Tax effect of permanent differences		176,083	75,019
Tax effect of prior years reversals		(6,822)	(8,023)
Others		1,000,979	454,891
Tax charge for the year		21,947,646	19,756,019
		(Rupees in '000)	
35. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year after tax attributable to ordinary shareholders		31,179,708	29,410,227
		(Number)	
Weighted average number of ordinary shares		1,185,060,006	1,185,060,006
		(Rupees)	
Basic and diluted earnings per share		26.31	24.82

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

Notes To The Consolidated Financial Statements

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36.	CASH AND CASH EQUIVALENTS	Note	2021		2020	
			(Rupees in '000)		(Rupees in '000)	
	Cash and balances with treasury banks	7	175,922,469	132,053,041		
	Balances with other banks	8	22,554,329	29,011,521		
	Overdrawn nostro accounts	17	(1,682,663)	(368,920)		
			196,794,135	160,695,642		
36.1 Reconciliation of liabilities to cash flows arising from financing activities						
			2021			
			(Rupees in '000)			

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Number)	
37. STAFF STRENGTH		
Permanent	15,529	15,437
On Bank contract	432	130
Bank's own staff strength at end of the year	15,961	15,567

37.1 In addition to the above, 339 (2020: 618) employees of outsourcing services companies were assigned to the Group as at the end of the year to perform services other than guarding, tea and janitorial services. Outsourced staff includes 332 (2020: 611) working domestically and 7 (2020: 7) working abroad.

38. DEFINED BENEFIT PLAN

38.1 General description

The Group operates the following retirement benefits for its employees:

- Pension fund - funded
- Benevolent scheme - unfunded
- Post retirement medical benefits - unfunded
- Employees compensated absence - unfunded

The plan assets and defined benefit obligations are based in Pakistan.

38.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2021	2020
	(Number)	
- Pension fund - funded	5,731	5,410
- Benevolent scheme - unfunded	1,002	1,108
- Post retirement medical benefits - unfunded	13,612	13,386
- Employees compensated absence - unfunded	13,612	13,386

38.3 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2021. The principal actuarial assumptions used are as follows:

	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2021	2020	2021	2020	2021	2020	2021	2020
	(%)							
Discount rate	11.75	9.75	11.75	9.75	11.75	9.75	11.75	9.75
Expected rate of return on plan assets	11.75	9.75	-	-	-	-	-	-
Expected rate of salary increase	9.75	7.75	9.75	7.75	-	-	9.75	7.75
Expected rate of increase in pension	0-5	0-5	-	-	-	-	-	-
Expected rate of increase in medical benefit	-	-	-	-	9.75	7.75	-	-

Notes To The Consolidated Financial Statements

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38.4 Reconciliation of (receivable from) / payable to defined benefit plans

			Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
			2021	2020	2021	2020	2021	2020	2021	2020
Note			(Rupees in '000)							
Present value of obligations	38.5		5,031,961	5,097,744	197,712	222,084	1,982,169	2,004,122	1,100,865	919,407
Fair value of plan assets	38.6		(8,250,387)	(8,467,923)	–	–	–	–	–	–
(Receivable) / payable	38.7		(3,218,426)	(3,370,179)	197,712	222,084	1,982,169	2,004,122	1,100,865	919,407

38.5 Movement in defined benefit obligations

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
	Obligations at the beginning of the year	5,097,744	5,182,991	222,084	221,193	2,004,122	1,921,348	919,407	939,495
	Current service cost 38.8.1	62,653	64,350	21,449	21,742	61,978	53,018	24,653	24,428
	Interest cost	477,989	560,303	20,249	22,931	188,540	208,381	85,558	98,224
	Benefits paid	(390,586)	(405,032)	(28,812)	(34,721)	(140,756)	(138,149)	(83,768)	(132,782)
	Re-measurement loss / (gain) 38.8.1 & 38.8.2	(215,839)	(304,868)	(37,258)	(9,061)	(131,715)	(40,476)	155,015	(9,958)
	Obligations at end of the year 38.4	5,031,961	5,097,744	197,712	222,084	1,982,169	2,004,122	1,100,865	919,407

38.6 Movement in fair value of plan assets

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
	Fair value at the beginning of the year	8,467,923	8,788,112	–	–	–	–	–	–
	Interest income on plan assets	806,581	965,880	–	–	–	–	–	–
	Benefits paid	(390,586)	(405,032)	–	–	–	–	–	–
	Re-measurement loss 38.8.2	(633,531)	(881,037)	–	–	–	–	–	–
	Fair value at end of the year 38.4	8,250,387	8,467,923	–	–	–	–	–	–

38.7 Movement in (receivable) / payable under defined benefit schemes

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
					</				

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38.8 Charge for defined benefit plans

38.8.1 Cost recognised in profit and loss

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
Current service cost	38.5	62,653	64,350	21,449	21,742	61,978	53,018	24,653	24,428
Net interest on defined benefit asset / liability		(328,592)	(405,577)	20,249	22,931	188,540	208,381	85,558	98,224
Employees' contribution		-	-	(2,359)	(2,712)	-	-	-	-
Actuarial loss / (gain)	38.5	-	-	-	-	-	-	155,015	(9,958)
	38.7	(265,939)	(341,227)	39,339	41,961	250,518	261,399	265,226	112,694

38.8.2 Re-measurements recognised in OCI during the year

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
Loss / (gain) on obligation –									
Financial assumptions	38.5	(542,097)	(389,052)	(18,272)	(17,065)	(100,133)	107,752	-	-
Experience adjustments		326,258	(693,920)	(18,986)	(26,126)	(31,582)	(148,228)	-	-
Actual return on plan assets over expected interest income	38.6	633,531	881,037	-	-	-	-	-	-
Re-measurement loss / (gain) recognised in OCI	38.7	417,692	576,169	(37,258)	(9,061)	(131,715)	(40,476)	-	-

38.9 Components of plan assets

		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2021	2020	2021	2020	2021	2020	2021	2020
Note		(Rupees in '000)							
Cash and cash equivalents - net		133,780	24,451	-	-	-	-	-	-
Shares		7,929,453	8,129,575	-	-	-	-	-	-
Open ended mutual funds units		187,154	313,897	-	-	-	-	-	-
	38.4	8,250,387	8,467,923	-	-	-	-	-	-

38.9.1 Significant risk associated with the plan assets

The Fund's investments in equity securities and units of mutual funds are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

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38.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	Approved Pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees' compensated absences
	(Rupees in '000)			
1% increase in discount rate	(297,730)	(12,761)	(213,180)	(67,315)
1% decrease in discount rate	335,100	14,323	263,538	75,043
1 % increase in expected rate of salary increase	76,700	–	–	75,809
1 % decrease in expected rate of salary increase	(72,190)	–	–	(69,073)
1% increase in expected rate of pension increase	191,850	–	–	–
1% decrease in expected rate of pension increase	(291,090)	–	–	–
1% increase in expected rate of medical benefit increase	–	–	145,346	–
1% decrease in expected rate of medical benefit increase	–	–	(124,096)	–

38.11 Expected contributions to be paid to the funds in the next financial year

No contributions are being made to pension fund due to surplus of fair value of plan's assets over present value of defined obligation. No contribution to the pension fund is expected in the next year.

38.12 Expected charge / (reversal) for the next financial year

Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2022 would be as follows:

	Approved Pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees' compensated absences
	(Rupees in '000)			
Expected charge / (reversal) for the next financial year	(312,272)	35,998	294,973	162,927
38.13 Maturity profile				
The weighted average duration of the obligation (in years)	7.69	7.69	7.69	7.69

38.14 Funding Policy

The Group endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

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	2020						
	Chairman	Directors Executive (other than CEO)	Non executive	Members shariah board	President/ CEO	Key management personnel	Other material risk takers/ controllers
	(Rupees in '000)						
Fee and allowances	7,210	-	42,850	-	-	942	10,111
Managerial Remuneration							
i) Fixed	-	-	-	5,681	72,362	342,162	861,129
ii) Cash Bonus / Awards	-	-	-	900	50,000	170,969	293,927
Contribution to defined contribution plan	-	-	-	177	-	9,608	34,877
Rent & house maintenance	-	-	-	957	240	28,190	84,950
Medical	-	-	-	-	1,828	2,414	11,639
Severance allowance	-	-	-	-	-	800	-
Overseas allowance	-	-	-	-	-	37,559	-
Security	-	-	-	-	804	-	-
Commission	-	-	-	-	-	300	43,960
Utilities	-	-	-	213	-	2,767	16,445
Special Pay	-	-	-	241	-	-	13,123
Conveyance	-	-	-	1,020	-	-	49,713
Club membership	-	-	-	-	1,872	-	300
Fuel Allowance	-	-	-	228	-	-	11,478
Leave fare assistance	-	-	-	-	-	1,213	11,679
Others	-	-	-	-	-	5,989	27,106
Total	7,210	-	42,850	9,417	127,106	602,913	1,470,437
Number of Persons	1	-	11	3	1	34	193

40.1.1 During the year 2021, Rs 34.20 million bonus has been deferred (2020: Rs. 26.06 million).

40.1.2 Key management personnel of subsidiaries have been presented as "Other material risk takers/controllers."

40.2 Remuneration paid to Directors of the Bank for participation in Board and Committee meetings

		2021										
		For Board Committee										Total
		Board meeting	Board's Audit Committee	BS & DC	RM & PRC	HR & RC	ITC	PP & CA	CR & MC	Wo & WC	As Board Chairman	
		(Rupees in '000)										
	Mian Mohammad Mansha	4,800	–	200	–	400	–	100	–	–	–	5,500
	Mr. S. M. Muneer	1,600	–	300	–	–	–	–	100	–	–	2,000
	Mr. Tariq Rafi	2,000	–	–	–	–	–	–	–	–	–	2,000
	Mian Umer Mansha	2,000	400	300	300	–	500	200	–	–	–	3,700
	Mrs. Iqraa Hassan Mansha	2,000	–	–	–	100	–	100	–	–	–	2,200
	Mr. Muhammad Ali Zeb	2,000	500	-	400	400	–	300	400	–	–	4,000
	Mr. Mohd Suhail Amar Suresh	4,000	–	400	400	–	500	–	–	–	–	5,300
	Mr. Yahya Saleem	4,000	–	–	–	200	100	–	–	–	–	4,300
	Mr. Salman Khalid Butt	4,000	–	400	400	200	500	–	400	–	–	5,900
	Mr. Masood Ahmed Puri	4,000	–	400	–	–	–	–	–	–	–	4,400
	Mr. Shahzad Hussain	2,000	500	–	–	–	–	–	–	–	–	2,500
	Mr. Shariffuddin Bin Khalid	4,000	500	–	–	–	–	–	–	–	–	4,500
		36,400	1,900	2,000	1,500	1,300	1,600	700	900	–	–	46,300

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2020

		For Board Committee									Total
Board meeting	Board's Audit Committee	BS & DC	RM & PRC	HR & RC	ITC	PP & CA	CR & MC	Wo & WC	*As Board Chairman		
	(Rupees in '000)										
Mian Mohammad Mansha	3,840	–	300	–	300	–	400	–	–	2,370	7,210
Mr. S. M. Muneer	1,700	–	100	–	–	–	–	100	–	–	1,900
Mr. Tariq Rafi	1,700	–	–	–	–	–	–	–	200	–	1,900
Mian Umer Mansha	1,700	500	400	500	–	500	400	–	300	–	4,300
Mrs. Iqraa Hassan Mansha	1,200	–	–	–	200	–	100	–	–	–	1,500
Mr. Muhammad Ali Zeb	1,700	500	–	500	300	–	300	400	300	–	4,000
Mr. Mohd Suhail Amar Suresh	4,460	–	400	500	–	500	–	–	–	–	5,860
Mr. Yahya Saleem	4,466	–	–	–	300	200	–	–	–	–	4,966
Mr. Salman Khalid Butt	4,586	–	400	500	–	500	–	400	–	–	6,386
Mr. Masood Ahmed Puri	4,466	–	400	–	–	–	–	–	–	–	4,866
Mr. Shahzad Hussain	1,700	500	–	–	–	–	–	–	–	–	2,200
Mr. Shariffuddin Bin Khalid	4,472	500	–	–	–	–	–	–	–	–	4,972
	35,990	2,000	2,000	2,000	1,100	1,700	1,200	900	800	2,370	50,060

*During the year 2020, the Board Chairman was paid a proportionate amount of Rs 2.370 million in lieu of fixed annual remuneration approved by the shareholders of the Group in its 62nd Annual General Meeting held on March 26, 2010. Effective from February 05, 2020 in accordance with BPRD Circular No. 03 of 2019 dated August 19, 2019, the remuneration to the Chairman for attending the Board and committee meetings was paid inline with the remuneration scale approved by the shareholders of the Group in its 72nd Annual General Meeting held on March 19, 2020.

40.3 The Chairman has been provided with free use of the Group maintained car. In addition to the above, the Chief Executive and certain executives are provided with free use of the Group's maintained cars and household equipment in accordance with the terms of their employment.

40.4 Remuneration paid to Shariah Board Members

2021

	Chairman	Resident member	Non-Resident member	Total
	(Rupees in '000)			
Meeting Fees and Allowances	–	–	–	–
Other Heads				
Basic salary	2,476	2,327	1,518	6,321
House rent	–	1,047	–	1,047
Utilities	–	233	–	233
Conveyance	–	1,129	–	1,129
Fuel	–	318	–	318
Special pay	–	241	–	241
Bonus	–	950	–	950
Contribution to defined contribution plan	–	194	–	194
Total Amount	2,476	6,439	1,518	10,433
Total Number of Persons	1	1	1	3

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	2020			
	Chairman	Resident member	Non-Resident member	Total
	(Rupees in '000)			
Meeting Fees and Allowances	–	–	–	–
Other Heads				
Basic salary	2,263	2,128	1,290	5,681
House rent	–	957	–	957
Utilities	–	213	–	213
Conveyance	–	1,020	–	1,020
Fuel	–	228	–	228
Special pay	–	241	–	241
Bonus	–	900	–	900
Contribution to defined contribution plan	–	177	–	177
Total Amount	2,263	5,864	1,290	9,417
Number of persons	1	1	1	3

41. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'Held to Maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group accounting policy as stated in note 6.5 to these consolidated financial statements.

The maturity and repricing profile and effective rates are stated in note 45.

In the opinion of the management, the fair value of the financial assets and financial liabilities other than those carried at fair value and disclosed in note 41.1 are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

41.1 Fair value of financial assets

The Group 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).

Valuation techniques used in determination of fair valuation of financial instruments within level 2

Item	Valuation approach and input used
Federal Government securities	The fair values of Treasury Bills and fixed rate Pakistan Investments Bonds are determined using the PKRV rates. Floating rate PIBs are revalued using PKFRV rates. 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.

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Item	Valuation approach and input used
Term Finance and Bonds	Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.
Unlisted Shares	Breakup value determined on the basis of NAV of the company using the latest available audited financial statements.
Mutual Funds	Units of mutual funds are valued using the Net Asset Value (NAV) announced by the Mutual Funds Association of Pakistan (MUFAP)
Operating fixed assets (land and building) & Non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Group essentially carries its investments in debt 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 Group has adopted revaluation model (as per IAS 16) in respect of land and building.

