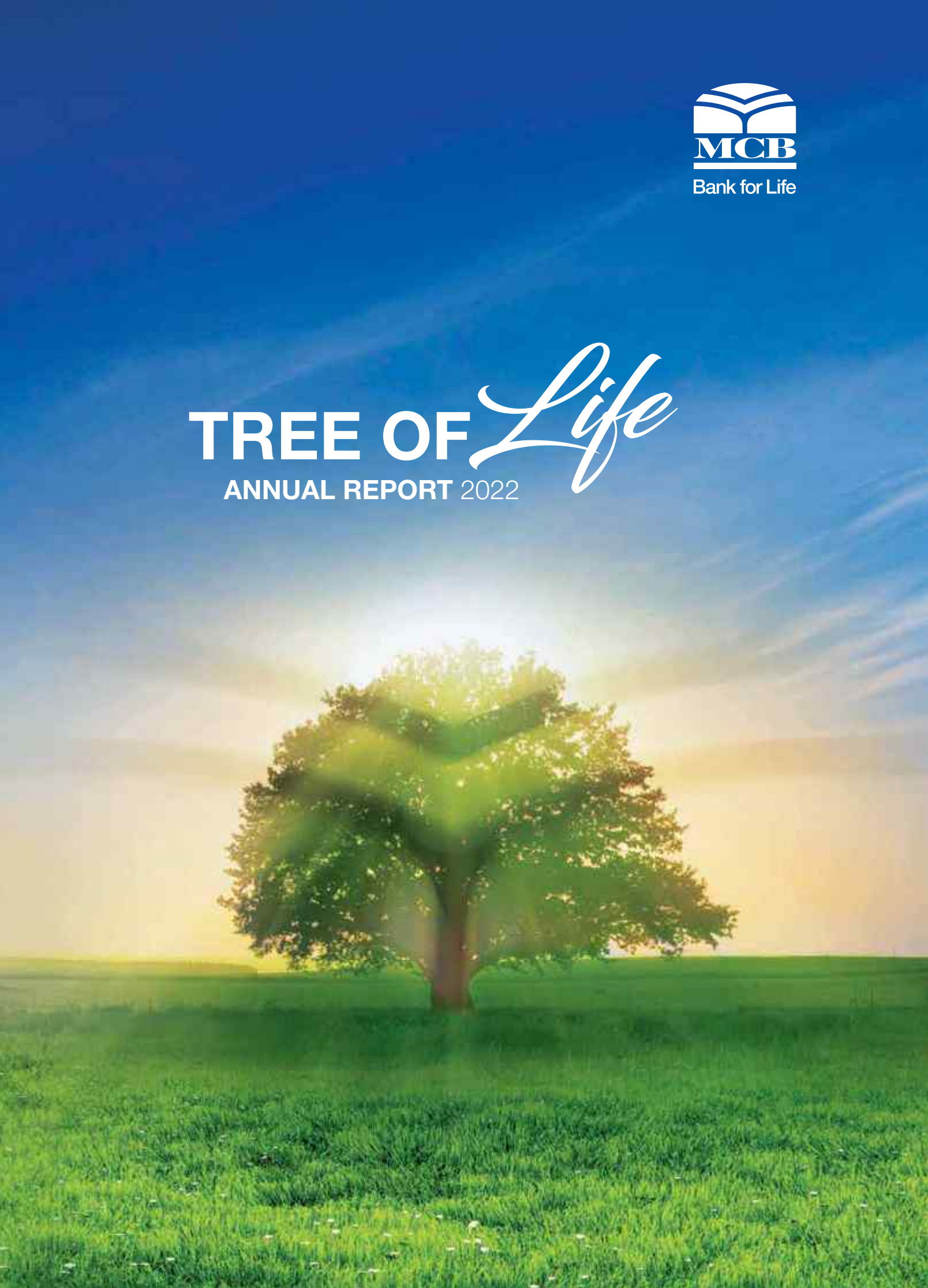




# TREE OF *Life*

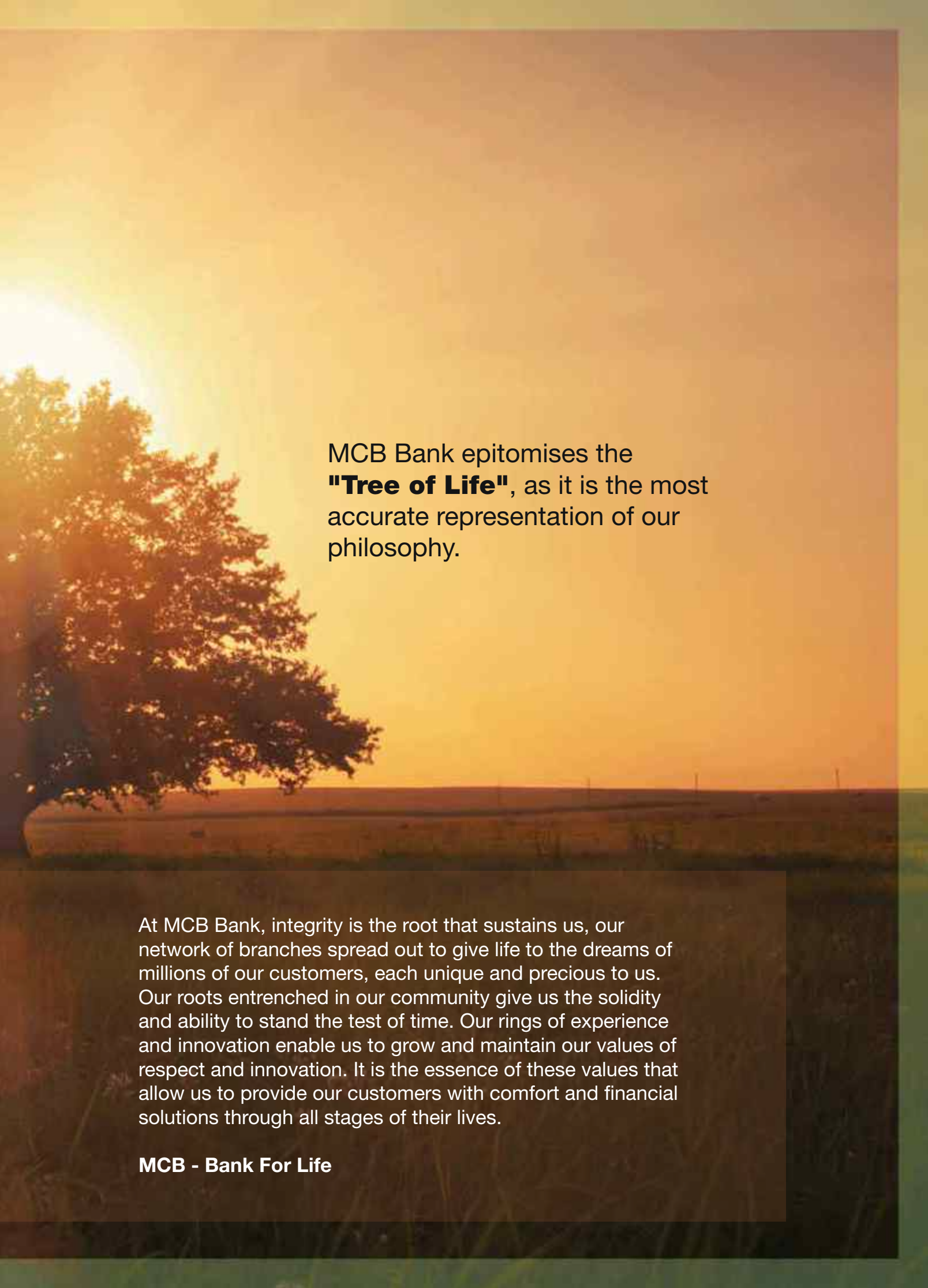
ANNUAL REPORT 2022











MCB Bank epitomises the  
**"Tree of Life"**, as it is the most  
accurate representation of our  
philosophy.

At MCB Bank, integrity is the root that sustains us, our network of branches spread out to give life to the dreams of millions of our customers, each unique and precious to us. Our roots entrenched in our community give us the solidity and ability to stand the test of time. Our rings of experience and innovation enable us to grow and maintain our values of respect and innovation. It is the essence of these values that allow us to provide our customers with comfort and financial solutions through all stages of their lives.

**MCB - Bank For Life**

# 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 term. An integrated report describes this value creation process concisely including the business model, strategies, governance, processes, risks and opportunities.

MCB is one of the largest Commercial Banks in the country and plays a vital role in the economy through its presence at the grassroots level with a sprawling network of branches and a wide customer base. Therefore, MCB has a socio-economic impact that extends far beyond its bottom line; making it imperative for the Bank to reassure its stakeholders that all public interest stands adequately safeguarded.

Adoption of International Integrated Reporting (IR) Framework depends on the individual circumstances of an entity. The Bank has adopted the IR Framework to give an overview of Bank's philosophy and to explain the connection between its financial and non-financial information; which would enhance user's understanding as to how the Bank is continuously adopting to improve its performance keeping in view various stakeholder interests.

IR 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 valuable opinion of stakeholders reading this report.

## Scope and Boundary of Reporting

Boundary	Contents	Scope
Integrated Reporting boundary	<ul style="list-style-type: none"><li>Organizational Overview</li><li>Performance &amp; Position</li><li>Strategy &amp; Resource Allocation</li><li>Risk and Opportunities</li><li>Corporate Governance</li><li>Sustainability &amp; Corporate Social Responsibility</li><li>Stakeholders Relationship &amp; Engagement</li><li>Excellence in Corporate Reporting</li></ul>	<ul style="list-style-type: none"><li>Integrated Reporting Framework</li><li>Banking Companies Ordinance, 1962</li><li>Companies Act, 2017</li><li>Listed Companies (Code of Corporate Governance) Regulations, 2019.</li></ul>
Financial Reporting Boundary	<ul style="list-style-type: none"><li>Unconsolidated Financial Statements</li><li>Consolidated Financial Statements</li></ul>	<ul style="list-style-type: none"><li>International Financial Reporting Standards</li><li>Banking Companies Ordinance, 1962</li><li>Companies Act, 2017</li><li>Directives issued by SBP &amp; SECP</li></ul>

## Reporting Period

The report provides information relating to MCB's business model, operating context, material risks and opportunities, and governance and operational performance for the period January 01, 2022 to December 31, 2022 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 February 08, 2023 have also been included. The most recent previous report was dated December 31, 2021.

## 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).



## CONTACT

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

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# ENTS



## **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.







## **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.

A large tree with thick, exposed roots in a natural setting. The roots are gnarled and spread out across the ground, some reaching towards the camera. The background shows a dense forest of green trees under a bright sky. The overall scene is lush and natural.

## **Integrity is the root that sustains us!**

Integrity is at the root of all we do. Our roots are deep and based on a legacy of integrity, honest values and principles. These roots are also a symbol of solidity as they have helped us stand firm against the test of time.





**We never leave our roots;  
We just grow new branches!**

Just like a tree grows new branches to spread its shade,  
our network branches out to give life to the dreams of  
millions of our customers from diverse walks of life.








## Pillar of **strength!**

The unwavering loyalty of our customers and patrons form the trunk of our Tree of Life. We stand upright and proud due to your strength and trust in us.







Marked by the rings of  
**experience!**

Years of hard work, perseverance and uncompromising focus on quality are demonstrable through our rings of experience, that set us apart from the rest and make us one of Pakistan's leading banks.



A vertical photograph of a sunset. The sky is filled with warm, golden-orange light, with the sun's glow visible on the left side. In the foreground, the dark silhouette of a pine tree branch with several clusters of needles extends from the top left towards the center. At the bottom of the image, there is a field of tall grass, some of which is in focus and appears to be blowing in the wind.

## Giving our patrons **shelter for life!**

As the leaves of a tree provide shade and protect those in its vicinity, we provide financial services that safeguard our customers and help them plan for the unseen future.



## **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 customer 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.





# Awards

2022 International Finance Awards  
2022 Asiamoney Best Bank Awards  
2022 ICAP and ICMAP  
2022 ICAP and ICMAP  
2022 SAFA 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

Best Corporate Finance Bank – Pakistan  
Best Corporate Bank - Pakistan  
Best Corporate Report Award 2021 – Joint Winner (Banking Sector)  
Overall Best Corporate Report Award 2021 – Joint Runner up  
Joint Silver Award for Best Presented Annual Report 2021 - Private Sector Banks

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 (Banking Sector)  
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 (Banking Sector)  
Joint 1<sup>st</sup> 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 (Banking Sector)  
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 (Banking Sector)

Best Investment Bank in Pakistan  
Best Corporate Report Award 2016 - Winner (Banking Sector)  
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 (Banking Sector)  
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 (Banking Sector)  
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 (Banking Sector)  
1st Runner up Best Presented Annual Accounts 2013 - Banking Sector

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 Domestic Bank - Pakistan  
Best Islamic Deal  
Best Corporate Report Award 2012 - Winner (Banking Sector)  
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

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

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

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

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

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

2009 Asiamoney  
2009 The Asset

Best Domestic Bank in Pakistan  
Best Domestic Bank in Pakistan

2008 Euromoney  
2008 Euromoney  
2008 Asiamoney

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

2006 Asiamoney  
2006 Euromoney

Best Domestic Bank in Pakistan  
Best Bank in Pakistan

2005 Asiamoney  
2005 Euromoney

Best Domestic Bank in Pakistan  
Best Bank in Pakistan

2004 Euromoney  
2004 Asiamoney

Best Bank in Pakistan  
Best Domestic Bank in Pakistan

2003 Euromoney

Best Bank in Pakistan

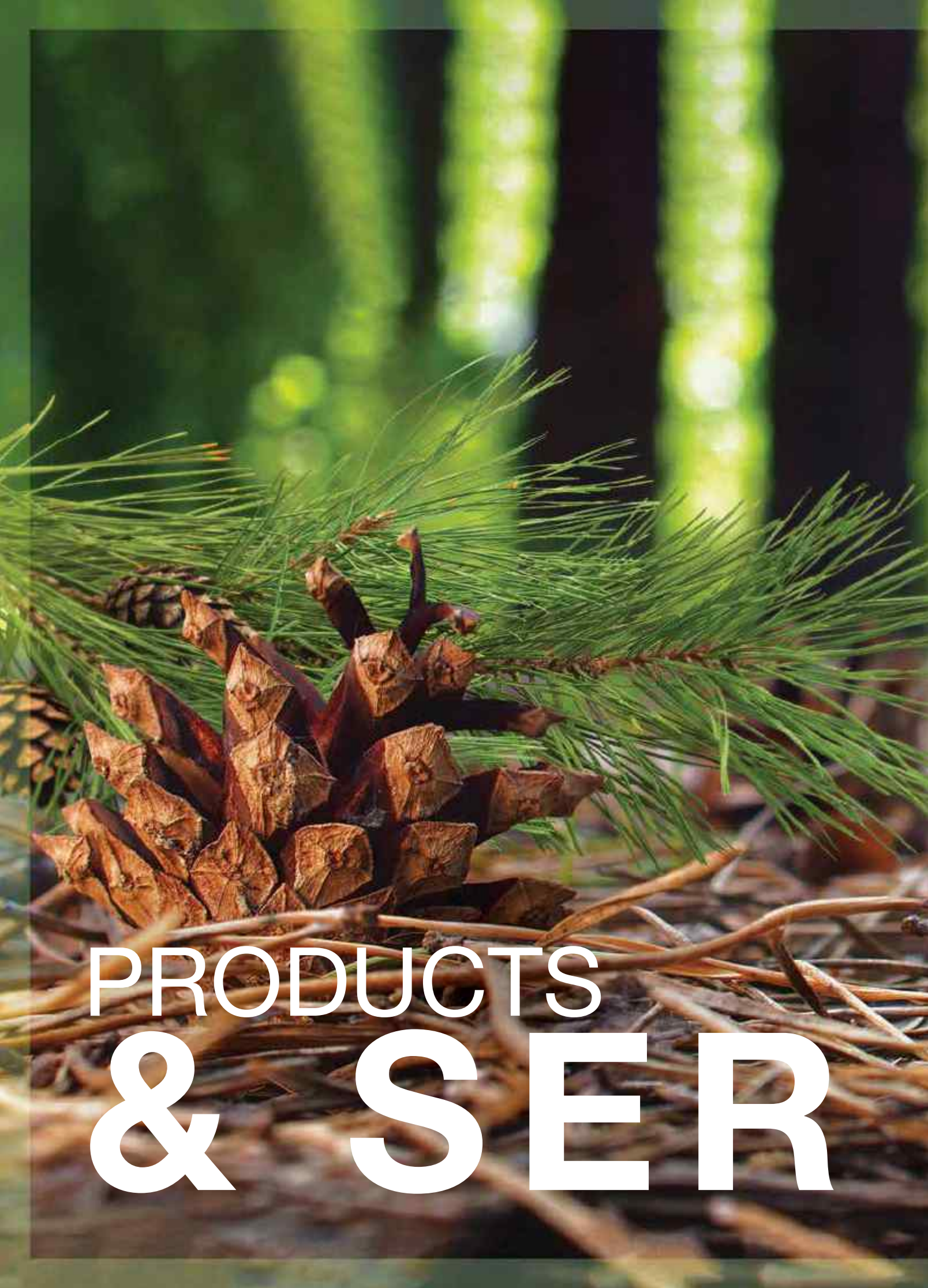
2001 Euromoney

Best Bank in Pakistan

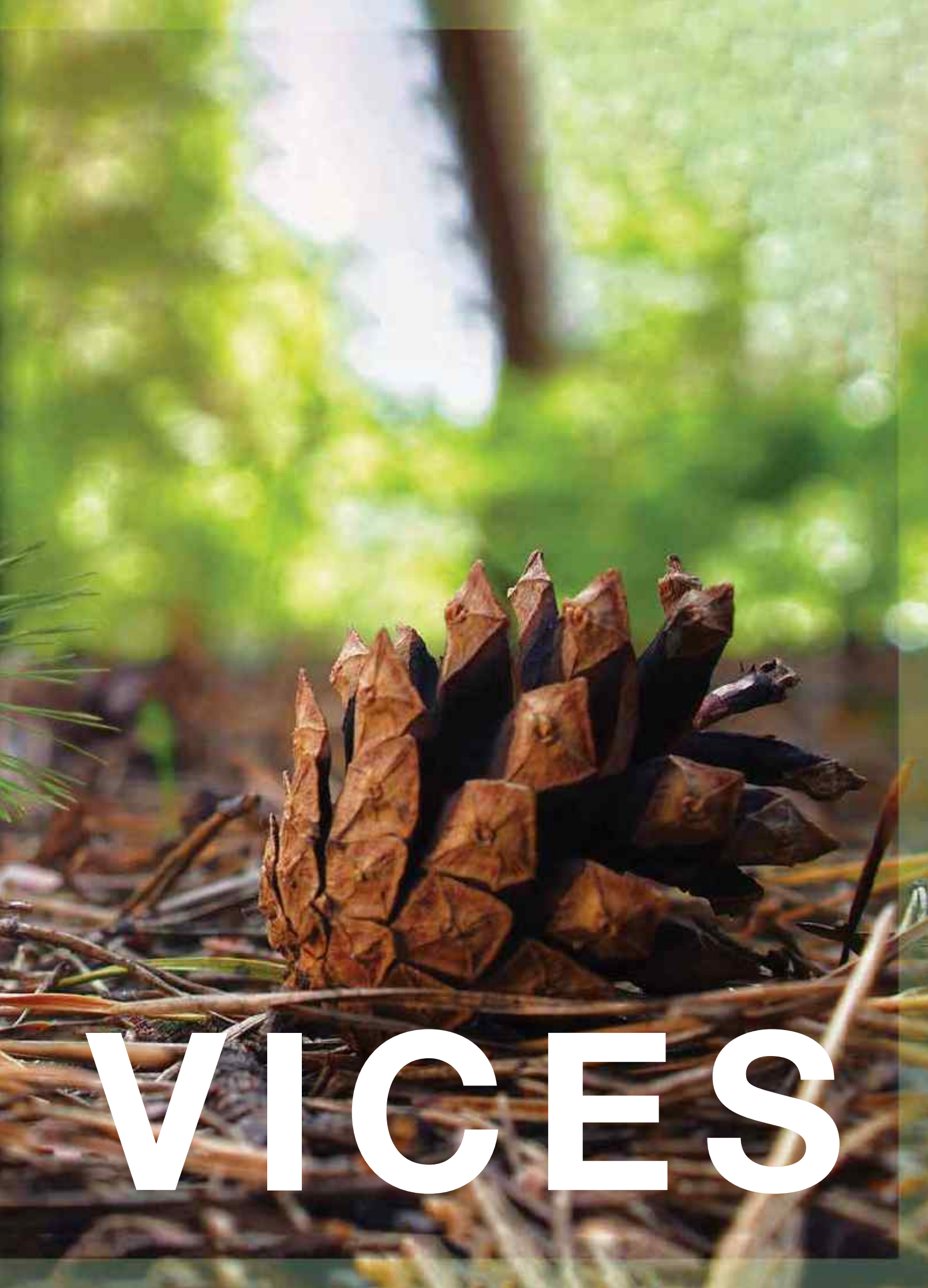
2000 Euromoney

Best Bank in Pakistan





PRODUCTS  
& SERVICES



**VICES**

## MCB Retail Liability Products

MCB Bank offers a wide variety of products and services, hence ensuring ease and freedom for the customer to bank from our branch network of 1,400+ locations geographically spread across the country. The Bank's product suite caters to all types of customer segments' banking needs ranging from individuals to corporate entities. Products are offered both in local & foreign currency and are available in current & savings variants, exclusively designed to provide valued customers with transactional accessibility and flexibility for their financial dealings backed by strong segment based product offerings. Furthermore, MCB Bank's Term Deposits are offered in attractive short / medium / long term investment options with convenience and security along with auto rollover and renewal facility.

In order to meet the needs of MCB Bank's diverse clientele, the Bank is offering a comprehensive range of new products & services perfectly suited for each segment's needs.

## MCB One Current Account

After the resounding success of MCB One, our unique all in one multi-tiered current account, we have further enriched our product offering by introducing a new deposit tier "Bronze" in addition to existing tiers of Core, Silver, Gold & Platinum. The bank account is a holistic financial solution that provides free services (banker's cheque, cheque book, debit card, intercity transactions, SMS facility and 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.



## 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.

## 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, Equity & Real Estate Investment and Pension Plan) and donations (Roshan Samaaji Khidmat & Roshan Qurbani).



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 Works**

MCB Bank revamped its Employee Banking Proposition by launching MCB Works – an account for the salaried segment, which is convenient for employers and beneficial for employees. The new proposition is launched keeping in mind the needs of the salaried segment and this is the first time that a segmented product offering is combined with an efficient and hassle-free digital onboarding experience. The account offers a wide range of services that includes special offers on Consumer Finance products, Free cash withdrawals, Debit Cards and access to Privilege lounges among many other benefits, because at MCB we believe that your employees deserve the best.



### **MCB Young Account**

MCB Bank has always remained focused on providing segment based banking services to all potential customers. To cater and attract youth segment as bank customers and facilitate them in their financial needs, MCB Bank introduced MCB Young Account both in Current & Savings variants during 2022. Exclusive features/ benefits are embedded within MCB Young account products and can be conveniently opened digitally via MCB e-account portal.



### **MCB Ladies Account**

MCB Ladies Account is targeted specifically towards women with the main objective to provide focused financing for females of Pakistan and give them the freedom of managing their own finances with a sense of security and independence. To exclusively cater to female segment, MCB Bank has re-vamped MCB Ladies Current Account with value added benefits and has introduced the MCB Ladies Savings Account to facilitate customers even further. Exclusive features/ benefits are embedded in MCB Ladies Accounts along with the provision of digital account opening via MCB e-account portal.



### **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. Attractive discount on numerous services can be availed by opening a MCB Senior Citizens Account.

### **MCB Pensioners Account**

MCB Pensioners Account comes in both Current and Savings variants and allows accountholders to live their lives to the fullest and face the future with confidence. This account is designed specially to cater to the financial needs of pensioners and is in compliance with regulatory requirements. Attractive discounts on numerous services can be availed by opening a new 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 account 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 a MCB Burqraftaar Remittance Account instantly. The account offers free debit card and insurance coverage to both the remitter and beneficiary.

## MCB Asaan Remittance Account

This 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 account 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 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 offers a digital account opening solution (MCB e-Account) for Resident Pakistani individuals to enhance access to 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).

## MCB Account Conversion Facility

During the year 2022, the Bank added a new service to facilitate customers for conversion of their existing Account to any other Account of their choice across different account types. Now, any Current Account can be converted to any Savings Account and vice versa.

In addition, MCB Bank also offers the following liability products:

Current Account Products	Savings Account Products	Term Deposit Products
MCB Current Account	MCB Profit & Loss Account	MCB Flexi Deposit Account
MCB Business Account	MCB 365 Savings Account	MCB Mahana Profit Account
MCB Fun Club Current Account	MCB Smart Savings Account	MCB Higher Mahana Profit Account
MCB Basic Banking Account	MCB Savings XTRA Account	MCB Special Foreign Currency Account
MCB Current Life Account	MCB Savings Maximizer Account	
Roshan Digital Account	Roshan Digital Account	
Asaan Digital Account	Asaan Digital Account	
Asaan Digital Remittance Account	Asaan Digital Remittance Account	
Freelancer Digital Account	Freelancer Digital Account	
MCB New Foreign Currency Account	MCB New Foreign Currency Account	



## MCB Wealth Management and Privilege Banking

The year 2022 saw significant changes in Bancassurance, with new SBP regulations kicking in which saw an increased focus on customer selection. At the beginning of the year, SBP also prohibited sales of conventional banks without an Islamic window from offering Takaful products to their customers. Since MCB falls into this category, this had a significant impact on our sales for the year, since Takaful had previously constituted approximately 40% of MCB's Banca portfolio. The loss of this segment caused a shortfall against the target, particularly from geographies where the market preference was for Takaful and Islamic products. However, total sales volume in 2022 for conventional life-insurance Banca grew against the previous year (FY2022: 2,032 Mn vs FY2021: 1,906 Mn) and the business has also accelerated its effort to develop new sales channels like MCB Live and telesales, which should start generating volume from Q1 2023.

While the high-inflationary environment put pressure on the Banca business, it served as a stimulant for the Investment Services business which rode the crest of high interest rates on fixed income securities to post impressive numbers in 2022. Total volume for the year was PKR 11.3 Billion against PKR 8 Billion for the previous year, a growth of 41%. The FY volume exceeded the budget of PKR 10.5 Billion by almost 10%.



We began the journey to revive Privilege Banking in 2022 with focus on revamping the proposition and enhancing brand entrenchment, reach and profitability. The strategy is beginning to pay dividends with robust traction and growth in CA, cross-sell and profitability. The average CA deposit grew by 30% and NFI by 51% over the previous year, resulting in an extremely impressive 125% growth in profitability (PBT) i.e. from PKR 315 million in 2021 to PKR 708 million in 2022. This clearly reflects the potential of high net-worth banking segment in the market and the feasibility to enhance the reach and penetration of the proposition across the country.

## 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, livestock and 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 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 (Abari 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.

### **Electronic Warehouse Receipt Financing (EWRP)**

EWRP is a new product developed by MCB- Agriculture Credit Department in line with SBP/SECP guidelines and approved by the management. EWRP is a collateralized commodity transaction where the commodity itself provides security for the loan. In other words, as opposed to traditional modes of agricultural financing, EWRP allows the use of the crop as loan security instead of land/property.

The purpose of financing against e-Warehouse Receipt is to protect the farmers from the compulsion to sell the produce immediately after harvest during adverse market conditions of lowest prices due to abundant supply. The target market consists of farmers / Farmer cum traders / traders. The product has been tested and used to extend credit to farmers of maize and rice in select areas through the system of accredited warehouses managed by Collateral Management Company in line with Collateral Management Regulations 2019 notified by SECP.

### **Prime Minister's Youth Business & Agriculture Loan Scheme (formerly PMKJYES)**

In order to provide self-employment opportunities to unemployed youth and to enable them to avail affordable financing from banks for establishing new business or strengthening their existing business, Government of Pakistan launched Prime Minister's Kamyab Jawan Lending Program across the country. MCB is also offering different agricultural products under this scheme. Mainly, Tractor Finance (ADF-Tractor-Kamyab Jawan) is being offered for purchase of tractors 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, 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.

Government of Pakistan has approved revisions in the key features of PMKJ-YES with a view to make it more purposeful and beneficial for small businesses and agriculture. Moreover, the scheme has been renamed as Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALS). MCB is fully committed to provide financing facilities under the revised features of the scheme in the best interest of the farming community and to achieve the national objective of food security.

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

MCB Bank 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 100 Agri lending branches have started providing services to farmers with PLRA Access to data. 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 Bank 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 clients & 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 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 1,200+ 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 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 1,400 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.

Besides transactional convenience, these cards also offer payment flexibility / financial convenience to the customer via MCB Live, Utility, Telcos Other Bank Credit Card payments 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) and 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 currently available under standard home loan product only on lien and non-lien basis. Roshan Apna Ghar loan is being offered at very competitive/reduced markup rates.

## MCB Digital Banking Products and Services

MCB Bank, like in any other year, continued true to its roots of developing customer-centric products, encapsulating the needs & wants of the customers. Breaking the conventional barriers MCB's Digital Banking Business started a new chapter making its mark in MCB Bank's history.

### MCB Debit Cards

MCB has a diverse debit card portfolio consisting of card variants under the umbrella of two international, Visa and Mastercard, and one domestic payment schemes, Paypak. Continuing on the path of breaking previous records, MCB Bank achieved its highest ever card issuance of 820,000 in a single year and realized a highest Card in Force (CIF) activation rate of 72%. We also closed the year with a record growth of Debit Card retail spend of PKR 34 billion, which is 70% higher than the spend volume achieved in 2021. The Bank also signed a Partnership for Growth (PFG) agreement with VISA, which will be beneficial to the Bank and provide its Debit Card customers with rewarding card usage opportunities.

The Bank executed multiple transformative projects under the ambit of Digital Banking, including enhancing security via 3D - Secure technology on its Mastercard portfolio which not only contributed to the digital growth but also enhanced customer trust level. OCT (Original Credit Transactions) enablement was also completed to accelerate payments via direct transfer of funds to eligible cardholders.



The Bank offers a rich value proposition to its cardholders offering exciting discounts on lifestyle products and round-the-clock services by enabling 1450+ 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, etc.

## Digital Channels

### MCB Live

MCB Live is an omni-channel digital banking platform equipped with advanced mobile & online banking features. MCB Live delivers 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. The new digital banking application facilitates its customers to manage and control their bank accounts, debit & credit cards; whenever and wherever they want. MCB Live marks the start of a new digital era of MCB Bank.



## MCB ATM

ATM network also witnessed a firm progression in terms of reach, reliability, and transactional volume. MCB's network stands at 1450+ ATMs and is one of the largest national ATM networks spread across 500+ cities, generating over 70 million financial transactions. MCB Bank has an ATM uptime rate of 97.43% ensured by the presence of ATM monitoring teams working 24/7.

Keeping customer's experience and need in mind, the Bank has invested to improve its entire ATM network with state of the art new ATM machines procured from Diebold Nixdorf, Innovative Pakistan and the MCB ATM network will be upgraded soon.



## MCB Payment Solutions

Increasing its payment systems footprint in the market, MCB Bank has now deployed more than 9,000 POS terminals at multiple locations across the country generating over PKR 44.7 billion volume. 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 VISA/Mastercard Credit and Debit Cards. During the year 2022 more than PKR 12.1 billion e-commerce transaction volume was generated. MCB Payment Solutions Team has taken an initiative to take UnionPay International (UPI) onboard as a scheme to provide a payment channel to its online Clients/Customers in 2023. Also, all MCB eGate merchants are completely migrated to EMV 3DS 2.0 in 2022. 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.

## MCB Branchless Banking

MCB Lite - Branchless Banking Wallet allows customers to open an account with minimum formalities and handle their financial transactions in an efficient manner. In 2022, instant self-account opening was introduced with the commercial launch of "Asaan Mobile Account (AMA)" to increase financial inclusion. AMA scheme facilitates the less privileged and marginalized sections of the society towards adopting digital payments even without Internet or smartphones access. MCB Lite is all set to explore new avenues while embracing the Digital Revolution in the banking arena.