2021					
	Carrying value / Notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	999,071,042	–	999,071,042	–	999,071,042
Shares and Units	22,420,832	22,420,832	–	–	22,420,832
Non-Government Debt Securities	2,360,673	–	2,360,673	–	2,360,673
Foreign Securities	7,544,503	–	7,544,503	–	7,544,503
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares and associates)	31,171,461	–	–	–	–
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	45,663,822	–	45,663,822	–	45,663,822
Non-banking assets	2,785,535	–	2,785,535	–	2,785,535
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	120,320,899	–	4,272,640	–	4,272,640
Forward sale of foreign exchange	98,557,472	–	4,855,404	–	4,855,404
Derivatives purchase	2,217,390	–	304,893	–	304,893
Derivatives sale	2,217,390	–	302,365	–	302,365

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	2020				
	Carrying value / Notional value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	979,926,866	–	979,926,866	–	979,926,866
Shares and Units	20,510,813	20,510,813	–	–	20,510,813
Non-Government Debt Securities	2,858,620	–	2,858,620	–	2,858,620
Foreign Securities	7,474,190	–	7,474,190	–	7,474,190
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares and associates)	25,447,046	–	–	–	–
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	45,595,081	–	45,595,081	–	45,595,081
Non-banking assets	4,036,914	–	4,036,914	–	4,036,914
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	172,137,589	–	4,011,602	–	4,011,602
Forward sale of foreign exchange	155,508,653	–	4,240,748	–	4,240,748
Derivatives purchase	2,158,111	–	517,033	–	517,033
Derivatives sale	2,313,272	–	513,343	–	513,343

The Group 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 and 2 during the year.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Bai Muajjal, Euro Bonds, Market Treasury Bills, Term Finance certificates, FX options, Cross Currency Swaps, Interest Rate Swaps and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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42. SEGMENT INFORMATION

42.1 Segment details with respect to business activities

The segment analysis with respect to business activity is as follows:

	2021										
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Islamic Banking	Assets Management	Others	Sub-total	Elimination	Total
	(Rupees in '000)										
Profit & Loss											
Net mark-up/return/profit	(38,104,662)	2,780,007	19,317,165	78,719,818	1,274,573	4,263,861	(4,966)	132,195	68,378,001	-	68,378,001
Inter segment revenue - net	77,312,373	(634,693)	(14,651,272)	(68,680,723)	(130,761)	-	-	6,785,076	-	-	-
Non mark-up / return / interest income	7,557,975	2,449,023	3,705,780	4,720,484	860,667	117,643	692,797	1,493,741	21,598,110	-	21,598,110
Total Income	46,765,686	4,594,337	8,371,673	14,759,579	2,004,479	4,381,504	687,841	8,411,012	89,976,111	-	89,976,111
Segment direct expenses	23,132,042	1,645,322	612,300	385,746	1,186,267	4,815,361	457,142	9,939,310	42,173,490	-	42,173,490
Total expenses	23,132,042	1,645,322	612,300	385,746	1,186,267	4,815,361	457,142	9,939,310	42,173,490	-	42,173,490
Provisions / (reversals)	1,143,188	123,809	(128,002)	(27,836)	245,033	(647,121)	-	(6,181,850)	(5,472,779)	-	(5,472,779)
Profit before tax	22,490,456	2,825,206	7,887,375	14,401,669	573,179	213,264	230,699	4,653,552	53,275,400	-	53,275,400
Balance Sheet											
Cash and Bank balances	59,335,963	487,065	263,447	97,130,099	23,726,201	15,005,358	44,580	2,484,085	198,476,798	-	198,476,798
Investments	-	-	9,125,927	1,000,302,366	13,646,390	33,475,816	1,242,631	4,775,381	1,082,588,511	-	1,082,588,511
Net inter segment lending	1,109,475,894	-	-	-	-	-	-	187,703,715	1,297,179,609	(1,297,179,609)	-
Lendings to financial institutions	-	-	-	14,896,089	24,071,021	1,650,000	-	-	40,617,110	-	40,617,110
Advances - performing	100,287,979	36,615,373	426,219,357	-	19,313,984	95,731,510	8,483	1,300,580	679,477,266	-	679,477,266
- non performing - net	223,751	92,152	26,224	-	5,565,096	577,052	-	427,111	6,911,386	-	6,911,386
Others	38,048,057	1,846,406	26,434,560	15,021,037	1,897,356	13,820,699	970,718	36,031,575	134,070,408	-	134,070,408
Total Assets	1,307,371,644	39,040,996	462,069,515	1,127,349,591	88,220,048	160,260,435	2,266,412	232,722,447	3,419,301,088	(1,297,179,609)	2,122,121,479
Borrowings	15,037,907	-	84,434,986	163,304,758	2,872,391	16,472,906	-	775,934	282,898,882	-	282,898,882
Deposits and other accounts	1,260,865,507	24,186,891	59,464,220	-	67,311,591	122,747,778	-	10,684	1,534,586,671	-	1,534,586,671
Net inter segment borrowing	-	10,396,935	298,741,978	961,276,503	14,616,431	10,604,555	1,543,207	-	1,297,179,609	(1,297,179,609)	-
Others	31,468,230	4,457,170	19,428,331	2,768,330	3,419,635	10,435,196	723,205	54,367,169	127,067,266	-	127,067,266
Total liabilities	1,307,371,644	39,040,996	462,069,515	1,127,349,591	88,220,048	160,260,435	2,266,412	55,153,787	3,241,732,428	(1,297,179,609)	1,944,552,819
Equity	-	-	-	-	-	-	-	177,568,660	177,568,660	-	177,568,660
Total Equity & liabilities	1,307,371,644	39,040,996	462,069,515	1,127,349,591	88,220,048	160,260,435	2,266,412	232,722,447	3,419,301,088	(1,297,179,609)	2,122,121,479
Contingencies & Commitments	64,622,665	-	298,150,190	226,887,638	2,506,084	24,353,828	-	26,995,977	643,516,382	-	643,516,382

	2020										
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Islamic Banking	Assets Management	Others	Sub- total	Elimination	Total
	(Rupees in '000)										
Profit & Loss											
Net mark-up/return/profit	(44,807,214)	2,788,656	28,085,051	83,819,922	1,448,075	4,395,446	(6,607)	120,110	75,843,439	-	75,843,439
Inter segment revenue - net	86,028,798	(486,242)	(22,360,468)	(69,939,999)	(171,994)	-	-	6,929,905	-	-	-
Non mark-up / return / interest income	6,306,651	2,118,001	3,282,442	5,618,895	813,588	678,153	833,565	190,310	19,841,605	-	19,841,605
Total Income	47,528,235	4,420,415	9,007,025	19,498,818	2,089,669	5,073,599	826,958	7,240,325	95,685,044	-	95,685,044
Segment direct expenses	20,460,118	1,462,911	586,415	368,025	1,309,898	4,665,250	407,873	9,776,222	39,036,712	-	39,036,712
Total expenses	20,460,118	1,462,911	586,415	368,025	1,309,898	4,665,250	407,873	9,776,222	39,036,712	-	39,036,712
Provisions / (reversals)	2,306,248	113,643	2,763,155	(31,111)	129,368	15,270	-	2,033,471	7,330,044	-	7,330,044
Profit before tax	24,761,869	2,843,861	5,657,455	19,161,904	650,403	393,079	419,085	(4,569,368)	49,318,288	-	49,318,288
Balance Sheet											
Cash and Bank balances	58,362,119	317,242	394,030	64,577,425	21,166,578	14,868,799	25,853	1,352,516	161,064,562	-	161,064,562
Investments	-	-	10,578,310	978,209,256	14,571,071	27,617,997	1,269,444	3,971,457	1,036,217,535	-	1,036,217,535
Net inter segment lending	1,050,376,236	-	-	-	-	-	-	202,001,071	1,252,377,307	(1,252,377,307)	-
Lendings to financial institutions	-	-	-	6,137,258	11,002,195	828,790	-	-	17,968,243	-	17,968,243
Advances - performing	94,735,206	26,845,772	313,362,719	-	21,361,572	84,165,115	5,260	432,897	540,908,541	-	540,908,541
- non performing - net	171,804	177,613	2,382	-	4,973,954	731,076	-	720,338	6,777,167	-	6,777,167
Others	35,621,546	2,370,727	23,382,913	12,206,991	4,577,833	12,079,087	986,042	37,115,208	128,340,347	-	128,340,347
Total Assets	1,239,266,911	29,711,354	347,720,354	1,061,130,930	77,653,203	140,290,864	2,286,599	245,593,487	3,143,653,702	(1,252,377,307)	1,891,276,395
Borrowings	58,910,004	-	10,694,773	90,718,570	3,330,124	20,596,773	-	327,096	184,577,340	-	184,577,340
Deposits and other accounts	1,147,251,222	21,283,015	65,961,390	-	55,009,174	99,253,160	-	-	1,388,737,961	-	1,388,737,961
Net inter segment borrowing	-	4,816,853	252,358,835	969,573,590	13,301,145	10,727,772	1,599,112	-	1,252,377,307	(1,252,377,307)	-
Others	33,105,685	3,631,486	18,705,356	838,770	6,012,760	9,713,159	687,487	52,275,008	124,969,711	-	124,969,711
Total liabilities	1,239,266,911	29,711,354	347,720,354	1,061,130,930	77,653,203	140,290,864	2,286,599	52,602,104	2,960,662,319	(1,252,377,307)	1,698,285,012
Equity	-	-	-	-	-	-	-	192,991,383	192,991,383	-	192,991,383
Total Equity & liabilities	1,239,266,911	29,711,354	347,720,354	1,061,130,930	77,653,203	140,290,864	2,286,599	245,593,487	3,143,653,702	(1,252,377,307)	1,891,276,395
Contingencies & Commitments	55,974,597	-	288,001,956	320,068,131	20,930,195	29,021,132	-	26,379,292	740,375,303	-	740,375,303

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

42.2 Segment details with respect to geographical locations GEOGRAPHICAL SEGMENT ANALYSIS

2021

	Pakistan	South Asia	Middle East	Eurasia	Sub-total	Eliminations	Total
(Rupees in '000)							
Profit & Loss							
Net mark-up/return/profit	66,984,558	679,587	581,662	132,194	68,378,001	-	68,378,001
Inter segment revenue - net	111,365	(81,756)	(29,609)	-	-	-	-
Non mark-up / return / interest income	20,731,783	215,132	631,823	19,372	21,598,110	-	21,598,110
Total Income	87,827,706	812,963	1,183,876	151,566	89,976,111	-	89,976,111
Segment direct expenses	41,007,928	564,433	525,887	75,242	42,173,490	-	42,173,490
Total expenses	41,007,928	564,433	525,887	75,242	42,173,490	-	42,173,490
Provisions / (reversals)	(5,714,883)	190,868	54,165	(2,929)	(5,472,779)	-	(5,472,779)
Profit before tax	52,534,661	57,662	603,824	79,253	53,275,400	-	53,275,400
Balance Sheet							
Cash and Bank balances	175,044,611	3,174,556	20,239,139	18,492	198,476,798	-	198,476,798
Investments	1,048,922,121	8,242,882	5,403,508	-	1,062,568,511	-	1,062,568,511
Net inter segment lendings	12,542,107	-	-	-	12,542,107	(12,542,107)	-
Lendings to financial institutions	16,546,089	42,821	24,028,200	-	40,617,110	-	40,617,110
Advances - performing	659,899,392	10,411,911	7,865,383	1,300,580	679,477,266	-	679,477,266
- non performing - net	6,826,142	85,244	-	-	6,911,386	-	6,911,386
Others	132,124,204	1,035,061	825,601	85,542	134,070,408	-	134,070,408
Total Assets	2,051,904,666	22,992,475	58,361,831	1,404,614	2,134,663,586	(12,542,107)	2,122,121,479
Borrowings	279,250,558	1,411,640	1,460,750	775,934	282,898,882	-	282,898,882
Deposits and other accounts	1,470,430,278	14,187,721	49,968,672	-	1,534,586,671	-	1,534,586,671
Net inter segment borrowing	-	6,246,495	6,295,612	-	12,542,107	(12,542,107)	-
Others	125,192,946	1,146,619	636,797	90,904	127,067,266	-	127,067,266
Total liabilities	1,874,873,782	22,992,475	58,361,831	866,838	1,957,094,926	(12,542,107)	1,944,552,819
Equity	177,030,884	-	-	537,776	177,568,660	-	177,568,660
Total Equity & liabilities	2,051,904,666	22,992,475	58,361,831	1,404,614	2,134,663,586	(12,542,107)	2,122,121,479
Contingencies & Commitments	641,010,298	604,010	1,902,074	-	643,516,382	-	643,516,382

2020

	Pakistan	South Asia	Middle East	Eurasia	Sub-total	Eliminations	Total
(Rupees in '000)							
Profit & Loss							
Net mark-up/return/profit	74,278,382	862,868	584,128	118,061	75,843,439	-	75,843,439
Inter segment revenue - net	111,160	(95,930)	(15,230)	-	-	-	-
Non mark-up / return / interest income	19,024,163	265,900	543,982	7,560	19,841,605	-	19,841,605
Total Income	93,413,705	1,032,838	1,112,880	125,621	95,685,044	-	95,685,044
Segment direct expenses	37,664,604	650,469	656,321	65,318	39,036,712	-	39,036,712
Total expenses	37,664,604	650,469	656,321	65,318	39,036,712	-	39,036,712
Provisions / (reversals)	7,199,068	78,422	50,946	1,608	7,330,044	-	7,330,044
Profit before tax	48,550,033	303,947	405,613	58,695	49,318,288	-	49,318,288
Balance Sheet							
Cash and Bank balances	140,214,571	1,556,335	19,289,016	4,640	161,064,562	-	161,064,562
Investments	1,021,646,465	10,519,130	4,051,940	-	1,036,217,535	-	1,036,217,535
Net inter segment lendings	12,319,043	-	-	-	12,319,043	(12,319,043)	-
Lendings to financial institutions	6,966,047	1,864,193	9,138,003	-	17,968,243	-	17,968,243
Advances - performing	518,887,766	12,402,421	8,863,250	755,104	540,908,541	-	540,908,541
- non performing - net	6,765,263	11,904	-	-	6,777,167	-	6,777,167
Others	123,724,991	4,054,777	496,834	63,745	128,340,347	-	128,340,347
Total Assets	1,830,524,146	30,408,760	41,839,043	823,489	1,903,595,438	(12,319,043)	1,891,276,395
Borrowings	180,920,122	1,470,384	1,859,738	327,096	184,577,340	-	184,577,340
Deposits and other accounts	1,336,595,320	18,298,522	33,844,119	-	1,388,737,961	-	1,388,737,961
Net inter segment borrowing	-	6,525,907	5,793,136	-	12,319,043	(12,319,043)	-
Others	120,442,311	4,113,947	342,050	71,403	124,969,711	-	124,969,711
Total liabilities	1,637,957,753	30,408,760	41,839,043	398,499	1,710,604,055	(12,319,043)	1,698,285,012
Equity	192,566,393	-	-	424,990	192,991,383	-	192,991,383
Total Equity & liabilities	1,830,524,146	30,408,760	41,839,043	823,489	1,903,595,438	(12,319,043)	1,891,276,395
Contingencies & Commitments	719,445,109	17,479,001	3,451,193	-	740,375,303	-	740,375,303

42.3 Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include inter segment balances. Costs which are not allocated to segments are included in the Head office. Income taxes are managed by the respective entities of the group and are not allocated to operating segments.

42.4 No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2021 or 2020.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

43. RELATED PARTY TRANSACTIONS

The Group has related party relationship with associates, employee benefit plans, its directors and key management personnel and their close family members. The detail of associates are stated in note 10.11 to the consolidated financial statements.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Remuneration to Chief Executive, Directors and Executives is disclosed in note 40 to the consolidated financial statements.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

	2021				2020			
	Directors	Key management personnel and shariah advisors	Associates	Other related Parties	Directors	Key management personnel and shariah advisors	Associates	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	4,479,360	1,377,198	-	-	4,275,658	1,283,438
Equity method adjustments	-	-	803,922	-	-	-	203,702	-
Investment made during the year	-	-	-	10,161,717	-	-	-	10,609,883
Investment disposed off during the year	-	-	-	(10,166,421)	-	-	-	(10,516,123)
Closing balance	-	-	5,283,282	1,372,494	-	-	4,479,360	1,377,198
Provision for diminution in value of investments	-	-	-	5,000	-	-	-	5,000
Advances								
Opening balance	1,042	275,118	356,898	1,262,995	1,722	223,338	-	1,101,457
Addition / exchange adjustment during the year	16,460	56,891	1,390,000	8,800,185	18,202	95,758	356,898	3,282,404
Repaid during the year	(16,576)	(63,324)	(728,449)	(5,379,508)	(18,882)	(40,170)	-	(3,365,263)
Transfer in / (out)	(817)	(28,979)	-	711,350	-	(3,808)	-	244,397
Closing balance	109	239,706	1,018,449	5,395,022	1,042	275,118	356,898	1,262,995
Other Assets								
Markup receivable	-	2,684	17,154	46,093	-	3,149	895	25,883
Advances, deposits, advance rent and other prepayments	-	506	182,467	207,681	-	2,393	310,504	208,094
Receivable from Pension Fund	-	-	-	3,218,426	-	-	-	3,370,179
Closing balance	-	3,190	199,621	3,472,200	-	5,542	311,399	3,604,156

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	2021			2020				
	Directors	Key management personnel and shariah advisors	Associates	Other related Parties	Directors	Key management personnel and shariah advisors	Associates	Other related parties
	(Rupees in '000)							
Borrowings								
Opening balance	-	-	-	77,139	-	-	-	69,166
Borrowings / exchange adjustment during the year	-	-	-	25,981	-	-	-	7,973
Settled during the year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	103,120	-	-	-	77,139
Deposits and other accounts								
Opening balance	302,130	743,120	5,172,087	6,061,671	602,381	194,366	4,013,859	5,124,551
Received during the year	2,874,441	4,962,387	49,364,225	121,100,115	669,282	3,851,770	44,628,206	99,003,416
Withdrawn during the year	(2,468,887)	(4,953,673)	(50,352,159)	(117,685,670)	(969,533)	(3,257,022)	(43,469,978)	(97,417,931)
Transfer in / (out) - net	(7,137)	(1,649)	-	31,024	-	(45,994)	-	(648,365)
Closing balance	700,547	750,185	4,184,153	9,507,140	302,130	743,120	5,172,087	6,061,671
Other Liabilities								
Markup payable	1,475	2,867	18,219	22,508	50	3,159	42,549	16,004
Accrued expenses and other payable	100,100	3,870	66,889	414,834	-	-	62,624	18,002
Payable to MCB Employee Security Services	-	-	-	55,567	-	-	-	27,031
Closing balance	101,575	6,737	85,108	492,909	50	3,159	105,173	51,037
Contingencies and Commitments								
Letter of Credit	-	-	-	5,565,496	-	-	-	1,967,303
Bank guarantee	-	-	10,739	1,610,524	-	-	10,512	892,358
Closing balance	-	-	10,739	7,176,020	-	-	10,512	2,859,661
Income								
Markup / return / interest earned	23	15,956	35,654	134,927	-	18,298	1,809	127,475
Fee and commission income	-	-	968,003	72,630	-	-	1,177,371	51,520
Dividend Income	-	-	192,500	127,978	-	-	192,500	61,949
Gain on forward foreign exchange contracts matured during the year	-	-	-	44,830	-	-	-	53,120
Net gain / (loss) on sale of securities	(13)	-	(62)	(837)	72	40	3,836	6,485
Gain on sale of fixed assets	-	77	-	-	-	98	-	516
Rent income and reimbursement of other expenses	-	-	12,662	60,713	-	18	8,808	56,012
Management fee and Advisory income	-	-	-	658,536	-	-	-	698,356
Expense								
Markup / return / interest expensed	22,885	45,334	142,524	718,756	30,257	43,279	223,767	307,205

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	2021			2020		
	Directors	Key management personnel and shariah advisors	Associates	Other related parties	Directors	Key management personnel and shariah advisors
	(Rupees in '000)					
Other Operating expenses						
Clearing expenses paid to NIFT	-	-	-	154,329	-	-
Contribution to provident fund	-	-	-	491,210	-	-
Rent expenses	-	-	55,945	69,605	-	-
Cash sorting expenses	-	-	-	99,821	-	-
Stationery expenses	-	-	-	259,775	-	-
Security guards expenses	-	-	-	405,507	-	-
Remuneration to key executives, shariah advisors and non-executive directors fee	279,819	630,132	-	161,458	177,166	612,330
Outsourcing service expenses	-	-	196,446	-	-	-
Donation during the year	-	-	-	-	-	-
E-dividend processing fee and CDC charges	-	-	-	6,209	-	-
Travelling Expenses	-	-	-	51,534	-	-
Hotel stay expenses	-	-	-	146	-	-
Repair & Maintenance Charges	-	-	-	2,148	-	-
Advertisement Expenses	-	-	-	3,132	-	-
Miscellaneous expenses and payments	-	730	-	3,252	-	-
Selling & Marketing	-	-	-	259,866	-	-
Sharia Fee Paid	-	-	-	8,857	-	-
Insurance premium-net of refund	-	-	495,818	96,452	-	-
Insurance claim settled	-	-	40,991	-	-	-
Other Transactions						
Proceeds from sale of fixed assets	-	77	-	9	-	399
Purchase of fixed assets	-	-	18,782	38,253	-	-
Sale of government securities	903,221	33,431	10,113,189	19,669,035	268,847	124,304
Purchase of government securities	26,076	-	19,077,222	5,096,819	19,827	999
Forward exchange contracts matured during the year	-	-	-	5,527,242	-	-
Others	-	-	-	24,917	-	-

The Chairman has been provided with free use of the Group maintained car. The Chief Executive and certain executives are provided with free use of the Group maintained cars and household equipment in accordance with the terms of their employment.

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	2021	2020
	(Rupees in '000)	
44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
44.1 Capital Adequacy		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,850,600	11,850,600
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	146,487,908	149,417,496
Eligible Additional Tier 1 (ADT 1) Capital	–	–
Total Eligible Tier 1 Capital	146,487,908	149,417,496
Eligible Tier 2 Capital	20,400,167	36,710,001
Total Eligible Capital (Tier 1 + Tier 2)	166,888,075	186,127,497
Risk Weighted Assets (RWAs):		
Credit Risk	743,393,585	668,413,516
Market Risk	137,136,055	128,392,302
Operational Risk	163,273,225	148,348,258
Total	1,043,802,865	945,154,076
Common Equity Tier 1 Capital Adequacy ratio	14.03%	15.81%
Tier 1 Capital Adequacy Ratio	14.03%	15.81%
Total Capital Adequacy Ratio	15.99%	19.69%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid up capital (net of losses) for all locally incorporated banks of Rs. 10 billion. The paid up capital of the Bank (holding company) for the year ended December 31, 2021 stood at Rs. 11.851 billion (2020: Rs. 11.851 billion) and is in compliance with the SBP requirements. Further, under Basel III instructions, banks are required to maintain minimum Capital Adequacy Ratio (CAR) of 11.50% as at reporting dates (including a capital conservation buffer of 1.5% which has been revised downwards from 2.5% as per BPRD Circular No. 12 dated March 26, 2020), Common Equity Tier 1 (CET 1) ratio of 6.0% and Tier 1 ratio of 7.50% as at reporting dates. The Group is fully compliant with prescribed ratios.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Group's exposures based on eligible collateral under simple approach.

	2021	2020
	(Rupees in '000)	
44.2 Leverage Ratio (LR):		
Eligible Tier-1 Capital	146,487,908	149,417,496
Total Exposures	2,625,918,532	2,323,456,613
Leverage Ratio	5.58%	6.43%

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	(Rupees in '000)	
44.3 Liquidity Requirements		
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	1,143,437,748	962,045,524
Total Net Cash Outflow	480,179,056	415,665,992
Liquidity Coverage Ratio	238.13%	231.45%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,312,628,842	1,212,910,470
Total Required Stable Funding	862,352,888	715,405,667
Net Stable Funding Ratio	152.21%	169.54%

The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time are available at <https://www.mcb.com.pk/investor-relations/capital-adequacy-statements>.

45 RISK MANAGEMENT

Risk is an inherent part of banking business activities. The risk management framework and governance structure at Group 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 Global Risk Management Policy, Group sets the best course of action under uncertainty by identifying, prioritizing, mitigating and monitoring risk issues, with the goal of enhancing shareholders' value. Group's risk management structure is based on the following five guiding principles:

- 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 Group regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

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

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

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

- Risk Management Policy Formulation
- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management

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- Liquidity Risk Management
- Operational Risk Management
- IT Risk Management

Keeping in view the international best practices and SBP requirements, Board of Directors of the Group has approved a Risk Appetite Statement, which takes into account quantitative and qualitative risk indicators, covering target ratios, credit, market, operational, liquidity and business risks.

45.1 Credit Risk

Credit risk arises from Group's dealings with individuals, corporate borrowers, financial institutions, sovereigns etc. The Group is exposed to credit risk through its lending and investment activities. Credit risk makes up the largest part of the Group's exposure and it stems from Group's both on and off-balance sheet activities. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Group provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.

The Group has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel 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 Group has developed rating systems and all its borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, Probability Default based Internal Credit Risk Rating (ICRR) system based on the statistical modeling and validation in line with Basel principles. The revamped ICRR is currently focused on Corporate Commercial and Corporate Large customer categories. The ICRR Model for rating of SME Customers has also been revamped to achieve more accurate results and to improve the quality of credit decisions.

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

- Individuals who take or manage risks clearly understand them in order to protect the Group from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Group's Credit Risk Control is responsible for performing 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 Limit Controls

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 Group manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulations.

The Group creates specific provision against Non-Performing Loans (NPLs) 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 loans and Small enterprise (SEs) made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the

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respective countries. Please refer note No. 11.4 for reconciliation of changes in specific and general provisions.

The Risk Management function of the Group has further strengthened its credit review procedures in the light of COVID-19 and is regularly conducting assessments of the credit portfolio to identify borrowers most likely to be affected due to changes in the business and economic environment.

Management of Non Performing Loans

The Group has a Special Assets Management (SAM) function, which is responsible for management of non performing loans. SAM undertakes restructuring / rescheduling of problem loans, as well as litigation of both civil and criminal cases for collection of debt.

Stress Testing

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

45.1.1 Lendings to financial institutions

Credit risk by public / private sector

Note	Gross lendings		Non - performing lending		Provision held	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Public/ Government	24,071,021	16,804,051	–	–	–	–
Private	16,546,089	1,164,192	–	–	–	–
9	40,617,110	17,968,243	–	–	–	–

45.1.2 Investment in debt securities

Credit risk by industry sector

	Gross Investments		Non - performing Investments		Provision held	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Chemical and pharmaceuticals	1,750,000	1,750,000	–	–	–	–
Electricity, gas, steam and air conditioning supply	115,000	357,975	–	–	–	–
Financials including government securities	1,040,825,407	998,156,946	118	118	118	118
Manufacture of cement	285,000	285,000	285,000	285,000	285,000	285,000
Manufacture of sugar	145,656	145,656	145,656	145,656	145,656	145,656
Manufacture of textiles	40,732	53,531	40,732	53,531	40,732	53,531
Others	6,153	81,666	6,153	6,154	6,153	6,154
	1,043,167,948	1,000,830,774	477,659	490,459	477,659	490,459
Credit risk by public / private sector						
Public/ Government	1,032,448,925	989,024,844	–	–	–	–
Private	10,719,023	11,805,930	477,659	490,459	477,659	490,459
	1,043,167,948	1,000,830,774	477,659	490,459	477,659	490,459

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45.1.3 Advances

Credit risk by industry sector

Note	Gross Advances		Non - performing Advances		Provision held	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Agriculture, forestry and fishing	7,102,391	6,212,703	575,837	1,001,746	358,691	437,355
Construction	16,806,556	20,255,633	393,250	289,791	296,478	278,464
Electricity, gas, steam and air conditioning supply	35,453,270	40,921,064	376,717	376,717	376,717	374,996
Electronics and electrical appliances	9,509,640	6,135,405	92,104	102,262	92,104	101,825
Financials	32,779,500	17,004,242	301,280	462,665	301,280	462,665
Footwear and Leather garments	5,617,274	3,972,108	163,781	170,131	163,781	169,736
Human health and social work activities	548,329	922,333	45,081	45,596	45,081	34,973
Individuals	59,793,229	49,897,371	3,862,897	4,371,180	3,736,472	3,930,762
Manufacture of basic metals and metal products	22,777,758	18,604,646	3,980,254	3,028,467	3,881,891	3,018,387
Manufacture of cement	20,336,468	12,103,828	392,862	392,862	392,862	392,862
Manufacture of chemicals and pharmaceutical products	61,821,940	44,424,431	232,324	275,980	232,324	273,047
Manufacture of coke and refined petroleum products	4,431,606	5,582,529	855,984	412,061	855,984	411,445
Manufacture of food & beverages products	57,548,236	46,620,208	3,304,245	3,432,991	2,851,306	3,058,910
Manufacture of machinery, equipment and transport Equipment	7,573,933	2,182,220	373,053	433,943	373,053	396,551
Manufacture of rubber and plastics products	6,798,847	4,562,138	606,722	665,778	606,722	662,506
Manufacture of sugar	43,226,078	38,895,908	4,419,576	4,658,087	4,419,576	4,655,219
Manufacture of textiles	123,677,939	86,056,461	12,733,639	13,475,285	12,497,961	13,322,828
Mining and quarrying	4,359,943	5,033,270	3,714	5,019	3,714	5,019
Manufacturing of Pulp, Paper, Paperboard	7,810,334	3,851,182	174,634	179,539	174,634	150,661
Ship Breaking	5,010,446	6,707,314	3,988,794	4,348,014	3,988,794	4,348,014
Services	18,742,855	15,202,429	435,104	480,993	418,032	465,504
Telecommunications	23,855,551	18,287,167	42,798	42,798	42,798	42,798
Transportation and storage	102,353,603	83,652,075	287,994	75,901	165,970	66,253
Wholesale and retail traders	46,655,658	54,747,657	13,042,336	12,522,417	7,500,978	7,472,473
Others	7,849,457	6,531,453	507,595	695,295	503,986	635,098
11	732,440,841	598,365,775	51,192,575	51,945,518	44,281,189	45,168,351
Credit risk by public / private sector						
Public/ Government	130,672,215	105,422,741	639,825	639,825	639,825	639,825
Private	601,768,626	492,943,034	50,552,750	51,305,693	43,641,364	44,528,526
11	732,440,841	598,365,775	51,192,575	51,945,518	44,281,189	45,168,351

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	Note	2021 (Rupees in '000)	2020
45.1.4 Contingencies and Commitments			
Credit risk by industry sector			
Agriculture, forestry and fishing		3,164,773	2,148,032
Construction		20,086,561	22,705,666
Electricity, gas, steam and air conditioning supply		21,056,984	25,280,013
Electronics and electrical appliances		7,833,104	6,827,749
Financials		293,031,681	399,373,812
Footwear and Leather garments		2,177,403	517,178
Human health and social work activities		336,876	1,612,922
Individuals		2,457,649	2,671,529
Manufacture of basic metals and metal products		10,547,856	10,694,842
Manufacture of cement		16,164,335	4,755,354
Manufacture of chemicals and pharmaceutical products		26,655,833	26,547,957
Manufacture of coke and refined petroleum products		1,671,507	8,329,298
Manufacture of food & beverages products		24,248,574	20,251,341
Manufacture of machinery, equipment and transport Equipment		14,893,316	8,946,430
Manufacture of rubber and plastics products		5,144,805	4,968,143
Manufacture of sugar		15,340,817	4,623,950
Manufacture of textiles		40,773,357	37,630,523
Mining and quarrying		887,679	144,328
Manufacturing of Pulp, Paper, Paperboard		4,531,008	1,616,529
Ship Breaking		1,738,857	556,614
Services		63,792,489	58,522,756
Telecommunications		19,642,288	17,006,854
Transportation and storage		8,840,716	10,648,735
Wholesale and retail traders		13,599,970	26,096,091
Others		24,897,944	37,898,657
	24	643,516,382	740,375,303
Credit risk by public / private sector			
Public/ Government		168,313,358	229,256,802
Private		475,203,024	511,118,501
	24	643,516,382	740,375,303

45.1.5 Concentration of Advances

The Group top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 250,579.571 million (2020: Rs. 235,823.259 million) are as following:

	2021 (Rupees in '000)	2020
Funded	95,079,790	75,373,723
Non Funded	155,499,781	160,449,536
Total Exposure	250,579,571	235,823,259

The sanctioned limits against these top 10 exposures aggregated to Rs 296,220.092 million (2020: 311,201.617 million)

There is no provision against these top 10 exposures.

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45.1.6 Advances - Province/Region-wise Disbursement & Utilization

2021							
Province / Region	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit Baltistan	
(Rupees in '000)							
Punjab	928,351,802	896,694,939	16,663,783	13,884,282	122,283	986,515	-
Sindh	505,710,326	20,487,514	458,318,052	8,359,802	18,544,958	-	-
KPK including FATA	6,121,397	82,634	-	6,014,315	-	19,854	4,594
Balochistan	2,471,781	-	16,353	-	2,452,820	2,608	-
Islamabad	50,076,588	4,297,925	1,250	1,349,234	-	44,428,179	-
AJK including Gilgit-Baltistan	409,802	70,790	-	-	-	21,947	317,065
Total	1,493,141,696	921,633,802	474,999,438	29,607,633	21,120,061	45,459,103	321,659
2020							
Province / Region	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit Baltistan	
(Rupees in '000)							
Punjab	731,022,299	683,463,985	39,386,981	6,212,721	337,894	1,620,718	-
Sindh	555,378,201	12,974,461	495,054,217	6,776,970	40,570,866	1,687	-
KPK including FATA	4,893,018	192,363	-	4,692,336	-	8,319	-
Balochistan	1,728,874	-	10,145	-	1,718,729	-	-
Islamabad	32,173,536	2,558,963	2,246	2,293,047	-	27,319,280	-
AJK including Gilgit-Baltistan	340,864	68,573	-	-	-	27,915	244,376
Total	1,325,536,792	699,258,345	534,453,589	19,975,074	42,627,489	28,977,919	244,376

45.2 Market Risk

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. Group is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign Exchange Group and the Capital Market Division. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes group to interest rate risk, foreign exchange risk and equity price risk.

The Group's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, Management Credit and Risk Committee, ALCO and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk function works in close partnership with the business segments to identify and monitor market risks throughout the Group and to define market risk policies and procedures. Market Risk seeks to facilitate efficient risk/return management decisions, reduce volatility in operating performance and provide transparency into the Group'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, Group has clearly defined, in its Global Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

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The Group measures and manages Market Risk by using different risk parameters with combinations of various limits. Board approved Global Risk Management Policy provides guidelines for assuming controlled market risk, its monitoring and management. The approved limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Besides conventional methods, the Group 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 covering 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.

The Group is also exposed to interest rate risk both in trading and banking books. Risk parameters along with the marked to market values of government securities held by the Group's treasury are generated on daily basis. The risk parameters include duration, PVBP, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

45.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	175,922,469	–	175,922,469	132,053,041	–	132,053,041
Balances with other banks	22,554,329	–	22,554,329	29,011,521	–	29,011,521
Lendings to financial institutions	40,617,110	–	40,617,110	17,968,243	–	17,968,243
Investments	29,709,416	1,032,859,095	1,062,568,511	24,028,377	1,012,189,158	1,036,217,535
Advances	686,388,652	–	686,388,652	547,685,708	–	547,685,708
Fixed assets	62,351,545	–	62,351,545	63,679,312	–	63,679,312
Intangible assets	1,838,136	–	1,838,136	1,867,244	–	1,867,244
Other assets	69,880,727	–	69,880,727	62,793,791	–	62,793,791
	<u>1,089,262,384</u>	<u>1,032,859,095</u>	<u>2,122,121,479</u>	<u>879,087,237</u>	<u>1,012,189,158</u>	<u>1,891,276,395</u>

45.2.2 Foreign Exchange Risk

Foreign exchange risk exposes the Group 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 investments in foreign branches, foreign currency-denominated loans, 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 Group remain within defined risk appetite and insulate Group against undue losses that may arise due to volatile movements in foreign exchange rates or interest rates.

Limit structure to manage Foreign exchange risk including gap limits on different tenors in major currencies are in place to control risk. Group's net open position and Foreign Exchange Exposure Limit (FEEL) is monitored and reported on intra-day and day end basis. Foreign exchange risk parameters including VaR is generated and monitored on daily basis. Stress testing of foreign exchange portfolio and its reporting to senior management and RM&PRC of the Board is a regular feature.

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	2021				2020			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	37,366,203	59,553,342	14,729,917	(7,457,222)	49,879,275	58,098,426	8,304,216	85,065
Sri Lankan Rupees	676,927	-	-	676,927	144,228	-	-	144,228
Arab Emirates Dirham	197,995	97,575	-	100,420	-	248,645	39,598	(209,047)
Euro	3,658,013	7,827,669	4,160,827	(8,829)	2,846,513	7,017,270	4,194,638	23,881
Great Britain Pound Sterling	4,645,917	7,451,659	2,716,087	(89,655)	2,780,633	6,826,427	4,016,794	(29,000)
Japanese Yen	-	829,527	885,473	55,946	34,647	160	22,007	56,494
Other currencies	1,468,902	271,732	(802,434)	394,736	384,723	-	47,086	431,809
	48,013,957	76,031,504	21,689,870	(6,327,677)	56,070,019	72,190,928	16,624,339	503,430

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account		(63,277)	-	5,034
- Other comprehensive income		117,543	-	106,202

45.2.3 Equity position Risk

Group's proprietary positions in the equity instruments exposes 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 on a daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index using certain assumptions. In addition to this stress testing, historical scenario analysis on equities is also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Profit and loss account	-	7,396	-	63,472
- Other comprehensive income	-	1,051,784	-	962,069

45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Group's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off-balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

The increase / (decrease) in earnings due to change in the interest rate is as follows:

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% increase in interest rates on				
- Profit and loss account	(3,592,767)	85,568	(3,870,506)	5,305,338
- Other comprehensive income	-	(7,457,483)	-	(7,497,582)

The Group has classified Available for Sale investments as Trading in Basel-II.