## 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 technology Platform. This 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 around the clock. The customers are further facilitated through self-services modes like Interactive Voice Response (IVR), Self Service Banking and our Live Chat facility. The Contact Center not only serves and strives to retain MCB Bank's customers but also cross-sells and up-sells a number of products and services as well.



## WBG Products and Services

### MCB Burqraftaar

"MCB Burqraftaar", the remittance product of MCB Bank, is rapidly expanding globally to ensure Pakistanis worldwide have a safe and secure medium for remitting their hard earned money to their loved ones in Pakistan. The state-of-the-art facility processes instant transfers which can be received by beneficiaries through cash pick-up, account credit at MCB Bank or any other bank in Pakistan. Remittances have become a lifeline for our country and MCB Bank is proud to be one of the largest contributors for bringing in foreign reserves in the country and promoting remittances through legal channels.



**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 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.

**MCB CollectPlus:** Collection through a deposit of cash, same branch and local clearing instruments in designated MCB

**MCB RemitPlus:** Collection through a confirmed and secured receipt, without the involvement of the clearing process Bank Branches



**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 shareholder 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:** 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

MCB Bank's Corporate Banking 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.

## **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, with a whole array of value additions coupled with our unparalleled customer services.



### **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**

MCB Virtual Banking platform is offered to our corporate client base to stay updated on their account activities from wherever they are, and carry out their banking transactions in a secured matrix 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 to protect their documents, jewelry or other valuables.

## **Home Remittance – Transferring happiness to your Homeland**

Our customers can receive money to their MCB accounts from their loved ones who are working overseas. MCB Sri Lanka is currently in the process of reviving our business relationships with some of the world's leading global remittance agents and also looking forward to expand this network in year 2023 to offer fast and convenience Home Remittance service to our customers.

## **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 our customers to do their business successfully. Understanding the need of the hour, several initiatives were taken to encourage Export customers. Further, we have facilitated our customers to manage their Foreign Exchange requirements amidst the country-wide economic challenges.

## **SME & Corporate Banking**

MCB Sri Lanka offers 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.

## **Islamic Banking**

MCB has been the pioneer bank to launch Islamic banking in year 2006 in Sri Lanka. Since then Islamic Banking Division has developed its portfolio offering including Current, Savings (Mudaraba), Trade Finance (Murabaha), Leasing (Ijara), Project financing (Diminishing Musharakah), etc. to facilitate the customers with a fully-fledged Shariah compliant product range.

## MCB UAE - Products and Services

A wide range of business products are available through MCB UAE for its wholesale customers such as Business Accounts, Finance & Trade products. These services and products redesigned to help wholesale business meet their day to day requirements at competitive rate.

### 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 instalments 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 security, 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](http://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 an appropriate 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.

## Strategic Investments and Acquisitions

The 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.

# Corporate Information



**Board of Directors**

Mian Mohammad Mansha  
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. Masood Ahmed Puri  
Mr. Shahzad Hussain  
Mr. Shariffuddin Bin Khalid  
Mr. Shoaib Mumtaz

Chairman  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
President & CEO

**Audit Committee:**

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

Chairman  
Member  
Member  
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:**

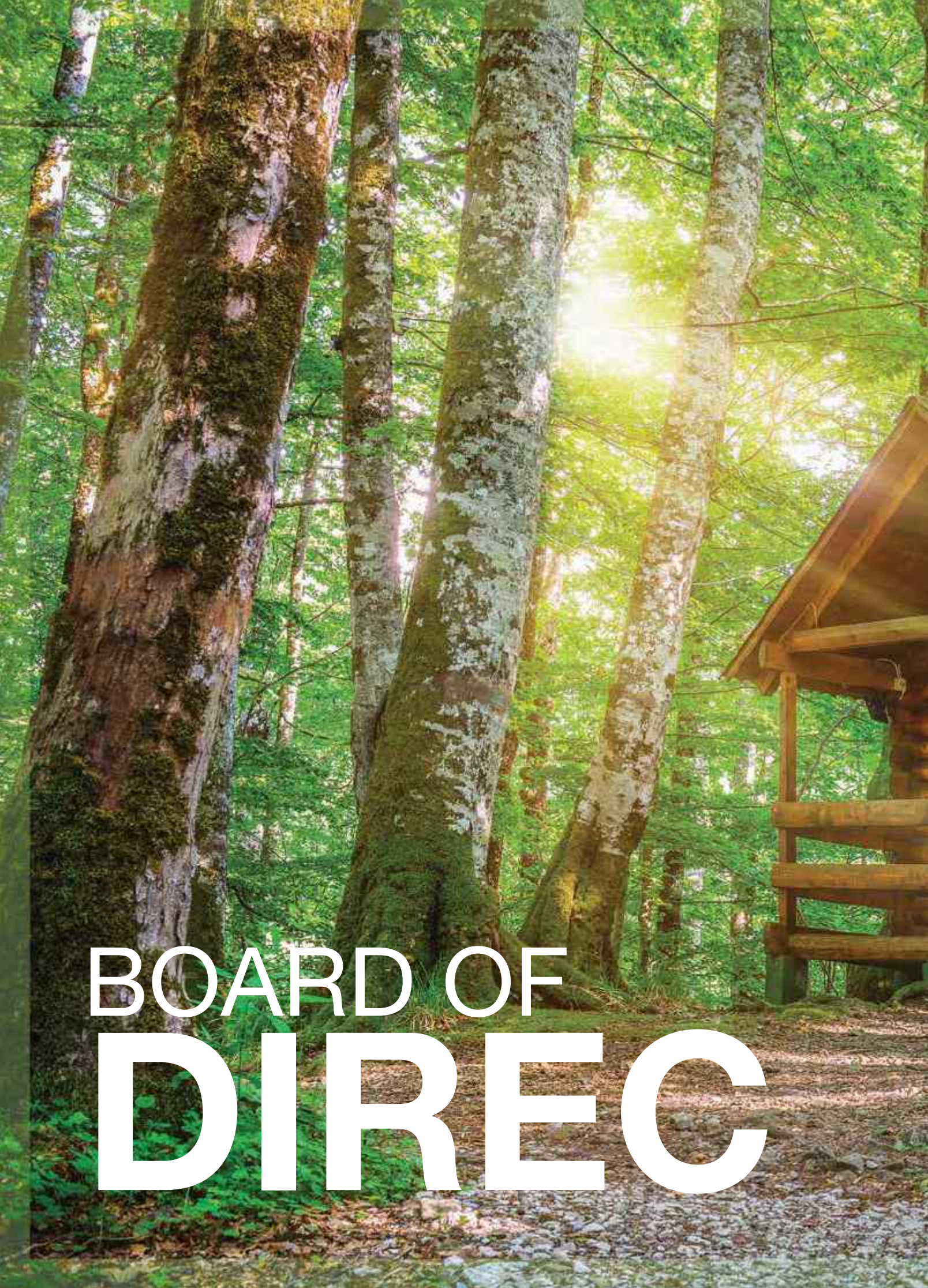
UAN: + 92 42 111 000 622  
E-mail: investor.relations@mcb.com.pk  
Visit us: www.mcb.com.pk

**Registrar's and Share  
Registration Office(s):****Head Office:**

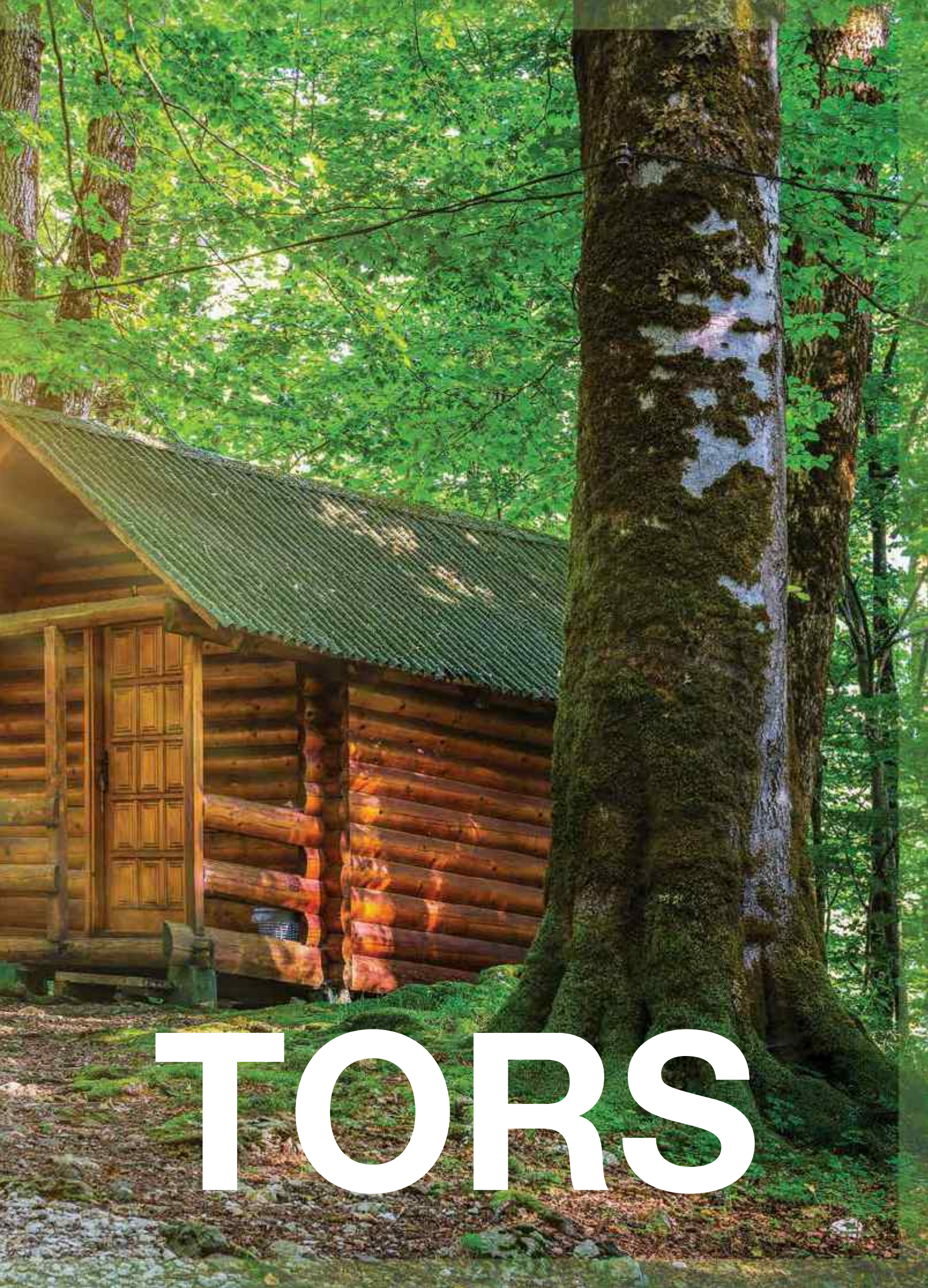
M/s. THK Associates (Pvt.) Limited  
Plot No. 32-C, Jami Commercial Street 2,  
D.H.A., Phase VII, Karachi, Pakistan.

**Branch Office:**

M/s. THK Associates (Pvt.) Limited  
Office No. 309, 3<sup>rd</sup> floor, North Tower,  
LSE Building, 19-Shahrah-e-Aiwan-e-Iqbal,  
Lahore, Pakistan.



BOARD OF  
**DIREC**



**TORS**







## Mian Mohammad Mansha

### Chairman

Mian Mohammad Mansha started his career at the age of 24 as the CEO of Nishat Mills Limited. Under his leadership, Nishat's business has diversified and grown into a renowned conglomerate - the Nishat Group. At present, the Nishat Group is one of the leading and most diversified business groups in South East Asia, having presence in Banking, Financial Services, Textile, Cement, Insurance, 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, UK, 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, Board of Directors MCB Bank Limited, after the Bank's 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.

He has also been 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, National Management Foundation, Textile College Faisalabad and Government College of Faisalabad. He has also served as the Chairman of All Pakistan Textile Mills Association (APTMA) and APTMA, Punjab.

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

Internationally, Mr. Mansha has served on the Board of the Atlantic Council, Commonwealth Business Council UK and International Advisory Board Babson College USA. He is currently the Chair of Advisory Council in Pakistan of the British Asian Trust that was founded by and operates under the patronage of His Majesty King Charles III.

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.

#### Other Directorships:

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





### **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 Energy Limited;
- Siddiqsons Tin Plate 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, Compliance Review and Monitoring 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 14 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.
- Nishat Hotels & 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 25 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 by setting up a spinning mill in 1990. The company has since diversified into the 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 companies are listed on Pakistan Stock Exchange.

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

In 2015, he started a company by the name of NC Trading USA, which is a Cotton trading company based in the 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 the 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 financial services and telecommunications sector specialising in digital transformation, 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 MRANTI Corporation Sdn. Bhd. (formerly Technology Park Malaysia Corporation, Sdn. Bhd).

Notable awards received include being ranked top 3 CIOs in ASEAN in 2022 and 2021 by International Data Group (IDG)'s CIO 100, Top Financial Services CIOs in Southeast Asia 2018 by IDG, Bank Technology Leadership Achievement in Asia Pacific 2017 by the Asian Banker and CIO Excellence Award by PIKOM.

He 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 the 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 serves as the Chair of the Board Sustainability Committee and Member of the Board Audit Committee and Board Compliance Committee.

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 directorships within the Maybank Group include 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.



## **Shoab Mumtaz**

### President & CEO

Mr. Shoab Mumtaz is the President & CEO of MCB Bank Limited. Mr. Mumtaz is a business graduate from the United States of America with diverse experience of over 30 years in the field of banking, both in domestic as well as international markets. His exposure dominates retail business, credit & risk management, corporate finance and international operations of the Bank in UAE, Sri Lanka and Bahrain.

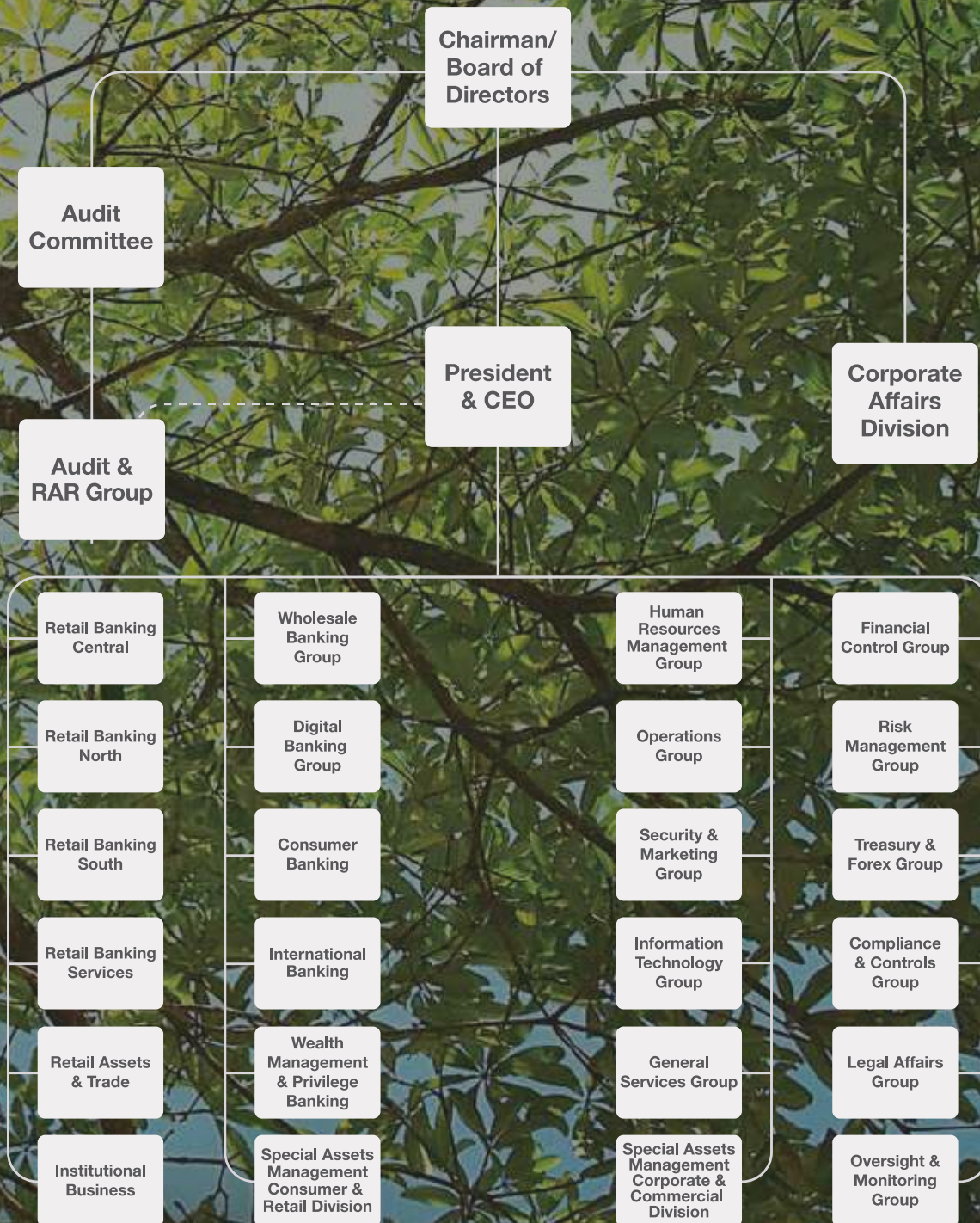
As the President of MCB Bank Ltd., his key priorities have been to create and achieve excellence and innovation in conventional business model, growth of corporate assets and creation of a strong foot print of MCB in Digital domain. Under his leadership, MCB has grown significantly, establishing itself as a leader in the industry and a trusted partner for its customers. All facets of banking activity for MCB are aimed to achieve an even better scale of customer experience under his stewardship.

Mr. Mumtaz is actively involved in the community and serves as a Trustee/Chairman of MCB Employees Foundation. Through this role, he is making a positive impact on the lives of others and is giving back to the community. He also serves as a nominee Director of MCB Non-Bank Credit Organization, CJSC, Azerbaijan, a subsidiary of MCB Bank Ltd.





# ORGANIZATIONAL STRUCTURE



- - - Administrative Reporting  
 \_\_\_\_\_ Functional Reporting



**LEADE**



# RSHIP

TEAM



**Standing Left to Right:** Farid Ahmad, Rizwan Ali Khan, Abrar Aleem, Hammad Khalid, Shahzad Ishaq, Adnan Aurangzeb Khan, Kashif Ali, Omair Safdar

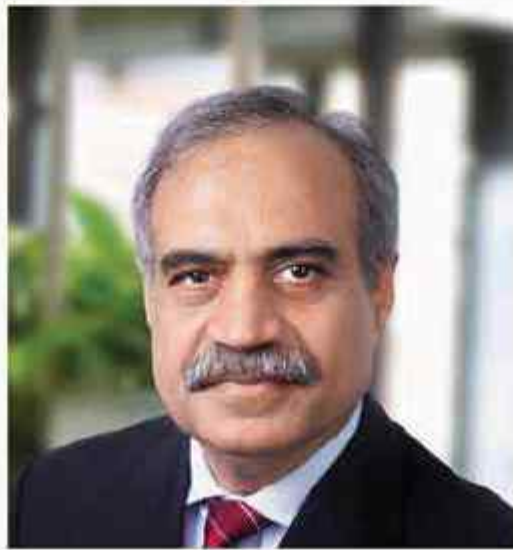
**Sitting Left to Right:** Syed Mudassar Hussain Naqvi, Raza Ehsan, Muhammad Azfar Alam Nomani, Malik Abdul Waheed, Shoaib Mumtaz



**Standing Left to Right:** Muhammad Farooq Wasi, Muhammad Haris Hasan, Sultan Zeb Khan, Muhammad Ali, Rashid Pervaiz, Muhammad Nauman Chughtai, Arif Abrar, Syed Sikander Zulquernain

**Sitting Left to Right:** Hassan Nawaz Tarar, Waqas Mahmood, Usman Hassan, Salman Yaqub Zaidi, Ambreen Latif Bawany

# OTHER SENIOR MANAGEMENT



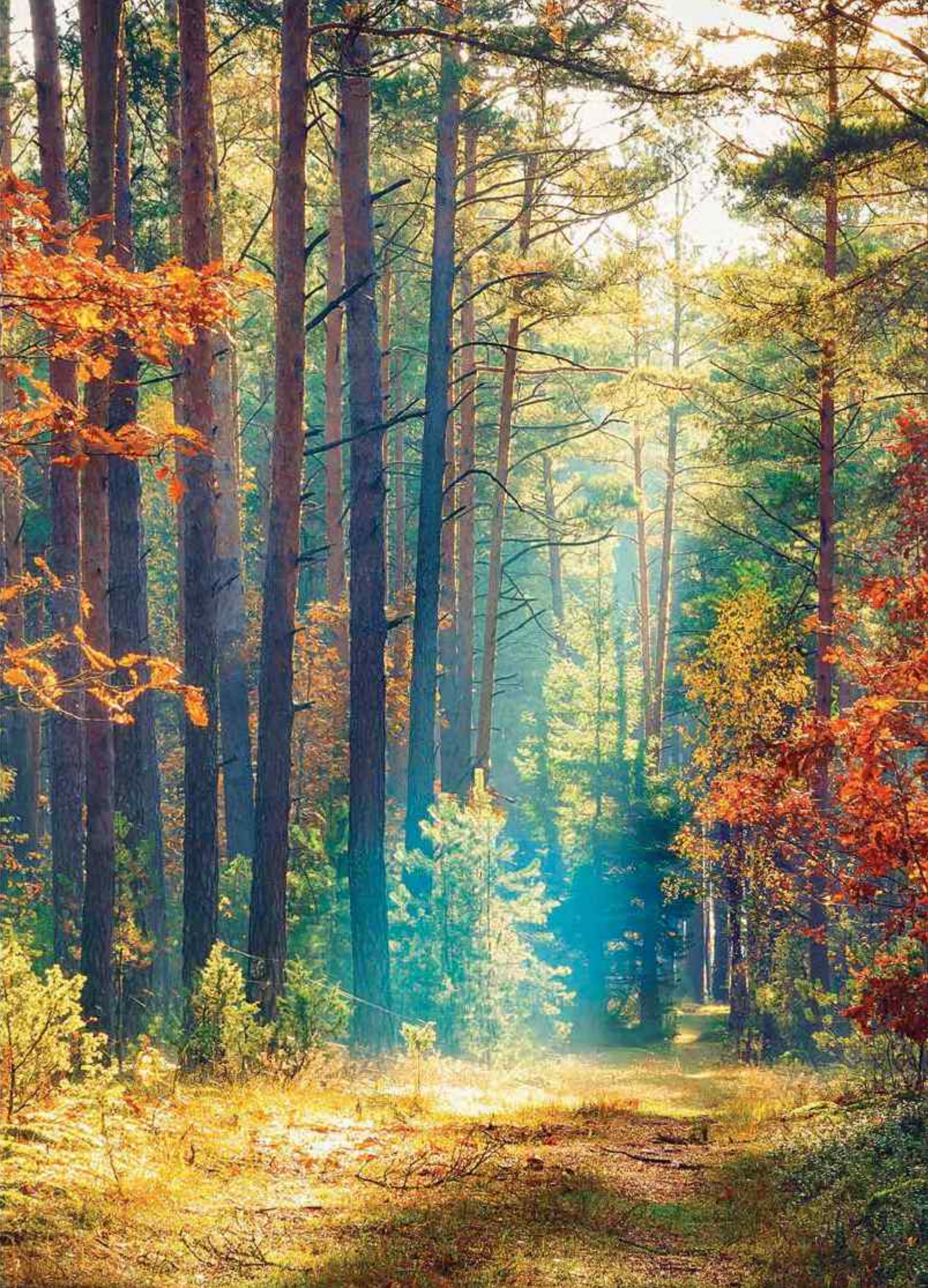
**Tahir Riaz**  
Country General Manager, Sri Lanka



**Syed Faheem Ahmed**  
Country Manager, Bahrain



**Aamir Khanzada**  
Country Manager, UAE



# Entity Credit Rating

The graphic features several overlapping green leaves of various shades, from light lime to dark forest green. The leaves are arranged in a way that suggests growth and vitality. Two specific leaves are highlighted with white text.

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 into international capital markets, the Bank launched its Global Depository Receipts (GDRs) in 2006. It was the first Pakistani Bank had 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, operations of NIB Bank were successfully amalgamated into and with MCB under a merger scheme. 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 1,400 Branches and over 1,480 ATMs in Pakistan and 8 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 a 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, 2022.

## 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

## 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 2022, the Pakistan Institute of Corporate Governance ('PICG'), as an external independent evaluator conducted the performance evaluation of the Board as a whole, its Committees and individual Board Members for the Year 2021.

The Board has always focused to guard the best interests of the Bank's shareholders. 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.

An effective Board and highly professional management team has served the Bank and its shareholders well, especially in a challenging operating environment. Geo-political disturbances had negative ramifications for regional economies including Pakistan with impact of elevated commodity prices, supply constraints and surging energy costs.

Political stability remains a key for management of national affairs, attracting foreign investment, sustainable economic growth and effective long term structured planning & development. Stability in this all-important area will be invaluable for building trust with foreign investors and key external stakeholders, and help to ensure that our economy can effectively meet prevailing and new economic challenges with unity and cohesion.

Despite macroeconomic conditions, the Bank achieved growth and posted an impressive Profit Before Tax (PBT) of PKR 71.4 billion, its highest ever. The Bank also rewarded the trust of our investors and shareholders through a declaration of a total cash dividend of 200% for 2022. MCB Bank is strategically positioned and adequately placed to pursue new opportunities of growth and leverage prevailing economic conditions to our advantage. We continue to invest and innovate in our people and systems, so our customers and stakeholders may benefit from state-of-the-art banking services that provide convenience and quick access that meets their every need. We are proud to have a diverse product portfolio that features conventional and tailor-made solutions for every financing requirement. The Bank also continued its journey of digital transformation with a view to meeting the pressing demands and needs of an increasingly digitalized financial sector.

2022 has been another remarkable year for all of us in MCB Bank. Our unwavering strategic focus and resilience was reflected not only in our financial performance but also in the continued trust of our growing and loyal customer base. I am grateful to our customers, management, shareholders, regulators and other stakeholders for their faith in our abilities and their collaboration on different projects which has significantly contributed to our progress. Your support and encouragement motivates us to achieve even greater heights of success. Despite challenges that the national economy is facing, we are optimistic for what's yet to come and look to the future with hope and enthusiasm.

**Mian Mohammad Mansha**  
Chairman  
MCB Bank Limited



# President's Review

The Global economy, and disproportionately more so developing countries, were severely affected in 2022 due to the Russia-Ukraine war. Already battling with the repercussions of extended Covid lockdowns the world over, developing economies faced extensive challenges by way of large-scale disruptions in global supply chains, soaring energy and commodity prices- being priced out by the larger nations, and consequently ever-increasing global inflation. Pakistan was no exception. Imbued by ever increasing political unrest the country and the business environment suffered large setbacks.

However, as the old adage goes that one's strength is revealed through trials and tribulations, and so it was for the Bank, as it continued to demonstrate its resilience and adaptability. On the back of a well-defined and dynamic strategy, the Bank delivered historic growth in our profitability matrices.

We believe that our strength lies with our commitment to our customer and in turn our stakeholder's trust on the business acumen, professionalism and dedication of our team of talented professionals.

With a strong build up in core earnings the Bank reported its highest Profit Before Tax Earnings of Rs. 71.4 Billion (+37%) and declared a 200% cash dividend for the year 2022. Assets of the Bank grew by 6% over the previous year to Rs. 2.1 Trillion. Average current deposits of the Bank registered a highest ever growth of Rs. 96.8 Billion (+18%) in 2022, on the back of strategically focused drive. Similarly, the net interest income increased to Rs. 87 Billion registering an impressive increase of 36% on account of strong volumetric growth in current deposits and favorable yield curve movements. The fee, commission, and brokerage income of the bank registered a growth of 14% whereas dividend and foreign exchange revenue streams increased by 7% and 145% respectively. Despite exceptional inflationary pressures, the Bank continues to manage an efficient operating expense base with an increase of 17% over last year. Return on Assets and Return on Equity were reported at 1.61% and 19.78%, respectively.

Our lending growth has been the highest in our Bank's history. The gross advances of the Bank registered historic growth of Rs. 162 Billion (+25%), exceeding industry wide growth levels, to close the year at Rs. 798 Billion. The corporate lending book grew by Rs. 161 Billion (+36%) whereas the consumer loan portfolio increased by Rs. 4.5 Billion (+12%).

Flow of remittances through banking channels is an important contributor to the national cause. During the year 2022, MCB Bank attracted home remittance inflows of USD 3.4 Billion, increasing its market share from 11.4% to 11.6%. The Bank also facilitated overseas Pakistanis under the RDA initiative where the total inflows for the year 2022 summed up to USD 203 Million. Further, as one of the leading Banks in cash management, MCB Bank's annual throughput during the year increased to Rs. 3.9 Trillion. In 2022, our cards spend increased by 74% whereas acquiring volume grew by 63%.

In 2022, achieving growth in a no-cost current account base remained a key strategic objective of the Bank. Non-remunerative deposits grew by 21% to close at Rs. 680 Billion; improving their mix in total deposits to 49% in absolute terms as of December 31, 2022. Current Account-Savings Account (CASA) concentration was reported at 96% an all-time high whereas the total deposits of the Bank were reported at Rs. 1.37 Trillion.

Our capital coverage is at industry-leading levels, well over the minimum thresholds established by the regulator. We continue to prudently manage risk throughout the Bank while maintaining a strong risk management culture. We recognize the risk around money laundering, cyber security and continue to develop systems, controls, and infrastructure to minimize, mitigate and combat them. The Bank has made exceptional efforts in reducing the number and amount of delinquent assets with continuing improvements in credit quality across consumer, commercial and corporate portfolios.

MCB serves our valued customers across Pakistan, UAE, Bahrain, and Sri Lanka through our expansive network of 1,448 branches. The Bank, through its wholly owned subsidiary MCB Islamic Bank Limited, remained active in satisfying customers' growing banking needs by valuing their faith in conformity with Shari'ah rulings. The Bank together with its subsidiary MCB Islamic Bank is operating the 2nd largest network of branches in Pakistan. In 2022, our Customer Base grew to 8.6 million accounts demonstrating our customer's confidence in MCB. We continue to offer accessible banking infrastructure for differently-abled persons to support equitable access to banking and financial services.

In 2022, while successfully completing 75 years of banking services to the nation, the Bank, has transformed into a dynamic and innovative organization; overcoming a multitude of challenges along the way with resolve and fortitude. Surpassing the traditional norms of growth, MCB's Digital Platform "MCB Live" has grown to become one of the most comprehensive, stable and flexible payment ecosystems. This was only possible due to our focused strategy to expand our service offerings and delivery to our customers while being preemptive about prevailing industry risks. Our commitment to improve our conduct and controls is factored into every strategic and operational decision we make. We make no compromise on customer data security and remain engaged in raising awareness about cyber-security and malicious activities. Against cyber-crime, we at MCB are in practice of protecting electronic information by mitigating information risks and vulnerabilities.

These efforts to improve internal operational environment of MCB Bank were aptly recognized at different forums. Strength of our Bank was also reassured by the Pakistan Credit Rating Agency (PACRA), which maintained its credit ratings at AAA [Triple A] for long term and A1+ [A one plus] for short term, respectively. The Bank's exceptional performance was recognized by the globally coveted Asiamoney which declared MCB Bank as the "Best Corporate Bank in Pakistan" in 2022. The Annual report of MCB Bank was also adjudged 1st (joint winner) by the 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 12 times in the last 13 years with 10 consecutive wins.