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45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2021											
Effective yield / interest rate	Total	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments		
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years	Above 10 years
(Rupees in '000)											
On-balance sheet financial instruments											
Assets											
-	175,922,469	7,033,445	-	-	-	-	-	-	-	-	168,889,024
0.11%	22,554,329	7,474,847	1,939,826	352,182	699,120	-	-	-	-	-	12,088,354
2.39%	40,617,110	40,617,110	-	-	-	-	-	-	-	-	-
8.30%	1,062,566,511	457,297,886	196,360,036	147,271,132	4,363,410	69,431,247	54,078,471	37,596,845	68,078,851	-	28,090,633
7.22%	670,501,571	540,580,285	78,779,962	8,794,026	7,897,474	2,245,303	4,861,606	1,673,527	2,463,637	8,648,373	14,557,378
	61,062,082	-	-	-	-	-	-	-	-	-	61,062,082
	2,033,226,072	1,053,003,573	277,079,824	156,417,340	12,960,004	71,676,550	58,940,077	39,270,372	70,542,488	8,648,373	284,687,471
Liabilities											
	26,486,445	-	-	-	-	-	-	-	-	-	26,486,445
5.02%	282,898,882	94,855,244	79,769,610	54,771,536	4,644,742	6,121,131	2,888,685	5,656,568	34,191,366	-	-
3.42%	1,534,586,671	856,689,017	27,229,903	19,657,886	27,529,119	211,101	1,495,106	700,706	212,000	-	600,851,833
	76,433,291	-	-	-	-	-	-	-	-	-	76,433,291
	1,920,405,289	951,554,261	106,999,513	74,429,422	32,173,861	6,332,232	4,383,791	6,357,274	34,403,366	-	703,771,569
On-balance sheet gap											
	112,820,783	101,449,312	170,080,311	81,987,918	(19,213,857)	65,344,318	54,556,286	32,913,098	36,139,122	8,648,373	(419,084,098)
Off-balance sheet financial instruments											
	1,432,779	591,814	741,535	99,430	-	-	-	-	-	-	-
FX options purchase	5,098,200	5,098,200	-	-	-	-	-	-	-	-	-
Forward purchase of Government securities	784,611	-	-	72,281	165,214	-	547,116	-	-	-	-
Cross Currency Swaps purchase	120,320,899	52,479,945	31,472,430	22,348,898	14,019,626	-	-	-	-	-	-
Foreign exchange contracts purchase	127,636,489	58,169,959	32,213,965	22,520,609	14,184,840	-	547,116	-	-	-	-
	1,432,779	591,814	741,535	99,430	-	-	-	-	-	-	-
FX options sale	-	-	-	-	-	-	-	-	-	-	-
Forward sale of Government securities	784,611	-	-	72,281	165,214	-	547,116	-	-	-	-
Cross Currency Swaps sale	98,557,472	27,242,559	34,190,934	21,804,433	15,319,546	-	-	-	-	-	-
Foreign exchange contracts sale	100,774,862	27,884,373	34,932,469	21,976,144	15,484,760	-	547,116	-	-	-	-
Off-balance sheet gap											
	26,861,627	30,335,586	(2,718,504)	544,465	(1,299,920)	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	131,784,898	167,361,807	82,532,383	(20,513,777)	65,344,318	54,556,286	32,913,098	36,139,122	8,648,373	558,766,508	-
Cumulative Yield/Interest Risk Sensitivity Gap	131,784,898	299,146,705	381,679,088	361,165,311	428,509,629	481,065,915	513,979,013	550,118,135	558,766,508	-	-

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

2020

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total	Over 1 to 10 years							Above 10 years		
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years	
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	132,053,041	6,810,666	-	-	-	-	-	-	-	-	125,242,385
Balances with other banks	0.21%	29,011,521	2,557,720	799,172	-	-	-	-	-	-	-	25,654,629
Lending to financial institutions	7.27%	17,968,243	17,968,243	-	-	-	-	-	-	-	-	-
Investments	10.77%	1,036,217,535	183,723,956	426,084,702	170,130,910	62,818,947	24,457,188	41,949,392	30,794,310	71,118,956	-	25,139,174
Advances	9.34%	530,862,738	432,796,935	55,725,610	5,822,045	12,758,741	3,619,904	1,742,088	4,803,725	1,859,527	6,139,018	5,595,145
Other assets		52,518,097	-	-	-	-	-	-	-	-	-	52,518,097
		1,798,631,175	643,857,510	482,609,484	175,952,955	75,577,688	28,077,092	43,691,480	35,598,035	72,978,483	6,139,018	234,149,430
Liabilities												
Bills payable		26,451,513	-	-	-	-	-	-	-	-	-	26,451,513
Borrowings	5.30%	184,577,340	126,736,400	19,225,222	5,798,255	1,899,960	8,816,080	3,763,698	4,831,690	13,506,035	-	-
Deposits and other accounts	4.50%	1,388,737,961	796,398,749	21,243,238	13,630,588	30,543,903	1,998,833	115,810	1,689,628	212,000	-	522,905,212
Other liabilities		68,843,336	-	-	-	-	-	-	-	-	-	68,843,336
		1,668,610,150	923,135,149	40,468,460	19,428,843	32,443,863	10,814,913	3,879,508	6,521,318	13,718,035	-	618,200,061
On-balance sheet gap		130,021,025	(279,277,639)	442,141,024	156,524,112	43,133,825	17,262,179	39,811,972	29,076,717	59,260,448	6,139,018	(384,050,631)
Off-balance sheet financial instruments												
FX options purchase		182,800	122,370	60,430	-	-	-	-	-	-	-	-
Outright purchase of Government Securities		11,089,775	11,089,775	-	-	-	-	-	-	-	-	-
Cross currency swaps - purchase		1,975,311	339,938	-	210,505	87,318	547,272	-	790,278	-	-	-
Interest Rate Swaps - purchase		-	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts purchase		172,137,589	69,994,741	67,331,082	26,239,931	8,571,835	-	-	-	-	-	-
		185,385,475	81,546,824	67,391,512	26,450,436	8,659,153	547,272	-	790,278	-	-	-
FX options sale		182,800	122,370	60,430	-	-	-	-	-	-	-	-
Forward sale of Government securities		-	-	-	-	-	-	-	-	-	-	-
Cross Currency Swaps - sale		2,130,472	340,109	-	210,505	242,308	547,272	-	790,278	-	-	-
Foreign exchange contracts sale		155,508,653	58,735,248	59,516,527	23,227,903	14,028,975	-	-	-	-	-	-
		157,821,925	59,197,727	59,576,957	23,438,408	14,271,283	547,272	-	790,278	-	-	-
Off-balance sheet gap		27,563,550	22,349,097	7,814,555	3,012,028	(5,612,130)	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		(256,928,542)	449,955,579	159,536,140	37,521,695	39,811,972	17,262,179	39,811,972	29,076,717	59,260,448	6,139,018	
Cumulative Yield/Interest Risk Sensitivity Gap		(256,928,542)	193,027,037	352,563,177	390,084,872	407,347,051	447,159,023	476,235,740	535,496,188	541,635,206		

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

	2021 (Rupees in '000)	2020 (Rupees in '000)
Reconciliation to total assets		
Balance as per balance sheet	2,122,121,479	1,891,276,395
Less: Non financial assets		
Islamic financing and related assets	15,887,081	
Fixed assets	62,351,545	
Intangible assets	1,838,136	
Other assets	8,818,645	
Total financial assets	88,895,407	
	2,033,226,072	
Reconciliation to total assets		
Balance as per balance sheet		1,944,552,819
Less: Non financial liabilities		
Other liabilities	16,822,970	22,568,748
Deferred tax liability	63,679,312	1,578,782
	1,867,244	
	10,275,694	24,147,530
Total financial liabilities	92,645,220	1,920,405,289
	1,798,631,175	1,668,610,150

45.3

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 Group operational risk management framework, as laid down in the Global Risk Management 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 Group. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

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

45.3.1

Operational Risk-Disclosures Basel II Specific

Currently, the Group is reporting operational risk capital charge under Basic Indicator Approach (BIA). The Group took a number of initiative with respect to operational risk management like using Key Risk Indicators (KRIS), Loss events database and Risk & Control Self Assessments (ROSA) to manage its operational risk effectively.

In accordance with the Operational Risk Management (OR) regulations, policy and framework, a database covering operational risk events is being maintained using a state of the art software solution, which has enhanced features and a better workflow management. This new software has further augmented group's capacity to capture and report operational risk events and Kris. The software is also capable of generating periodical regulatory and management reports. Periodical updates on Operational Risk events are presented to senior management and the Risk Management and Portfolio Review Committee of the Board.

Notes To The Consolidated Financial Statements

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45.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Group understands that liquidity does not come for free, and surplus liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Liquidity is essential to the ability to operate financial services businesses and, therefore, the ability to maintain surplus levels of liquidity through economic cycles is crucial. Particularly during periods of adverse conditions, liquidity management is among the most important activities that the Group conducts during both normal and stress periods. Group recognizes that liquidity risk can arise from the Group's activities and can be grouped into three categories:

- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

Liquidity Management

The Asset Liability Committee of the Group has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Groups' liquidity under normal and stress scenarios. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. Group's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing, to ensure effective and timely decision making.

Group liquidity risk management framework is designed to identify measure and manage in a timely manner the liquidity risk position of the Group. The underlying policies and procedures include: Global Risk Management policy, Global Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy and Limit Structure which are reviewed and approved regularly by the senior management /Board members. Moreover; the Group also prepares a 'Contingency Funding Plan' (CFP) to address liquidity issues in time of stress/crises situation containing early warning indicators to pre-empt unforeseen liquidity crises. Group conducts Liquidity Risk Analysis on regular basis as well as Maturity of gaps are also reviewed in order to ensure diversification in terms of tenors. Group liquidity risk framework envisages to project the Group's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling statement of financial position changes. Group performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Group under both idiosyncratic and systemic market stress conditions. Group liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.

In view of the relaxation granted by SBP for deferral of principal and markup and for rescheduling / restructuring of loans there will be an impact on the maturity profile of the Group. The Asset and Liability Committee (ALCO) of the Group is monitoring the liquidity position and the Group is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile

Intraday Liquidity Management

Intraday liquidity management is about managing the daily payments and cash flows. Group has policies to ensure that sufficient cash is maintained during the day to make payments through local payment system. The policy of the Group is to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet obligations, repay depositors and fulfill commitments.

Managing Funding Sources

Managing funding sources, as per policy Group maintain a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash flows for meeting unexpected liquidity requirement. As a part of liquidity management Group maintains borrowing relationships to ensure the continued access to diverse market of funding sources. Group's sound credit rating together with excellent market reputation has enabled Group to secure ample call lines with local and foreign banks. The level of liquidity reserves as per regulatory requirements also mitigates risks. Group's investment in marketable securities is much higher than the Statutory Liquidity requirements (SLR).

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

45.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2021

	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 or 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	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	175,922,469	167,440,506	2,827,321	2,827,321	2,827,321	-	-	-	-	-	-	-	-	-
Balances with other banks	22,554,329	12,203,635	3,618,039	882,436	2,859,091	-	1,939,826	352,182	-	699,120	-	-	-	-
Lending to financial institutions	40,617,110	-	40,617,110	-	-	-	-	-	-	-	-	-	-	-
Investments	1,062,568,511	1,519,706	1,993,519	3,348,435	161,525,386	21,160,497	93,727,521	56,802,009	59,28,230	100,689,851	243,369,263	59,300,908	110,776,104	202,427,082
Advances	686,388,652	96,210,425	30,147,047	20,226,431	56,631,045	44,331,478	73,725,767	69,041,666	22,236,046	33,063,220	58,092,897	49,366,412	60,499,800	72,816,418
Fixed assets	62,351,545	9,705	58,222	67,926	286,894	418,521	419,268	1,233,252	12,13,367	1,201,393	4,229,340	4,006,192	4,126,486	45,080,979
Intangible assets	1,838,136	2,074	12,441	14,514	46,982	76,027	76,319	228,534	228,669	228,516	520,952	-	92,533	314,575
Other assets	69,880,727	739,446	2,285,047	6,698,898	8,652,768	14,406,813	10,544,541	2,702,396	3,107,088	1,478,602	8,205,417	5,055,750	6,003,961	-
	2,122,121,479	278,125,497	81,558,746	34,065,961	232,829,487	80,393,336	180,433,242	130,360,039	32,711,400	137,358,702	314,417,869	117,729,262	181,498,884	320,639,054
Liabilities														
Bills payable	26,486,445	882,881	5,297,289	6,180,171	14,126,104	-	-	-	-	-	-	-	-	-
Borrowings	282,898,882	17,870,450	75,178,410	1,134,679	671,705	17,150,248	62,619,362	54,771,536	564,632	4,080,110	6,121,131	2,888,685	5,656,568	34,191,366
Deposits and other accounts	1,534,596,671	1,404,457,663	6,812,357	5,880,323	17,554,855	14,442,113	23,935,882	26,672,382	17,275,468	14,874,339	255,433	1,507,536	706,320	212,000
Deferred tax liabilities-net	1,578,782	1,550	(16,873)	(25,642)	(196,125)	(129,820)	(170,225)	(384,312)	(388,214)	(379,989)	(709,013)	(222,864)	1,631,205	2,569,104
Other liabilities	99,002,039	13,849,202	3,671,351	5,000,998	8,476,540	6,884,488	5,199,413	3,153,795	14,079,344	3,621,053	9,942,304	6,463,047	12,415,954	62,44,550
	1,944,552,819	1,437,061,746	90,942,534	18,170,529	40,633,079	38,347,029	91,584,432	84,213,401	31,531,230	22,195,513	15,609,855	10,636,404	20,410,047	43,217,020
Net assets	177,568,660	(1,158,936,249)	(9,383,788)	15,895,432	192,196,408	42,046,307	88,846,810	46,146,638	1,180,170	115,163,189	298,808,014	107,092,858	161,088,837	277,422,034
Share capital	11,850,600													
Reserves	85,043,592													
Surplus on revaluation of assets - net	15,225,689													
Unappropriated profit	64,697,360													
Minority interest	751,419													
	177,568,660													

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

2020													
Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 or 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	Over 5 years
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	132,053,041	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	29,011,521	1,888,376	1,249,151	2,048,182	-	799,031	-	-	-	-	-	-	-
Lending to financial institutions	17,998,243	2,692,982	-	-	-	-	-	-	-	-	-	-	-
Investments	1,036,217,535	2,115,960	91,856,505	72,413,931	159,537,887	179,728,312	114,920,205	60,920,079	6,328,360	29,707,053	75,507,721	46,183,005	196,253,687
Advances	547,685,708	71,415,264	7,175,588	23,201,609	30,523,564	34,544,271	59,677,666	39,860,068	38,419,706	59,572,922	48,296,903	69,731,805	47,437,061
Fixed assets	63,679,312	9,138	63,971	273,734	501,067	398,581	1,195,045	1,193,172	1,188,330	4,288,513	4,258,016	5,135,853	45,119,060
Intangible assets	1,867,244	1,979	19,857	44,068	87,266	72,153	216,545	216,582	216,530	464,642	45,265	159,143	317,316
Other assets	62,793,791	519,422	7,867,650	6,658,755	10,076,645	10,344,951	2,393,673	913,569	400,930	2,260,624	7,954,884	11,115,603	-
	1,891,276,395	39,091,543	108,226,722	104,640,299	200,726,429	225,887,299	178,403,134	103,103,470	46,553,856	95,293,754	136,062,789	132,325,409	289,127,124
Liabilities													
Bills payable	26,451,513	881,718	6,172,020	14,107,474	-	-	-	-	-	-	-	-	-
Borrowings	184,577,340	27,117,387	1,537,110	5,046,669	15,158,024	4,067,198	5,798,255	1,010,722	889,239	8,816,080	3,763,688	4,831,690	13,506,035
Deposits and other accounts	1,388,737,961	1,277,556,493	6,678,164	20,097,720	15,871,497	11,274,222	15,154,216	17,759,355	14,025,638	2,193,993	158,796	1,698,528	212,000
Deferred tax liabilities-net	7,491,040	25,629	(22,787)	(118,603)	(19,697)	(207,454)	(594,756)	34,148	(481,104)	67,094	1,449,272	2,506,244	4,863,080
Other liabilities	91,027,158	12,566,376	4,125,090	5,965,945	5,729,410	6,105,290	13,558,440	2,237,294	2,173,027	4,232,223	9,889,368	16,491,972	5,210,080
	1,698,285,012	1,318,147,603	18,489,597	45,099,205	36,739,234	21,239,256	33,916,155	21,040,519	16,606,800	15,309,390	15,261,134	25,528,434	23,791,195
Net assets													
	192,991,383	(68,024,947)	89,737,125	59,541,094	163,987,195	204,648,043	144,486,979	82,062,951	29,947,056	79,984,364	120,801,655	106,796,975	265,335,929
Share capital													
Share capital	11,850,600												
Reserves	81,060,051												
Surplus on revaluation of assets - net	28,803,351												
Unappropriated profit	70,498,820												
Minority interest	778,561												
	192,991,383												

Notes To The Consolidated Financial Statements

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45.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

2021

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 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 '000)										
Assets										
Cash and balances with treasury banks	175,922,469	175,922,469	-	-	-	-	-	-	-	-
Balances with other banks	22,554,329	19,563,201	1,939,826	352,182	699,120	-	-	-	-	-
Lending to financial institutions	40,617,110	40,617,110	-	-	-	-	-	-	-	-
Investments	1,062,568,511	168,020,357	114,924,645	56,824,655	106,653,827	243,386,951	59,318,596	110,309,267	195,100,809	8,029,404
Advances	686,388,652	114,716,561	79,831,887	50,313,149	50,995,705	101,394,962	94,508,568	106,460,500	71,860,383	16,316,937
Fixed assets	62,351,545	422,746	837,790	1,233,252	2,414,760	4,229,340	4,006,192	4,088,560	7,624,432	37,494,473
Intangible assets	1,838,136	76,011	152,346	228,534	453,186	388,270	132,681	92,533	314,575	-
Other assets	69,880,727	18,376,157	24,334,042	2,702,396	4,585,693	8,205,417	5,673,061	6,003,961	-	-
	2,122,121,479	537,714,612	222,020,536	111,654,168	165,802,291	357,594,940	163,639,098	226,954,821	274,900,199	61,840,814
Liabilities										
Bills payable	26,486,445	26,486,445	-	-	-	-	-	-	-	-
Borrowings	282,898,882	94,855,244	79,769,610	54,771,536	4,644,742	6,121,131	2,888,685	5,656,568	34,191,366	-
Deposits and other accounts	1,534,586,671	109,209,223	98,254,512	119,632,972	41,959,926	345,407,820	346,659,923	345,858,708	118,347,993	9,255,594
Deferred tax liabilities	1,578,782	(237,090)	(300,045)	(384,312)	(768,203)	(709,013)	(222,864)	1,631,205	1,356,452	1,212,652
Other liabilities	99,002,039	30,998,092	11,992,103	3,153,795	17,700,397	9,942,304	6,554,844	12,415,954	5,261,647	982,903
	1,944,552,819	261,311,914	189,716,180	177,173,991	63,536,862	360,762,242	355,880,588	365,562,435	159,157,458	11,451,149
Net assets	177,568,660	276,402,698	32,304,356	(65,519,823)	102,265,429	(3,167,302)	(192,241,490)	(138,607,614)	115,742,741	50,389,665
Share capital	11,850,600									
Reserves	85,043,592									
Surplus on revaluation of assets - net	15,225,689									
Unappropriated profit	64,697,360									
Minority interest	751,419									
	177,568,660									

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

2020

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	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 '000)										
Assets										
Cash and balances with treasury banks	132,053,041	132,053,041	-	-	-	-	-	-	-	-
Balances with other banks	29,011,521	28,212,490	799,031	-	-	-	-	-	-	-
Lending to financial institutions	17,968,243	17,968,243	-	-	-	-	-	-	-	-
Investments	1,036,217,535	166,114,420	339,389,280	114,979,116	67,384,316	29,832,802	75,633,470	46,243,587	189,391,593	7,248,951
Advances	547,685,708	76,970,968	45,417,484	33,943,819	64,487,430	86,858,208	78,919,201	96,374,067	54,083,767	10,650,764
Fixed assets	63,679,312	401,677	899,648	1,195,045	2,381,501	4,288,513	4,258,016	5,084,949	8,481,036	36,688,927
Intangible assets	1,867,244	71,802	159,419	216,545	433,112	509,907	-	159,143	43,190	274,126
Other assets	62,793,791	17,332,911	20,411,437	2,403,832	1,314,500	2,260,624	7,954,884	11,115,603	-	-
	1,891,276,395	439,125,552	407,076,299	152,738,357	136,000,859	123,750,054	166,765,571	158,977,349	251,979,586	54,862,768
Liabilities										
Bills payable	26,451,513	26,451,513	-	-	-	-	-	-	-	-
Borrowings	184,577,340	126,736,400	19,225,222	5,798,255	1,899,960	8,816,080	3,763,698	4,831,690	13,506,035	-
Deposits and other accounts	1,388,737,961	91,320,307	60,203,123	59,578,918	57,889,894	333,580,267	331,545,069	333,084,802	121,535,581	-
Deferred tax liabilities	7,491,040	(124,406)	(227,197)	(595,067)	(448,028)	66,771	1,448,949	2,483,113	3,097,007	1,783,898
Other liabilities	91,027,158	25,400,055	11,830,725	13,562,414	4,410,321	4,232,223	9,889,368	16,491,972	4,748,747	461,333
	1,698,285,012	269,783,869	91,031,873	78,344,520	63,752,147	346,695,341	346,647,084	356,891,577	142,887,370	2,251,231
Net assets	192,991,383	169,341,683	316,044,426	74,393,837	72,248,712	(222,945,287)	(179,881,513)	(197,914,228)	109,092,216	52,611,537
Share capital	11,850,600									
Reserves	81,060,051									
Surplus on revaluation of assets - net	28,803,351									
Unappropriated profit	70,498,820									
Minority interest	778,561									
	192,991,383									

Liquidity Gap Reporting

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity. Group regularly conducts an objective and systematic behavioral study using regression analysis technique to ascertain the maturity of its non-contractual assets and liabilities. Core and non-core parts of the non-contractual assets and liabilities are segregated through the behavioral study. Non Core part is placed among the short term maturity buckets i.e. up to 1 Year based on the model results, whereas core part is distributed among the longer terms buckets based on the discussion and decision by the ALCO. Following percentages are used to distribute the core assets and liabilities among longer term buckets:

Over 1 to 2 Years	30%	Over 2 to 3 Years	30%	Over 3 to 5 Years	30%	Over 5 to 10 Years	10%

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

45.5 Derivative Risk

Most business clients have either interest rate exposures arising from debt financing or currency exposures arising out of commercial transactions from import and export of goods. Businesses face the risk of sudden movements in interest rates or foreign exchange rates that may adversely affect their profitability. Group provides solutions to this problem through its derivatives desk in major types of derivative instruments i.e.; forwards, futures, swaps and options. As an Authorized Derivative Dealer (ADD), Group is an active participant in Derivative market and has flexibility in providing a broad range of derivatives products covering both hedging and market making to satisfy customers' needs. As an ADD, the Group offers derivative products which are permitted under the Financial Derivative Business Regulations (FDBR) or as permitted by the State Bank of Pakistan. Before executing Derivative transactions, the Group ensures that the clients understand the risk and reward associated with the derivative being offered. Derivative transactions are executed with appropriate clients only.

Risk management activities take place at the following different levels.

Strategic Level:

By senior management Assets and Liabilities Committee (ALCO), Management Credit and Risk Committee (MC&RC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Group-wide basis. The Board provides the overall limits/thresholds for derivatives business.

Macro Level:

By Treasury and FX Group and Risk Management Group, responsible for policy formulation, procedure development and implementation, monitoring and reporting.

Micro Level:

Treasury Derivatives and Structured Product Desk where risks are actually created and Treasury Operations for settlements of the transactions.

Derivative Risk Management caters the following risks:-

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. In line with SBP's regulatory guidelines, Group hedges back-to-back all option transactions with other financial institutions. Group minimizes the exchange rate risk on its Cross Currency Swap Portfolio by hedging the exposure in interbank market. Group also manages interest rate risk on its Interest Rate Derivatives and Cross Currency Swaps through various sensitivity limits approved by ALCO. Marked to market positions and sensitivity of the derivatives transactions are monitored on regular basis. All individual deals are approved at the appropriate level of authority after analyzing the risk and benefits associated with the deals.

Credit risk is a probable risk of loss resulting from customer's inability to meet contractual obligation that may have adverse impact on Group's profitability. Group manages the risk by setting policies and limits for counterparty based on a pre-defined criteria linked with financial health of the customer. The exposure of each counterparty is monitored by Risk Management Function of the Group on daily basis.

Considering small Derivative portfolio, Group is not exposed to any liquidity risk. However; Group manages its liquidity risk through Group's liquidity risk framework which is defined in relevant Liquidity Risk Section.

Group has adequate system and controls for smooth execution of derivative transactions. Transactions are executed in line with well defined accounting and operational aspects to mitigate the operational risk. Policies and control functions are regularly reviewed on periodic basis.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2021

The Group uses a third party's Super Derivative System which provides front end sales and structuring capabilities, end to end valuation solutions, risk management systems, back end processing and provides analytical tools to measure various risk exposures and carry out sensitivity analysis.

The goal of asset/liability management (ALM) is to properly manage the risk related to changes in interest rates, the mix of balance sheet assets and liabilities, the holding of foreign currencies, and the use of derivatives. Due to thin liquidity in the derivative market, interest rate derivatives are not actively used to manage/alter the interest rate risk profile of the Group.

46 EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 10, 2022 has announced a final cash dividend in respect of the year ended December 31, 2021 of Rs 5.00 per share (2020: Rs. 15.00 per share). These consolidated financial statements for the year ended December 31, 2021 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

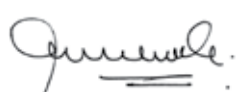
47 GENERAL

Comparative information has been rearranged wherever necessary for better presentation of the consolidated financial statements. There have been no significant reclassifications during the year.

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

48 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Group in their meeting held on February 10, 2022.



Shoaib Mumtaz
President/Chief Executive



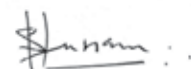
Hammad Khalid
Chief Financial Officer



S.M. Muneer
Director



Mian Umer Mansha
Director



Shahzad Hussain
Director

Disposal of fixed assets (refer note 12.2.6)

Description	Cost/ revalued amount	Accumu- lated depreciation	Book value	Sales pro- ceeds	Mode of disposal	Particulars of buyers	Location
(Rupees '000)							
Computers							
Laptop	268	268	-	54	As per Bank's policy	Kamran Zafar Muggo	Lahore
	268	268	-	54			

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)
Statement of Financial Position
 AS AT DECEMBER 31, 2021

MCB Islamic bank (the 'Bank') is operating 176 Islamic banking branches in Pakistan (December 31, 2020: 187 branches).

	Note	2021 (Rupees in '000)	2020
ASSETS			
Cash and balances with treasury banks		11,309,285	9,872,197
Balances with other banks		3,696,073	4,996,602
Due from financial institutions	1	1,650,000	828,790
Investments - net	2	33,475,816	27,617,997
Islamic financing and related assets - net	3	96,308,562	84,896,191
Fixed assets		4,932,122	5,548,894
Intangible assets		579,767	639,428
Deferred tax assets - net		1,006,958	874,878
Other assets - net		8,308,810	5,895,909
		161,267,393	141,170,886
LIABILITIES			
Bills payable		1,896,801	2,470,821
Due to financial institutions	4	16,472,906	20,596,773
Deposits and other accounts	5	122,747,778	99,253,161
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities - net		-	-
Other liabilities		9,545,353	8,122,359
		150,662,838	130,443,114
NET ASSETS			
		10,604,555	10,727,772
REPRESENTED BY			
Share capital		11,550,000	11,550,000
Reserves		88,193	68,107
Surplus on revaluation of assets - net of tax		248,364	473,316
Accumulated losses	7	(1,282,002)	(1,363,651)
		10,604,555	10,727,772
CONTINGENCIES AND COMMITMENTS			
	8		

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

Profit and Loss Account

For the year ended December 31, 2021

The profit and loss account of the bank's branches for the year ended 176 (December 31, 2020: 187 branches).

	Note	2021 (Rupees in '000)	2020
Profit / return earned	9	9,202,716	9,616,051
Profit / return expensed	10	5,008,845	5,280,989
Net spread earned		4,193,871	4,335,062
OTHER INCOME			
Fee and commission income		408,113	331,002
Dividend income		71,199	47,703
Foreign exchange income		113,571	209,888
(Loss) / gain on securities		(593,936)	14,274
Other income		200,473	161,322
Total other income		199,420	764,189
Total income		4,393,291	5,099,251
OTHER EXPENSES			
Operating expenses		4,753,602	4,680,482
Workers welfare fund		10,136	9,830
Other charges		51,623	590
Total other expenses		4,815,361	4,690,902
Loss before provisions		(422,070)	408,349
Provisions and write offs - net		(647,121)	15,270
Extra ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		225,051	393,079
Taxation		124,619	184,763
PROFIT AFTER TAXATION		100,432	208,316

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

Notes to the Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
1 DUE FROM FINANCIAL INSTITUTIONS			
Secured			
Bai Muajjal receivable - with State Bank of Pakistan	1.1	–	828,790
Unsecured			
Musharaka arrangements		1,650,000	–
		<u>1,650,000</u>	<u>828,790</u>

1.1 This represents Musharaka placements with various financial institutions carrying average profit rate of 10.35% per annum (2020: Nil) and having maturity till January 04, 2022.

	2021 (Rupees in '000)	2020
1.2 Particulars of due from financial institutions		
- local currency	<u>1,650,000</u>	<u>828,790</u>

2 INVESTMENTS

2.1 Investments by segments:

	2021				2020			
	Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government securities								
GOP Ijarah Sukuks	30,637,273	–	(105,708)	30,531,565	22,475,798	–	(58,797)	22,417,001
WAPDA Sukuks	–	–	–	–	27,894	–	(781)	27,113
Bai Mu'ajjal	1,540,891	–	–	1,540,891	2,700,827	–	–	2,700,827
Shares								
Listed companies	639,792	262,194	(171)	377,427	1,815,977	1,039,436	292,987	1,069,528
Non Government securities								
Listed	244,000	–	4,322	248,322	549,000	–	4,119	553,119
Un listed	770,000	–	7,611	777,611	840,000	–	10,409	850,409
Total Investments	<u>33,831,956</u>	<u>262,194</u>	<u>(93,946)</u>	<u>33,475,816</u>	<u>28,409,496</u>	<u>1,039,436</u>	<u>247,937</u>	<u>27,617,997</u>

2.2 There were no investment given as collateral as at December 31, 2021 (2020: Nil).

2.3 Provision for diminution in value of investments

	2021 (Rupees in '000)	2020
Opening balance	1,039,436	1,059,172
Charge for the year	50,072	36,975
Reversal on disposals	(827,314)	(56,711)
Closing balance	<u>262,194</u>	<u>1,039,436</u>

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

Notes to the Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
3 ISLAMIC FINANCING AND RELATED ASSETS - NET			
Murabaha	3.1	13,674,189	12,055,820
Istisna		4,764,233	3,455,789
Salam		19,927	—
Ijarah	3.2	2,096,652	2,815,368
Running Musharaka		47,811,823	40,757,574
Diminishing Musharaka		26,817,780	24,693,571
Staff finance		1,310,558	1,184,311
Islamic financing and related assets - gross		96,495,162	84,962,433
Less: Provision against non-performing			
Islamic financing and related assets			
- Specific		(124,718)	(25,395)
- General		(61,882)	(40,847)
		(186,600)	(66,242)
Islamic financing and related assets - net of provisions		96,308,562	84,896,191
3.1 Murabaha			
- Murabaha financing	3.1.1	7,612,792	4,998,262
- Murabaha inventory		5,392,634	6,494,165
- Advances against Murabaha financing		654,078	510,454
- Murabaha financing under Islamic export			
refinance scheme (IERS)		—	5,000
- Advances against Murabaha financing under IERS		—	20,000
- Murabaha inventory under SBP's Islamic Refinance			
Scheme for Payment of Wages and Salaries (IRSPWS)		14,685	27,939
		13,674,189	12,055,820
3.1.1 Murabaha receivable - gross	3.1.1.1	8,031,953	5,232,085
Less: Deferred Murabaha income	3.1.1.3	419,161	233,823
Murabaha financing		7,612,792	4,998,262
3.1.1.1 Movement in Murabaha receivable during the year			
Opening balance		5,232,085	5,005,449
Sales during the year		33,340,738	20,865,558
Adjusted during the year		(30,540,870)	(20,638,922)
		8,031,953	5,232,085
3.1.1.2 Murabaha sale price during the year		33,340,738	20,865,558
Murabaha purchase price during the year		(32,207,026)	(19,838,369)
		1,133,712	1,027,189
3.1.1.3 Deferred Murabaha income			
Opening balance		233,823	334,286
Arising during the year		1,133,712	1,027,189
Recognised during the year		(948,374)	(1,127,652)
		419,161	233,823
3.1.1.4 Istisna			
Istisna financing		1,139,556	480,693
Istisna inventory		534,487	389,306
Advances against Istisna financing		2,579,121	1,611,226
Istisna financing under IERS		56,572	123,667
Advances against Istisna financing under IERS		416,997	775,897
Advances against Istisna financing under SBP's IRSPWS		37,500	75,000
		4,764,233	3,455,789

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

Notes to the Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
3.1.1.5 Running Musharaka			
Running Musharaka financing		45,098,823	38,592,574
Running Musharaka financing under IERS		2,713,000	2,165,000
		47,811,823	40,757,574
3.1.1.6 Diminishing Musharaka			
Diminishing Musharaka financing		21,721,143	18,977,083
Advances against Diminishing Musharaka financing		1,770,095	2,153,276
Diminishing Musharaka financing under SBP's IRSPWS		935,708	1,612,874
Advances against Diminishing Musharaka under SBP's ILTF		402,292	541,151
Advances against Diminishing Musharaka under SBP's IRFCC		–	27,518
Advances against Diminishing Musharaka under SBP's ITERF		1,988,542	1,381,669
		26,817,780	24,693,571
3.1.1.7 Staff finance			
Staff vehicle finance under Diminishing Musharaka		296,527	245,136
Staff housing finance under Diminishing Musharaka		1,014,031	939,175
		1,310,558	1,184,311
3.2 Ijarah financing and related assets			
- Net book value of assets in Ijarah under IFAS 2	3.2.1	2,025,690	2,783,440
- Advances against Ijarah		70,962	31,928
		2,096,652	2,815,368