In closing, I believe that our results demonstrate that we are on the right track and we have the right talent in place to deliver consistent value for our stakeholders. I extend my heartiest gratitude to the Chairman and Board of Directors for their vision, foresight and guidance for making 2022 yet another profitable year. I would also like to thank State Bank of Pakistan and other regulatory bodies for their continued support, our shareholders for their trust and belief in us. Last but not the least, I share my appreciation for the management and staff of MCB for their impressive teamwork, unity of purpose and faith in God in translating our hard work in to reality.

**Shoaib Mumtaz**  
President & CEO  
MCB Bank Limited

# MCB Overview



# Highlights 2022

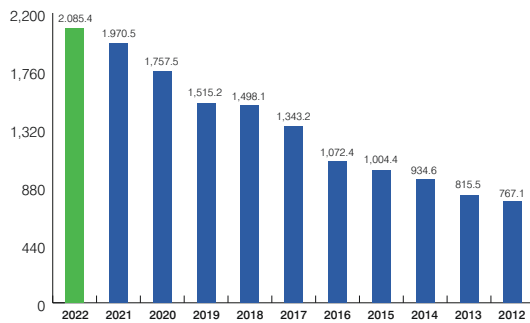




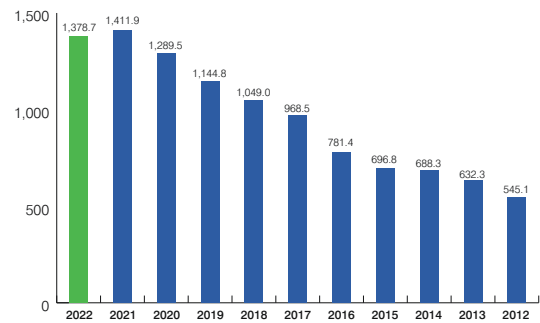
# Financial Performance 2012 - 2022

10 Years Trend - Rupees in Billion

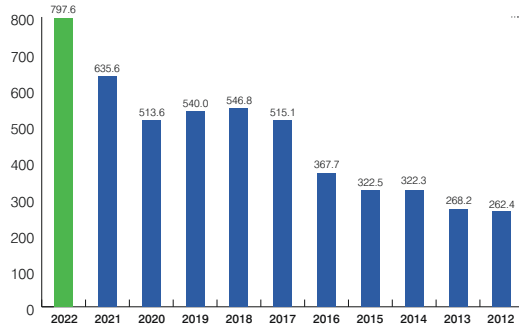
**Total Assets**  
CAGR 10.5%



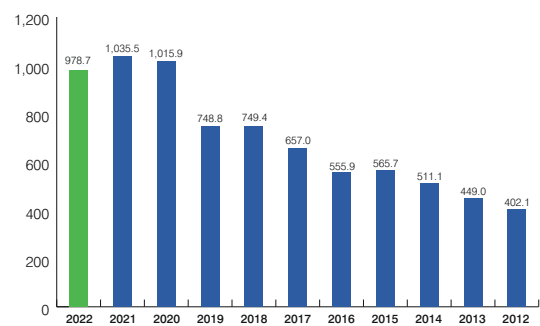
**Deposits**  
CAGR 9.7%



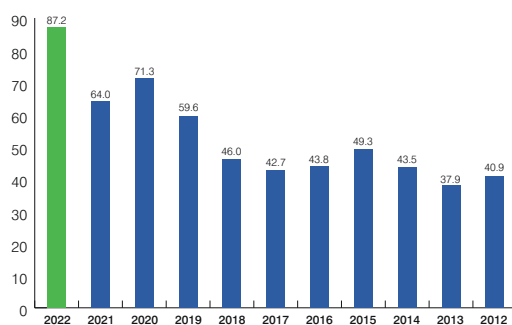
**Gross Advances**  
CAGR 11.8%



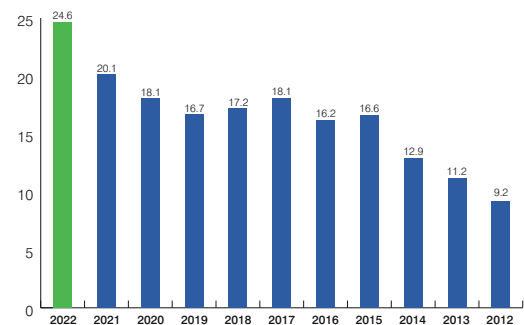
**Investments**  
CAGR 9.3%



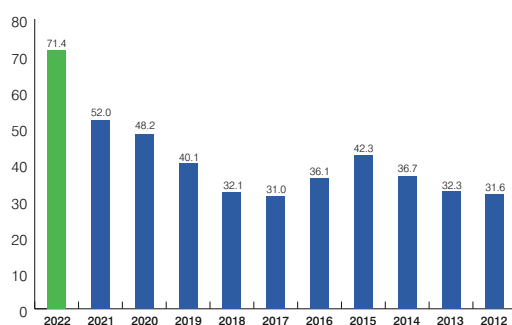
**Fund Based Income**  
CAGR 7.9%



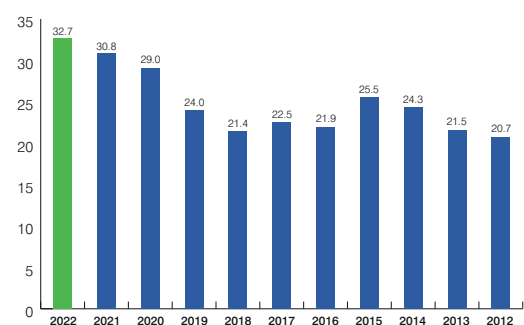
**Non Markup Income**  
CAGR 10.4%



**Profit Before Tax**  
CAGR 8.5%



**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

The country continues to counter challenging economic conditions. An already precarious economic situation of low foreign exchange (FX) reserves, large fiscal and external imbalances, persisting policy and political uncertainty and elevated inflationary pressures has been further exacerbated by the severe flooding that has affected more than one-third of the country's land area and pushed approximately 9 million people into poverty.

For the fiscal year 2023, downside risks to the country's earlier envisaged baseline growth outlook have increased and the real sector growth is now being projected to recede to 2%; as the economic activity witnesses broad based and sustained moderation in response to exogenous shocks and Government of Pakistan's (GoP) policy measures for stabilizing macroeconomic conditions.

On the external front, near term challenges have increased despite the policy-induced contraction in the current account deficit. Depleting FX reserves, delay in realization of official financial inflows, surging debt repayments, plummeting Foreign Direct Investment (FDI) and rallying global commodity prices are causing stress to the external account.

The outlook hence remains uncertain and largely dependent on the eventual path of possible economic & geopolitical scenarios, improvement in global financial conditions, political outcome of 2023 general elections and successful completion of the pending 9th review under IMF's extended fund facility (EFF) program; which remains critical to reducing the ensuing uncertainty and unlocking other multilateral and bilateral inflows.

## MCB's Future Outlook



Pakistan's banking sector is expected to face headwinds in 2023, on the back of slowing economic growth and rising interest rates impacting quality of assets.

However, the Bank through its focus on customer centricity and aided by a strong digital transformation drive, is expected to perform well in these economically challenging times.

To supplement the core deposit drive, the Bank will focus on conversion of Home Remittances, soliciting quality NTBs, retention / deepening of existing deposits, on-boarding Cash Management, Collection and Payroll & Mandates. Disciplined implementation of policies and procedures in ensuring compliance and control culture along with creation of operational efficiencies shall remain focus areas.

We would continue to improve our asset quality. 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.

Digital transformation is imperative to support enhanced customer experiences deducible from adoption of advanced e-banking avenues. The Bank's transformation strategy is focused on technology, processes, data analytics led transformation and more importantly, changing the entire culture within the Bank towards more technology driven solutions in day-to-day operations. 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. MCB has initiated the process of establishing a digital-based consumer asset management service platform for individual customers to provide enriched customer experience along with reduced turn-around-time. The Bank is geared up to launch MCB eStore, a product line extension of eGate, that will offer easy onboarding to small & medium sized businesses intending to start online business.

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, through 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, of 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
Technical Upgradation of Oracle Financial Suite
Warehouse Inventory Management System
Migration of Debit Card portfolio from 6 digit to 8 digit BIN
Card-less Bio-metric transactions through ATM
Integration of 3rd party insurance and investment services in MCB Live
Rosetta Replacement Project – E2E Digital A/C opening at branches
Enterprise Fraud Risk Management System
Automated Screening Solution for Dual Usage Goods
Centralized Branch Remote Monitoring
ATM Security Enhancement (PCI Certification)
Replacement of 1050 ATMs

### Quantitative Projections

Outlook	Key Risks Going Forward
Deposit mobilization to exceed growth level achieved in 2022.	Increased competition within 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 2022 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 due to slow down in market activities amidst moderating domestic demand and imposition of additional taxes on financial/ banking transactions as a fiscal consolidation measure.
Expenses growth to be contained at a modest level.	Risk of cost-push pressures emanating from currency devaluation, higher commodity prices and elevated inflationary pressures 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 Bank's Resources, 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 Bank's resources, 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, SWOT and Strategic & Resource allocation section of this Annual Report.

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

Detail of last year projects	Status
'Point of Sale' procurement & deployment	Completed
Image base clearing operations	Completed
New HSM for debit and credit cards	Completed
ATM go green optional receipt printing ON-US & OFF-US	In Process
QR Code – acquiring & digital onboarding	In Process
Development of domestic & NPP digital account opening on MCB Live	In Process
Launch of high-end credit card variants	In Process
Implementation of Enterprise Workflow System	In Process
Conversational banking	In Process
Enrichment of MCB Live Platform offering Corporate, Trade solutions	In Process
Enterprise CRM Solution	Phase wise implementation is in process
Simplify Platform for E-Commerce acquiring	Phase wise implementation is in process

### Performance of the Bank against Forward-Looking disclosure of 2022 as Presented in the Annual Report 2021

Forward-looking disclosure for 2022 as presented in Annual Report 2021	Performance of the Bank in 2022 against forward-looking disclosure
<p>Pakistan's banking sector will continue to face 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.</p> <p>Irrespective of these facts, the Bank is committed to delivering remarkable results to its investors in 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.</p>	<p>MCB posted its highest ever profit before tax of Rs. 71.4 billion for the year ended December 31, 2022. Retrospective application of tax amendments along with higher tax rates for the current year enacted through Finance Act, 2022 resulted into a 54% average tax rate for the year compared to an average tax rate of 41% for last year. Profit After Tax (PAT) registered a growth of 6.3% and increased to Rs. 32.7 billion; translating into Earning Per Share (EPS) of Rs. 27.63 as compared to EPS of Rs. 26.00 reported in the last year.</p> <p>The key drivers for the reported performance included:</p> <ul style="list-style-type: none"> <li>• strategic alignment for growth in average current deposits and structured rebalancing of the earning assets mix to derive optimum margins;</li> <li>• an improvement in Bank's ADR to 58% on the back of Rs. 162 billion increase in gross advances;</li> <li>• a remarkable growth of 22.61% in the non-markup income block;</li> <li>• efficient management of the operating expenditure base; and</li> </ul>

Forward-looking disclosure for 2022 as presented in Annual Report 2021	Performance of the Bank in 2022 against forward-looking disclosure
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>provision reversal against non-performing loans through proactive monitoring and concerted recovery efforts.</li> </ul> <p>An analysis of the interest earning assets' highlight that the gross markup income on advances and investments increased by Rs. 32.712 billion and Rs. 40.909 billion respectively; primarily on account of improving earning margins due to 81% (592bps) increase in average policy rate during the year (from an average of 7.28% in 2021 to 13.20% in 2022).</p> <p>On the liabilities side, the deposit base registered a complete transformation; with current account concentration improving to 49% on the back of a strategic drive. Hence, increase in cost of deposits was restricted to 282bps over the corresponding year.</p> <p>The non-markup income block of the Bank grew by a remarkable 22.61% and aggregated to Rs. 24.613 billion against Rs. 20.074 billion in the corresponding year. The major contributions came in from fee &amp; commission and FX income which grew by 14% and 145% respectively; primarily on the back of improved transactional volumes, diversification of revenue streams through continuous enrichment of Bank's product suite, investments towards digital transformation and prudent positioning of Bank's FOREX assets and liabilities amidst a volatile market.</p> <p>Facilitation of overseas Pakistanis under the RDA initiative, MPMG, Kamyab Jawan and other national financial inclusion/support initiatives have remained a key focus area for the Bank. The total inflows at MCB, for the year 2022, under RDA initiative summed up to USD 203.17 million while the total home remittance inflows stood at USD 3,434 million; the market share improved to 11.6% and further consolidated Bank's position as an active participant in SBP's cause for improving flow of remittances into the country through banking channels.</p> <p>MCB remained active throughout Pakistan, UAE and Sri Lanka through its diverse network of 1,460 branches (including 12 sub-branches) and more than 1,480 ATMs.</p> <p>The Bank's strategic focus on achieving broad based digitalization culminated in further augmentation of domestic payment landscape through launch of second phase of SBP's flagship payment system 'RAAST'; enabling free instant 'Person to Person' (P2P) payments for retail transactions. As of December 31, 2022, the Bank has achieved an aggregate of 37,060 RAAST ID registrations whereas the total value generated through these transactions during the year exceeded Rs. 61 billion.</p> <p>The Bank continues to manage an efficient operating expense base and manage costs prudently. Despite exceptionally high inflation, impact of currency devaluation</p>

Forward-looking disclosure for 2022 as presented in Annual Report 2021	Performance of the Bank in 2022 against forward-looking disclosure
<p>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.</p>	<p>and continued investments in human resources, branch network and technological upgradation, growth in operating expenses was contained at 17%; indicative of Banks circumspect approach to manage tradeoff between short term tactical cost reductions and long-term cost initiatives.</p> <p>On the provision side, Bank made continued progress on its strategic path and recorded a cumulative recovery of Rs. 3.158 billion by settling a large number of hardcore and protracted defaults.</p> <p>On the financial position side, the total asset base of the Bank, on an unconsolidated basis, was reported at Rs. 2.1 trillion (+6%). The gross advances of the Bank registered a historic growth of Rs. 162 billion; corporate lending book grew by Rs. 161 billion (+36%) whereas the consumer loan portfolio increased by Rs. 4.5 billion (+12%). On the liabilities side, the total deposits of the Bank were reported at Rs. 1.38 trillion.</p> <p>Return on Assets and Return on Equity reported at 1.61% and 19.78% respectively, whereas the book value per share was reported at Rs. 144.17.</p> <p>To enhance the knowledge and skillset of its work force, numerous 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 of Bank's Talent Management Scheme.</p> <p>Detailed analysis covering performance and achievements of respective groups against their targets for 2022 is included in the "Groups' Reviews" section of this annual report.</p>

#### 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 further 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, owing particularly to the country's weak balance of payments position.

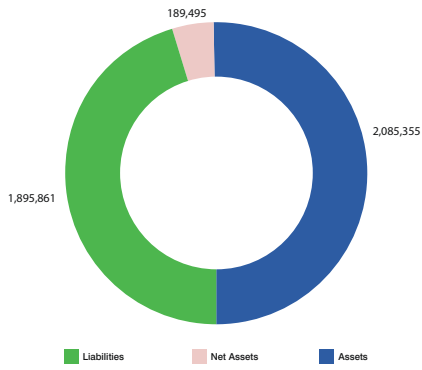
#### Our Response to Critical Challenges and Uncertainties

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, brand image and legacy established over a period of 75 years and a pragmatic business strategy.

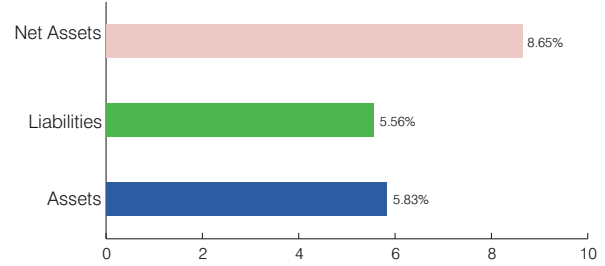
For details on Bank's readiness to respond to critical challenges and uncertainties, please refer to the Risk Management Framework, Business Continuity Management and Strategic & Resource Allocation sections in the Annual Report.

# Graphical Presentation of Financial Statements

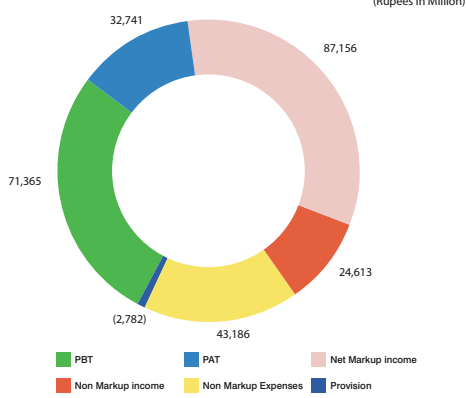
Statement of Financial Position (Rupees in Million)



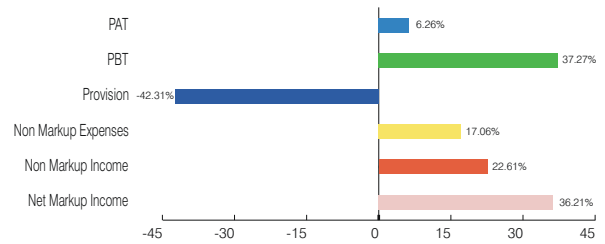
Variance from YE 2021



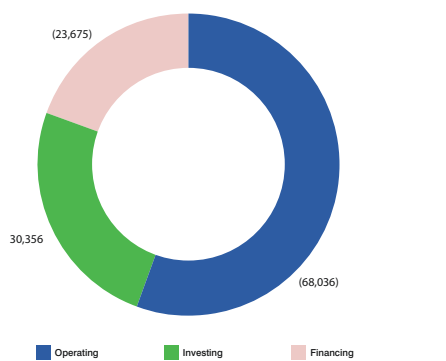
Profit & Loss Account (Rupees in Million)



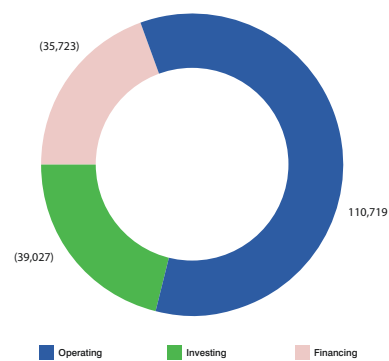
Variance from YE 2021



Cash Flows 2022 (Rupees in Million)



Cash Flows 2021 (Rupees in Million)





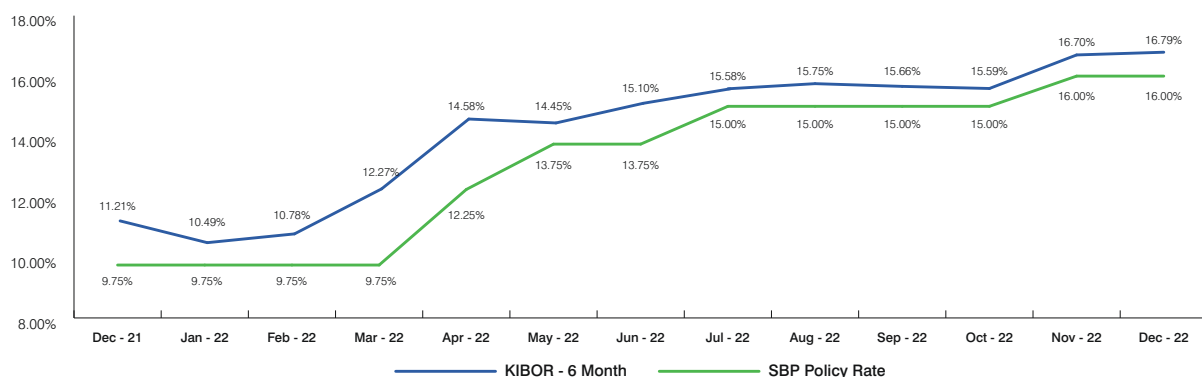
## Analyses of Assets and Liabilities

### Maturities of Assets and Liabilities

	Rs. in Million					
	2022	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
<b>Assets</b>						
Cash and balances with treasury banks	96,369	96,369	-	-	-	-
Balances with other banks	24,872	24,872	-	-	-	-
Lendings to financial institutions	50,416	50,416	-	-	-	-
Investments	978,731	127,989	295,062	220,213	122,880	212,587
Advances	753,400	280,188	80,192	174,907	103,135	114,978
Fixed assets	79,918	1,140	3,377	7,098	4,206	64,097
Intangible assets	801	150	449	202	-	-
Deferred tax assets	7,547	485	2,001	4,118	(1,411)	2,354
Other assets	93,301	70,254	12,425	5,049	5,573	-
	2,085,355	651,863	393,506	411,587	234,383	394,016
<b>Liabilities</b>						
Bills payable	39,137	39,137	-	-	-	-
Borrowings	340,237	283,525	7,747	7,412	7,436	34,117
Deposits and other accounts	1,378,717	142,023	167,055	643,014	319,804	106,821
Other liabilities	137,770	77,162	33,950	7,616	13,425	5,617
	1,895,861	541,847	208,752	658,042	340,665	146,555

### Key Interest Bearing Assets and Liabilities

	2022			2021		
	Avg. Vol (Mln)	Effective interest rate %	Interest (Mln)	Avg. Vol (Mln)	Effective interest rate %	Interest (Mln)
<b>Interest Earning Assets</b>						
Lendings to Financial Institutions	57,544	6.81	3,918	23,701	2.39	567
Gross Advances (excluding NPLs)	578,486	11.38	65,835	458,979	7.22	33,123
Gross Investments (excluding equity investments)	1,050,924	12.41	130,432	1,077,977	8.30	89,523
<b>Interest Bearing Liabilities</b>						
Deposits (excl. current deposits)	871,833	10.78	93,996	838,942	5.62	47,107
Borrowings	219,704	7.39	16,239	193,703	5.02	9,717



# Analyses of Financial & Non Financial Performance

## Financial Highlights

Gross markup income reported an increase of Rs. 77.429 billion for the year 2022 when compared with 2021. Income on advances increased by Rs. 32.712 billion, primarily on account of increase in yield by 416 bps; coupled with increase in average volume of advances by Rs. 119.507 billion. The markup income on investments also reported an increase, amounting to Rs. 40.909 billion, primarily due to increase in yield by 411 bps; slightly diluted by the impact of decrease in average volume of investments by Rs. 27.053 billion.

Mark-Up/ Return / Interest Earned	Rs in million			
	2022	2021	Variance	
			Amount	% age
Loans and advances	65,835	33,123	32,712	99%
Investments	130,432	89,523	40,909	46%
Lending's to financial institutions	3,918	567	3,351	591%
Balances with banks	579	122	457	375%
	200,764	123,335	77,429	63%

The Bank reported an increase of Rs. 54.259 billion over last year in markup expense. Mark up expense on deposits increased by Rs. 46.889 billion, whereas markup expense on borrowings increased by 6.522 billion.

Cost of deposits increased by 282 bps due to higher average policy rate during the year (average policy rate registered an increase of 81% (592bps) from an average of 7.28% in 2021 to 13.20% in 2022).

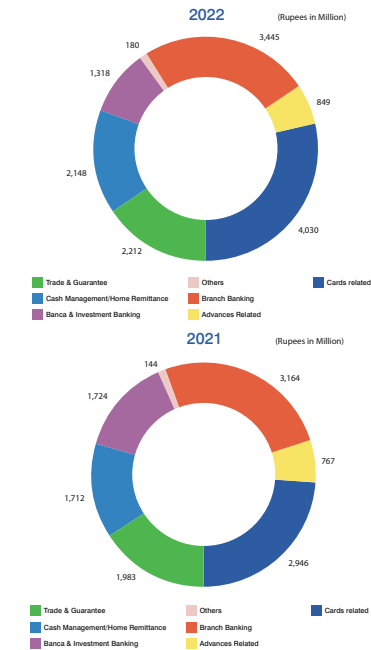
Mark-Up/Return / Interest Expense	Rs in million			
	2022	2021	Variance	
			Amount	% age
Deposits	93,996	47,107	46,889	100%
Borrowings	16,239	9,717	6,522	67%
Cost of foreign currency swaps	2,198	1,610	588	37%
Unwinding cost of liability against right-of-use assets	1,174	914	260	28%
	113,607	59,348	54,259	91%

The non-markup income block of the Bank was reported at Rs. 24.613 billion; with major contributions coming in from fee & commission, foreign exchange and dividend income. Fee & commission income reported an increase of 14% for the year, primarily on the back of improved transactional volumes, diversification of revenue streams through continuous enrichment of Bank's product suite and investments towards digital transformation. The total concentration of fee & commission income in the non-markup income block was reported at 57.62%.

Foreign exchange income registered a significant growth of 145%, over last year, on the back of prudent positioning of Bank's foreign exchange assets and liabilities amidst a volatile FX market.

Non Mark-Up / Interest Income	Rs in million			
	2022	2021	Variance	
			Amount	% age
Fee and commission income	14,182	12,440	1,742	14%
Dividend income	2,414	2,251	163	7%
Foreign exchange income	9,159	3,734	5,425	145%
Income from derivatives	33	14	19	136%
Gain / (loss) on securities	(1,464)	811	(2,275)	-281%
Other income	289	823	(534)	-65%
	24,613	20,073	4,540	23%

## Fee Commission Income



The Bank continues to optimise its operating expense base and manage costs prudently. Despite exceptionally high inflation, impact of currency devaluation and continued investments in human resources, branch network and technological upgradation, operating expenses of the Bank were recorded at Rs. 41.8 billion; growing by 17% over last year.

## Performance against Targets

During 2022, the Bank has achieved its budgeted target for advances, current deposits and profitability. Further, Bank's current year's performance against targets disclosed in the Annual Report of 2021 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

During the year under review, the challenging economic and political scenarios faced by the country culminated into weak stock market performance; Pakistan Stock Exchange (PSX) fell by 9.4%, from 2021, to settle at 40,420 points at the close of the calendar year. In 2022, The Bank realized a net loss of Rs. 1.604 billion from the sale of underperforming equity scrips while further recording a gross impairment charge of Rs. 2.36 billion on the equity portfolio.

## Non-Financial Highlights



NUMBER OF BRANCHES

**1,448**

ABSOLUTE



NUMBER OF ATMs

**1,484**

ABSOLUTE



NUMBER OF ACCOUNTS

**8,586,001**

ABSOLUTE



HUMAN RESOURCES

**14,341**

ABSOLUTE



TRAINING PARTICIPANTS

**51,047**

ABSOLUTE



TRAINING DAYS

**46,555**

ABSOLUTE



CSR INVESTMENTS

**28,222**

RS. IN MLN

## Human Capital



Total number of employees	Investment in training (Rs. in Mln)	Total days of Training	New Recruitments	Promotions
14,341	62.20	46,555	3,708	4,013

Our employees, numbering 14,341 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.

		2022	2021
Staff strength	Absolute	14,341	13,849
New recruitments	Absolute	3,708	2,075
Average number of employees	Absolute	13,962	13,605
Promotions	Absolute	4,013	2,248
Investment in training	Rs. In Mln	62.20	35.41
Number of training participants	Absolute	51,047	39,030
Training days	Absolute	46,555	28,092

## Manufactured Capital



Capital expenditure physical and digital digital infrastructure (Rs. in Mln)	Branches excluding sub-branches	ATMs	MCB Live Customers
PKR 4,598	1,448	1,484	713,821

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 11 branches. In 2022, account base of the Bank expanded to more than 8.5 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.