3.2.1 Net book value of assets in Ijarah under IFAS 2

		2021					
		Cost		Acc. Depreciation			
		As at January 01, 2021	Addition/ (disposal)	As at December 31, 2021	As at January 01, 2021	Charge (disposal)	As at December 31, 2021
		(Rupees in '000)					
Vehicles		2,970,391	298,387 (505,913)	2,762,865	1,051,097	499,139 (252,276)	1,297,960
Equipment and Plant and Machinery		1,186,171	63,376 (145,543)	1,104,004	322,025	312,050 (90,856)	543,219
Total		4,156,562	361,763 (651,456)	3,866,869	1,373,122	811,189 (343,132)	1,841,179
							2,025,690
		2020					
		Cost		Acc. Depreciation			
		As at January 01, 2020	Addition/ (disposal)	As at December 31, 2020	As at January 01, 2020	Charge (disposal)	As at December 31, 2020
		(Rupees in '000)					
Vehicles		3,999,646	250,956 (1,280,211)	2,970,391	1,039,780	603,062 (591,745)	1,051,097
Equipment and Plant and Machinery		1,689,096	798,286 (1,301,211)	1,186,171	458,593	349,730 (486,298)	322,025
Total		5,688,742	1,049,242 (2,581,422)	4,156,562	1,498,373	952,792 (1,078,043)	1,373,122
							2,783,440

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

Notes to the Financial Statements

For the year ended December 31, 2021

3.2.2 Future Ijarah payments receivable

	2021			
	Not later than 1 year	Later than 1 year and not later than 5 years	Over 5 years	Total
	(Rupees in '000)			
Ijarah rental receivables	930,364	969,762	–	1,900,126
	2020			
	Not later than 1 year	Later than 1 year and not later than 5 years	Over 5 years	Total
	(Rupees in '000)			
Ijarah rental receivables	1,100,022	1,782,989	3,456	2,886,467

		2021	2020	
		(Rupees in '000)		
Note				
3.3	Particulars of Islamic financing and related assets - gross			
	In local currency	96,490,270	84,918,786	
	In foreign currency	4,892	43,647	
		96,495,162	84,962,433	
4	DUE TO FINANCIAL INSTITUTIONS			
	Secured			
	With the State Bank of Pakistan			
	Musharaka under Islamic Export Refinance Scheme (IERS)	4.1	3,027,572	2,845,918
	Investment under Islamic Long Term Financing Facility (ILTFF)	4.2	1,045,099	445,848
	Investment under Islamic Temporary Economic Refinance Facility (ITERF) for Plant and Machinery	4.3	3,892,419	1,183,828
	Investment under Islamic Refinance Scheme for Payment of Wages and Salaries (IRSPWS)	4.4	976,304	1,715,813
	Investment under Islamic Refinance Facility for Combating COVID-19 (IRFCC)		24,460	–
	Investment under Islamic Financing Facility for Renewable Energy (IFRE)	4.5	93,138	–
	Unsecured			
	Musharaka arrangements with financial institutions	4.6	7,100,000	14,222,000
	Musharaka arrangements with other institution		268,882	183,366
	Overdrawn nostro accounts		45,032	–
			16,472,906	20,596,773

4.1 These Musharaka arrangements are on a profit and loss sharing basis maturing between February 09, 2022 to June 29, 2022 (2020: January 31, 2021 to June 29, 2021) and are secured against demand promissory notes executed in favour of the SBP. A limit of Rs. 3,884 million (2020: Rs. 3,884 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme.

4.2 These arrangements are on a profit and loss sharing basis maturing between June 09, 2030 to December 08, 2031 (2020: June 30, 2030 to November 30, 2030).

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

Notes to the Financial Statements

For the year ended December 31, 2021

- 4.3** These arrangements are on a profit and loss sharing basis maturing between August 11, 2024 to December 21, 2031 (2020: November 01, 2030 to December 05, 2030).
- 4.4** These arrangements are on a profit and loss sharing basis maturing between January 29, 2022 to April 12, 2023 (2020: April 13, 2021 to April 12, 2023).
- 4.5** These arrangements are on a profit and loss sharing basis maturing between June 29, 2022 to August 3, 2026 (2020: Nil).
- 4.6** This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 9.80% to 10.45% per annum (2020: 6.70% to 7.20% per annum) and having maturity till February 03, 2022.

5 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	34,666,966	2,729,931	37,396,897	28,501,991	2,175,509	30,677,500
Savings deposits	46,014,828	1,978,082	47,992,910	39,831,137	1,971,071	41,802,208
Term deposits	28,774,330	–	28,774,330	17,861,765	79,103	17,940,868
Others	4,877,521	–	4,877,521	2,693,912	–	2,693,912
	114,333,645	4,708,013	119,041,658	88,888,805	4,225,683	93,114,488
Financial Institutions						
Current deposits	260,021	127	260,148	148,391	138	148,529
Savings deposits	919,672	–	919,672	2,462,010	1,634	2,463,644
Term deposits	2,526,300	–	2,526,300	3,526,500	–	3,526,500
	3,705,993	127	3,706,120	6,136,901	1,772	6,138,673
	118,039,638	4,708,140	122,747,778	95,025,706	4,227,455	99,253,161

		2021	2020
		(Rupees in '000)	
5.1	Composition of deposits		
	Individuals	45,892,319	43,739,410
	Government (Federal and Provincial)	6,488,298	4,253,371
	Public Sector Entities	8,759,121	4,861,494
	Banking Companies	50,521	2,075
	Non-Banking Financial Institutions	3,655,598	6,136,598
	Private Sector	57,901,921	40,260,213
		122,747,778	99,253,161

- 5.2** This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 71,670.390 million (2020: Rs. 61,239.189 million).

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited) **Notes to the Financial Statements**

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
6 CHARITY BALANCE			
Opening balance		46,615	57,782
Additions during the year			
- Received from customers against late payment		7,316	42,477
- Dividend purification amount		1,093	771
- Charity against other Non-Shariah compliant income		265	–
- Profit on charity saving account		673	2,085
		9,347	45,333
Charity paid during the year	6.1	(25,500)	(56,500)
Charity reversed during the year		(21,639)	–
Closing balance		8,823	46,615
6.1 Charity was paid to the following institutions:			
The Patients' Bahbood Society for Aga Khan University Hospital		1,000	1,000
Al-Khidmat Foundation Pakistan		2,000	2,000
Arthritis Care Centre		1,000	2,000
Aziz Jehan Begum Trust for the Blind		1,000	3,000
Chiniot Anjuman Islamia		–	1,000
Chiniot Blood Bank and Dialysis Centre		–	1,000
Family Welfare Society		1,000	3,000
Fatimid Foundation		–	3,000
Indus Hospital		2,000	5,000
Infaq Memorial Trust		1,000	3,000
Layton Rehmatullah Benevolent Trust		–	4,000
Mind Organization		500	2,000
Pink Ribbon		–	2,000
Saleem Memorial Trust Hospital		3,500	6,000
Saylani Welfare Trust		2,000	2,000
Shaukat Khanam Memorial Cancer Hospital and Research Centre		1,000	3,000
Sindh Institute of Urology & Transplantation		2,000	3,000
The Citizens Foundation		1,000	4,000
Jahandad Society for Community Development		–	1,500
The Lahore Hospital Welfare Society		500	2,000
Al - Mustafa Welfare Society		–	500
Frontier Foundation blood transfusion Centre		–	500
The Hunar Foundation		2,000	–
Alamgir Welfare Trust International		2,000	–
Institute of Business Administration (Center of Excellence in Islamic Finance)		2,000	–
Zubaida Medical Center		–	1,000
Mofad e Amma Chiniot Sheikh Association		–	1,000
		25,500	56,500
6.2	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.		

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

Notes to the Financial Statements

For the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
7	ISLAMIC BANKING BUSINESS ACCUMULATED LOSS		
Opening balance		(1,363,651)	(1,531,969)
Islamic banking profit / loss for the year		225,051	393,079
Transfer to statutory reserve		(20,086)	(41,663)
Taxation		(124,619)	(184,763)
Other adjustments		1,303	1,665
Closing balance		(1,282,002)	(1,363,651)
8	CONTINGENCIES AND COMMITMENTS		
Guarantees	8.1	7,787,920	8,000,674
Commitments	8.2	16,115,126	20,583,025
Other contingent liabilities		450,782	437,433
		24,353,828	29,021,132
8.1	Guarantees:		
Performance guarantees		3,501,067	3,935,124
Other guarantees		4,286,853	4,065,550
		7,787,920	8,000,674
8.2	Commitments:		
Documentary credits and short-term trade-related transactions			
Letters of credit		13,821,410	7,654,971
Commitments in respect of:			
Forward foreign exchange contracts	8.2.1	1,499,325	11,909,879
Commitments for acquisition of:			
Intangible assets		55,401	10,724
Fixed assets		30,036	–
Other commitments	8.2.2	708,954	1,007,451
		16,115,126	20,583,025
8.2.1	Commitments in respect of forward foreign exchange contracts		
Purchase		489,060	5,046,837
Sale		1,010,265	6,863,042
		1,499,325	11,909,879
8.2.2	Other Commitments		
Commitments to extend credit	8.2.2.1	708,954	1,007,451
8.2.2.1	Other than those stated above, the Bank makes commitment(s) to extend credit in the normal course of business including related parties but these being revocable commitments do not attract any penalty or expense if the facility is unilaterally withdrawn.		
		2021 (Rupees in '000)	2020 (Rupees in '000)
8.3	Other contingent liabilities		
Claim against the Bank not acknowledged as debt		450,782	437,433

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

Notes to the Financial Statements

For the year ended December 31, 2021

This includes claim by a third party against the Bank, amounting to Rs. 425.820 million (December 31, 2020: Rs. 425.820 million) which is being contested in the Court of law. The suit has been disposed off by the Court vide Order dated May 10, 2019 wherein the status quo has been ordered to be maintained with respect to bank guarantee and the matter has been referred to arbitration with the consent of the parties. However the Bank has not received any official notice to attend the arbitration proceedings till date.

In addition to the above, this includes claim by different parties against the bank amounting to Rs. 24.962 million (December 31, 2020: Rs. 11.613 million) which is pending before the court. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.

The Sindh Revenue Board (SRB) has issued order under "Sindh Sales Tax on Services Act, 2011", for the year 2018 thereby raising demand of Rs. 1.775 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.

	2021 (Rupees in '000)	2020 (Rupees in '000)
9 PROFIT / RETURN EARNED		
Financings	6,793,308	7,044,066
Investments in		
- available for sale securities	1,962,671	1,853,889
- held to maturity securities	369,580	411,594
	2,332,251	2,265,483
Musharaka arrangements with financial institutions	70,147	215,060
Deposits with financial institutions	7,010	91,442
	9,202,716	9,616,051
10 PROFIT / RETURN EXPENSED		
Deposits and other accounts	3,894,499	4,340,687
Musharaka arrangements with the State Bank of Pakistan under IERS	90,942	66,345
Musharaka arrangements with other financial institutions	662,374	468,267
Musharaka arrangements with other institution	17,983	16,900
Unwinding of liability against right-of-use of asset	343,047	388,790
	5,008,845	5,280,989

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

11.1 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

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

Notes to the Financial Statements

For the year ended December 31, 2021

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

1) General Pool

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

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

Parameters associated with risk and rewards

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

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

2) Islamic Export Refinance Scheme (IERS) Musharaka Pool

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

3) Treasury Musharaka / Mudaraba Pools

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

4) Special Musharaka Pool

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

5) Equity Pool

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

Charging of expenses

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

MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

Notes to the Financial Statements

For the year ended December 31, 2021

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

2021							
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 '000)	%	%	(Rupees in '000)
General Pool	Monthly	8.58	50.00	2,599,187	5.03	17.31	543,991

Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	(Rupees in '000)	%	%	(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	4.39	–	–	2.00	–	–
Treasury Musharaka/Mudaraba Pool	As required	8.29	–	–	7.57	–	–
Equity Pool	Monthly	(1.63)	–	–	–	–	–

2020							
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 '000)	%	%	(Rupees in '000)
General Pool	Monthly	10.84	50.00	3,558,858	6.53	20.30	722,410

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 '000)	%	%	(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	6.90	–	–	2.00	–	–
Treasury Musharaka/Mudaraba Pool	As required	9.60	–	–	7.25	–	–
Special Musharakh Pool	Monthly	10.48	–	–	9.21	–	–
Equity Pool	Monthly	5.33	–	–	–	–	–

Branch Network 2021

As of December 31, 2021

Retail Banking Group - Central			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
GUJRANWALA - 124	Gujranwala	32	–
	Gujrat	28	–
	Mandi Bahauddin	28	–
	Sialkot	36	–
LAHORE EAST - 71	Lahore Defence	25	–
	Lahore Gulberg	24	–
	Lahore Johar Town	22	–
LAHORE WEST - 92	Lahore City	32	–
	Lahore The Mall	33	–
	Shiekhupura	27	–
Total RBG - Central		287	–
Retail Banking Group - North			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
ABBOTTABAD - 96	Abbottabad	28	–
	Attock	20	–
	Muzaffarabad A.K.	23	–
	Swat	25	1
ISLAMABAD - 92	Fateh Jang	21	–
	Islamabad	26	–
	Rawalpindi Cantt	24	–
	Rawalpindi City	21	–
PESHAWAR - 99	Kohat	27	–
	Mardan	24	–
	Peshawar East	22	1
	Peshawar West	26	–
Total RBG - North		287	02
Retail Banking Group - West			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
FAISALABAD - 85	Faisalabad	30	–
	Faisalabad City	28	1
	Toba Tek Singh	27	–
JHELUM - 79	Chakwal	26	–
	Jhelum	27	–
	Mirpur A.K.	26	–
SARGODHA - 94	Jhang	28	2
	Mianwali	31	–
	Sargodha	35	1
Total RBG - West		258	04

Branch Network 2021

As of December 31, 2021

Retail Banking Group - East			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
BAHAWALPUR - 77	Bahawalnagar	18	–
	Bahawalpur	27	–
	Rahim Yar Khan	32	–
MULTAN - 71	Dera Ghazi Khan	20	–
	Multan	30	1
	Muzaffargarh	21	–
SAHIWAL - 73	Okara	22	1
	Sahiwal	24	–
	Vehari	27	2
Total RBG - East		221	02
Retail Banking Group - Karachi			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
KARACHI CITY - 54	Karachi City	28	1
	Karachi North	26	–
KARACHI EAST - 48	Karachi East	23	–
	Karachi South	25	–
KARACHI WEST - 48	Karachi Central	24	–
	Karachi West	24	–
Total RBG - Karachi		150	01
Retail Banking Group - South			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
HYDERABAD - 77	Badin	17	–
	Hyderabad	22	–
	Mirpurkhas	18	1
	Nawabshah	20	–
QUETTA - 52	Khuzdar	15	–
	Makran	10	1
	Quetta	27	3
SUKKUR - 75	Larkana	24	–
	Naushero Feroze	24	–
	Sukkur	27	–
Total RBG - South		204	05
Corporate Finance & International Banking Group			
Corporate Branches		11*	–
*EPZ not included			
Consumer & Digital Banking Group			
Privilege Banking		8	–

Branch Network 2021

As of December 31, 2021

Overseas Branches / International Banking				No. of Branches
Sri Lanka				
Colombo				1
Galle				1
Kandy				1
Kattankudy				1
Kollupitiya				1
Maradana				1
Pettah				1
Wellawatte				1
Bahrain				
MCB Offshore Banking Unit (OBU) Bahrain				1
UAE				
MCB Dubai Wholesale Branch (UAE)				1
Pakistan				
EPZ				1
TOTAL				11
Groupwise				
Group	Circles	Regions	No. of Branches	No. of Sub-Branches
RBG–Central	3	10	287	–
RBG–North	3	12	287	2
RBG–West	3	9	258	4
RBG–East	3	9	221	2
RBG–Karachi	3	6	150	1
RBG–South	3	10	204	5
CFIBG (Corporate Branches)	3	5	11	–
C&DBG (Privilege Banking)	–	–	8	–
Total	21	61	1,426	14
Overseas Branches / International Banking	–	–	10	–
EPZ	–	–	1	–
Grand Total	21	61	1,437	14
Province-Wise				
Provinces/Territories/AJK	Branches	Sub-Branches	Total	
Azad Jammu & Kashmir	41	–	41	
Balochistan	54	4	58	
Federal Capital Territory	34	–	34	
Gilgit–Baltistan	6	–	6	
Khyber Pakhtunkhwa	156	2	158	
Punjab	830	6	836	
Sindh	305	2	307	
Domestic Total	1,426	14	1,440	
Overseas Branches / International Banking	10	–	10	
EPZ	1	–	1	
Grand Total	1,437	14	1,451	

Complete list of Branches along with its contact details is available on below link:

<https://www.mcb.com.pk/branch-locator/branch-locator>

Pattern of Shareholding

As of December 31, 2021

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
27,332	1	100	880,939
13,692	101	500	3,372,215
5,902	501	1,000	4,418,469
7,848	1,001	5,000	14,015,485
537	5,001	10,000	3,960,156
595	10,001	50,000	13,747,443
124	50,001	100,000	9,003,618
144	100,001	500,000	32,892,912
32	500,001	1,000,000	23,651,812
59	1,000,001	5,000,000	112,333,580
10	5,000,001	10,000,000	67,813,384
4	10,000,001	15,000,000	46,226,536
4	15,000,001	25,000,000	87,577,083
11	25,000,001	Above	765,166,374
56,294			1,185,060,006

Categories of Shareholders

As of December 31, 2021

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouses and Minor Children	122,496,798	10.3368%
Associated Companies, Undertakings and Related Parties	226,588,984	19.1205%
NIT and ICP	912	0.0001%
Banks, Development Financial Institutions, Non Banking Financial Institutions	23,088,532	1.9483%
Insurance Companies	113,999,087	9.6197%
Modarabas and Mutual Funds	10,239,590	0.8641%
Shareholders Holding 10%	222,606,147	18.7844%
General Public Local	152,704,961	12.8858%
General Public Foreign	8,012,113	0.6761%
Others	305,322,882	25.7643%
Total	1,185,060,006	100.0000%

Categories of Shareholders

As of December 31, 2021

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, their Spouses and Minor Children		
Mian Mohammad Mansha	7,834	0.0007%
Naz Mansha	6,424,057	0.5421%
S. M. Muneer	2,059	0.0002%
Muhammad Tariq Rafi	34,876,772	2.9430%
Mrs. Nighat Tariq	5,715,093	0.4823%
Mian Umer Mansha	32,016,378	2.7017%
Iqraa Hassan Mansha	8,000	0.0007%
Mian Hassan Mansha	43,393,671	3.6617%
Muhammad Ali Zeb	550	0.0000%
Mohd Suhail Amar Suresh Bin Abdullah	884	0.0001%
Yahya Saleem	500	0.0000%
Salman Khalid Butt	49,000	0.0041%
Shahzad Hussain	500	0.0000%
Masood Ahmed Puri	1,000	0.0001%
Shariffuddin Bin Khalid	500	0.0000%
	122,496,798	10.3368%
Associated Companies, Undertakings and Related Parties		
Nishat Mills Limited	88,015,291	7.4271%
Adamjee Insurance Company Limited	55,196,435	4.6577%
Siddiqsons Limited	11,271,920	0.9512%
Adamjee Life Assurance Company Limited	1,200,000	0.1013%
Adamjee Life Assurance Company Ltd-IMF	5,134,085	0.4332%
Adamjee Life Assurance Company Limited-NUIL Fund	96	0.0000%
Adamjee Life Assurance Co.Ltd - DGF	29,500	0.0025%
Nishat (Aziz Avenue) Hotels and Properties Limited	434,176	0.0366%
Nishat Real Estates Development Company (Private) Limited	68,900	0.0058%
Trustee - MCB Provident Fund Pak Staff	34,166,060	2.8831%
Trustee - MCB Employees Pension Fund	22,312,991	1.8829%
Nishat Mills Limited Employees Provident Fund Trust	8,284,390	0.6991%
Trustees of Adamjee Insurance Company Ltd. Employees Provident Fund	66,138	0.0056%
Adamjee Life Assurance Company Ltd. Employees Gratuity Fund	17,500	0.0015%
CDC - Trustee MCB Pakistan Asset Allocation Fund	86,243	0.0073%
CDC - Trustee Pakistan Capital Market Fund	23,000	0.0019%
CDC - Trustee MCB Pakistan Stock Market Fund	237,259	0.0200%
CDC - Trustee Pakistan Pension Fund - Equity Sub Fund	45,000	0.0038%
	226,588,984	19.1205%
NIT and ICP		
Investment Corporation of Pakistan	912	0.0001%
	912	0.0001%
Banks, Development Financial Institutions, Non Banking Financial Institutions		
The Bank of Punjab	741	0.0001%
Prudential Investment Bank Ltd.	1,393	0.0001%
Crescent Investment Bank Ltd.	590	0.0000%
Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd	807,992	0.0682%
Trust Leasing Corporation Ltd.	101	0.0000%
Universal Leasing Corporation Ltd.	1	0.0000%
Islamic Investment Bank Ltd.	4	0.0000%
National Development Finance Corporation	433	0.0000%
M/s. Al Faysal Investment Bank Ltd	49	0.0000%
Interasia Leasing Company Limited	950	0.0001%
Pakistan Kuwait Investment Co. (Pvt) Ltd.	1,775,000	0.1498%
Allied Bank Limited	2,821,600	0.2381%
Habib Bank Limited	2,939,227	0.2480%
Faysal Bank Limited	3,860,042	0.3257%
Habib Metropolitan Bank Limited	1,015,241	0.0857%
Bank Al Habib Limited	715,000	0.0603%
Soneri Bank Limited	1,500,000	0.1266%

Saudi Pak Leasing Company Limited	495	0.0000%
Bank Alfalah Limited	2,450,000	0.2067%
The Punjab Provincial Cooperative Bank	1,558	0.0001%
Escorts Investment Bank Limited	225	0.0000%
National Bank of Pakistan	2,559,436	0.2160%
Askari Bank Limited	1,034,100	0.0873%
House Building Finance Company Limited	41,951	0.0035%
Pair Investment Company Limited	375,000	0.0316%
Sindh Bank Limited	1,020,530	0.0861%
Samba Bank Limited - MT	78,873	0.0067%
Invest Capital Investment Bank Limited	77,000	0.0065%
Falki Capital (Private) Limited	1,000	0.0001%
Float Securities (Pvt.) Limited	10,000	0.0008%

23,088,532 1.9483%

Insurance Companies

National General Insurance Co. Ltd.	1,359	0.0001%
Business & Industrial Insurance Co. Ltd.	9	0.0000%
M/s. New Jubilee Insurance Co. Ltd.	2	0.0000%
The South British Insurance Company Ltd.	1,864	0.0002%
M/s. Beema Pakistan Company Ltd.	69	0.0000%
E.F.U. General Insurance Ltd.	713	0.0001%
Orient Insurance Co. Ltd.	3	0.0000%
Premier Insurance Limited	125,204	0.0106%
Jubilee General Insurance Company Limited	1,180,000	0.0996%
State Life Insurance Corp. of Pakistan	23,059,087	1.9458%
EFU Life Assurance Ltd.	5,442,695	0.4593%
Pakistan Reinsurance Company Limited	500,000	0.0422%
Allianz EFU Health Insurance Limited	12,626	0.0011%
The Crescent Star Insurance Co.Ltd.	3	0.0000%
Jubilee Life Insurance Company Limited	23,991,810	2.0245%
East West Insurance Co.Ltd	25,000	0.0021%
Century Insurance Company Ltd.	16,561	0.0014%
GHAf Limited	52,500	0.0044%
Security General Insurance Co Ltd.	59,136,076	4.9901%
The Pakistan General Insurance Co. Limited	106	0.0000%
IGI Life Insurance Limited	2,400	0.0002%
Alfalah Insurance Company Limited	136,000	0.0115%
Askari General Insurance Company	315,000	0.0266%

113,999,087 9.6197%

Modarabas and Mutual Funds

First Hajveri Modaraba	60	0.0000%
Crescent Modaraba Managment Co. Ltd	17	0.0000%
First Elite Capital Modaraba	39	0.0000%
First Crescent Modaraba	4,030	0.0003%
Trust Modaraba	313	0.0000%
UNICAP Modaraba	15	0.0000%
First Interfund Modaraba	2	0.0000%
Industrial Capital Modaraba	4	0.0000%
Safeway Fund (Pvt) Ltd	1,665	0.0001%
Pak Asian Fund Limited	162	0.0000%
Safeway Mutual Fund Ltd	16	0.0000%
Golden Arrow Selected Stocks Fund Ltd	15	0.0000%
Prudential Stocks Funds Limited	233	0.0000%
M/s. Asian Stock Fund Ltd	4	0.0000%
PICIC Benovelent Fund-2	29	0.0000%
CDC - Trustee PICIC Investment Fund	183,753	0.0155%
CDC - Trustee PICIC Growth Fund	248,004	0.0209%
CDC - Trustee Atlas Stock Market Fund	1,640,826	0.1385%
CDC - Trustee Faysal Stock Fund	907,608	0.0766%
CDC - Trustee Alfalah GHP Value Fund	85,723	0.0072%
CDC - Trustee Unit Trust of Pakistan	4	0.0000%

CDC - Trustee Akd Index Tracker Fund	103,468	0.0087%
Tri-Star Mutual Fund Limited	754	0.0001%
CDC - Trustee UBL Stock Advantage Fund	984,248	0.0831%
Crescent Standard Business Management (Pvt) Limited	1	0.0000%
CDC - Trustee NBP Stock Fund	284,351	0.0240%
CDC - Trustee NBP Balanced Fund	22,500	0.0019%
CDC - Trustee APF-Equity Sub Fund	77,500	0.0065%
CDC - Trustee JS Pension Savings Fund - Equity Account	15,700	0.0013%
CDC - Trustee HBL - Stock Fund	68,964	0.0058%
CDC - Trustee HBL Multi - Asset Fund	22,900	0.0019%
CDC - Trustee Alfalah GHP Stock Fund	435,762	0.0368%
CDC - Trustee Alfalah GHP Alpha Fund	149,204	0.0126%
CDC - Trustee NIT-Equity Market Opportunity Fund	1,168,176	0.0986%
CDC - Trustee ABL Stock Fund	391,126	0.0330%
CDC - Trustee Lakson Equity Fund	717,665	0.0606%
CDC - Trustee NBP Sarmaya Izafa Fund	86,800	0.0073%
CDC - Trustee HBL PF Equity Sub Fund	40,600	0.0034%
CDC - Trustee UBL Asset Allocation Fund	52,000	0.0044%
CDC - Trustee First Capital Mutual Fund	30,000	0.0025%
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	145,000	0.0122%
CDC - Trustee National Investment (Unit) Trust	1,005,735	0.0849%
CDC - Trustee ABL Pension Fund - Equity Sub Fund	22,219	0.0019%
CDC-Trustee NITPF Equity Sub-Fund	26,000	0.0022%
Aba Ali Habib Securities (Pvt) Limited - MF	300	0.0000%
CDC - Trustee Lakson Tactical Fund	63,626	0.0054%
CDC - Trustee NBP Financial Sector Fund	82,000	0.0069%
CDC - Trustee UBL Financial Sector Fund	933,432	0.0788%
CDC - Trustee UBL Dedicated Equity Fund	3,700	0.0003%
CDC - Trustee Allied Finergy Fund	125,939	0.0106%
CDC - Trustee NIT Asset Allocation Fund	62,500	0.0053%
CDC - Trustee NIT Pakistan Gateway Exchange Traded Fund	23,226	0.0020%
CDC - Trustee NBP Pakistan Growth Exchange Traded Fund	21,672	0.0018%
	10,239,590	0.8641%

Share Holders Holding 10%

Maybank International Trust (Labuan) Berhad	222,606,147	18.7844%
	222,606,147	18.7844%

General Public

- Local	152,704,961	12.8858%
- Foreign	8,012,113	0.6761%

Others

	305,322,882	25.7643%

- Foreign Companies	63,427,525	5.3523%
- Local Companies	74,596,850	6.2948%
- D.G. Khan Cement Company Limited	102,277,232	8.6306%
- Nishat Mills Limited (as disclosed in Associated Companies, Undertakings and Related Parties)	—	—
- Bugis Investments (Mauritius) Pte Ltd	65,020,947	5.4867%
- Executives (as per the threshold determined by Board of Directors)	328	0.0000%

Total	1,185,060,006	100.0000%

All the trades in shares carried out by Directors, CEO, CFO, Secretary, Executives, their Spouses and Minor during the year 2021 are given below:

Name	Status	No. of Shares	Purchase/Sale/Transfer
Muhammad Tariq Rafi	Director	2,782,468	Purchase
Mian Umer Mansha	Director	30,000	Purchase
Mian Hassan Mansha	Spouse of Director	30,000	Purchase

Notice of 74th Annual General Meeting

Notice is hereby given that 74th Annual General Meeting of **MCB Bank Limited** (the "Bank") will be held on **Tuesday, March 29, 2022 at 11:00 AM (PST)** at Imperial Ball Room, 4th Floor-Banquets, The Nishat Hotel, Emporium, Abdul Haq Road, Johar Town, Lahore, with Video Link facility to transact the following business:

Ordinary Business:

1. To confirm/approve the Minutes of Annual General Meeting held on March 27, 2021.
2. To receive, consider and adopt the Annual Audited Separate and Consolidated Financial Statements of the Bank together with the Directors' Report and Auditors' Report thereon and the Chairman's Review Report for the year ended December 31, 2021.
3. To appoint Auditors of the Bank and fix their remuneration. The Members are hereby notified that the Board's Audit Committee and the Board of Directors have recommended the name of retiring auditors, namely, M/s A. F. Ferguson & Co., Chartered Accountants, being eligible, for re-appointment as auditors of the Bank.
4. To approve, as recommended by the Board of Directors, the payment of Final Cash Dividend @ 50% i.e., PKR 5.00 per share, having face value of PKR 10/- in addition to 140% i.e., PKR 14.00 per share Interim Cash Dividends already declared and paid, thus, total 190% i.e., PKR 19.00 per share for the year ended December 31, 2021.

Special Business:

5. To consider and, if deemed fit, to pass an Ordinary Resolution as proposed in the Statement of Material Facts annexed to the Notice circulated to the members, to approve amendments in Directors' Remuneration Policy of the Bank.

Statement of Material Facts under Section 134(3) of the Companies Act, 2017 ("Act") alongwith draft ordinary resolution pertaining to the abovementioned Special Business is annexed to this Notice of Annual General Meeting circulated to the Members of the Bank.

By Order of the Board,

-Sd-

FARID AHMAD

Acting Company Secretary

March 07, 2022
Lahore.

Notes:

1. Minutes of the Annual General Meeting (the "Meeting" or "AGM") held on March 27, 2021 of MCB Bank Limited (the "Bank") are available for inspection of Members.
2. The Shares Transfer Books of the Bank will remain closed from **March 17, 2022 to March 29, 2022** (both days inclusive). Transfers received at office of the Share Registrar and Transfer Agent of the Bank at its below mentioned address, at close of business hours on **March 16, 2022** will be treated as being in time for the purpose of entitlement of Final Cash Dividend and also to attend, speak and vote at the AGM of the Bank.
3. All Members are entitled to attend and vote at the Meeting. A member entitled to attend and vote at AGM may appoint another member as a proxy to attend and vote on his/her behalf. No person shall act as a proxy, who is not a member of the Bank. A corporate entity, being a member, may authorize through resolution of its board or other governing body, an individual to act as its representative and the individual so authorized shall be entitled to exercise the same powers on behalf of the corporate entity which he represents.
4. The proxies and in case of corporate entity, the power of attorney or resolution of the board of directors or other governing body (if any) under which it is signed, a notarized/certified copy of the same in order to be effective must be deposited at the Registered Office of the Bank not later than 48 hours (no account shall be taken of any part of the day that is not a working day) before the time for holding the Meeting, and must be duly stamped, signed and witnessed.

5. If a Member appoints more than one proxy, and more than one instrument of proxy is deposited by a Member, all such instruments of proxy shall be rendered invalid.
6. Members having physical scrip of shares are requested to immediately notify the change, if any, in their registered addresses and e-mails, in writing, to the Share Registrar and Transfer Agent of the Bank, whereas, CDC Account holders are requested to contact their CDC Participant/CDC Account Services.
7. Central Depository Company of Pakistan ("CDC") Accountholders will further have to follow the under mentioned guidelines as laid down by Circular No. 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan ("SECP"):

For Attending the Meeting:

- i. In case of individuals, the account-holder or sub-accountholder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall authenticate his identity by showing his original Computerized National Identity Card ("CNIC") or original passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For Appointing of Proxies:

- i. In case of individuals, the account-holder or sub-accountholder and their registration details are uploaded as per the CDC Regulations, shall submit the Proxy Form as per the above requirement.
 - ii. The Proxy Form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the Proxy Form.
 - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
 - iv. The proxy shall produce his/her original CNIC or passport at the time of the Meeting.
 - v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with Proxy Form of the Bank.
8. A Proxy Form, both in English and Urdu language, is being sent to the Members, along with Notice of AGM.
 9. Copies of the Notice of AGM and the latest annual audited/quarterly financial statements of the Bank have been kept at the Registered Office of the Bank which can be inspected during the business hours on any working day from the date of publication of this Notice of AGM till the day before the AGM.
 10. Annual Report 2021 including Notice of AGM, and the annual audited financial statements, reports and other material has also been placed on website of the Bank. www.mcb.com.pk
 11. Members can attend and participate in the AGM through Video-Link. Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital of the Bank may demand to provide the facility of video-link for participating in the AGM. The demand for video-link facility shall be received by the Company Secretary at the Registered Office of the Bank situated at MCB Building, 15-Main Gulberg, Jail Road, Lahore, at least seven (7) days prior to the date of AGM. In this regard, a 'Standard Request Form for Video-Link Facility' is available on the Bank's website. www.mcb.com.pk

Coronavirus (COVID-19) Contingency Planning for AGM

As per the requirements of the SECP, the Bank is providing video Link facility for participation in the AGM. This facility is in addition to hold physical AGM at designated venue. Keeping in view the COVID-19 related Standard Operating Procedures ("SOPs") issued by the Provisional and/or the Federal Government, the Members are encouraged to participate in the meeting through Video Link. The Members or their proxy holders who wish to attend the AGM through

Video-Link are required to register themselves by providing the following information along with valid CNIC/ Passport (both sides)/attested copy of board resolution /power of attorney as applicable through email at: cat@mcb.com.pk, of the Bank by close of business on March 25, 2022.

Name of Shareholder	Folio/CDC Account Number	Number of Shares Held	Valid CNIC/NTN/ Passport Number	Mobile Number and Email Address

The Members or their proxies who are registered after necessary verification shall be provided a Video Link facility by the Bank on their email address. The Login facility shall remain open from the start of the AGM till its proceedings are concluded. The Members can also provide their comments/suggestions for the proposed agenda items of the AGM at email, i.e., cat@mcb.com.pk.

Statement Under Section 134(3) Of The Companies Act, 2017
In Respect Of Special Business

This statement under Section 134(3) of the Companies Act, 2017 sets out the material facts pertaining to the Special Business to be transacted at AGM of the Bank:

Agenda Item No. 5

Amendments in Directors' Remuneration Policy:

The Board of Directors has approved amendments in Directors' Remuneration Policy of the Bank in accordance with the requirements of the Corporate Governance Regulatory Framework ("**CGRF**") issued by the State Bank of Pakistan.