		2022	2021
Capital expenditure	Rs. In Mln	4,598	3,121
Branches	Absolute	1,448	1,437
ATMs	Absolute	1,484	1,454

## Intellectual Capital



Service Experience	Strong Governance	Brand Image
75 years Legacy	Board Oversight	Customer Loyalty

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 2022 we have focused on following points to enhance 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

## Social and Relationship Capital



No. of accounts	Dividend to shareholders (Rs. in Mln)	CSR Investments (Rs. in Mln)
8,586,001	23,701	28,222

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:

		2022	2021
No of accounts	Absolute	8,586,001	8,372,786
Dividends to Shareholders	Rs. In Mln	23,701	22,516
<b>CSR Investments</b>			
Education Allowance	Rs. In Mln	27	29
Staff Capacity Building & Trainings	Rs. In Mln	62	35
Contribution to National Exchequer	Rs. In Mln	28,106	21,497
Contribution To Staff Welfare Fund	Rs. In Mln	1	5
Donation	Rs. In Mln	1	8
Plantation	Rs. In Mln	25	23
Total	Rs. In Mln	28,222	21,597

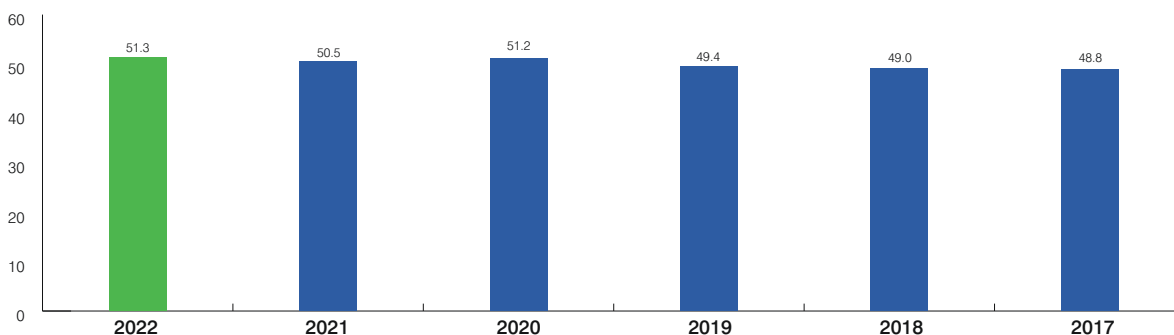
# Non - Performing Loans

Rs. in Million

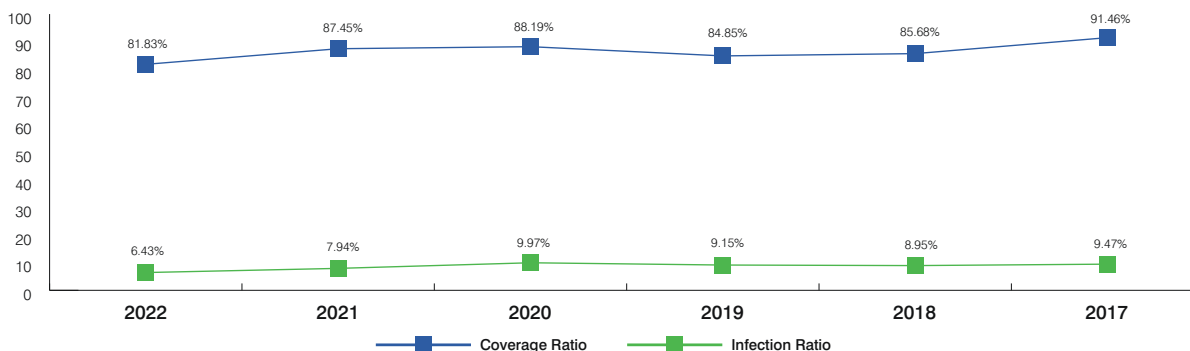
Categorywise	2022		2021		Variance		2022
	NPLs	Provision	NPLs	Provision	NPLs	Provision	Coverage
OAEM	1,465	2	49	1	2870.6%	14.5%	0.1%
Substandard	126	31	303	75	-58.2%	-58.8%	24.3%
Doubtful	568	284	231	116	145.7%	145.7%	50.0%
Loss	49,100	41,631	49,908	43,965	-1.6%	-5.3%	84.8%
<b>Total</b>	<b>51,260</b>	<b>41,948</b>	<b>50,491</b>	<b>44,156</b>	<b>1.5%</b>	<b>-5.0%</b>	<b>81.8%</b>

Groupwise	NPLs	Provision	NPLs	Provision	NPLs	Provision	Coverage
	Retail	1,014	858	3,741	3,517	-72.9%	-75.6%
Consumer	1,752	1,664	1,891	1,799	-7.3%	-7.5%	95.0%
Corporate	4,153	2,772	3,132	3,106	32.6%	-10.7%	66.8%
Overseas	11,856	4,598	9,393	3,828	26.2%	20.1%	38.8%
Others (SAM)	32,486	32,055	32,334	31,907	0.5%	0.5%	98.7%
<b>Total</b>	<b>51,260</b>	<b>41,948</b>	<b>50,491</b>	<b>44,156</b>	<b>1.5%</b>	<b>-5.0%</b>	<b>81.8%</b>

Non - Performing Loans (2017-2022) (Rupees in Billion)



Infection and Coverage Ratios (2017-2022)



Coverage Ratio based on specific provision only

## Non - Performing Assets

	Rs. in Million					
	Non-performing Advances		Non-performing Investments (Debt Securities only)		Non-performing Assets	
	2022	2021	2022	2021	2022	2021
<b>1. Movements in NPA</b>						
Opening balance	50,491	51,189	478	491	50,969	51,680
Exchange adjustments	2,478	822	-	-	2,478	822
Additions	2,385	2,254	-	-	2,385	2,254
Recovery / declassification	(4,020)	(3,378)	-	(13)	(4,020)	(3,391)
	(1,635)	(1,124)	-	(13)	(1,635)	(1,137)
Amounts written off	(74)	(396)	-	-	(74)	(396)
Closing balance	51,260	50,491	478	478	51,738	50,969
<b>2. Sector-wise breakup of NPA</b>						
Agriculture, forestry and fishing	392	419	-	-	392	419
Construction	231	351	-	-	231	351
Energy Production, Steam and air conditioning supply	1,847	469	-	-	1,847	469
Financials	716	301	-	-	716	301
Individuals	3,531	3,825	-	-	3,531	3,825
Manufacture of basic metals and metal products	3,323	3,980	-	-	3,323	3,980
Manufacture of cement	393	393	285	285	678	678
Manufacture of chemicals and chemical and pharmaceutical products	191	232	-	-	191	232
Manufacture of food & beverages products	2,740	3,067	-	-	2,740	3,067
Manufacture of sugar	4,238	4,420	146	146	4,384	4,566
Manufacture of textiles	12,183	12,734	41	41	12,224	12,775
Manufacture of machinery, equipment and transport Equipment	363	373	-	-	363	373
Services	428	430	-	-	428	430
Wholesale and retail traders	14,779	13,042	-	-	14,779	13,042
Others	5,905	6,455	6	6	5,911	6,461
	51,260	50,491	478	478	51,738	50,969

	Non-performing Advances (Specific Provision only)		Non-performing Investments (Debt Securities only)		Non-performing Assets	
	2022	2021	2022	2021	2022	2021
	<b>3. Movement of Provisions made against NPA</b>					
Opening balance	44,156	45,143	478	491	44,634	45,634
Exchange adjustments	711	320	-	-	711	320
Charge for the year	948	2,340	-	-	948	2,340
Reversals	(3,793)	(3,251)	-	(13)	(3,806)	(3,264)
	(2,845)	(911)	-	(13)	(2,858)	(924)
Amounts written off	(74)	(396)	-	-	(74)	(396)
Closing balance	41,948	44,156	478	478	42,426	44,634

#### 4. Details of accounts restructured as per regulatory guidelines

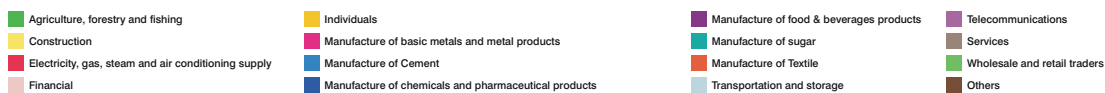
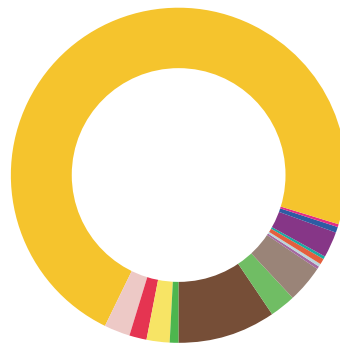
The outstanding amount against restructured accounts in NPA amounts to Rs. 11,296.402 Million as at December 31, 2022; ( December 31, 2021: Rs. 9,806.093 Million)

# Analyses of Deposits, Advances & Investments

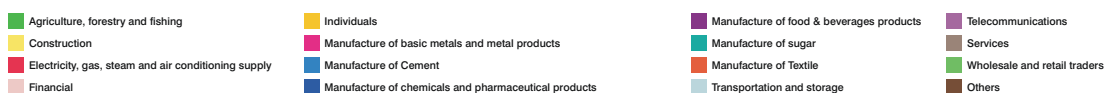
## Deposits & Advances - Sector wise

Sector	Rs. in Million	
	December 31, 2022 Deposits	Advances
Agriculture, forestry and fishing	12,387	5,862
Construction	32,415	11,001
Electricity, gas, steam and air conditioning supply	21,755	46,709
Financial	34,690	52,197
Individuals	1,000,339	56,184
Manufacture of basic metals and metal products	2,112	14,212
Manufacture of cement	1,598	45,435
Manufacture of chemicals and pharmaceutical products	8,448	62,036
Manufacture of food & beverages products	32,392	63,524
Manufacture of sugar	3,253	42,055
Manufacture of textiles	7,460	131,252
Transportation and storage	5,764	86,461
Telecommunications	2,966	39,616
Services	49,232	13,746
Wholesale and retail traders	33,803	53,133
Others	130,103	74,149
	<b>1,378,717</b>	<b>797,572</b>

Deposits



Advances



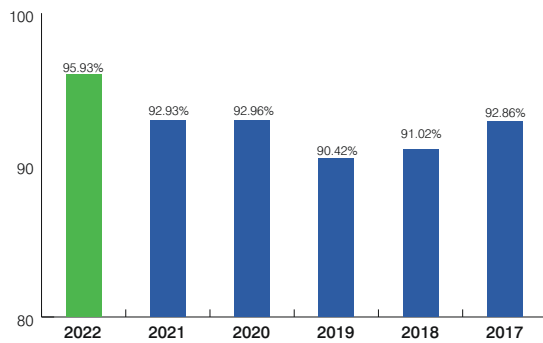


## Deposits & Advances - Group wise

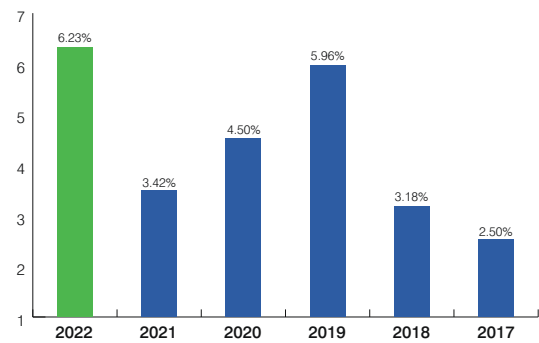
Rs. in Billion

	Group wise Deposits				Group wise Gross Advances			
	2022	2021	Variance		2022	2021	Variance	
			Amount	%			Amount	%
Retail	1,211.3	1,255.4	(44.1)	-3.51%	87.5	91.3	-3.8	-4.15%
Consumer	20.4	24.2	(3.8)	-15.74%	43.0	38.5	4.5	11.66%
Corporate	86.6	65.7	20.9	31.89%	606.5	445.0	161.5	36.29%
Overseas	60.4	66.5	(6.2)	-9.27%	28.6	28.9	-0.3	-1.21%
Others (SAM)	-	-	-	-	32.0	31.9	0.1	0.39%
<b>Total</b>	<b>1,378.7</b>	<b>1,411.9</b>	<b>(33.1)</b>	<b>-2.35%</b>	<b>797.6</b>	<b>635.6</b>	<b>162.0</b>	<b>25.48%</b>

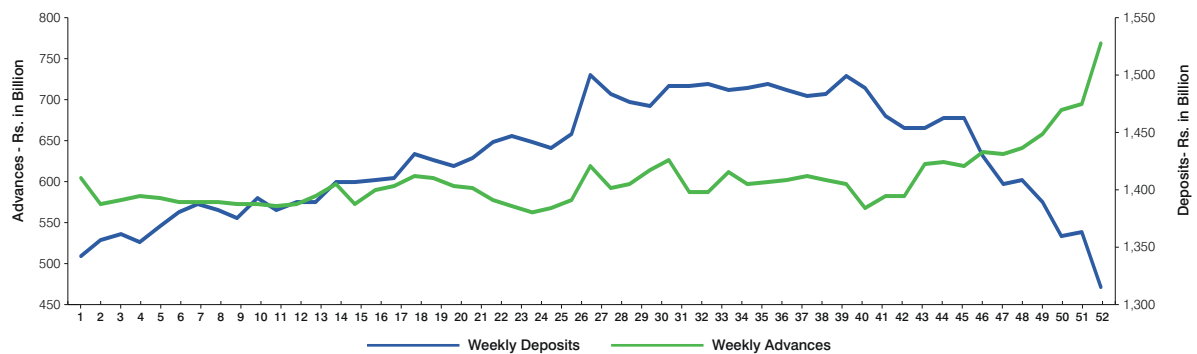
### CASA Mix



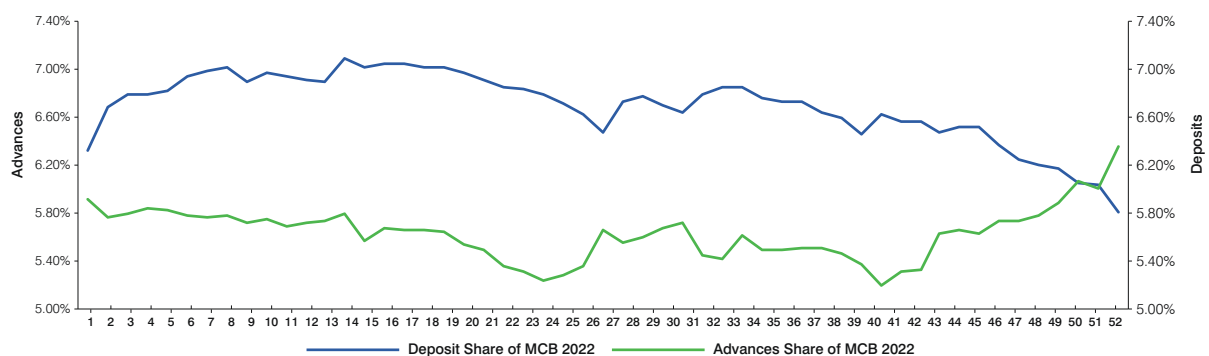
### Weighted Average Cost of Deposits



### Weekly Trend of MCB Deposits and Advances - 2022 (Domestic)



### MCB's Industry Share in Deposits and Advances - 2022 (Domestic)

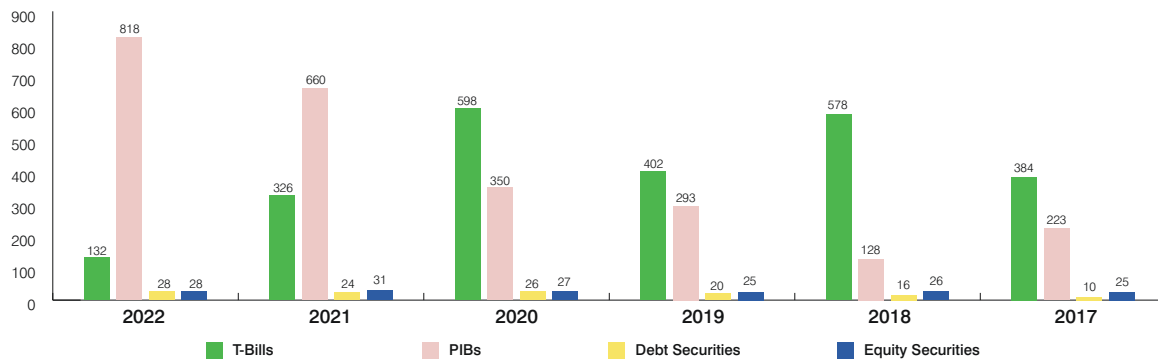


## Investments

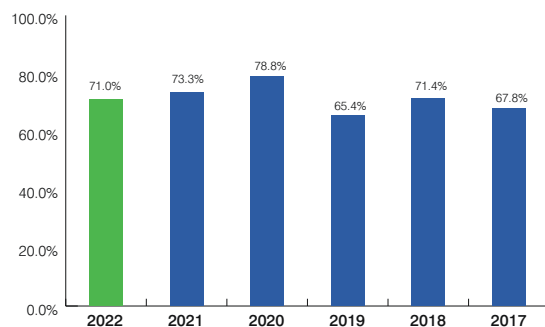
	2022	2021	Var.	Rupees in Million % Var.
Treasury Bills	131,584	325,536	(193,952)	-60%
Pakistan Investment Bonds	817,630	660,198	157,432	24%
TFCs, Debentures and Certificates	8,555	5,468	3,086	56%
Other government securities / Sukooks / Euro Bonds	19,475	18,774	701	4%
Shares in Listed, Unlisted Co.s & Mutual funds	28,277	31,019	(2,742)	-9%
Subsidiaries & Associated Undertakings	17,019	13,019	3,999	31%
<b>Investments at cost</b>	<b>1,022,539</b>	<b>1,054,014</b>	<b>(31,475)</b>	<b>-3%</b>
Provision for diminution in value of investments	(10,330)	(10,660)	330	-3%
Surplus / (deficit) on revaluation of investments	(33,478)	(7,768)	(25,709)	331%
<b>Investments at revalued amount - net of provision</b>	<b>978,731</b>	<b>1,035,585</b>	<b>(56,854)</b>	<b>-5%</b>
Non-Statutory Investment Portfolio*	497,267	688,242		

\*Maintained in excess of Statutory Liquidity Requirement

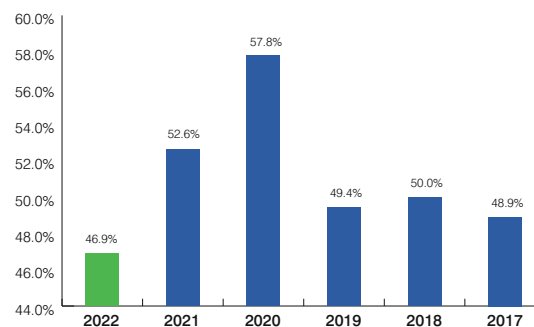
Category of Investments (2017-2022) (Rupees in Billion)



Investments to Deposits Ratio (2017-2022)



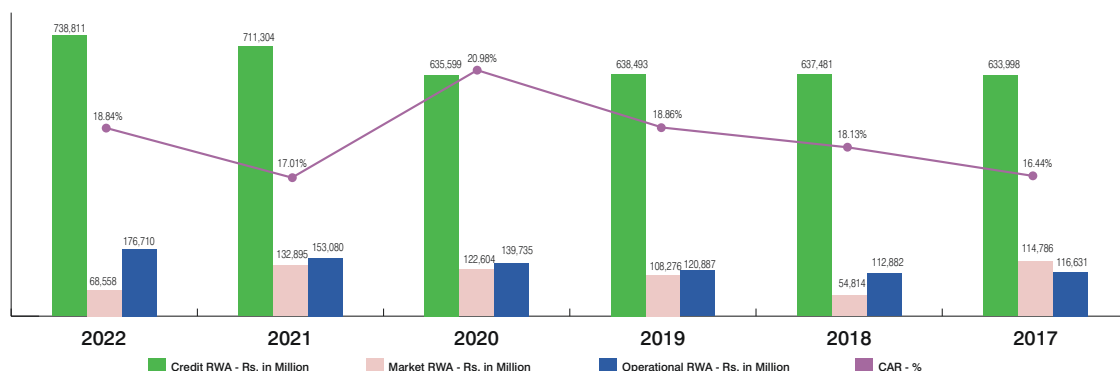
Investments to Total Assets (2017-2022)



# Capital Structure

	2022	Rupees in Million 2021
<b>Capital Structure</b>		
<b>Tier 1 Capital</b>		
Shareholders equity /assigned capital	11,851	11,851
Share premium	23,751	23,751
Reserves	59,516	56,242
Unappropriated profits	70,425	63,683
	165,543	155,527
<b>Deductions:</b>		
Book value of intangible and advances given for intangible	801	979
Defined benefit pension fund assets - net	1,578	1,963
Other deductions	2,550	2,231
	4,929	5,173
<b>Total Tier 1 capital</b>	160,614	150,354
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments	–	–
General provisions subject to 1.25% of total risk weighted assets	2,225	1,706
Revaluation reserves	18,143	13,842
Foreign exchange translation reserves	4,403	3,701
	24,770	19,250
<b>Deductions:</b>		
Other deductions	–	–
<b>Total Tier 2 Capital</b>	24,770	19,250
<b>Total Regulatory Capital Base</b>	185,384	169,604
<b>Risk Weighted Assets</b>		
Credit Risk	738,811	711,304
Market Risk	68,558	132,895
Operational Risk	176,710	153,080
<b>Total RWA</b>	984,079	997,279
<b>Capital Adequacy Ratio</b>		
Total eligible regulatory capital held	185,384	169,604
Total Risk Weighted Assets	984,079	997,279
<b>Capital Adequacy Ratio</b>	18.84%	17.01%

Capital Adequacy Ratio (2017-2022)

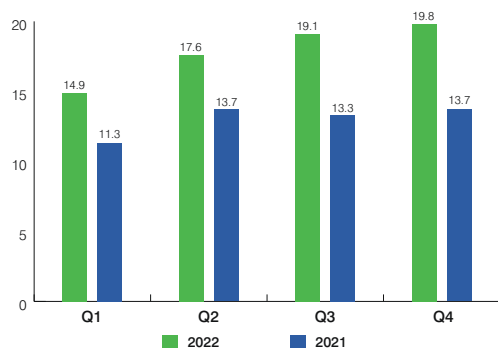


# Quarterly Performance Analysis 2021 - 2022

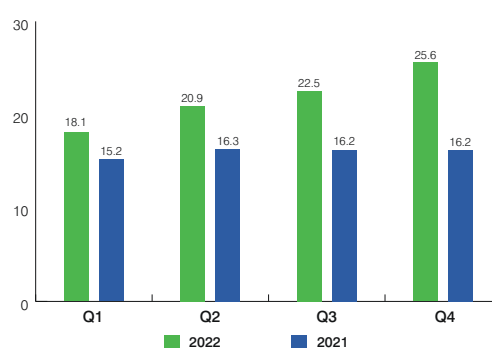
Rupees in Million

	2022				2021			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
<b>Profit &amp; Loss Account</b>								
Mark-up earned	59,735	55,612	45,699	39,717	33,431	31,702	29,854	28,347
Mark-up expensed	(34,090)	(33,090)	(24,823)	(21,605)	(17,189)	(15,506)	(13,545)	(13,107)
Net mark-up income	25,645	22,523	20,876	18,112	16,242	16,195	16,309	15,240
Non-mark-up income	4,360	7,355	7,177	5,722	5,691	4,884	4,750	4,749
Total Income	30,005	29,877	28,053	23,834	21,933	21,080	21,058	19,989
Non-mark-up expenses	(11,692)	(11,342)	(10,384)	(9,769)	(9,538)	(9,321)	(9,144)	(8,891)
Profit before provisions	18,313	18,536	17,669	14,065	12,395	11,759	11,914	11,099
Provisions & write off	1,465	516	(61)	864	1,324	1,499	1,823	177
Profit before taxation	19,778	19,051	17,607	14,928	13,719	13,257	13,737	11,276
Taxation	(6,890)	(10,323)	(15,397)	(6,014)	(5,464)	(5,444)	(5,784)	(4,486)
<b>Profit after taxation</b>	<b>12,889</b>	<b>8,728</b>	<b>2,210</b>	<b>8,914</b>	<b>8,255</b>	<b>7,813</b>	<b>7,953</b>	<b>6,790</b>
<b>Statement of Financial Position Assets</b>								
Cash and balances with treasury banks	96,369	152,450	171,331	143,307	164,613	119,779	142,191	111,838
Balances with other banks	24,872	34,320	20,496	23,367	18,830	15,322	14,222	20,895
Lendings to financial institutions	50,416	62,401	90,563	41,995	42,467	26,028	32,494	17,238
Investments	978,731	1,091,981	1,003,425	1,178,249	1,035,585	1,176,246	1,096,213	1,090,917
Advances	753,400	582,049	606,209	585,486	589,711	481,778	462,538	429,357
Fixed assets	79,918	58,316	58,240	57,398	57,328	57,573	57,588	57,658
Intangible assets	801	834	823	920	979	998	956	1,000
Deferred tax assets	7,547	5,684	5,307	1,170	-	-	-	-
Other assets	93,301	88,030	82,171	63,439	60,955	53,372	54,722	48,059
	2,085,355	2,076,066	2,038,565	2,095,331	1,970,468	1,931,097	1,860,923	1,776,962
<b>Liabilities</b>								
Bills payable	39,137	10,436	13,897	11,907	24,590	12,287	12,929	11,285
Borrowings	340,237	183,605	160,148	320,641	269,526	191,237	139,594	190,058
Deposits and other accounts	1,378,717	1,589,789	1,590,596	1,491,685	1,411,852	1,456,581	1,441,208	1,313,702
Deferred tax liabilities	-	-	-	-	729	4,639	6,989	5,003
Other liabilities	137,769	123,273	109,431	98,139	89,365	88,711	81,585	82,190
	1,895,861	1,907,104	1,874,072	1,922,372	1,796,061	1,753,455	1,682,305	1,602,238
<b>Net assets</b>	<b>189,495</b>	<b>168,962</b>	<b>164,493</b>	<b>172,959</b>	<b>174,407</b>	<b>177,642</b>	<b>178,618</b>	<b>174,724</b>
<b>Represented by:</b>								
Share capital	11,851	11,851	11,851	11,851	11,851	11,851	11,851	11,851
Reserves	88,578	87,425	85,073	84,287	84,602	83,443	81,745	80,577
Surplus on revaluation of assets - net of tax	18,641	4,491	5,514	11,010	14,272	21,110	24,939	24,028
Unappropriated profit	70,425	65,195	62,055	65,810	63,683	61,239	60,084	58,268
	189,495	168,962	164,493	172,959	174,407	177,642	178,618	174,724

Quarterly PBT (Rupees in Billion)

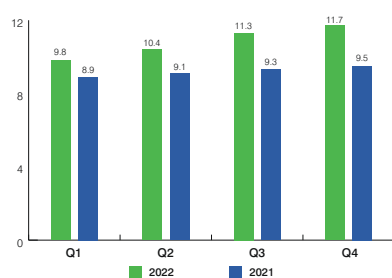


Quarterly NIM (Rupees in Billion)

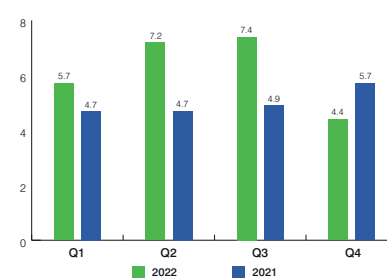


Net Interest Income	Non Markup Income	Non Markup Expenses	Profit
<b>Quarter 1</b>			
<p>During the 1st quarter of 2022, Net Interest Income (NII) of the Bank increased by 19% and was reported at Rs. 18.112 billion. The markup income was concentrated by markup from investments which amounted to Rs. 26.866 billion and constituted 68% of the gross amount while the markup income from advances was reported at Rs. 12.409 billion. The increase in gross markup income was broad based; driven by improving earning margins, in an upward sloping yield curve, and volumetric growth achieved in earning assets.</p> <p>On the markup expense side, Rs. 16.862 billion was reported on account of markup on deposits; representing an increase of 61% over the corresponding period owing primarily to higher minimum saving rate applicable during the quarter in review.</p>	<p>Non Markup Income for the 1st quarter of 2022 was reported at Rs. 5.722 billion against Rs. 4.749 billion reported in the corresponding period; representing an increase of 20%. The growth is mainly attributable to rise in foreign exchange income (94%) on the back of prudent positioning of foreign exchange assets and liabilities amidst comparatively favorable swap curves and growth in dividend income (81%) due to resurging economic activity in the country.</p>	<p>Non Markup expenses grew by 10% in the 1st quarter of 2022 over the corresponding period. Despite surge in inflationary pressures, the Bank was able to contain growth in the operating expense base through cost management initiatives and continuous process revamping for inculcating operational efficiencies.</p>	<p>Driven by a 19% growth in NII and 20% growth in Non Markup Income, MCB's profit before tax and provisions, for the 1st quarter of 2022, was reported at Rs. 14.065 billion against Rs. 11.099 billion reported in the comparative period.</p> <p>On the provision front, disposal of equity scrips resulted in a net reversal of Rs. 187 million recognized during the period in review while proactive monitoring and recovery efforts led to a reversal of Rs. 616 million in provision against advances.</p> <p>Profit Before Tax (PBT) for the 1st quarter of 2022 resultantly grew by 32% to reach Rs. 14.928 million.</p>
<b>Quarter 2</b>			
<p>NII during the 2nd quarter of 2022 was reported at Rs. 20.876 billion; growing by 28% as compared to the corresponding period. NII improved during the second quarter 2022 due to strong volumetric growth in current account and favorable yield curve movements (Average policy rate during the quarter in review stood at 12.68% against 7% in the comparative period).</p>	<p>Non Mark up Income for the 2nd quarter of 2022 was reported at Rs. 7.177 billion; posting a rise of 51% over the corresponding period. Major variance pertained to FX income; increasing by Rs. 2,132 billion and translating into a growth of 277%. Fee and commission income increased by 29%, gain on securities increased by 87% while dividend income and other income decreased by 11% and 90% respectively.</p>	<p>Non Markup expenses grew by 14% in the 2nd quarter of 2022. Major contribution to the increase transpired from non HR related operating expenses; that witnessed a broad based surge (28%) owing to elevated inflationary pressures amidst economic turbulence and geopolitical uncertainty.</p>	<p>Profit before tax for the 2nd quarter of 2022 reported an increase of Rs. 3.870 billion (28%) over the corresponding period.</p> <p>NIM and non mark up income increased by Rs. 4.567 billion and Rs. 2.426 billion respectively. The increase in gross income was slightly offset by rise in non mark up expenses and provision charge amounting to Rs. 2.427 billion and Rs. 1.239 billion respectively. Net impact of captioned variances resulted in increase in PBT for the quarter in review.</p> <p>Retrospective application of tax amendments along with higher tax rates for current period enacted through Finance Act, 2022 resulted into a significantly higher tax charge for the quarter as in review as compared to the corresponding period. Hence, Profit After Tax (PAT) registered a decline of 72% to report at Rs. 2.21 billion</p>
<b>Quarter 3</b>			
<p>NII during the 3rd quarter was reported at Rs. 22.523 billion; 39% higher compared to the corresponding period of 2021. Mark up earned increased by 75% on the back of rising earning yields in an upward sloping yield curve. Mark up income on investments and advances contributed 73% and 26% to the captioned increase respectively. On the expense side, mark up expense increased by 113% primarily on account of higher deposit mobilization and increase in minimum saving rate applicable during the quarter in review.</p>	<p>Non mark up income registered a significant growth of 51 % over the comparative period to report at Rs. 7.355 billion.</p> <p>Prudent positioning of foreign currency assets amidst sustained volatility in the FOREX market resulted in FX income growing by Rs. 2.919 billion (312%). Capital loss on securities was reported at Rs. 572.548 million as compared to a capital gain of Rs. 218.840 million in the corresponding period.</p>	<p>Continuing their upward trajectory, non HR related operating expenses reported a broad based growth owing to rapidly accelerating inflationary pressures amidst currency devaluation and rising commodity prices; translating into a total growth of 22%, in non markup expenses, for the 3rd quarter of 2022.</p>	<p>On the back of strong overall performance (39% growth in NII and 51% growth in non markup income), the Bank reported quarterly profit before tax of Rs. 19.051 billion in the 3rd quarter of 2022.</p>
<b>Quarter 4</b>			
<p>On the back of an evolving yield curve scenario, record growth in Bank's credit book and materialization of strategic drive undertaken to improve concentration of current accounts in the deposit mix, the last quarter of the year witnessed an impressive growth of 58% in NII.</p>	<p>Non Markup Income posted a decline of 24% to report at Rs. 4.360 billion for the 4th quarter of 2022.</p> <p>Prime contributors to the declining trend were:</p> <p>(i) increase in capital loss on securities realized from the sale of underperforming equity scrips amidst weak PSX performance; amounting to Rs. 1.464 billion</p> <p>(ii) decrease in FX income; amounting to Rs. 214 million</p> <p>(iii) decrease in dividend income; amounting to Rs. 83 million.</p>	<p>Non markup expenses closed the period in line with the surging trend witnessed during the first three quarters of 2022; posting a growth of 23% to report at Rs. 11.691 billion.</p>	<p>During the last quarter of 2022, the Bank registered a significant growth of 44% in its profit before tax to post Rs. 19.778 billion compared to Rs. 13.719 billion posted in the comparative period.</p> <p>Total income increased by 37% on the back of a registered increase of 58% in NII. The increase was slightly offset by a decline of 24% in non markup income and a rise of 23% rise in non markup expenses.</p>

Non Markup Expense (Rupees in Billion)



Non Markup Income (Rupees in Billion)



# Six Years' Performance 2017 - 2022

## Financial Performance / Financial Ratios

		2022	2021	2020	2019	2018	2017
<b>Profit and Loss Account</b>							
Mark-up/ return earned	Rs. Mln	200,763	123,334	136,076	138,292	83,319	74,091
Mark-up/ return expensed	"	113,607	59,347	64,741	78,676	37,305	31,429
Fund based income	"	87,156	63,987	71,334	59,616	46,014	42,662
Fee, Commission, brokerage & FX income	"	23,664	17,011	13,594	14,469	14,625	11,435
Dividend and capital gains	"	949	3,062	4,542	2,210	2,573	6,682
Total income	"	111,769	84,061	89,470	76,295	63,212	60,780
Operating expenses	"	43,186	36,894	33,908	33,709	32,902	28,721
Operating profit before tax and provision	"	68,583	47,167	55,562	42,586	30,310	32,059
Provisions / (Reversals)	"	(2,782)	(4,823)	7,313	2,484	(1,753)	1,045
Profit before tax	"	71,365	51,989	48,249	40,102	32,064	31,014
Profit after tax	"	32,741	30,811	29,037	23,977	21,360	22,459
Cash Dividends	"	23,701	22,516	23,701	20,146	18,961	18,673

## 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	11,851
Reserves	"	88,578	84,602	80,696	77,591	74,148	70,866
Unappropriated Profit	"	70,425	63,683	69,835	55,777	53,532	53,776
Shareholder's equity	"	170,854	160,136	162,382	145,219	139,531	136,493
Surplus on revaluation of assets - net of tax	"	18,641	14,272	27,720	23,695	9,747	17,073
Shareholder Funds	"	189,495	174,407	190,102	168,915	149,278	153,566
Total Assets	"	2,085,355	1,970,468	1,757,462	1,515,152	1,498,130	1,343,238
Earning Assets	"	1,870,527	1,732,055	1,544,536	1,294,096	1,343,378	1,175,352
Gross Advances	"	797,572	635,574	513,550	540,037	546,792	515,058
Advances - net of provisions	"	753,400	589,711	462,942	496,679	503,581	469,356
Non-Performing Loans (NPLs)	"	51,260	50,491	51,189	49,424	48,956	48,753
Investments	"	978,731	1,035,585	1,015,869	748,765	749,369	656,964
Total Liabilities	"	1,895,861	1,796,061	1,567,361	1,346,237	1,348,852	1,189,672
Deposits & other accounts	"	1,378,717	1,411,852	1,289,502	1,144,763	1,049,038	968,483
Current & Saving Deposits (CASA)	"	1,322,549	1,312,059	1,198,785	1,035,063	954,813	899,364
Borrowings	"	340,237	269,526	164,002	89,506	216,019	133,070
Interest bearing Liabilities	"	1,038,842	1,118,182	964,119	809,717	867,048	728,361
Contingencies and Commitments	"	619,187	619,187	714,038	851,147	584,434	448,135