The comparison of the major amendments is as follows:

Clause Ref. No.	Existing Clause	Amended Clause
1.3	The Board may determine additional remuneration for a director including the Chairman for performing extra services. However, such additional remuneration shall not exceed the limits as prescribed in BPRD Circular No. 03 of 2019.	The Board may determine additional remuneration for a director including the Chairman of Board and Chairman of any Board's Sub-Committees of the Bank for performing extra services. However, such additional remuneration shall not exceed the limits as prescribed in G-14 of the CGRF .
4.1	The Bank shall either make all arrangements for travelling, boarding and lodging of Board Members for attending Board and its Committees meetings and any other meeting relating to Bank's business or reimburse such expenses to the Board Members, on actual basis.	The Bank shall either make all arrangements for travelling, boarding and lodging of Board Members for attending Board and its Committees meetings and any other meeting relating to Bank's business or reimburse such expenses including any relevant domestic training to the Board Members, on actual basis.

The Shareholders are requested to consider and if thought fit, to approve, with and without modification, the amended Directors' Remuneration Policy of the Bank by passing the following resolution as an Ordinary Resolution:

"RESOLVED THAT the amended Directors' Remuneration Policy, as recommended by the Board of Directors of the Bank, in accordance with the requirements of the Corporate Governance Regulatory Framework, issued by the State Bank of Pakistan, be and is hereby approved."

The Directors of the Bank have no personal interest, directly or indirectly, in the above special business, save to the extent of their respective shareholding in the Bank. Further, the amended Directors' Remuneration Policy of the Bank has been kept at the Registered Office of the Bank which can be inspected during the business hours on any working day from the date of publication of this Notice of AGM till the day before AGM.

Attention of Shareholders is drawn towards Circulars/Notifications:

The following Circulars/Notifications require special attention of Members of the Bank:

1. Requirement of Valid CNIC and IBAN:

As per the regulatory requirements issued by the Securities & Exchange Commission of Pakistan, the payment of cash dividend shall only be made to the Shareholders who have provided copies of their valid CNIC/ NICOP/ Passport (in the case of Individuals) and NTN certificate (in the case of corporate entities) and valid details of designated International Bank Account Number ("IBAN"). In case of non-availability of the said information, the Bank will hold the payment of cash dividend. Therefore, shareholders who have not yet provided the required information are requested to provide copies of their valid CNIC/NICOP/NTN/Passport and details of valid IBAN.

2. Requirement of FBR's Approval or Valid Tax Exemption Certificate for Claim of Exemption U/S 150 of the Income Tax Ordinance, 2001:

The Honorable Lahore High Court, Lahore, in its decision has advised that the Mutual Funds as approved by the Federal Board of Revenue ("FBR"), are not required to provide exemption certificate under Section 159 of the Income Tax Ordinance, 2001 ("Ordinance") to claim tax immunity as per clause (47B) of Part-IV of the Second Schedule to the Ordinance. Such Shareholders are requested to provide either approval certificate from FBR or in the absence of the said certificate, valid exemption certificate under Section 159 (1) of the Ordinance issued by the concerned Commissioner of the Income Tax, Inland Revenue, FBR. In case of non-availability of approval / exemption certificate(s), the deduction of advance tax on dividend shall be made as per the relevant provisions of the Ordinance.

3. Deduction of Withholding Tax as Filer/Non-filer and Joint Shareholders:

FBR has provided the Active Tax-Payer List ("ATL"), for identification of filer/non-filer status of the shareholders on the basis of NTN/CNIC number. In case of non-availability of valid NTN/CNIC number with the Share Registrar and Transfer Agent of the Bank, it will not be possible to identify the status of Shareholder as filer or non-filer and such shareholders will be treated as 'Non-filer'.

Further, Joint shareholders are also requested to communicate their percentage of shareholding to the Share Registrar and Transfer Agent of the Bank in order to calculate withholding tax applicable to each Joint shareholder based on filer/non-filer status. Kindly note that in case of non-receipt of such information, each joint shareholder will be assumed to hold equal proportion of shares and the deduction will be made accordingly.

4. Circulation of Annual Audited Financial Statements and Notice of AGM to Members:

SECP has allowed companies to circulate Annual Audited Financial Statements along with Notice of Annual General Meeting to its Members through email. Further, SECP has also allowed companies to transmit Annual Audited Financial Statements through electronic medium, i.e., CD/DVD at their registered addresses. However, in case a shareholder requires hard copy of the Annual Audited Financial Statements, the same can be obtained, free of cost, within one week of the request. In this regard, a Standard Request Form has been placed on website of the Bank, i.e., www.mcb.com.pk

5. Unclaimed Dividends and Shares Certificates:

The shareholders who have not yet claimed their cash dividends, right and bonus shares, which are either kept with the Shareholders themselves or returned as undelivered to the Share Registrar and Transfer Agent of the Bank, are requested to make a claim for such unpaid/unclaimed dividends, right and bonus shares with the Bank. In this regard, the Bank has sent notices to the Shareholders at their registered addresses and also published in the newspapers having wide circulation requesting them to submit their claims. In the absence of such claims, the Bank will proceed to comply with regulatory requirements.

6. Zakat Declaration (CZ-50):

Zakat will be deducted from the dividends at source under the Zakat & Usher Laws and will be deposited within the prescribed period with the relevant authority. Please submit your Zakat declarations under the Zakat and Usher Ordinance, 1980 & Rule 4 of the Zakat (Collection and Refund) Rules, 1981, in case you want to claim exemption, with your brokers or the Central Depository Company of Pakistan Limited (in case the shares are held in Book-Entry Form) or to Bank's Share Registrar and Transfer Agent (in case the shares are held in Physical Form) at its below mentioned address.

7. Conversion of Physical Shares into Book-Entry Form:

SECP has advised the listed companies to pursue their Members who still hold shares in physical form to convert their shares into Book-Entry Form. All such Members are hereby advised to open Investor Account directly with Central Depository Company of Pakistan Limited or CDC sub-account with any of the active Stock Brokers of Pakistan Stock Exchange to facilitate conversion of Physical shares into Book-Entry Form. Members are further informed that holding shares in Book-Entry Form have several benefits including but not limited to secure and convenient custody of shares, ready to trade and conveniently transferable, no risk of the loss, damage or theft, no stamp duty on transfer of shares in Book-Entry Form and hassle-free credit of bonus and right shares. The shareholders may also contact the Share Registrar and Transfer Agent of the Bank for the conversion of Physical shares into Book-Entry Form at below mentioned address.

**M/s THK Associates (Pvt) Ltd.,
Share Registrar and Transfer Agent-MCB Bank Limited**

Plot No. 32-C, Jami Commercial Street 2, D.H.A.,
Phase VII, Karachi-75500. Pakistan.
P.O. Box No. 8533, UAN: +92 (21) 111-000-322,
Fax: +92 (21) 35310191.

Email: sfc@thk.com.pk

Website: www.thk.com.pk

Glossary of Terms

Important terms and formulae used for calculation in Financial Statements are briefly described here;

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Basel III

Basel III (or the Third Basel Accord) is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk.

Basis point

One hundredth of a per cent i.e. 0.01 per cent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets excluding the impact of revaluation on fixed assets, divided by the total number of share outstanding at year end.

BSD

Banking Surveillance Department of State Bank of Pakistan

BPRD

Banking Policy and Regulation Department of State Bank of Pakistan

CAGR

An abbreviation for Compound Annual Growth Rate.

Capital Adequacy Ratio (CAR)

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan.

Cash Reserve Ratio (CRR)

Cash Reserve Ratio is the amount of funds that the banks have to keep with SBP. Cash Reserves was required to be maintained at an average of 5% of total of demand liabilities and time deposits with tenor of less than 1 year, during the reserve maintenance period however effective November 12, 2021 Cash Reserves shall be maintained at an average of 6% of total of demand liabilities and time deposits with tenor of less than 1 year. (Ref: DMMD Circular No. 20 of 2021)

Cash Equivalents

Short-term highly liquid investments that is readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Commitment to Extend Credit

Credit facilities approved but not yet utilized by the client as at the Balance Sheet date.

Cost to Income Ratio

The proportion of admin expenses to total income, represented as combination of net interest income and non-interest income.

Credit Risk Spread

The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.

Discount rate

Discount is the rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

Dividend Payout Ratio

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

Dividend Yield Ratio

Dividend per share divided by the market value of share. Earnings Per Share Profit after taxation divided by the weighted average number of ordinary shares in issue.

Efficiency Ratio

Calculated as Net Interest Income as a percentage of working funds / operating cost.

Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

Forced Sale Value (FSV)

Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently is obtained by selling the mortgaged / pledged assets in a forced / distressed sale conditions.

Foreign Exchange Options (FX Options)

Contracts that give the buyer the right, but not the obligation, to buy or sell one currency against the other, at a predetermined price and on or before a predetermined date. The buyer of a call/ put FX option has the right to buy/sell a currency against another at a specified rate.

Forward Purchase Contract

Forward purchase contract is one in which the exporter enters into the forward booking contract to protect himself from the exchange rate fluctuation at the time of receiving payment.

Forward Sale Contract

In a forward sale contract the importer enters into a transaction to buy foreign currency from the Bank at the predetermined rate to protect himself from the exchange fluctuation at the date the payment.

Glossary of Terms

Government Securities

Government Securities shall include such types of Pak. Rupee obligations of the Federal Government or a Provincial Government or of a Corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government as the Federal Government may, by notification in the Official Gazette, declare, to the extent determined from time to time, to be Government Securities.

Historical Cost Convention

Recording transactions at the actual value received or paid.

Impairment allowances

A provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss inherent in the lending book. An impairment allowance may either be identified or unidentified and individual or collective.

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

IFRIC

International Financial Reporting Interpretation Committee

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Loan losses and provisions

Amount set aside against identified and possible losses on loans, advances and other credit facilities as a result of their becoming party or wholly uncollectible.

Liquid Assets

The assets which are readily convertible into cash without recourse to a court of law and mean encashment / realizable value of government securities, bank deposits, certificates of deposit, shares of listed companies which are actively traded on the stock exchange, NIT Units, certificates of mutual funds, Certificates of Investment (COIs) issued by DFIs / NBFCs rated at least 'A' by a credit rating agency on the approved panel of State Bank of Pakistan, listed TFCs rated at least 'A' by a credit rating agency on the approved panel of State Bank of Pakistan and certificates of asset management companies for which there is a book maker quoting daily offer and bid rates and there is active secondary market trading. These assets with appropriate margins should be in possession of the banks / DFIs with perfected lien.

Market Capitalization

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

Net Interest Income (NII)

Net interest income is the difference between the interest earned on assets and interest expensed on liabilities.

Non-Performing Loan

A non-performing loan is a loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

Non-Performing Assets

A financial asset held on the books of a financial institution with respect to which the obligor has been in arrears for more than one year on any payment obligation and includes all security interests with respect thereto.

NPLs to Gross Advances/Loans

Represents the infected portfolio of the bank and is calculated by dividing the total non-performing loans by gross advances.

Non-Performing Loan-Substandard Category

Where mark-up/interest or principal is overdue by 90 days or more from the due date.

Non-Performing Loan-Doubtful Category

Where mark-up/interest or principal is overdue by 180 days or more from the due date.

Non-Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

Off Balance Sheet Transactions

Transactions that are not recognized as assets or liabilities in the statement of financial position but which give rise to contingencies and commitments.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share. Repo / Reverse Repo A repurchase agreement, or repo, is a short term funding agreements which allow a borrower to sell a financial asset, such as ABS or government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

Return on Equity (ROE)

Represents the ratio of the current year's profit available for distribution to the weighted average shareholders' equity over the period under review, calculated by dividing the net profit (profit after tax) to the average equity (before surplus) for the period.

Glossary of Terms

Return on Assets (ROA)

Indicator of profitability of the business relative to the value of its assets, calculated by dividing the net profit (profit after tax) to the average total assets for the period.

Statutory Reserve Funds

A capital reserve created as per the provisions of the section 21 of Banking Companies Ordinance, 1962.

Small Enterprise

A Small Enterprise (SE) is a business entity which meets both the following parameters:

Number of Employees	Annual Sales Turnover
*Up to 50	Up to Rs. 150 million

*including contract employees.

Strategic Investment

Strategic Investment is an investment which a bank / DFI make with the intention to hold it for a period of minimum 5 years.

The following must be noted further in respect of strategic investment:

- The bank should mark strategic investment as such at the time of investment
- If there are a series of purchases of stocks of a company, the minimum retention period of 5 years shall be counted from the date of the last purchase.

SRO

Statutory Regulatory Order

KIBOR – (Karachi Interbank Offered Rate)

KIBOR is the interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

LIBOR (London Interbank Offered Rate)

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

VaR

Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.

Weighted Average Cost of Deposits

Percentage of the total interest expense on average deposit of the bank for the period.

Form of Proxy

74th Annual General Meeting

I/We _____
 of _____ being a member of **MCB Bank Limited**, holder of _____ Ordinary
 Share(s) as per Folio No. and/or CDC Account No. _____ do hereby appoint
 Mr./Mrs./Miss _____ having Folio No. /CDC Account No. _____
 or failing him/her, Mr./Mrs./Miss _____ having Folio No. /CDC Account No. _____
 as my/our proxy to attend, speak and vote for me/us on my/our behalf at the **74th Annual General Meeting ("AGM")**
 of the Bank to be held on **Tuesday**, the **29th** day of **March, 2022 at 11:00 AM (PST)** at Imperial Ball Room, 4th Floor-
 Banquets, The Nishat Hotel, Emporium, Abdul Haq Road, Johar Town, Lahore, and at any adjournment thereof in the
 same manner as I/we/myself/ ourselves would vote if personally present at such meeting.

As witness my / our hand/Seal this _____ day of _____ 2022.

Signed by _____

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on
Five-Rupees
Revenue Stamp

The signature should agree
with the specimen registered
with the Bank.

Witnesses:

1. Name : _____	2. Name : _____
Address : _____	Address : _____
CNIC No. : _____	CNIC No. : _____
Signature : _____	Signature : _____

Note:

- A member eligible to attend, speak and vote at the AGM may appoint another member as his/her proxy who shall have such rights as narrated in Section 137 of the Companies Act, 2017.
- This Proxy Form, duly completed and signed, must be deposited in the office of M/s THK Associates (Pvt) Limited, the Share Registrar and Transfer Agent of the Bank, situated at Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi-75400, not later than 48 hours before the time of holding the meeting.
- If a member appoints more than one proxy and more than one instrument of proxies are deposited by a member with the Share Registrar and Transfer Agent of the Bank, all such instruments of proxy shall be rendered invalid.
- For CDC Account Holders / Corporate Entities**
 - Attested copies of CNIC/ NICOP or the passport of the beneficial owners and the proxy shall be provided with the Proxy Form.
 - The proxy shall produce his/her original CNIC/ NICOP or passport at the time of the meeting.
 - In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with Proxy Form to the Share Registrar and Transfer Agent of the Bank.

74واں سالانہ عام اجلاس

میرے اہمارے دستخط، بتاریخ _____ 2022ء

دستی

یا نچ رویہ کے ریونیو سٹامپ پر دستخط

دستخط بینک میں رجسٹرڈ نمونے سے
مطابقت رکھتے ہوں

گواہان:

(1) نام: _____ پتہ: _____ شناختی کارڈ نمبر: _____ دستخط: _____	(2) نام: _____ پتہ: _____ شناختی کارڈ نمبر: _____ دستخط: _____

نوٹ:

- 1- اے جی ایم میں شرکت کرنے، بولنے اور ووٹ دینے کا اہل رکن کسی دوسرے رکن کو اپنا/اپنی پر کسی مقرر کر سکتا ہے جس کو وہ تمام حقوق حاصل ہونگے جیسا کہ کمپنیز ایکٹ 2017ء کے سیکشن 137 میں بیان کئے گئے ہیں۔
 - 2- یکمل پُر کردہ اور دستخط شدہ پراکسی فارم بینک کے شیئرز جسٹرار اور ٹرانسفر ایجنٹ میسرز ٹی ایچ کے ایسوی ایٹس (پرائیویٹ) لمیٹڈ، بمقام پلاٹ نمبر C-32، جانی کمرشل اسٹریٹ 2، ڈی ایچ اے، فیز VII، کراچی۔ 75400 کے دفتر میں اجلاس کے انعقاد سے 48 گھنٹے پہلے جمع کروانا ہوگا۔
 - 3- اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور بینک کے شیئرز جسٹرار اور شیئرز ٹرانسفر ایجنٹ کے پاس رکن کی طرف سے پراکسی فارم کی ایک سے زائد دستاویزات جمع کرائی جائیں تو پراکسی کی ایسی تمام دستاویزات کا اہم تصور ہوں گی۔
 - 4- سی ڈی سی اکاؤنٹ رکھنے والوں/کارپوریٹ اداروں کے لیے:
- مستفید مالکان اور پراکسی کے سی این آئی سی/این آئی سی او پی یا سپورٹ کی تصدیق شدہ کاپیاں پراکسی فارم کے ساتھ مہیا کی جائیں گی۔
 - اجلاس کے موقع پر پراکسی اپنا اصل سی این آئی سی/این آئی سی او پی یا سپورٹ مہیا کرے گا۔
 - کارپوریٹ ادارہ ہونے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نمونے کے مطابق دستخط کے ساتھ بینک کے رجسٹرار اور ٹرانسفر ایجنٹ کے پاس پراکسی فارم کے ساتھ جمع کروانا ہوگا۔

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Registered Office: MCB House, 15 Main Gulberg, Jail Road, Lahore, Pakistan
U: +92 42 111 000 622 T: +92 42 36041998-9 E: info@mcb.com.pk www.mcb.com.pk