## Profitability Ratios:

Profit before tax ratio	%	35.55%	42.15%	35.46%	29.00%	38.48%	41.86%
Gross Yield on Average Earning Assets	"	11.15%	7.53%	9.59%	10.49%	6.41%	7.10%
Gross Yield on Avg. Earning Assets (incl. dividend & capital gains)	"	11.20%	7.72%	9.91%	10.65%	6.61%	7.74%
Gross Spread	"	43.41%	51.88%	52.42%	43.11%	55.23%	57.58%
Cost to income ratio	"	37.13%	42.09%	36.49%	42.82%	50.77%	46.00%
Return on average equity (ROE)	"	19.78%	19.11%	18.88%	16.84%	15.48%	17.65%
Return on average assets (ROA)	"	1.61%	1.65%	1.77%	1.59%	1.50%	1.86%
Return on Capital Employed (ROCE)	"	19.78%	19.11%	18.88%	16.84%	15.48%	17.65%
Shareholder Funds to Total Assets	"	9.09%	8.85%	10.82%	11.15%	9.96%	11.43%
Return on Shareholder Funds	"	17.99%	16.91%	16.18%	15.07%	14.11%	15.22%
Non interest income to total income	"	22.02%	23.88%	20.27%	21.86%	27.21%	29.81%
Admin Exp to Profit before Tax	"	58.14%	68.05%	67.66%	81.47%	100.08%	90.15%

## Investment Ratios/Market Ratios:

Earnings per share (after tax)	Rs.	27.63	26.00	24.50	20.23	18.02	19.56
Earnings per share (before tax)	"	60.22	43.87	40.71	33.84	27.06	27.02
Breakup value per share							
- without surplus on revaluation of fixed assets & investments	"	144.17	135.13	137.02	122.54	117.74	115.18
- without surplus on revaluation of fixed assets	"	128.49	131.49	144.45	126.47	115.68	119.17
- with surplus on revaluation of fixed assets & investments*	"	159.90	147.17	160.42	142.54	125.97	129.59
* - with surplus on revaluation of fixed assets & investments & investment in related party at fair / market value"	"	161.42	149.82	162.80	144.89	128.41	132.90
Cash Dividend	%	200%	190%	200%	170%	160%	160%
Dividend Yield ratio (based on cash dividend)	"	17.22%	12.39%	10.79%	8.30%	8.27%	7.54%
Dividend Payout ratio	"	72.39%	73.08%	81.62%	84.02%	88.77%	81.86%
Price to book value ratio	Times	0.81	1.13	1.35	1.67	1.64	1.84
Price to earning ratio	"	4.20	5.90	7.56	10.13	10.74	10.85
Dividend cover ratio	"	1.38	1.37	1.23	1.19	1.13	1.18

\*Net Assets per Share

		2022	2021	2020	2019	2018	2017
<b>Share Information:</b>							
Market value per share - Dec 31	Rs.	116.16	153.35	185.28	204.94	193.57	212.32
High - during the year	" "	166.20	202.40	224.53	216.20	236.56	262.10
Low - during the year	" "	108.95	146.00	132.89	154.04	177.16	190.43
Market Capitalisation	Rs. Mln	137,657	181,729	219,568	242,866	229,392	251,612

**Asset Quality and Liquidity ratios:**

Gross Advances to deposits ratio	%	57.85%	45.02%	39.83%	47.17%	52.12%	53.18%
Net Advances to deposits ratio	" "	54.64%	41.77%	35.90%	43.39%	48.00%	48.46%
Investments to deposits ratio	" "	70.99%	73.35%	78.78%	65.41%	71.43%	67.83%
Weighted Average Cost of Deposits	" "	6.23%	3.42%	4.50%	5.96%	3.18%	2.50%
CASA to total deposits	" "	95.93%	92.93%	92.96%	90.42%	91.02%	92.86%
NPLs to Gross advances ratio	" "	6.43%	7.94%	9.97%	9.15%	8.95%	9.47%
NPLs to Shareholders Equity	" "	30.00%	31.53%	31.52%	34.03%	35.09%	35.72%
Coverage Ratio (specific provision/ NPLs)	" "	81.83%	87.45%	88.19%	84.85%	85.68%	91.46%
Coverage Ratio (total provision/ NPLs)	" "	86.17%	90.83%	98.87%	87.73%	88.26%	93.74%
Earning assets to total assets ratio	" "	89.70%	87.90%	87.88%	85.41%	89.67%	87.50%
Investments to total assets ratio	" "	46.93%	52.56%	57.80%	49.42%	50.02%	48.91%
Cash & Cash Equivalents to Total Assets	" "	5.77%	9.23%	8.30%	9.50%	7.55%	8.16%
Cash to Current Liabilities	" "	4.92%	4.52%	6.34%	5.39%	3.44%	5.07%
Cost of Funds	" "	5.96%	3.40%	4.31%	5.76%	2.98%	2.61%
Cash flow coverage ratio	" "	-20.00%	41.08%	174.27%	53.84%	65.13%	88.43%
Efficiency Ratio	" "	60.51%	70.96%	70.28%	84.06%	102.61%	92.61%
Cash Reserve Ratio	" "	5.91%	5.09%	5.02%	5.02%	5.02%	5.03%
Liquid Assets to Total Assets	" "	38.42%	54.10%	50.99%	43.74%	43.18%	38.18%
Gross Non Performing Assets to Gross Advances & Investments	" "	2.93%	3.05%	3.38%	3.88%	3.82%	4.20%
Earning assets to interest bearing Liabilities	Times	1.80	1.55	1.60	1.60	1.55	1.61
Deposits to shareholder equity	" "	8.07	8.82	7.94	7.88	7.52	7.10
Assets to Equity	" "	12.21	12.30	10.82	10.43	10.74	9.84
Current / Quick Ratio	" "	1.39	1.53	2.38	2.29	1.91	2.01

**Risk Adequacy:**

Tier I Capital	Rs. Mln	160,614	150,354	152,901	136,257	128,999	129,130
Total Eligible Capital	" "	185,384	169,604	188,409	163,611	145,987	147,227
Risk Weighted Assets (RWA)	" "	984,079	997,279	897,938	867,478	805,177	895,415
Tier I to RWA	%	16.32%	15.08%	17.03%	15.71%	16.02%	14.42%
RWA to total assets	" "	47.19%	50.61%	51.09%	57.25%	53.75%	66.66%
Capital Adequacy Ratio	" "	18.84%	17.01%	20.98%	18.86%	18.13%	16.44%
Statutory Liquidity Reserve (Ratio)	" "	56.68%	72.92%	68.66%	60.08%	63.97%	51.15%
Net Return on Average RWA	" "	3.30%	3.25%	3.29%	2.87%	2.51%	2.87%

**DuPont Analysis:**

Net Operating Margin	%	29.29%	36.65%	32.45%	31.43%	33.79%	36.95%
Asset Utilization	%	5.51%	4.51%	5.47%	5.06%	4.45%	5.03%
Leverage Ratio / Equity Multiplier	Times	12.25	11.56	10.64	10.58	10.29	9.49

**Industry Share:**

Deposits*	%	5.87%	6.41%	6.91%	7.45%	7.57%	7.59%
Advances*	" "	6.46%	5.98%	5.69%	6.21%	6.57%	7.46%
Market Capitalisation	" "	13.40%	13.03%	16.08%	16.87%	17.17%	17.85%

\* based on economic data released by State Bank of Pakistan

**Consolidated:**

Total Assets	Rs. Mln	2,274,333	2,122,121	1,891,276	1,612,215	1,585,210	1,389,492
Shareholders' Equity	" "	174,287	161,592	163,409	145,854	140,196	138,100
Net Assets	" "	194,478	177,569	192,991	171,347	151,323	156,543
Profit Before Tax	" "	75,340	53,275	49,318	40,154	30,806	30,614
Profit After Tax	" "	34,451	31,328	29,562	23,947	20,415	22,048
Return on Average Assets	%	1.57%	1.56%	1.69%	1.50%	1.37%	1.77%
Return on Average Equity	" "	20.42%	19.19%	19.02%	16.66%	14.60%	16.98%
Earnings Per Share	Rs.	29.00	26.31	24.82	20.14	17.17	19.13
Breakup Value per Share	" "	164.11	149.84	162.85	144.59	127.69	132.10
Capital Adequacy Ratio	%	17.98%	15.99%	19.69%	17.84%	17.02%	16.34%

**Per Branch:**

Gross Advances	Rs. Mln	550.81	442.29	359.38	383.01	394.23	356.69
Deposits	" "	952.15	982.50	902.38	811.89	756.34	670.69
CASA	" "	913.36	913.05	838.90	734.09	688.40	622.83
PBT	" "	49.29	36.18	33.76	28.44	23.12	21.48

## Non-Financial Performance

		2022	2021	2020	2019	2018	2017
No. of accounts	Absolute	8,586,001	8,372,786	8,217,065	8,223,038	7,854,928	7,607,277
No. of branches	"	1,448	1,437	1,429	1,410	1,387	1,444
No. of permanent employees	"	14,341	13,849	13,643	13,596	12,860	13,155
Staff turnover ratio	%	19.03%	13.69%	10.07%	12.50%	14.04%	14.40%
Customer Satisfaction Index	"	90%	90%	91%	90%	85%	85%

### Employee Productivity Rate

Deposits per Employee	Rs. Mln	96	102	95	84	82	74
Advances per Employee	Rs. Mln	56	46	38	40	43	39
PBT per Employee	Rs. Mln	5	4	4	3	2	2

### Digital Banking

No. of ATMs	Absolute	1,484	1,454	1,434	1,360	1,321	1,377
No. of Debit cards/smart cards issued during the year	"	820,188	796,215	577,406	652,440	783,233	772,314

### Credit Cards

No. of new issuance	Absolute	21,545	18,828	13,944	16,907	15,245	13,006
No. of customers	"	95,516	87,882	84,542	83,070	77,190	70,246
Total spend (transaction volume)	Rs. Mln	17,905	11,681	8,327	8,927	7,597	7,054

### Auto Loan

No. of Loans disbursed	Absolute	4,981	8,706	5,549	5,999	8,266	8,977
Outstanding Volume	Rs. Mln	22,552	24,445	19,777	17,929	18,134	16,416

### Home Loan

No. of Loans disbursed	Absolute	706	676	67	62	108	64
Outstanding Volume	Rs. Mln	11,694	8,528	4,733	4,110	4,116	2,909

### Personal Loan

No. of Loans disbursed	Absolute	1,972	1,293	1,764	2,435	2,766	1,313
Outstanding Volume	Rs. Mln	1,500	1,519	1,912	2,262	2,707	2,630

### Bancassurance

No. of customers	Absolute	300,579	273,178	232,035	196,633	152,145	119,474
No. of new customers	"	27,401	41,143	35,402	44,021	32,671	24,040
No. of policies	"	25,999	40,205	35,791	44,208	33,110	26,590
Bancassurance Premium	Rs. Mln	10,617	10,756	9,654	8,927	7,060	6,133

### Trade

Imports - volume	Rs. Mln	957,491	759,202	577,281	563,914	483,932	416,489
Exports - volume	"	561,187	408,896	332,396	356,549	302,500	220,912

### Home Remittance

Volume of home remittance	USD Mln	3,434	3,527	3,206	3,051	3,064	2,281
Volume of home remittance	Rs. Mln	663,582	573,711	518,882	455,862	374,431	240,478
Home Remittance MCB Market Share	%	11.60%	11.40%	12.35%	13.74%	14.88%	11.64%

### Cash Management

Throughput of Cash Management	Rs. Mln	3,866,980	3,020,171	2,082,095	1,884,135	1,673,812	1,500,553
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## Performance Commentary

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

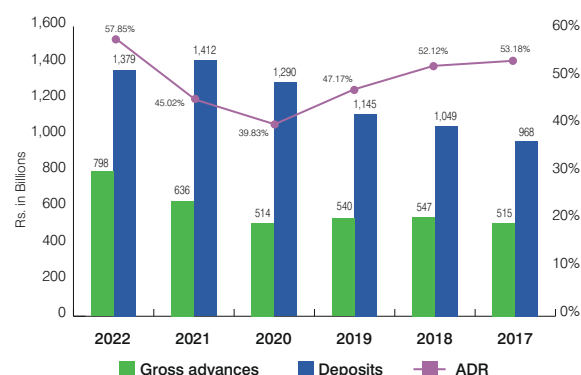
### Statement of Financial Position

#### Total Assets:

The asset base of the Bank has registered a compounded annual growth rate (CAGR) of 9.20% over the last 6 years; growing to Rs. 2,085 billion as at December 31, 2022. Prime contributors to the said increase have been advances and investments; with investments growing annually by approximately 8.30% while the advances book has recorded a growth of 9.14% on an annual basis. The earning asset mix of the Bank has been prudently and proactively managed to ensure maximization of returns to the stakeholders. In 2017, on account of merger with NIB Bank, MCB's asset base increased significantly; to the tune of 25%. However, in 2018, the high base impact was slightly diluted by the transfer of 90 branches of the Bank to its wholly owned subsidiary i.e. MCB Islamic Bank Limited. Since then, the asset base of the Bank has grown consistently to generate a sustainable return on assets (RoA).

#### Advances:

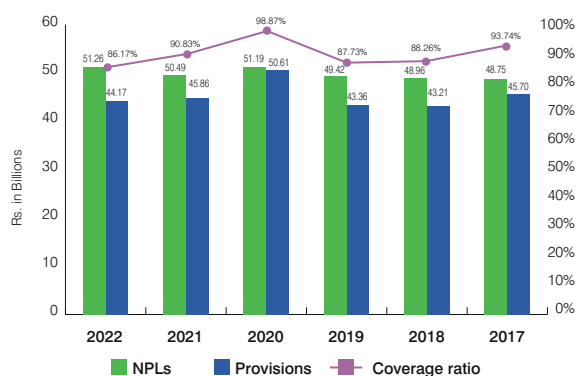
Over the course of last two years (2020-2022), the gross advances of the Bank have registered an increase of Rs. 284 billion; significantly higher than the industry growth recorded over the same period and translating into an impressive CAGR of 24.6%. This remarkable performance has primarily been derived from the V-shaped economic recovery witnessed in 2021 and a renewed strategic focus to capitalize on emerging credit extension opportunities, within Bank's defined risk appetite. Over the cumulative period of 6 years, MCB's CAGR in the advance book has been reported at 9.14%.



#### 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 2022, 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. 3,158 billion. In 2017, due to the transfer of NPL stock from NIB Bank i.e. Rs. 29,650 billion, the infection ratio of bank deteriorated to 9.47% compared to 6.90% in 2016. Since then, effective management of Bank's credit risk by

leveraging a robust risk management framework together with the growing credit book has improved Bank's credit profile; with infection ratio improving to 6.43% in 2022. The coverage ratio of the Bank is reported at 86.17%, as at December 31, 2022, as compared to 93.74% as at December 31, 2017 due to the comparatively lower amount of NPLs classified in "loss" category. However, NPLs classified in "loss" category still constitute more than 95.78% of the NPLs base as at December 31, 2022; indicative of adequacy of provision held in the books of the Bank.



#### Investments:

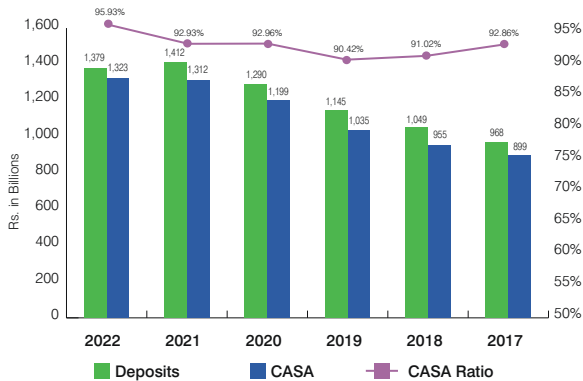
Over the past few years, a dearth of quality credit extension opportunity resulted in the banking sector liquidity being deployed in Government Papers as Government's borrowing appetite continued to grow. However, the year 2022 witnessed a trend reversal for MCB, as advances made a notable contribution to expansion in Bank's asset base. With an average annual growth rate of 8.30% over the last six years, the investment base of the Bank grew from Rs. 657 billion in 2017 to Rs. 979 billion in 2022; while its concentration in the total assets base remained below 60%. The profiling and duration of the investment portfolio has been proactively monitored, amidst evolving yield curve scenarios, 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 increased significantly over the last six years, surpassing the landmark of PKR 1 trillion in 2018, with the absolute number increasing from Rs. 968 billion as at December 31, 2017 to Rs. 1,379 billion as at December 31, 2022. CAGR of 7.32% has been maintained over the past 6 years. The CASA base has registered a remarkable increase in the last 6 years, increasing from Rs. 899 billion in 2017 to Rs. 1,323 billion in 2022. 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, 2022, 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 a 20% holding in MCB Bank Limited (current holding at 18.78% as holding diluted due to issuance of shares under the merger scheme) in 2017.
- 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 18.84% as at December 31, 2022 against the statutory requirement of 11.50%. The Shareholders' equity has grown significantly from Rs. 136 billion as at December 31, 2017 to Rs. 171 billion as at December 31, 2022.
- The Bank has one of the highest cash dividend payouts 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

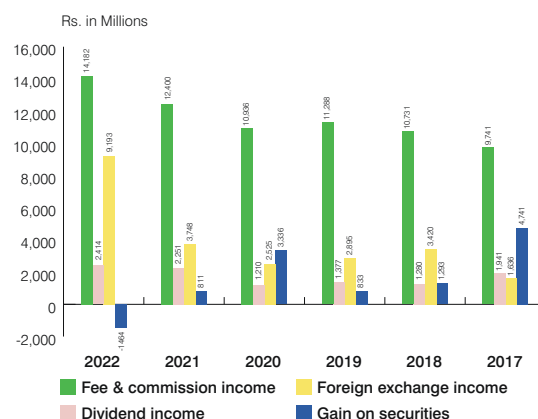
### Net Interest Margin

- The composition of markup income has seen a mix trend 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 decreased from 36.35% in 2017 to 26.86% in 2021, while, over the same period, the contribution from markup income on investments increased from 63.27% to 72.59%. However, on account of recent expansion in Bank's credit exposure (2021-2022), the contribution from markup income earned on advances in the income mix has increased to 32.79% in 2022.
- The investment to total asset ratio has decreased from its highest reported level, across the time series analysis, of 57.8% in 2020 to 46.93% in 2022. Whereas, the advances to total asset ratio, while witnessing a declining trend in the earlier part of the time series analysis (38.34% in 2017 to 32.25% in 2021) has increased to close 2022 at 38.25%.
- Achieving growth in no-cost current accounts to improve their concentration in the deposit base and maintain a balanced mix of earning asset's has remained at the forefront of MCB's key strategic focus; CASA base of the Bank has remained above

90% throughout the period covered by the time series analysis and has supported optimization of earning margins achieved by the Bank.

### Non-Markup Income

- During the last six years, fee & commission income and capital gains have been the major drivers behind non-markup 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 and digital banking 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 income 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. 20 billion have been realized by way of capital gains and dividend income.
- The year 2022 saw exceptional circumstances, wherein significant volatility was observed in the FX market; instigated primarily by the ensuing political instability and economic uncertainty. MCB, remaining cognizant, prudently positioned its foreign exchange assets/liabilities amidst comparatively favorable swap curves to report FX income of Rs. 9.159 billion for the year.



### 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, with exception of year 2020, the Bank has been able to post significant provision reversals on the back of extensive recovery efforts undertaken.

During 2020, 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 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, reversed the general provision charge created in 2020 as a preemptive measure to counter COVID-19 impact; as the systematic risks surrounding the economic recovery receded. In 2022, proactive monitoring and recovery efforts led to a net provision reversal of Rs. 2.8 billion in specific provision maintained against non-performing loans (NPLs). 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 and particularly, the surge recorded in the current year, the growth posted in the administrative block of the Bank has been kept in strict check. 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 RoA ratio.
- The aggregate profit after tax for the last six years has approximated Rs. 160 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.

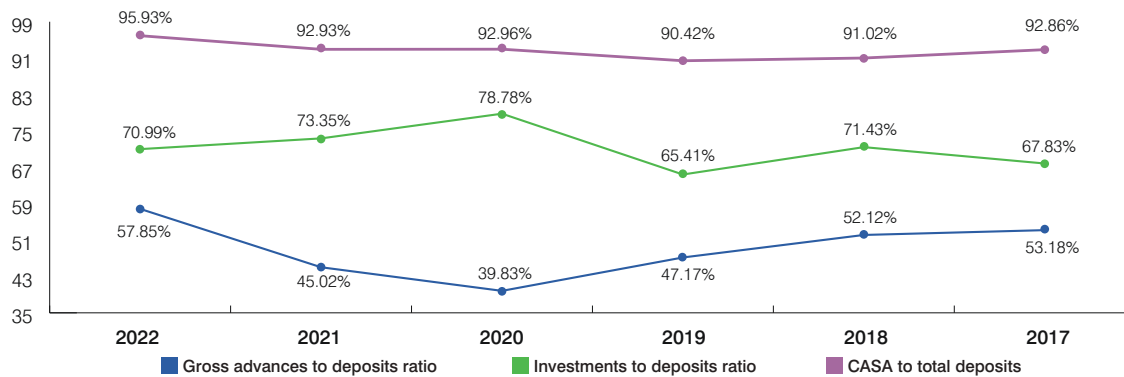
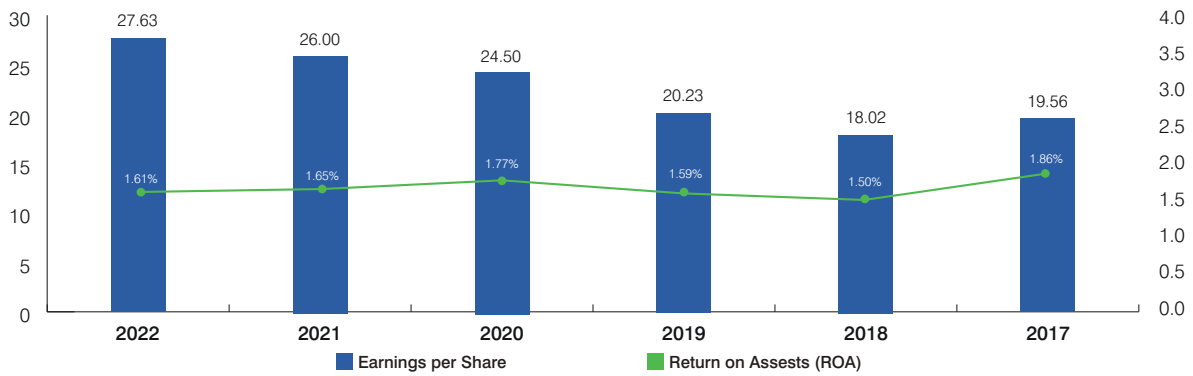
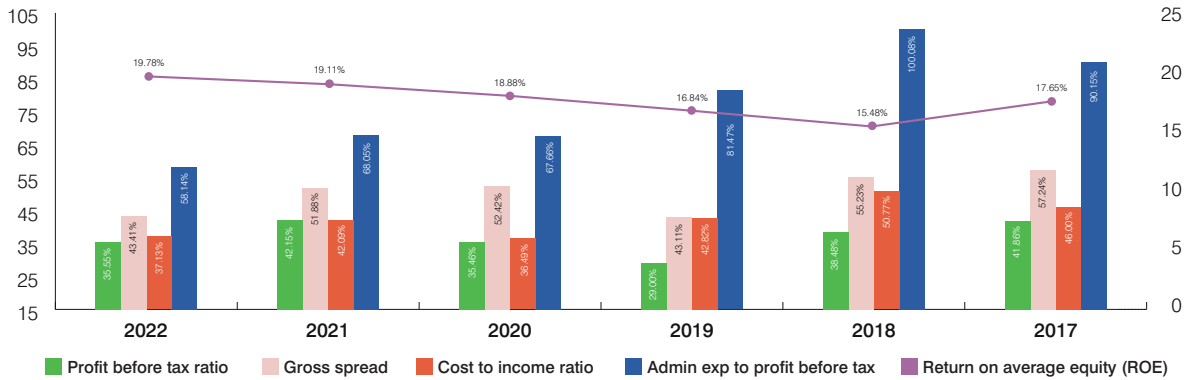
#### **Other statistics**

- The Bank has added almost 1 million bank accounts to its base during the past 6 years with the current statistics highlighting the bank accounts to be over 8.5 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. 957 billion for imports and Rs. 561 billion for exports respectively.

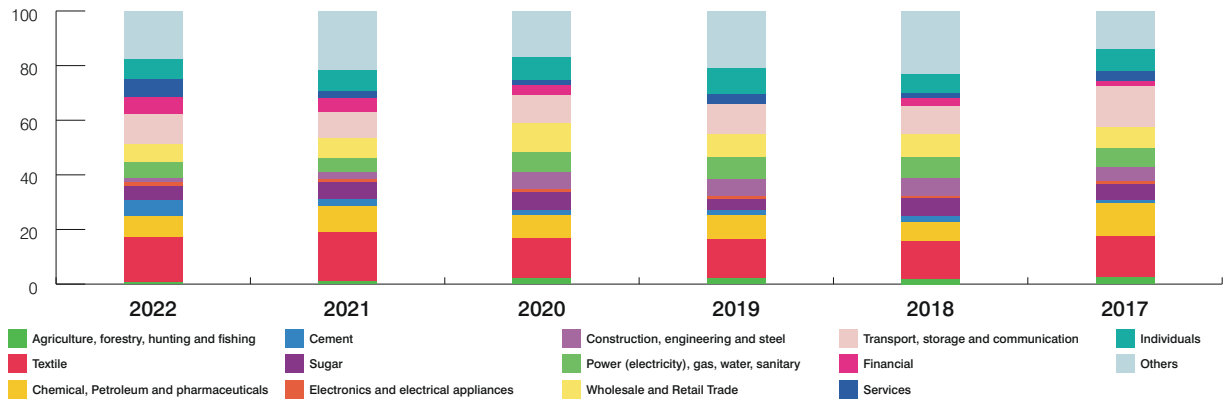
- The Bank has been able to increase its market share in the remittance business growing from Rs. 240 billion in 2017 to the volume of Rs. 664 in 2022. The home remittance inflows for 2022 stood at USD 3.434 billion and hence further consolidated MCB's position as an active participant in SBP's cause 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 25,999 new policies in 2022; with the total customer base of more than 300,000 as at December 31, 2022.
- MCB Bank launched mobile banking in 2009 with approximately 53,000 customers reported by the end of 2009. In 2021, in line with the technological advancements, MCB launched its new flagship omnichannel mobile application "MCB Live". As of 2022, MCB Live has more than 700,000 registered users with a transaction volume of over Rs. 486 billion in the current year.
- 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. Furthermore, Bank's exceptional performance was recognized by the globally coveted Finance Asia's Country Awards wherein it has been bestowed with the "Best Bank in Pakistan" award.
- In 2022, MCB's Annual Report was adjudged joint first winner of the "Best Corporate Report" award in the financial sector category and joint second in the "Overall Best Corporate Report" award across all industry sectors.

## Graphical Summary of Ratios

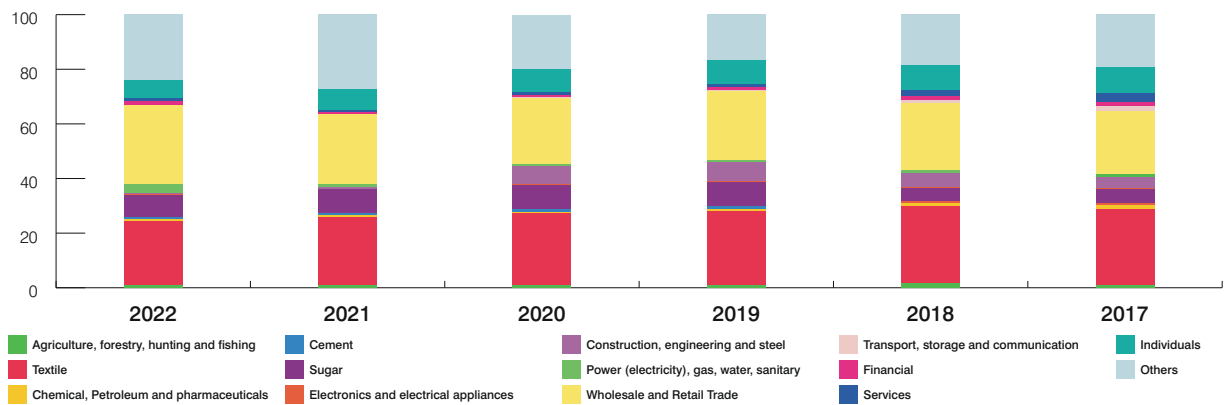


## Concentration of Advances, NPLs and Off Balance Sheet Items

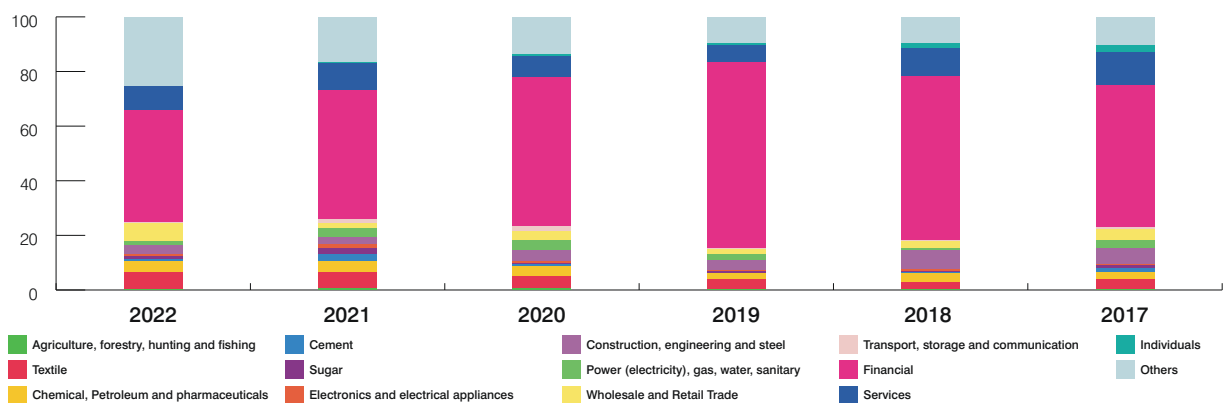
### Gross Advances



### Classified Advances

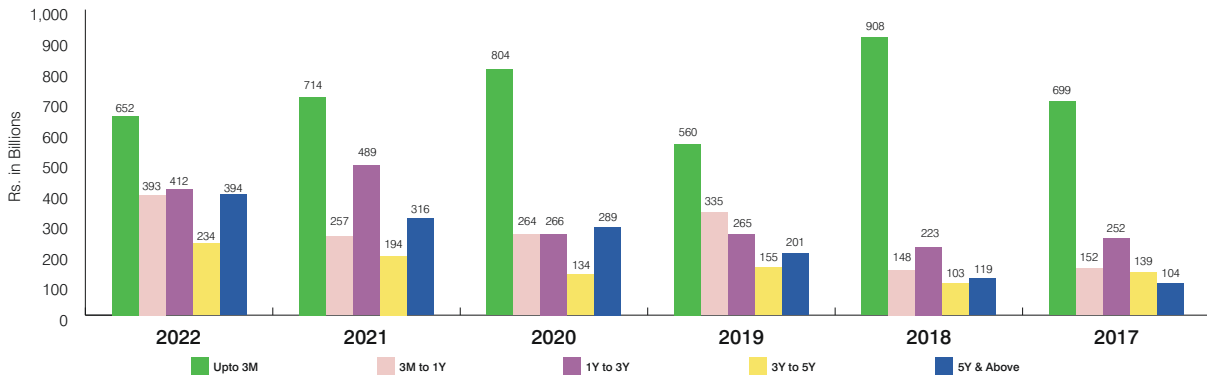


### Off Balance Sheet Item

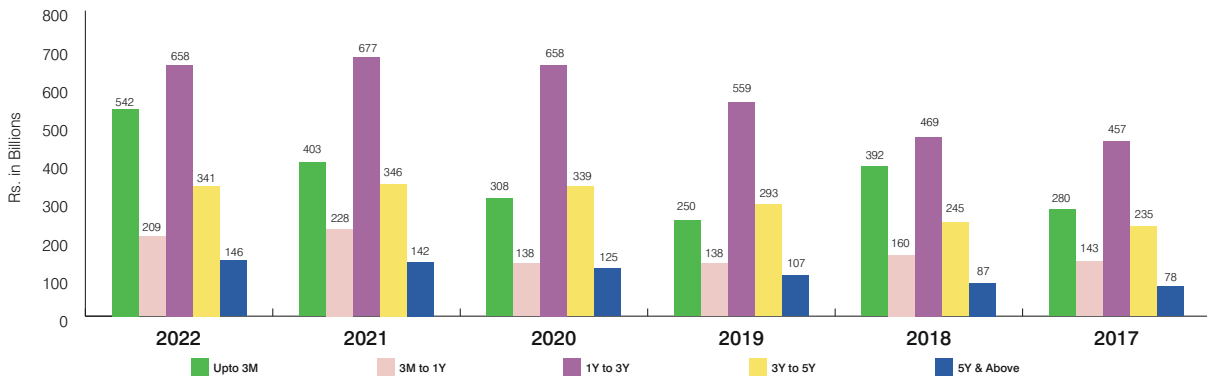


## Maturities of Assets & Liabilities

### Maturities of Assets



### Maturities of Liabilities

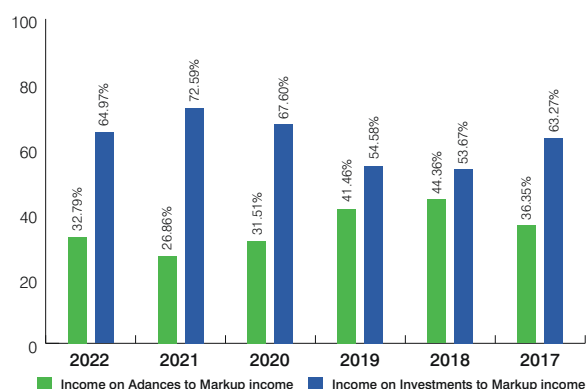


\*Based on expected maturities

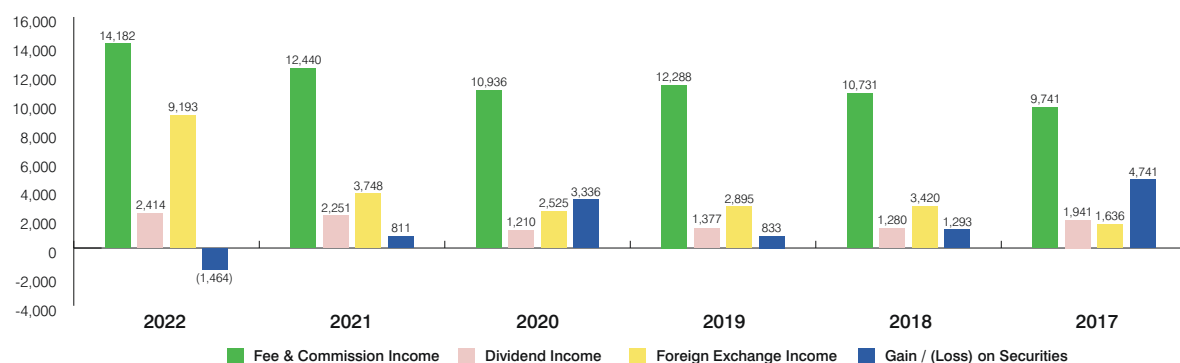
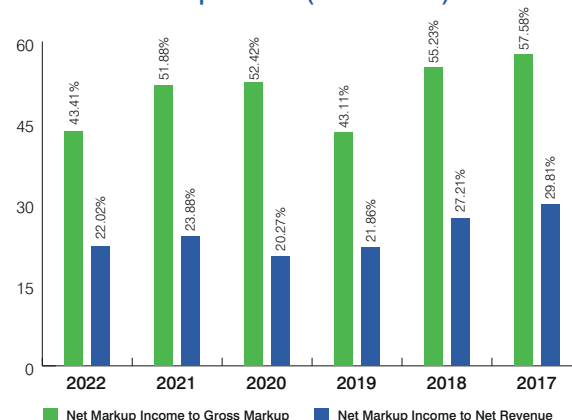
## Markup & Non Markup Income

	2022	2021	2020	2019	Rupees in Million	
					2018	2017
<b>Markup Income</b>						
Loans and advances	65,835	33,123	42,879	57,330	36,964	26,931
Investments	130,432	89,523	91,983	75,481	44,719	46,876
Lendings to Financial Institutions	3,918	567	998	4,982	1,390	174
Balance with banks	579	122	215	499	246	111
	200,763	123,334	136,076	138,292	83,319	74,091
<b>Markup Expense</b>						
Deposits	93,996	47,107	55,095	65,344	32,081	22,105
Borrowings	16,239	9,717	6,152	8,977	4,253	8,837
Subordinated loan	—	—	—	214	308	138
Unwinding cost of liability against RoUA	1,174	1,610	2,387	1,132	—	—
Others	2,198	914	1,107	3,009	663	349
	113,607	59,347	64,741	78,676	37,305	31,429
<b>Net Markup Income</b>	87,156	63,987	71,334	59,616	46,014	42,662
<b>Non Markup Income</b>						
Fee & commission Income	14,182	12,440	10,936	11,288	10,731	9,741
Dividend Income	2,414	2,251	1,210	1,377	1,280	1,941
Foreign exchange income	9,193	3,748	2,525	2,895	3,420	1,636
Gain / (Loss) on securities	(1,464)	811	3,336	833	1,293	4,741
Other Income	290	823	128	286	474	58
	24,613	20,074	18,136	16,679	17,198	18,118

### Markup Income from Advances and Investments (2017-2022)



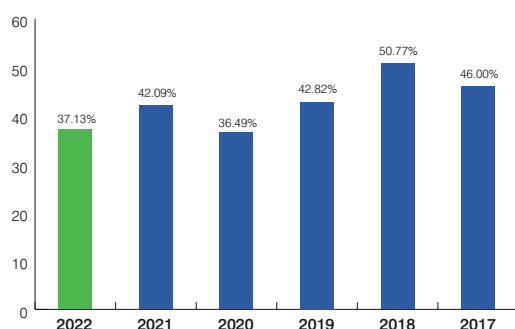
### Income Composition (2017-2022)



## Operating Expenses

	Rupees in Million					
	2022	2021	2020	2019	2018	2017
<b>Total compensation expense</b>	19,020	16,940	15,806	14,585	14,053	12,301
<b>Property expense</b>						
Rent & taxes	208	193	161	227	1,959	1,526
Insurance	20	21	23	21	26	27
Utilities cost	1,957	1,567	1,218	1,203	1,095	911
Fuel Expense	1,042	414	335	534	514	459
Security (including guards)	1,673	1,506	1,240	1,382	1,603	1,392
Repair & maintenance (including janitorial charges)	935	716	653	812	945	790
Depreciation on right-of-use assets	1,327	1,202	1,217	1,162	–	–
Depreciation	766	710	642	504	458	383
	7,928	6,329	5,488	5,845	6,599	5,487
<b>Information technology expenses</b>						
Software maintenance	1,282	1,097	1,148	1,188	1,151	863
Hardware maintenance	264	185	212	299	364	349
Depreciation	642	619	548	616	721	690
Amortization	377	317	318	301	256	244
Network charges	568	518	598	601	616	621
Insurance	4	3	4	3	4	5
	3,137	2,740	2,829	3,009	3,112	2,772
<b>Other operating expenses</b>						
Directors' fees and allowances	46	46	50	57	41	39
Legal & professional charges	436	268	268	350	302	328
Outsourced services costs	860	766	692	690	1,119	1,167
Travelling & conveyance	345	272	261	321	343	293
NIFT clearing charges	190	154	166	152	146	136
Depreciation	968	847	816	797	802	656
Depreciation on non-banking assets	23	36	30	45	49	30
Training & development	62	35	37	57	51	60
Postage & courier charges	293	236	234	303	271	323
Communication	513	365	326	373	317	384
Stationery & printing	784	587	563	639	704	646
Marketing, advertisement & publicity	736	778	695	625	518	531
Donations	1	8	113	0	1	12
Auditors Remuneration	59	57	30	30	34	41
Cash transportation charges	922	860	709	799	744	631
Repair & maintenance	585	445	402	416	460	513
Subscription	28	13	21	20	24	18
Entertainment	279	203	184	232	233	235
Credit Card Related Expenses	1,473	992	829	1,182	738	562
CNIC verification charges	387	262	129	207	138	107
Insurance	1,806	1,668	1,483	1,441	821	254
Others	613	474	486	493	473	431
	11,409	9,372	8,523	9,232	8,327	7,397
<b>Operating expenses excluding compensation</b>	22,475	18,441	16,840	18,086	18,038	15,657
<b>Total operating expenses</b>	41,495	35,381	32,646	32,671	32,091	27,958

### Cost to income ratio





## Vertical Analysis

	2022		2021		2020		2019		2018		2017	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
<b>Statement of Financial Position</b>												
<b>Assets</b>												
Cash and balances with treasury banks	96,369	5%	164,613	8%	122,181	7%	132,705	9%	103,175	7%	106,072	8%
Balances with other banks	24,872	1%	18,830	1%	24,030	1%	12,542	1%	11,879	1%	4,579	0%
Lendings to financial institutions	50,416	2%	42,467	2%	17,139	1%	1,090	0%	35,106	2%	4,398	0%
Investments	978,731	47%	1,035,585	53%	1,015,869	58%	748,765	49%	749,369	50%	656,964	49%
Advances	753,400	36%	589,711	30%	462,942	26%	496,679	33%	503,581	34%	469,356	35%
Fixed assets	79,918	4%	57,328	3%	58,028	3%	58,271	4%	40,812	3%	39,170	3%
Intangible assets	801	0%	979	0%	938	0%	958	0%	630	0%	404	0%
Deferred tax assets	7,547	0%	-	-	-	-	-	-	-	-	-	-
Other assets	93,301	4%	60,955	3%	56,334	3%	64,143	4%	53,578	4%	62,295	5%
	2,085,355	100%	1,970,468	100%	1,757,462	100%	1,515,152	100%	1,498,130	100%	1,343,238	100%
<b>Liabilities</b>												
Bills payable	39,137	2%	24,590	1%	23,981	1%	11,822	1%	15,699	1%	22,681	2%
Borrowings	340,237	16%	269,526	14%	164,002	9%	89,506	6%	216,019	14%	133,070	10%
Deposits	1,378,717	66%	1,411,852	72%	1,289,502	73%	1,144,763	76%	1,049,038	70%	968,483	72%
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%
Other liabilities	137,769	7%	89,365	5%	82,901	5%	94,296	6%	62,673	4%	56,921	4%
	1,895,860	91%	1,796,061	91%	1,567,361	89%	1,346,237	89%	1,348,852	90%	1,189,672	89%
<b>Net Assets</b>												
	189,495	9%	174,407	9%	190,102	11%	168,915	11%	149,278	10%	153,566	11%
<b>Represented by</b>												
Share capital	11,851	1%	11,851	1%	11,851	1%	11,851	1%	11,851	1%	11,851	1%
Reserves	88,578	4%	84,602	4%	80,696	5%	77,591	5%	74,148	5%	70,866	5%
Surplus on revaluation of assets - net of tax	18,641	1%	14,272	1%	27,720	2%	23,695	2%	9,747	1%	17,073	1%
Unappropriated profit	70,425	3%	63,683	3%	69,835	4%	55,777	4%	53,532	4%	53,776	4%
	189,495	9%	174,407	9%	190,102	11%	168,915	11%	149,278	10%	153,566	11%
<b>Profit &amp; Loss Account</b>												
Mark-up earned	200,763	89%	123,334	86%	136,076	88%	138,292	89%	83,319	83%	74,091	80%
Mark-up expensed	(113,607)	-50%	(59,347)	-41%	(64,741)	-42%	(78,676)	-51%	(37,305)	-37%	(31,429)	-34%
Net mark-up income	87,156	39%	63,987	45%	71,334	46%	59,616	38%	46,014	46%	42,662	46%
Non-mark-up income	24,613	11%	20,074	14%	18,136	12%	16,679	11%	17,198	17%	18,118	20%
Total income	111,769	50%	84,061	59%	89,470	58%	76,295	49%	63,212	63%	60,780	66%
Non-mark-up expenses	(43,186)	-19%	(36,894)	-26%	(33,908)	-22%	(33,709)	-22%	(32,902)	-33%	(28,721)	-31%
Profit before provisions	68,583	30%	47,167	33%	55,562	36%	42,586	27%	30,310	30%	32,059	35%
Provisions & write off	2,782	1%	4,823	3%	(7,313)	-5%	(2,484)	-2%	1,753	2%	(1,045)	-1%
Profit before taxation	71,365	32%	51,989	36%	48,249	31%	40,102	26%	32,064	32%	31,014	34%
Taxation	(38,624)	-17%	(21,178)	-15%	(19,212)	-12%	(16,125)	-10%	(10,704)	-11%	(8,555)	-9%
Profit after taxation	32,741	15%	30,811	21%	29,037	19%	23,977	15%	21,360	21%	22,459	24%

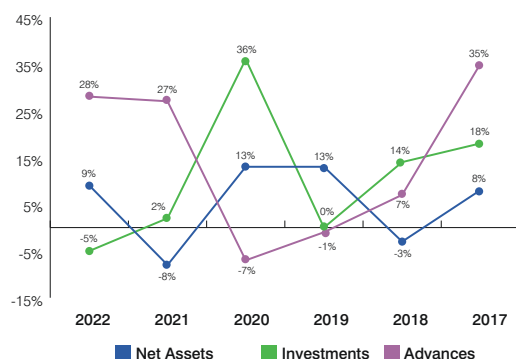
## Horizontal Analysis

	2022	22 vs 21	2021	21 vs 20	2020	20 vs 19	2019	19 vs 18	2018	18 vs 17	2017	17 vs 16
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
<b>Statement of Financial Position</b>												
<b>Assets</b>												
Cash and balances with treasury banks	96,369	-41%	164,613	35%	122,181	-8%	132,705	29%	103,175	-3%	106,072	43%
Balances with other banks	24,872	32%	18,830	-22%	24,030	92%	12,542	6%	11,879	159%	4,579	5%
Lendings to financial institutions	50,416	19%	42,467	148%	17,139	1472%	1,090	-97%	35,106	698%	4,398	57%
Investments	978,731	-5%	1,035,585	2%	1,015,869	36%	748,765	0%	749,369	14%	656,964	18%
Advances	753,400	28%	589,711	27%	462,942	-7%	496,679	-1%	503,581	7%	469,356	35%
Operating fixed assets	79,918	39%	57,328	-1%	58,028	0%	58,271	43%	40,812	4%	39,170	21%
Intangible assets	801	-18%	979	4%	938	-2%	958	52%	630	56%	404	18%
Deferred tax assets	7,547	100%	-	-	-	-	-	-	-	-	-	-
Other assets	93,301	53%	60,955	8%	56,334	-12%	64,143	20%	53,578	-14%	62,295	15%
	2,085,355	6%	1,970,468	12%	1,757,462	16%	1,515,152	1%	1,498,130	12%	1,343,238	25%
<b>Liabilities</b>												
Bills payable	39,137	59%	24,590	3%	23,981	103%	11,822	-25%	15,699	-31%	22,681	77%
Borrowings	340,237	26%	269,526	64%	164,002	83%	89,506	-59%	216,019	62%	133,070	79%
Deposits	1,378,717	-2%	1,411,852	9%	1,289,502	13%	1,144,763	9%	1,049,038	8%	968,483	24%
Sub-ordinated loan	-	-	-	-	-	-	-	-100%	3,891	0%	3,893	100%
Deferred tax liabilities	-	-100%	729	-90%	6,975	19%	5,851	282%	1,532	-67%	4,625	-59%
Other liabilities	137,769	54%	89,365	8%	82,901	-12%	94,296	50%	62,673	10%	56,921	12%
	1,895,860	6%	1,796,061	15%	1,567,361	16%	1,346,237	0%	1,348,852	13%	1,189,672	28%
<b>Net Assets</b>												
	189,495	9%	174,407	-8%	190,102	13%	168,915	13%	149,278	-3%	153,566	8%
<b>Represented by</b>												
Share capital	11,851	0%	11,851	0%	11,851	0%	11,851	0%	11,851	0%	11,851	6%
Reserves	88,578	5%	84,602	5%	80,696	4%	77,591	5%	74,148	5%	70,866	33%
Surplus on revaluation of assets - net of tax	18,641	31%	14,272	-49%	27,720	17%	23,695	143%	9,747	-43%	17,073	-28%
Unappropriated profit	70,425	11%	63,683	-9%	69,835	25%	55,777	4%	53,532	0%	53,776	1%
	189,495	9%	174,407	-8%	190,102	13%	168,915	13%	149,278	-3%	153,566	8%
<b>Profit &amp; Loss Account</b>												
Mark-up earned	200,763	63%	123,334	-9%	136,076	-2%	138,292	66%	83,319	12%	74,091	10%
Mark-up expensed	(113,607)	91%	(59,347)	-8%	(64,741)	-18%	(78,676)	111%	(37,305)	19%	(31,429)	33%
Net mark-up income	87,156	36%	63,987	-10%	71,334	20%	59,616	30%	46,014	8%	42,662	-3%
Non-mark-up income	24,613	23%	20,074	11%	18,136	9%	16,679	-3%	17,198	-5%	18,118	12%
Total income	111,769	33%	84,061	-6%	89,470	17%	76,295	21%	63,212	4%	60,780	1%
Non-mark-up expenses	(43,186)	17%	(36,894)	9%	(33,908)	1%	(33,709)	2%	(32,902)	15%	(28,721)	25%
Profit before provisions	68,583	45%	47,167	-15%	55,562	30%	42,586	40%	30,310	-5%	32,059	-13%
Provisions & write off	2,782	-42%	4,823	-166%	(7,313)	194%	(2,484)	-242%	1,753	-268%	(1,045)	13%
Profit before taxation	71,365	37%	51,989	8%	48,249	20%	40,102	25%	32,064	3%	31,014	-14%
Taxation	(38,624)	82%	(21,178)	10%	(19,212)	19%	(16,125)	51%	(10,704)	25%	(8,555)	-40%
<b>Profit after taxation</b>	<b>32,741</b>	<b>6%</b>	<b>30,811</b>	<b>6%</b>	<b>29,037</b>	<b>21%</b>	<b>23,977</b>	<b>12%</b>	<b>21,360</b>	<b>-5%</b>	<b>22,459</b>	<b>3%</b>

## Commentary on 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. 2 trillion in 2022. On an annualized basis, the asset base of the Bank has recorded an increase of 9.20% over the base year while the investments and gross advances have posted an increase of 8.30% and 9.14% respectively. Highest increase in the asset base has been observed in 2020 due to the increase in investment base growing by 35.7% on a year on year basis (YOY).



The deposit base of the Bank has registered significant growth over the years; increasing from Rs. 968 billion in 2017 to Rs. 1,379 billion in 2022 and translating into a CAGR of 7.32% over the past 6 years. Highest increase has been reported in 2020, primarily on account of splendid volumetric growth. 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 6.39% from 2019 to 2022.

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 4.59% over the base year.

On the Profit and Loss side, gross markup earned has posted an average increase of 22.06% 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 2022; 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

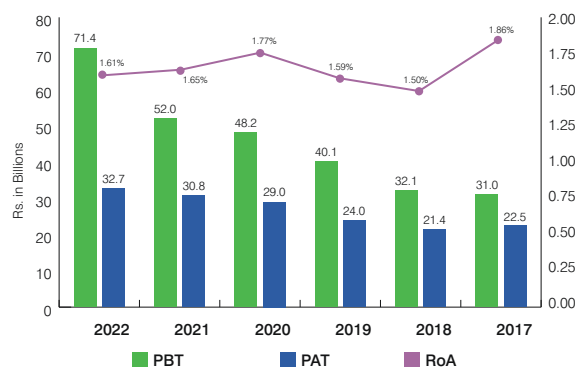
on account of regulatory revisions by the Central Bank and volumetric increase achieved in the deposit base. The cost of deposit for the Bank has been strategically managed by maintaining an appropriate CASA base, through improving concentrations of current accounts, to align it with the earning mix of the Bank. However, the total markup expense has increased by 29.31% over the 6 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 8.50% over the period under review despite continuous investment in Banks digital and physical infrastructure along with sustained inflationary pressures and currency devaluation.

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 recognition of credit charge in 2020.

In 2022, the Bank registered another year of significant recoveries against its classified portfolio; leading to a net reversal in credit charge for 2022.

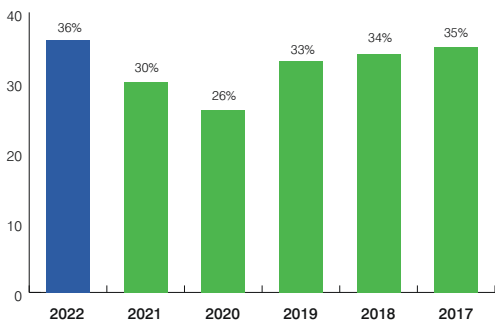
MCB enjoys one of the highest spreads in the banking industry which are duly reflected in the profitability ratios of the Bank.



### Vertical Analyses

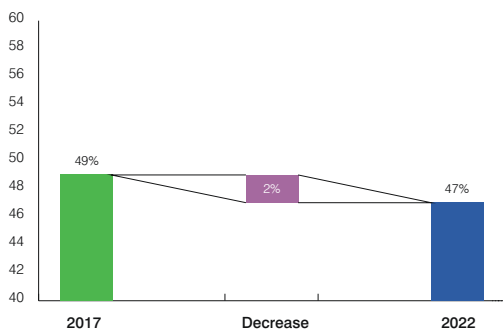
Vertical analysis depicts higher concentration levels of investments and advances in the asset base of the Bank. The advances base of the Bank has grown steadily till 2019. However, the decline in advances witnessed during 2020 due to lack of credit extension opportunities within the Bank’s defined risk appetite and the consequent diversion of excess liquidity towards the investment book had diluted advances concentration in the total asset mix; hence falling to 26% in 2020 from 35% in 2017. 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%. The upward trajectory gained further traction in 2022 and despite a challenging economic environment, the Bank achieved a historic growth of Rs. 162 billion in advances; increasing its concentration in the total asset base to 36%.

**Advances Concentration Level in Assets**



During 2020, the Banking industry steered through challenging economic conditions prevalent due to ongoing COVID-19 pandemic. Timely and well calibrated policy measures rolled out by the SBP facilitated the banking industry to improve profitability, enhance resilience and restrict the credit risk to an acceptable level. However, the accumulation of Deposits was majorly diverted towards investments which resulted in a spike in IDR of the banking industry; MCB’s IDR increased from 49% in 2017 to 58% in 2020.

**Investments Concentration Level**



Subsequently, on account of resurgence in economic activity witnessed in 2021 and record growth achieved by the Bank in its credit book expansion in 2022, the concentration level of investment in the total asset base has declined to 47% in 2022 from 58% in 2020; consequently, IDR has declined to 71% from 79%.

Corresponding to the technological, infrastructural and operational spend by the Bank; the deposit base has increased over the period of 6 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 had been adversely impacted by a reversion in yield curve and diluted the impact of volumetric growth achieved in the Bank’s asset base. However, in current year, mark up income has registered a significant growth of 62% primarily on account of improving earning margins due to increase in average policy rate during the year (from an average of 7.28% in 2021 to 13.20% in 2022). The contribution from markup income approximates 89% 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.

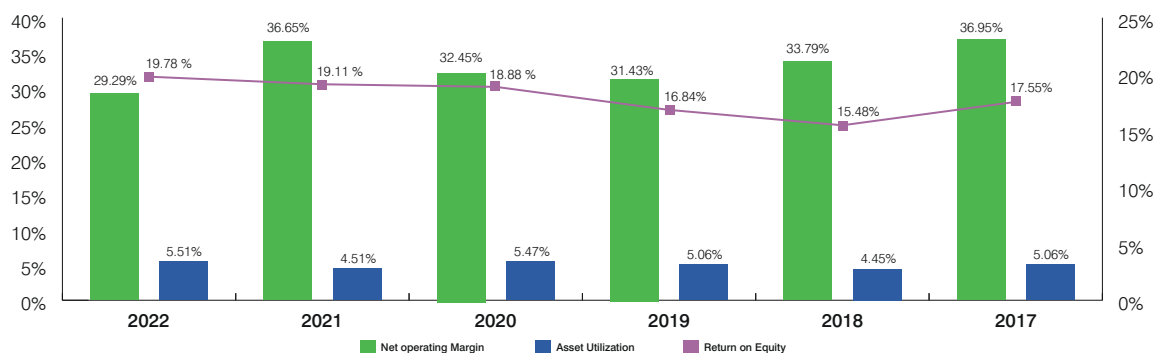
Concentration of non-markup income in the total income has decreased from 19% in 2017 to 11% in 2022. This dilution has primarily been on account of rising gross markup income whose concentration level increased from 81% in 2017 to 89% in 2022. Non-markup expense concentration level has declined from 48% in 2017 to 28% in 2022 despite expansion in business; which is due to various cost control initiatives.

## DuPont Analysis

			2022	2021	2020	2019	2018	2017
Net Operating Margin	PAT / Total Income	A	29.29%	36.65%	32.45%	31.43%	33.79%	36.95%
Asset Utilization	Total Income / Average Assets	B	5.51%	4.51%	5.47%	5.06%	4.45%	5.03%
Return on Assets		C = A x B	1.61%	1.65%	1.77%	1.59%	1.50%	1.86%
Leverage Ratio / Equity Multiplier	Average Assets / Average Equity	D	12.25	11.56	10.64	10.58	10.29	9.49
Return on Equity		C X D	19.78%	19.11%	18.88%	16.84%	15.48%	17.65%

Following are the main DuPont analysis highlights:

- 1) Net operating margin reported a significant hike in 2021 on account of reversal in earlier recognized general provision charge as a preemptive measure to counter COVID-19 impact. The year 2022 has witnessed a decline in net operating margins owing primarily to lower reversal in provisions and higher tax consequence of retrospective and additional tax amendments proposed through legislative updates.
- 2) Asset utilization has increased, in 2022, due to rising total income on account of higher average yield on earning assets.
- 3) Equity Multiplier has been showing an increasing trend since 2017 due to growing profits.



# Analyses of Cash Flows

## Summary of Cash Flows

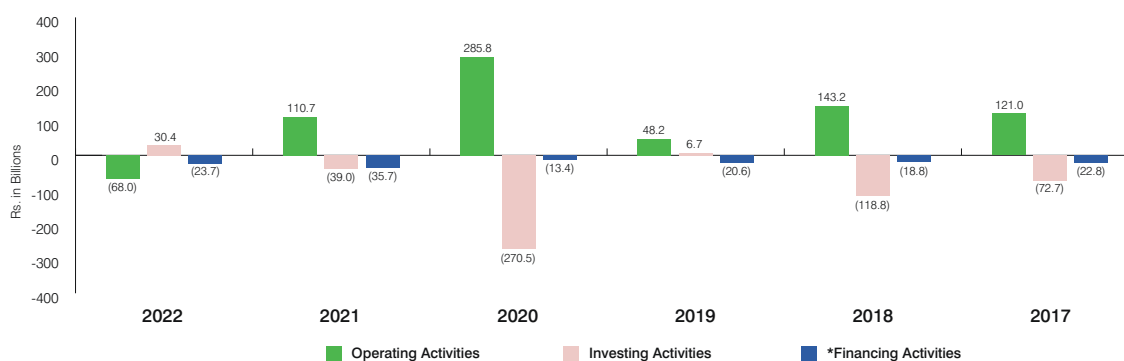
	Rupees in million					
	2022	2021	2020	2019	2018	2017
Cash flows from operating activities	(68,036)	110,719	285,808	48,192	143,221	121,010
Cash flows from investing activities	30,356	(39,027)	(270,459)	6,681	(118,767)	(72,671)
*Cash flows from financing activities	(23,675)	(35,722)	(13,433)	(20,603)	(18,794)	(22,777)
Cash & cash equivalents at beginning of the year	181,783	145,814	143,898	109,628	103,968	78,406
Cash & cash equivalents at end of the year	120,427	181,783	145,814	143,898	109,628	103,968

### Commentary on Cash Flow Statement:

The strategic direction of the Bank to lower its cost of funds, through optimization of the deposit mix, coupled with historic expansion in Bank's credit book, during the year, orchestrated a trend reversal in activity wise cashflows. Operating cash flows, encompassing cash inflows/(outflows) generated from core activities of the Bank i.e. deposit mobilization and loans & advances disbursement, turned negative as the cash outflows in lieu of loan & advances increased from Rs. 121.9 billion in 2021 to Rs. 161.2 billion in 2022; while the Deposit growth and net borrowings from financial institutions (net off of lending) contributed cash inflows of Rs. 38.4 billion which were utilized mainly to fund growth in Bank's advances.

The investing activities posted a net-cash inflow as the excess liquidity was diverted towards further augmentation of the credit book; the trend also reflected in Bank's IDR which fell from 73.35% in 2021 to 71% in 2022.

Cash outflow from financing activities primarily reflect payments on account of dividends to the shareholders. The decline in financing cash flows is due to a higher dividend payout base in 2021, since, it accounted for the impact of additional payouts in lieu of dividend distribution that was suspended by SBP in 2020, 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 one of the highest dividends 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					
	2022	2021	2020	2019	2018	2017
Profit before taxation	71,365	51,989	48,249	40,102	32,064	31,014
Adjustment for non-cash items & Dividends	1,540	(1,833)	11,687	6,174	264	882
Operating assets/ liabilities changes	(140,941)	60,563	225,872	1,916	110,893	89,114
Net cash generated from operating activities	(68,036)	110,719	285,808	48,192	143,221	121,010
Capital expenditure	(4,598)	(3,121)	(3,090)	(5,022)	(4,483)	(4,745)
Free cash flows	(72,635)	107,598	282,718	43,170	138,738	116,265

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.

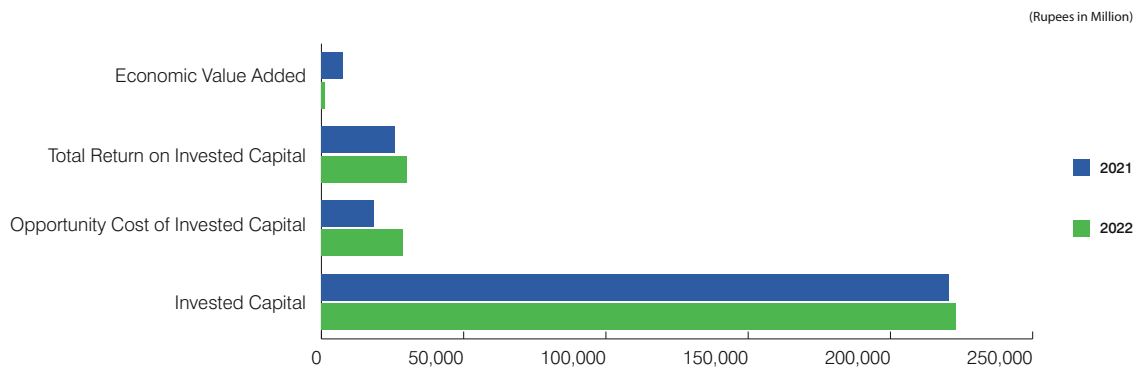
## Cash Flow Statement - Direct Method

	2022 (Rupees in Million)	2021
<b>Cash flows from operating activities</b>		
Mark-up / return / interest and commission receipts	201,387	136,175
Mark-up / return / interest payments	(84,988)	(55,478)
Payments to employees, suppliers and others	(36,827)	(30,968)
	<b>79,572</b>	<b>49,729</b>
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	(7,949)	(25,328)
Net investments in 'held for trading' securities	12	1,297
Advances - net	(161,165)	(121,905)
Other assets	(7,536)	(954)
	<b>(176,638)</b>	<b>(146,890)</b>
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	14,547	609
Borrowings	71,558	104,261
Deposits and other accounts	(33,134)	122,349
Other liabilities	4,165	2,158
	<b>57,136</b>	<b>229,377</b>
Income tax paid	(39,930)	132,216
	(28,106)	(21,497)
<b>Net cash flows from operating activities</b>	<b>(68,036)</b>	<b>110,719</b>
<b>Cash flows from investing activities</b>		
Net divestment / (investments) in 'available for sale' securities	35,690	(35,187)
Net investments in 'held to maturity' securities	(201)	(6,277)
Dividends received	2,409	2,281
Investments in operating fixed assets	(4,391)	(2,764)
Investments in intangible assets	(207)	(357)
Sale proceeds of operating fixed assets and intangible assets disposed off	200	399
Proceeds from sale of non-banking assets acquired in satisfaction of claims	154	2,053
Investment in subsidiary	(4,000)	-
Exchange differences on translation of the net investment in foreign branches	702	825
	<b>30,356</b>	<b>(39,027)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(21,808)	(34,037)
Payment of lease liability against right-of-use-assets	(1,868)	(1,685)
<b>Net cash flows used in financing activities</b>	<b>(23,676)</b>	<b>(35,722)</b>
Effects of exchange rate changes on cash and cash equivalents	9,600	5,342
<b>Increase in cash and cash equivalents</b>	<b>(51,756)</b>	<b>41,312</b>
Cash and cash equivalents at beginning of the year	172,183	140,471
<b>Cash and cash equivalents at end of the year</b>	<b>120,427</b>	<b>181,783</b>

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.

# Economic Value Added Statement

	2022	2021
	( Rupees in Million)	
<b>Invested Capital</b>		
Average shareholders' equity	165,495	161,259
Add: Cumulative provisions against assets	57,569	59,232
	223,064	220,491
<b>Return on Invested Capital</b>		
Profit after taxation	32,741	30,811
Add: Provisions and write offs - net	(2,782)	(4,823)
Total return on invested capital	29,958	25,988
<b>Economic cost</b>		
Opportunity cost of invested capital	12.84%	8.38%
	28,641	18,477
<b>Economic Value Added (EVA)</b>	1,317	7,511



## Comments:

Economic Value Added is a measure of profitability which takes into consideration the cost of total invested equity.

Decrease in EVA as compared to the last year is due to rise in economic cost on account of upward revision in policy rates during the year.

## Capital Expenditures

### Capital expenditure during the year:

The total capital expenditure during 2022 was Rs. 4.598 billion for business expansion, renovation and improvement of IT infrastructure.

### Capital expenditures planned for next year:

The Bank has budgeted capital expenditure of Rs. 12.6 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.



## Segment Analysis

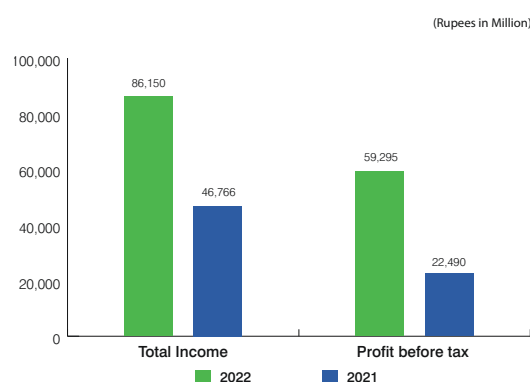
A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other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

### Business Segments

The Bank's primary format of reporting is based on business segments.

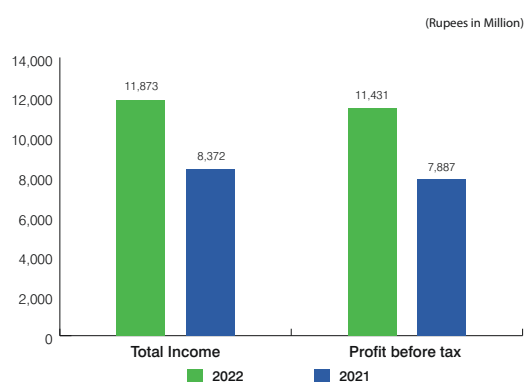
#### Retail

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



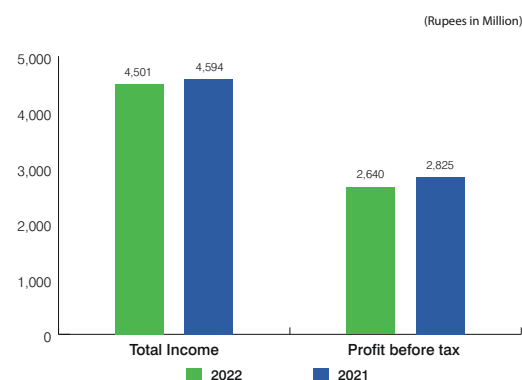
#### Corporate

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



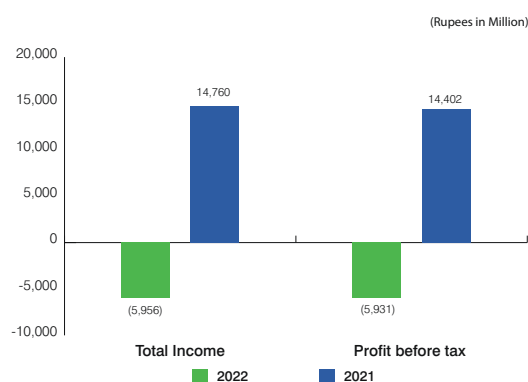
#### Consumer

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.



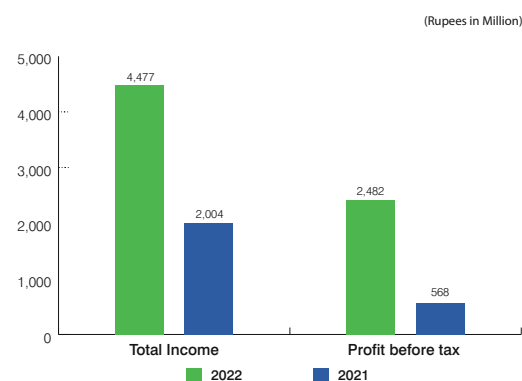
#### Treasury

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



#### International

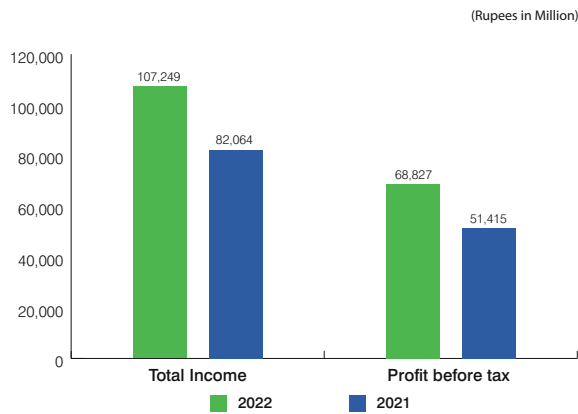
This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities by the Bank's overseas operations.



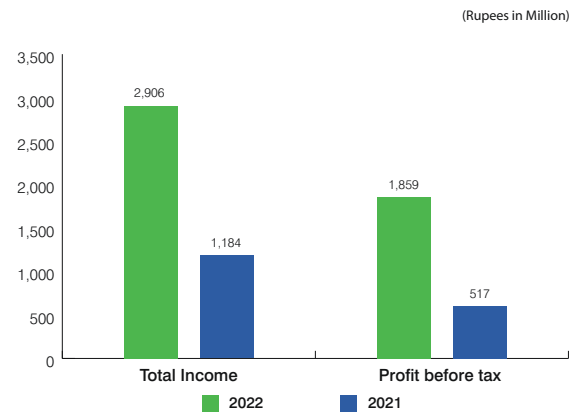
## Geographical Segments

The Bank operates in following geographic regions:

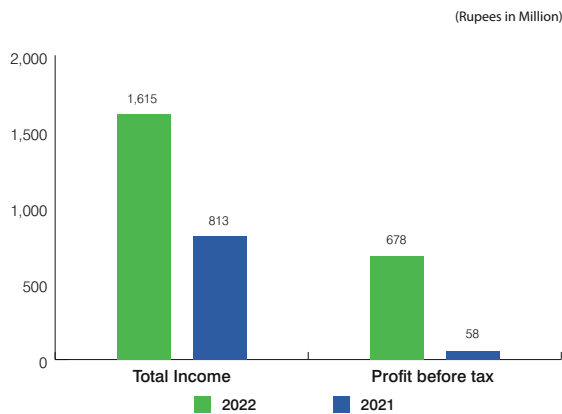
### Pakistan



### Middle East



### South Asia



## Product Revenue Analyses

Rupees in Million

	2022					
	Retail Banking Products	Consumer Banking Products	Corporate Banking Products	Treasury Products	Others	Total
<b>Profit &amp; Loss</b>						
Mark-up / return / interest earned	184,316	9,593	51,835	151,003	201,039	597,786
Mark-up / return / interest expensed	107,391	7,397	45,854	162,385	187,603	510,630
<b>Net mark-up / interest income</b>	76,925	2,196	5,981	(11,382)	13,436	87,156
Non Mark-Up / Interest Income	9,225	2,305	5,892	5,426	1,765	24,613
<b>Total Income</b>	86,150	4,501	11,873	(5,956)	15,201	111,769
Non Mark-Up / Interest Expenses	26,854	1,822	776	453	13,281	43,186
<b>Profit Before Provision</b>	59,295	2,679	11,097	(6,409)	1,920	68,583
Provisions	(0)	39	(334)	(478)	(2,009)	(2,782)
<b>Profit before tax</b>	59,295	2,640	11,431	(5,931)	3,929	71,365

## Statement of Charity and Donation

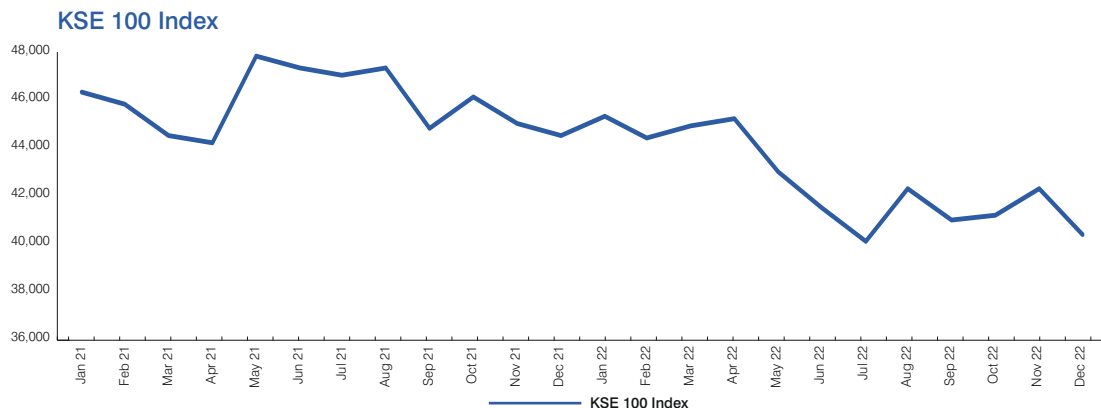
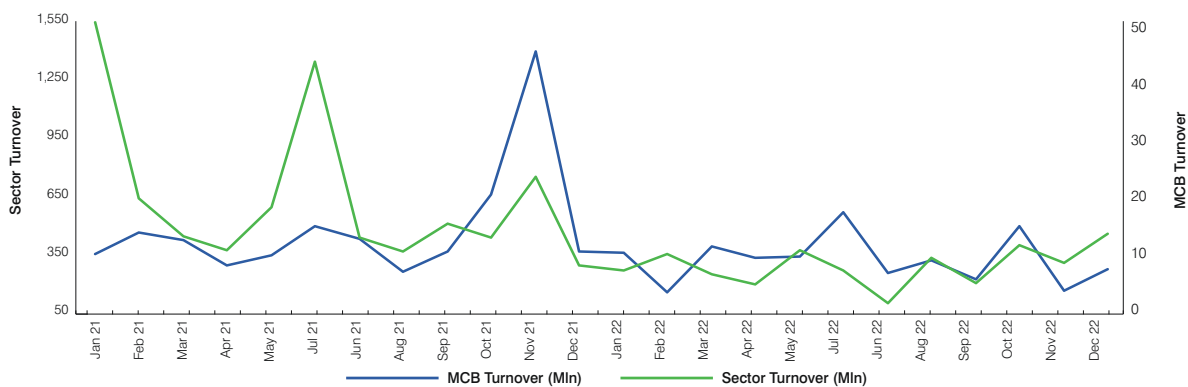
Statement of charity fund management by MCB Islamic Bank Limited ( Wholly owned subsidiary of MCB Bank Limited)

	2022	2021
	(Rupees in '000)	
<b>Reconciliation of charity fund balance</b>		
Opening balance	8,823	46,615
Additions during the year		
- Received from customers against late payment	20,120	7,316
- Dividend purification amount	351	1,093
- Charity against other Non-Shariah compliant income	-	265
- Profit on charity saving account	325	673
	20,796	9,347
Charity paid during the year	(17,500)	(25,500)
Charity reversed during the year	-	(21,639)
Closing balance	12,119	8,823
<b>Charity was paid to the following institutions:</b>		
Indus Hospital	3,000	2,000
Saleem Memorial Trust Hospital	3,000	3,500
Akhuwat Foundation	3,000	-
Saylani Welfare Trust	2,500	2,000
Aziz Jehan Begum Trust for the Blind	1,500	1,000
Family Welfare Society	1,000	1,000
Prime Minister's Flood Relief Fund	1,000	-
Baluchistan's Flood Relief and Rehabilitation Fund	1,000	-
Mind Organization	500	500
The Lahore Hospital Welfare Society	500	500
Pakistan Society for the Rehabilitation of the Disabled	500	-
The Patients' Behbood Society for Aga Khan University Hospital	-	1,000
Al-Khidmat Foundation Pakistan	-	2,000
Arthritis Care Centre	-	1,000
Infaq Memorial Trust	-	1,000
Shaukat Khanam Memorial Cancer Hospital and Research Centre	-	1,000
Sindh Institute of Urology & Transplantation	-	2,000
The Citizens Foundation	-	1,000
The Hunar Foundation	-	2,000
Alamgir Welfare Trust International	-	2,000
Institute of Business Administration (Center of Excellence in Islamic Finance)	-	2,000
	17,500	25,500
<b>In addition to the above charity, detail of donation by the Bank is given below:</b>		
M/s Bestway Foundation	1,352	-
Murshid Hospital & Health Care Centre	-	100
Jahandad Society For Community Development	-	1,500
Nigahban Welfare Association	-	5,000
Ambulance donation to Sadiq Public School	-	1,565
	1,352	8,165

## Market Statistics of MCB's Share

	Share Prices			Free Float		Market Capitalisation	
	MCB Scrip (Rs.)			Share ('000s)	%	Capital (Mln)	Value (Mln)
<b>2022</b>	<b>High</b>	<b>Low</b>	<b>Closing</b>				
4th Quarter	122.40	108.95	116.16	398,611	33.64%	11,851	137,657
3rd Quarter	137.00	115.55	119.51	390,865	32.98%	11,851	141,627
2nd Quarter	154.99	119.41	122.98	393,126	33.17%	11,851	145,739
1st Quarter	166.20	141.15	145.66	393,390	33.20%	11,851	172,616
<b>2021</b>							
4th Quarter	166.00	146.00	153.35	394,337	33.28%	11,851	181,729
3rd Quarter	169.00	148.10	150.69	395,526	33.38%	11,851	178,577
2nd Quarter	175.95	150.00	159.83	396,905	33.49%	11,851	189,408
1st Quarter	202.40	164.00	172.15	403,360	34.04%	11,851	204,008

Dividend Distribution	2022		2021	
	Mln	%	Mln	%
Final cash dividend	7,110	60	5,925	50
3rd interim dividend	5,925	50	5,333	45
2nd interim dividend	4,740	40	5,925	50
1st interim dividend	5,925	50	5,333	45



# 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, 2022

Rs. 116.16

Market Capitalization as of December 31, 2022

Rs. 137,657 Million

Change in Share Price by

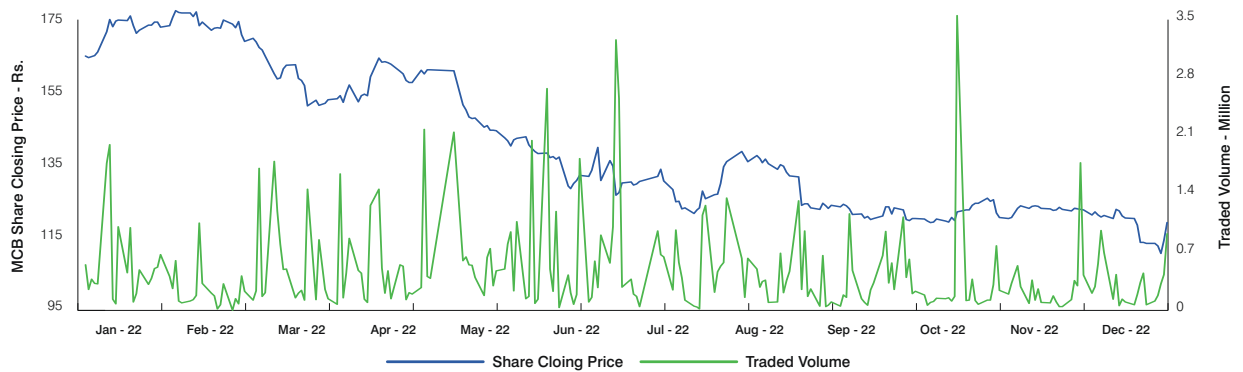
Change in Market Capitalization

+10%

Rs. 13,766 Million

-10%

Rs. (13,766) 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 during the year in review (2022); wherein an additional revaluation surplus of Rs. 20,706.672 million was recognized against land and buildings. The total market value and FSV of these land and buildings stood at Rs. 65,348.646 million and Rs. 55,546.349 million respectively.

### Particulars of Significant/Material Assets and Immovable Property

MCB has sustained a strategic focus on strengthening its network, within the ambit of its branch expansion plan, to improve market coverage through increased customer touchpoints and to 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, 2022, extends across more than 1,450 branches and offices. Of these, premises owned by the Bank represent a material infrastructural investment in immovable properties amounting to Rs. 65.349 billion (89% of the total investment in Property and Equipment).

### Reasons for Not Declaring Dividend despite Earning Profits 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 2022, the Board of Directors have declared a final cash dividend of Rs. 6.0 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 72.39%.

Dividend payout is expected, for the year 2023, 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 the unconsolidated finance statements. Further the Bank holds 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 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 2017-2022
- 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
- Profile of Shari'ah Advisor Board
- Role of Shari'ah Board
- Report of Shari'ah Board
- 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:

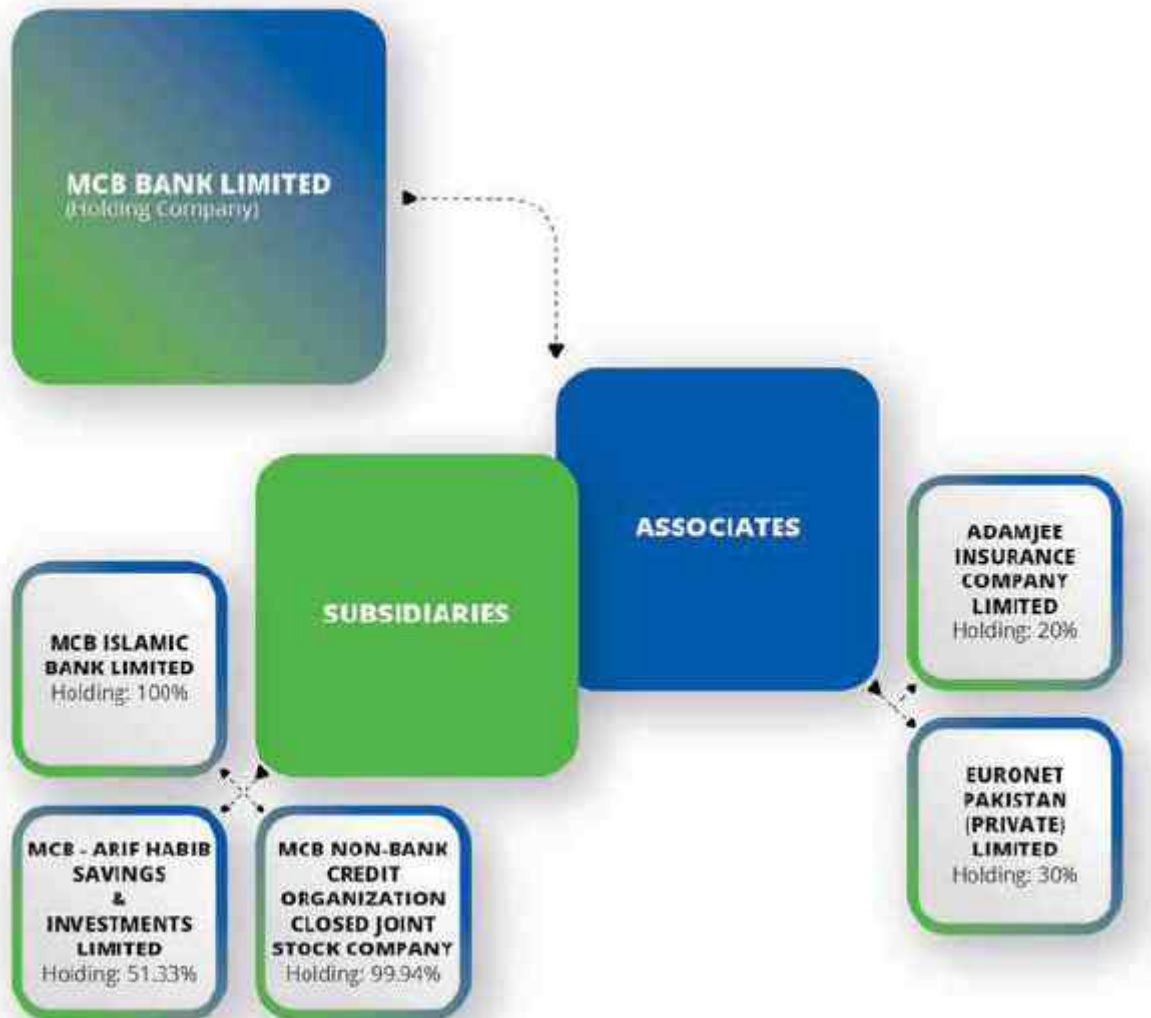
The President/CEO's video message on the Bank's business performance and strategy is available at: <https://www.mcb.com.pk/investor-relations/ceo-message>

#### Any Significant Change in Accounting Policies, Judgements, Estimates and Assumptions

The accounting policies adopted in preparation of unconsolidated & consolidated financial statements annexed to this Annual Report are consistent with those of the previous financial year. Significant policies of the Bank have been disclosed in Note 6 to these financial statements.

Furthermore, judgements, estimates and assumptions used within compilation and reporting of various sections within the Annual Report have been consistently applied; with no significant variation from the previous financial year.

#### Group Structure:

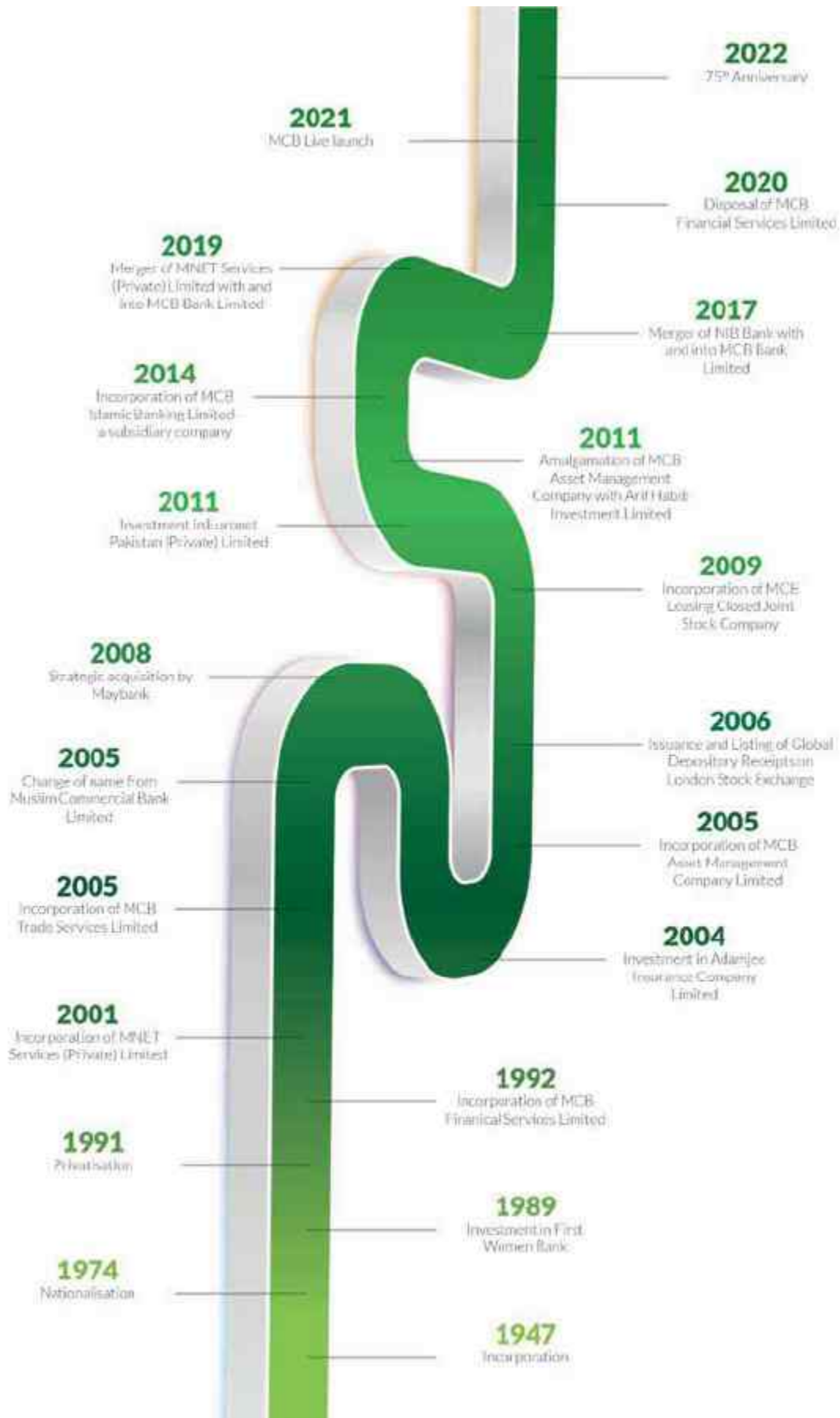


## Calendar of Major Events 2022





# Historical Major Events



# Strategy & 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:

<b>Short term</b>	<ul style="list-style-type: none"> <li>• Increase focus on digitalization and automation of processes to enhance efficiency, reduce cost and improve customer satisfaction and improve risk/ compliance standards;</li> <li>• To ensure quality asset retention with measures to constantly decrease the NPLs base of the Bank;</li> <li>• Consistent improvement in service quality standards;</li> <li>• To increase the current account concentration levels of the institution by capitalizing on the opportunities presented.</li> </ul>
<b>Medium term</b>	<ul style="list-style-type: none"> <li>• To be a top stakeholder value generator in Pakistan's banking sector while remaining a socio-environmentally conscious citizen;</li> <li>• Improve management &amp; control of expenditures and contain growth in administrative expenses, while securing the necessary capacity to achieve Bank's strategic goals;</li> <li>• The Bank aims to increase its share in the domestic deposit pie;</li> <li>• To maintain a strong capital base.</li> </ul>
<b>Long term</b>	<ul style="list-style-type: none"> <li>• Delivering remarkable returns to stakeholders, sustainable performance exceeding market and shareholder expectations;</li> <li>• Providing value added services through operational expansion, geography and upgraded system;</li> <li>• Building a corporate culture of equality, trust and team spirit as we remain dedicated to being a socially responsible organization.</li> </ul>

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.	<p>Centralization and monitoring of operating expenses to restrain them within conventional limits.</p> <p>Work on automation of existing manual systems.</p> <p>Gradual investment on unified digital platform for an overwhelming customer experience.</p> <p>Manage Information security risks through development, documentation and implementation of policies, standards, procedures and guidelines that ensure confidentiality and integrity of sensitive information.</p>	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.	<p>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.</p> <p>Focus on recoveries of existing NPL stock.</p>	Asset Quality	The KPI will remain relevant in the future.
Consistent improvement in service quality standards	Maintaining the Bank wide drive for inculcating a 'customer service' culture, extracting operating efficiencies to improve service delivery timelines, offering 24/7 real time service availability, expanding self-service avenues, exploring new revenue streams that create maximum value for the customers and revamping service quality assessment models to focus on key customer impact areas.	Customer Satisfaction and Retention	The KPI will remain relevant in the future.
Improve management & control of expenditures and contain growth in administrative expenses; while securing the necessary capacity to achieve Bank's strategic goals.	Undertaking cost transformation initiatives including continuous assessment of digital and operational maturity to eliminate non-value added work, deflecting work to lower cost channels (lower cost to serve), improving efficiency through technology and gradually transitioning away from paper intensive, predominantly employee-assisted channels to more effective and cost-efficient digital solutions.	Cost to Income Ratio	The KPI will remain relevant in the future.
To maintain a strong capital base	Healthy equity leading to strong capital adequacy ratios.	Capital ratios	The KPI will remain relevant in the future.
<p>The Bank aims to increase its share in the domestic deposit pie; and</p> <p>To increase the current account concentration levels of the institution by capitalizing on the opportunities presented</p>	<p>Expansion/Increase in deposit base through new products and markets thereby increasing customer base beyond the prevalent organic growth.</p> <p>Increased focus on current account growth.</p>	Deposit generation growth and mix	The KPI will remain relevant in the future.




Strategic objectives	Strategies for Meeting Objectives	KPI	Future relevance
Delivering remarkable returns to stakeholders, sustainable performance exceeding market and shareholder expectations.	Higher profitability to pay higher returns to shareholders.	Shareholder return	The KPI will remain relevant in the future.
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.
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 corporate social responsibility focused initiatives.	Organizational sentiment, Staff productivity, Staff turnover	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 and relationship and natural capitals are external to the Bank.

The 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	Factors impacting Availability, Quality & Affordability of Capital	Key Resources & Capabilities Providing Competitive Advantage	Resource allocation plan
<p>Human Capital</p> 	<p>There remain significant competitive pressures, both within the banking sector and more broadly, in attracting and retaining top skills and diverse talent.</p> <p>This pressure is being heightened by changing dynamics in the workplace environment – such as the shift to remote and hybrid working models – as well as by the changing skill sets needed for the digital banking age.</p>	<p>MCB's agile, engaged and motivated workforce with technical, commercial and managerial skills and experience that enables MCB to be nimble and react quickly to arising opportunities.</p>	<ul style="list-style-type: none"> <li>• Redeploy human capital to enhance productivity through segmentation;</li> <li>• Undertake human capital capacity enhancement and capability building by focusing on trainings, talent management and talent retention;</li> <li>• Creating an inclusive work environment that supports resilience, innovation and inclusion, with ongoing focus on mental, physical, social and financial wellbeing of the human capital.</li> <li>• Onboard versatile human resource that can multi task easily.</li> </ul>
<p>Manufactured Capital</p> 	<p>Ensuring continued access to reliable manufactured assets at our operations requires targeted investment in the acquisition, maintenance and/or replacement of property, plant and equipment.</p> <p>Key challenges in securing necessary inputs include competing demands for access to financial capital, unexpected events contributing to equipment failure, and potential delivery and other delays from service providers.</p>	<p>MCB's best-in-class technology and physical infrastructure encompassing its brick &amp; mortar footprint and digital access points allows it to remain resilient.</p>	<ul style="list-style-type: none"> <li>• Branch layout improvement and widening of branch and ATM network;</li> <li>• Re-align the business model through segmentation to increase customer base.</li> </ul>
<p>Financial Capital</p> 	<p>MCB's ability to generate financial capital for reinvestment is a function of various internal and external factors reviewed in more detail throughout this report.</p> <p>Current prospects regarding country's economic outlook and fiscal sustainability, further compounded by the continuing political uncertainty are negatively impacting fundamentals and investor sentiment.</p>	<p>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 and seamlessly.</p>	<ul style="list-style-type: none"> <li>• Investment on process automation and IT network improvements;</li> <li>• Invest on infrastructure including buildings and equipment;</li> <li>• Invest in good quality asset base with high yield.</li> </ul>

Nature of Capital	Factors impacting Availability, Quality & Affordability of Capital	Key Resources & Capabilities Providing Competitive Advantage	Resource allocation plan
<p>Natural Capital</p> 	<p>As an important indirect player/financial intermediary in the value chain of carbon intensive sectors, and in the context of a growing uptake of “net-zero” commitments, the Bank faces pressure to reduce energy usage and switch to renewable energy sources as part of a “just transition”.</p>	<p>MCB impacts the natural environment directly in its operations, as well as indirectly through its customers and suppliers.</p>	<ul style="list-style-type: none"> <li>• Introduce green building concept to branch network by introducing paperless environment and install solar energy equipment in branches;</li> <li>• Increase financing to renewable energy projects;</li> <li>• Solar project deployments across network for energy generation.</li> </ul>
<p>Intellectual Capital</p> 	<p>Protecting and enhancing intellectual capital is linked to Bank’s investment in research &amp; development, skills development, maintaining its ability to attract and retain top skills and diverse talent, and effectiveness in instilling a performance-based ethical culture that drives innovation.</p> <p>Material potential constraints include the increasing competition for talent (both within and external to the banking sector), and competing interests for investment of financial capital.</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>• Reengineering of processes to capture synergies and customer satisfaction;</li> <li>• Improvement in governance culture by utilizing over 75 years of institutionalized knowledge;</li> <li>• Introduce new products as per customer needs.</li> </ul>
<p>Social and Relationship Capital</p> 	<p>Growing stakeholder expectations on businesses to demonstrate enhanced stakeholder performance has heightened the importance of developing strong relationships. Managing the competing interests of different stakeholder groups necessitate the Bank to take difficult decisions and trade-offs.</p>	<p>At MCB, customers are at the heart of business; with trust gained over a rich legacy of 75 years of service excellence. This enables the Bank to differentiate itself in the industry while also building lasting relationships to deepen wallet share and improve customer satisfaction &amp; retention.</p> <p>The Bank recognizes that not all returns can be monetized and its license to operate comes from the society at large</p>	<ul style="list-style-type: none"> <li>• Invest in a series of initiatives that enhance collaboration and ongoing dialogue with our customers;</li> <li>• Enhance brand image through public awareness campaigns.</li> </ul>

## 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	<p>Technological innovation is having a profound impact on customer needs and habits, Bank's business model, and the lives of its employees.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>Refer to the Group Review section of the Annual report and below section on Initiative towards promoting and enabling innovation for further details.</p>
Societal Outlook	<p>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.</p>	<p>MCB prides itself in conducting its affairs in a fair and responsible manner. This includes:</p> <ul style="list-style-type: none"> <li>• advancing Government's financial inclusion agenda;</li> <li>• taking a proactive stance to protect our customers' information and preventing financial crime;</li> <li>• developing innovative and best-fit financing and investment solutions for customers that enable them in turn to make positive impact choices;</li> <li>• providing an inclusive work environment for its employees;</li> <li>• responsibly &amp; actively contributing to Governments key digitalization initiatives; and</li> <li>• ensuring seamless and uninterrupted provision of essential banking services to the general public at large.</li> </ul> <p>Refer to Group Review and Sustainability &amp; Corporate Social Responsibility section of the Annual report for further details.</p>



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.

## The Legislative and Regulatory Environment in which the Bank Operates

The characteristics and operations of the banking sector are governed by a comprehensive and sophisticated prudential regulatory and supervisory framework implemented by the State Bank of Pakistan (SBP). This framework encompasses practices that promote and preserve financial sector stability, emphasize complete disclosure and transparency, encourages banks to function purely on market principles and forces them to operate in a fair and efficient manner guided by the high standards of corporate governance. To ensure effectiveness of this framework, the SBP has also put in place an elaborate structure of surveillance and supervision; which is being continuously updated to respond to the emerging developments in the sector and to conform to international standards.

## The Political Environment where the Bank Operates and other Countries that may affect the Ability of the Bank to Implement its Strategy

Throughout its history, Pakistan's political and social landscapes have remained volatile and unstable; with these instabilities partially contributing to the stifled and irregular economic growth patterns witnessed in the country. Uncertainties associated with an unstable political environment impede long term visibility of monetary and fiscal authorities and hence, lead them to implement non-optimal macroeconomic policies that have a narrow horizon.

In the current socio-economic scenario, challenges facing the country have been further exacerbated by the ongoing political crisis; negatively impacting consumers, businesses, investor confidence and capital & financial market performances. The country's banking system is inherently affected by the policymaking and political trends; affecting macro shifts to business models and revenue, with negative impacts on demand and unexpected market volatility.

Remaining cognizant, MCB continuously re-aligns its strategies to pave Bank's future roadmap. However, the overall performance of the banking sector still remains heavily linked to the outcome of political will for implementing long neglected structural reforms that ensure sustainable macroeconomic stability and support an inclusive and sustainable national development agenda.

## 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 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 is the most vital asset of the bank. Over time, through insights from its HRA, the Bank has been able to strategically reposition its human resources to face 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 Financial & 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 Bank 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

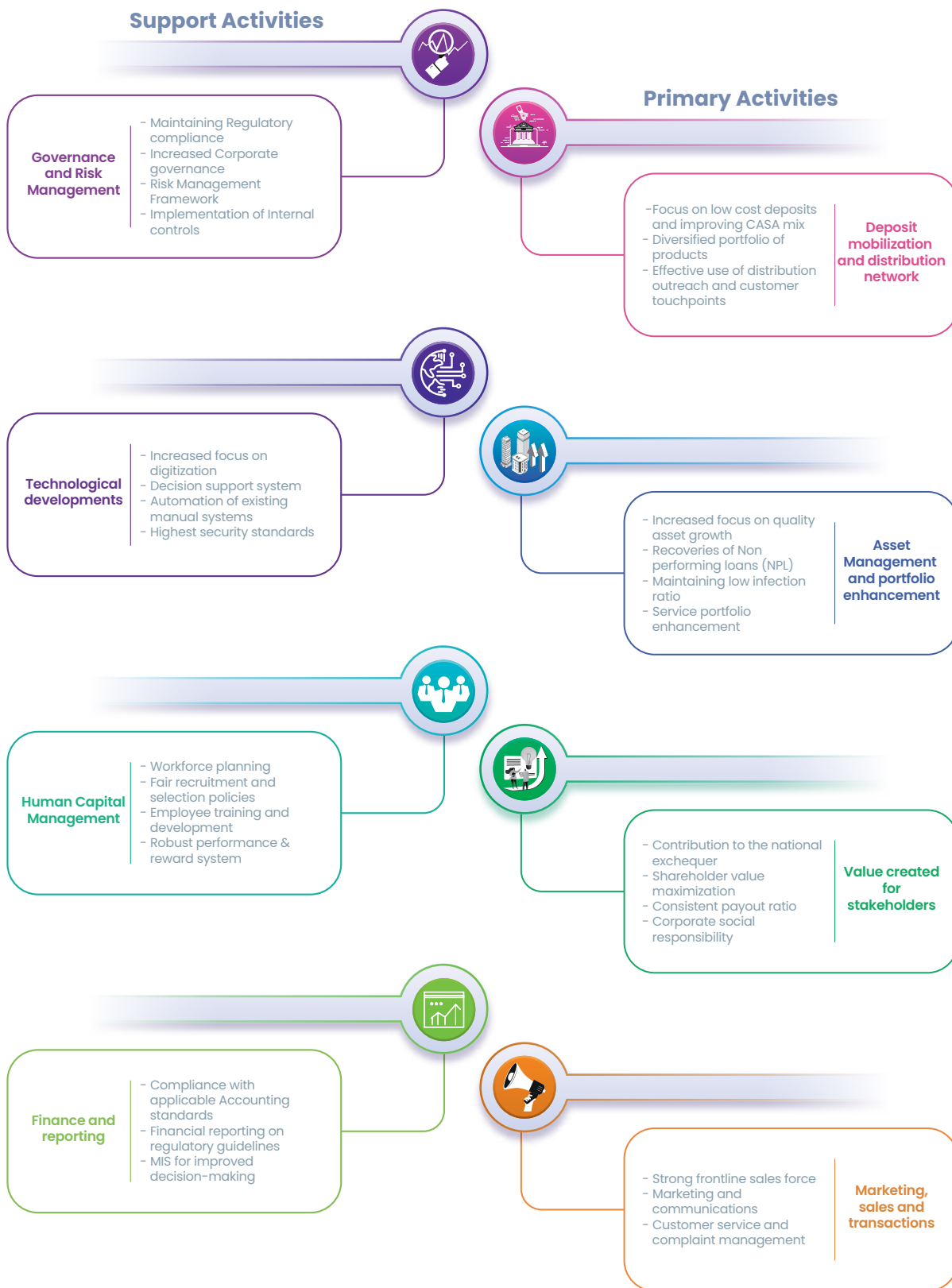
There were no significant events to report for the year.

## Significant Changes in Objectives and Strategies

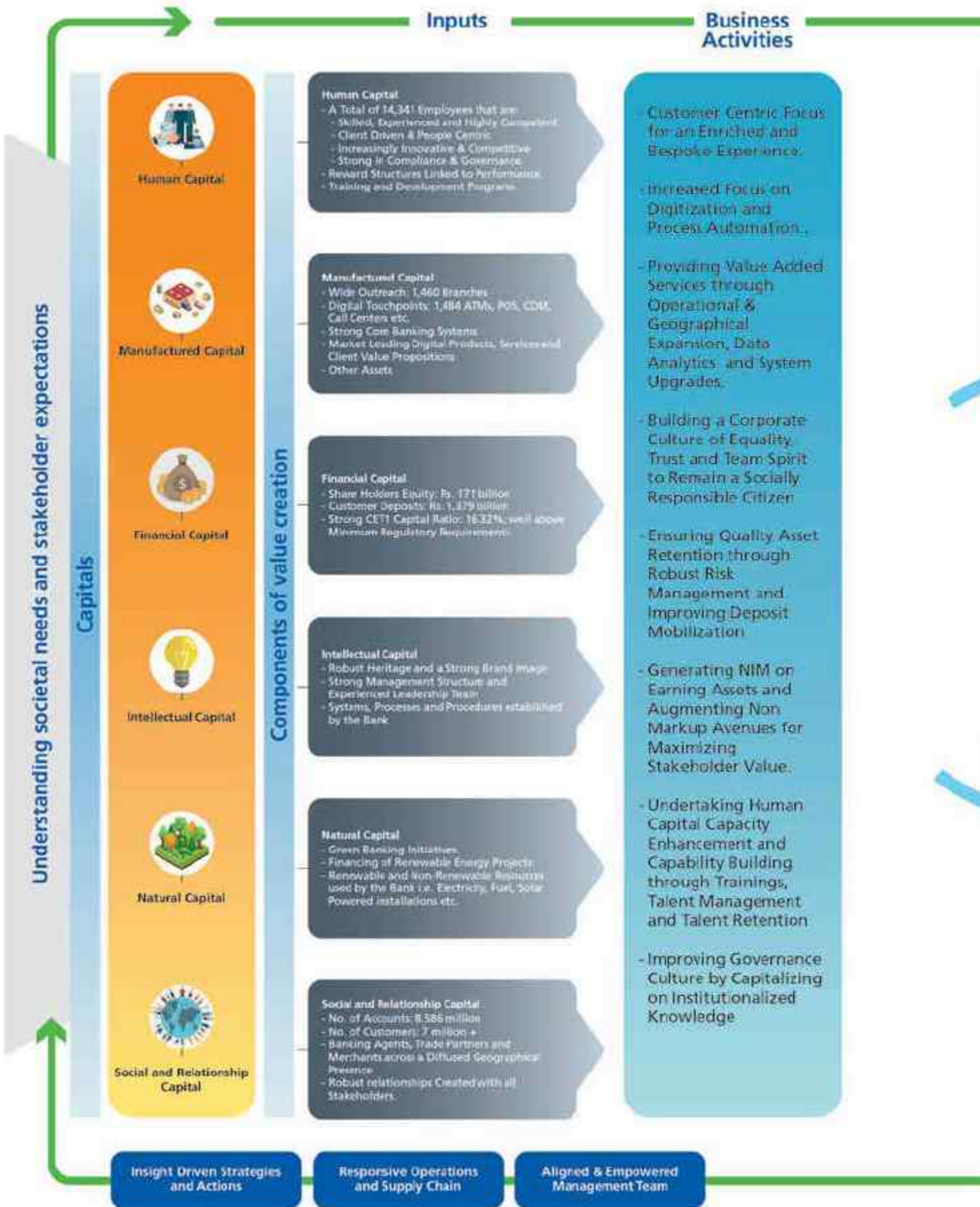
MCB Bank objectives & strategies are well planned and are persistently implemented. No significant change occurred during the year to affect the objective and business strategies.

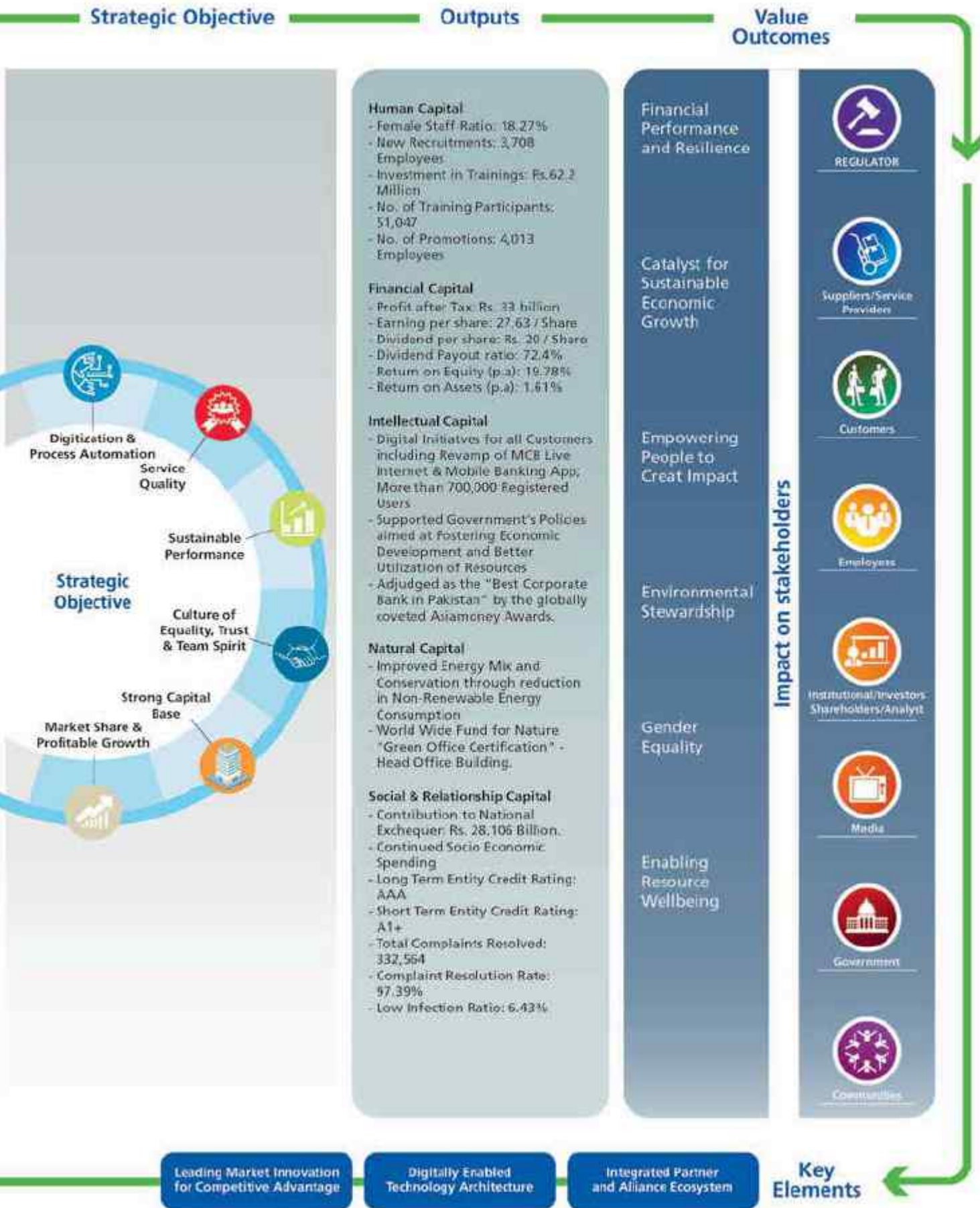
# Value Chain

## Framework



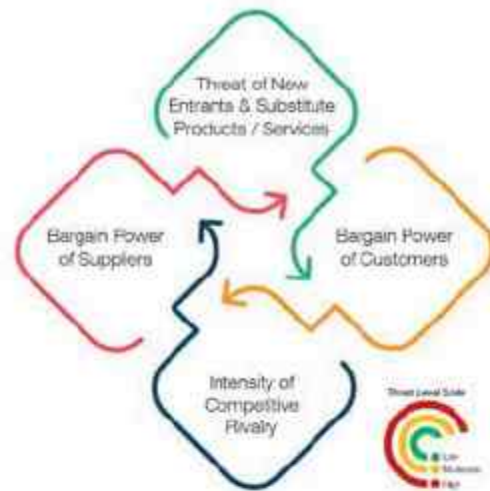
# Business Model





# Competitive Landscape and Market Positioning

As the nature of competition evolves, it creates an opportunity for the Bank to rethink how it defines banking markets, and develop a more comprehensive understanding of the ways consumers and businesses access financial products and services today and how they might do so in the future.



## Implications

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.

## Implications

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.



### Implications

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 are being disrupted by the rapidly evolving digital technologies; challenging the existing banking landscape and paving way for the industry to adopt emerging technologies in rendering digital financial services at customers convenience.

### 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.

### Implications

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.

When it comes to the bargaining power of suppliers of labor, individual employees bearing 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 of 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.



# SWOT Analysis

## Strengths

Strong Financial Position & Profitability  
 Strong Capital Base  
 Highest CASA ratio (~85%) in industry  
 2nd Lowest Cost to Income Ratio among Peer Banks  
 Offering of Comprehensive Solutions to Clients across Products (Debt, equity issuance, advisory and facility arrangement)  
 Diversified Portfolio of Loans & Advances; and Diversified Income Streams  
 Established Brand Name & Customer Loyalty  
 Competent & Committed Human Capital  
 High Levels of Visibility through Wide Customer Outreach across Multiple Channels  
 Conservative and Sustainable Business Policy



## Weaknesses

Need to further Strengthen Market Share in Deposits  
 Investment Concentration in Government Securities  
 Lower International Presence / Global Footprint compared to Peer Banks



## Opportunities

Undifferentiated Product Lines across the Banking Sector  
 Emerging Trends in Consumer Behaviour  
 High Traditional & Digital Financial Exclusion Base  
 Enhanced Market Scope for Service Offerings through Digital Products and Channels  
 Forging Strategic Partnerships with Leading Technological Platforms  
 Leveraging Retail & 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 & Expansion Opportunities in Emerging Economies  
 Expanding the Advisory and Other Services offered to Clients and Investors



## Threats

Dynamic Competitive landscape including Growing Competition from FinTechs & 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  
 Risk arising from PESTEL factors (refer to Risk and Opportunity Report section of the Annual Report for further Details)





## 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.

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 Risk Management & Portfolio Review Committee (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 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 and 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 2022, 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. In line with SBP directives on implementation of IFRS-9, Bank's internal guidelines for management of 'Deteriorating Credits' have been revamped. 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 with respect to the security managed by IT Risk team. The IT Risk Assessment Framework helps the management to identify and manage key security risks and its associated threats for the critical infrastructure/IT assets of the Bank which includes systems, applications and network devices. The Bank has an internal operational security 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 18.84% 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 16.32% against the requirement of 6%. The Bank maintained the leverage ratio of 6.12% 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.

The 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 within prescribed limits. The Bank reported Liquidity Coverage Ratio (LCR) of 204.16% and Net Stable Funding Ratio (NSFR) of 138.10% against requirement of 100%.

## Sensitivity Analysis due to Foreign Currency Fluctuation

The PKR depreciated by around 28.28% against the US Dollar in 2022. 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 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) are 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:

	2022		2021	
	Banking Book	Trading Book	Banking Book	Trading Book
	(Rs. 000)			
Profit and loss account	(149,131)	–	(66,007)	–
Other comprehensive income	128,034	–	117,543	–

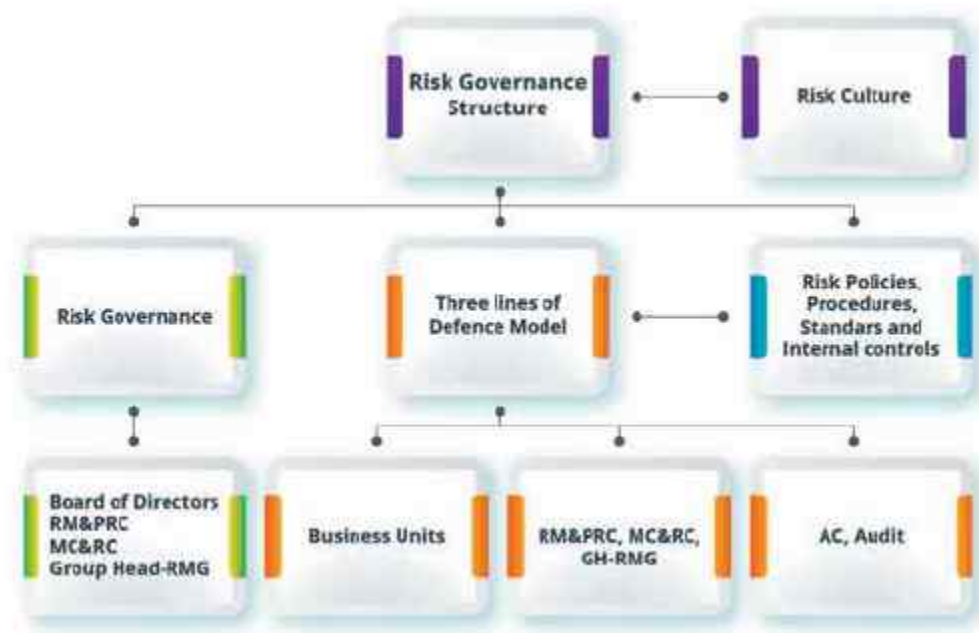
# Risk and Opportunity Report

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

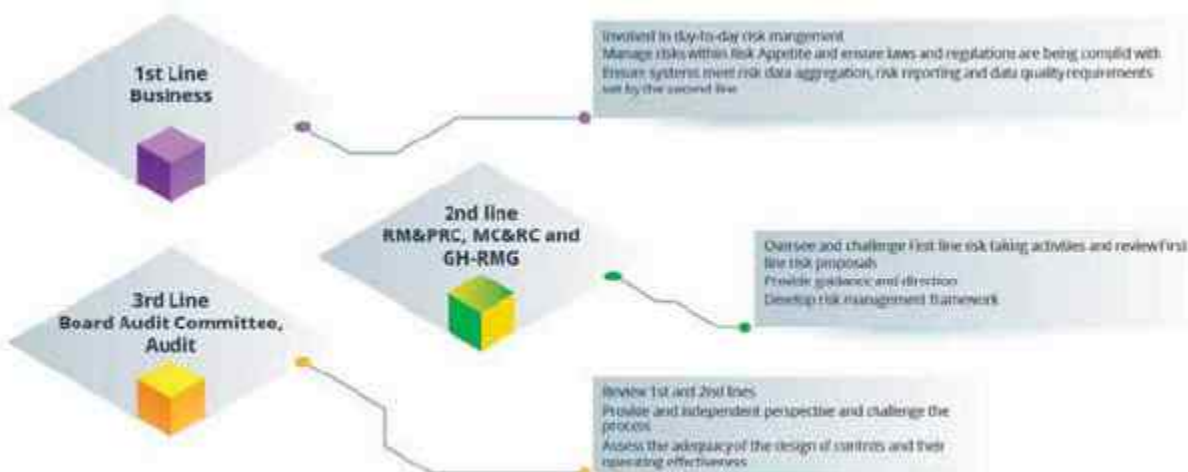
- Board of Directors (BOD)
- Risk Management & Portfolio Review Committee (RM&PRC)
- Management Credit & Risk Committee (MC&RC)
- Group Head – Risk Management

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 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 Boards 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.



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

Factors	Source	Risks
<b>Economic</b>	External	<b>Market Risk:</b> 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	<b>Capital Adequacy Risk:</b> 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	<b>Credit Risk:</b> 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	<b>Liquidity Risk:</b> 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.
<b>Technology/ Systems</b>	Internal/ External	<b>Technological /Information Security Risk:</b> Security risks having potential impact due to anomalies causing technology disruption or failure in order to disrupt bank's business process and posing adverse security 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.  <b>Operational Risk</b> 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.
<b>Political</b>	External	<b>Country Risk:</b> 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.
<b>Regulator</b>	Internal/External	<b>Regulatory Risk:</b> 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 which may have negative impact on the bottom line of the banks.
<b>Social</b>	Internal/External	<b>Reputation Risk:</b> 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	<p><b>Measurement:</b> 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.</p> <p><b>Monitoring:</b> A comprehensive structure, ensuring the bank does not exceed its qualitative and quantitative tolerance for market risk, is in place.</p> <p><b>Management:</b> 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.</p> <p>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.</p>	Financial 
Capital Adequacy Risk	High	Medium probability	<p><b>Measurement:</b> The Bank is a well-capitalized institution with a capital base well above the regulatory limits and Basel-III requirements.</p> <p><b>Monitoring:</b> 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.</p> <p>Regular assessment of capital enables an evaluation of the amount, type and distribution of capital required to cover these risks.</p> <p><b>Management:</b> 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 18.84% 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 16.32% against the requirement of 6%. The bank maintained a leverage ratio of 6.12% which is well above the regulatory limit of 3.0%.</p> <p>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.</p> <p>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.</p>	Financial 

Risk type	Materiality Rating	Probability of Risk Occurrence	Strategy	Impacted CAPITAL
Credit Risk	High	Medium probability	<p><b>Measurement:</b> 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, environmental risk rating and customers' behavior analysis. Stress testing of top customers in credit portfolio is also carried out regularly.</p> <p><b>Monitoring:</b> Credit Risk Management organizational structure ensures pre and post-facto management of credit risk. Credit Review function carries out pre-fact evaluation of counterparties &amp; 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.</p> <p><b>Management:</b> 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.</p> <p>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 &amp; 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 &amp; controls as well as regulatory requirements. LOS has also contributed towards Bank's transition to paperless environment under the Green Banking initiative.</p> <p>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.</p> <p>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.</p> <p>The MC&amp;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.</p>	Financial 

Risk type	Materiality Rating	Probability of Risk Occurrence	Strategy	Impacted CAPITAL
Credit Risk	High	Medium probability	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	<p><b>Measurement:</b> 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.</p> <p><b>Monitoring:</b> 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.</p> <p><b>Management:</b> MCB's Liquidity Risk Management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.</p> <p>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.</p> <p>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.</p> <p>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.</p>	Financial, Intellectual, Social & Relationship    



Risk type	Materiality Rating	Probability of Risk Occurrence	Strategy	Impacted CAPITAL
<b>Technological/ Information Security Risk</b>	High	Medium probability	<p><b>Monitoring &amp; Management:</b> Through technology risk monitoring process for its IT assets, bank tracks and evaluates the levels of technology and security risk with the evolving risk &amp; threat landscape. The findings produced by risk monitoring processes are used to create new and updated risk mitigation and monitoring strategies considering the regulatory compliance in-line with the best practices .</p> <p>The Bank has developed and follows Information Technology Risk Assessment Framework which enables better management of technology and security risk properly. The Information Security Risk Division is headed by the Chief Information Security Officer (CISO) reporting to the Group Head Risk Management.</p>	Financial, Intellectual  
<b>Country Risk</b>	Low	Medium to low probability	<p><b>Measurement:</b> Bank's Country Risk exposure is assessed against bank's cross border trade and treasury activities.</p> <p><b>Monitoring &amp; Management:</b> 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.</p>	Financial 
<b>Operational Risk</b>	Medium	Medium to low probability	<p><b>Measurement:</b> A database covering losses, control breaches, near misses &amp; KRIs is being maintained. Operational Effectiveness of controls is assessed using the Risk &amp; Control Self-Assessment (RCSA) process.</p> <p><b>Monitoring:</b> Monthly/Quarterly updates on operational risk events are presented to senior management, MC&amp;RC and the RM&amp;PRC of the Board.</p> <p><b>Management:</b> 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 &amp; 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.</p>	Financial, Intellectual  
<b>Regulatory Risk</b>	Medium	Medium probability	<p><b>Measurement:</b> Management of regulatory risk entails early identification and effective management of changes in legislative and regulatory requirements that may affect the Bank.</p> <p><b>Monitoring &amp; Management:</b> The Bank reviews key regulatory developments in order to anticipate changes and their potential impact on its performance.</p> <p>The Bank endeavors to maintain healthy relationships with regulators and continued compliance with regulatory requirements.</p>	Financial, Intellectual  
<b>Reputation Risk</b>	Low	Low probability	<p><b>Monitoring &amp; Management:</b> 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:</p> <ul style="list-style-type: none"> <li>• a centralized policy on media;</li> <li>• an escalation process for complaints; and</li> <li>• clear relationships with stakeholders</li> </ul>	Financial, Intellectual, Social & Relationship   

### 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
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	Increase focus on digitalization and automation of process.  Introduce new products considering the needs of different segments of the population.	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, 2022.

### Profit and Appropriation

On a standalone basis, the profit before and after taxation for the year ended December 31, 2022 together with appropriations is as under:

	Rs. in Million
<b>Profit Before Taxation</b>	<b>71,365</b>
Taxation	38,624
<b>Profit After Taxation</b>	<b>32,741</b>
Un-appropriated profit brought forward	63,683
Re-measurement loss on defined benefit obligations - net of tax	(302)
Surplus realized on disposal of revalued fixed assets - net of tax	3
Surplus realized on disposal of non-banking assets - net of tax	14
Transfer in respect of incremental depreciation on from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	76
	<b>63,474</b>
<b>Profit Available for Appropriation</b>	<b>96,215</b>
<b>Appropriations:</b>	
Statutory Reserve	3,274
Final Cash Dividend at Rs. 5.0 per share - December 31, 2021	5,925
First Interim Cash Dividend at Rs. 5.0 per share - March 31, 2022	5,925
Second Interim Cash Dividend at Rs. 4.0 per share - June 30, 2022	4,740
Third Interim Cash Dividend at Rs. 5.0 per share - September 30, 2022	5,925
<b>Total Appropriations</b>	<b>25,789</b>
<b>Un-appropriated Profit Carried Forward</b>	<b>70,426</b>
<b>Earnings Per Share (Rs)</b>	<b>27.63</b>

### Dividends

The Board of Directors declared a final cash dividend of Rs. 6.00 per share for the year ended December 31, 2022, which is in addition to Rs. 14 per share interim dividends already paid to the shareholders, taking the dividend payout ratio for 2022 to 72.39%. The effect of the final cash dividend declared is not reflected in the above appropriations.

### Performance Review

With strong build up in core earnings, MCB's Profit Before Tax (PBT) for the year ended December 31, 2022, posted an impressive growth of 37.3% to reach a historic high of Rs. 71.4 billion. Retrospective application of tax amendments along with higher tax rates for the current year enacted through Finance Act, 2022 resulted into an effective tax rate of 54% for 2022. Profit After Tax (PAT) registered a growth of 6.3% and increased from Rs. 30.8

billion to Rs. 32.7 billion; translating into Earning Per Share (EPS) of Rs. 27.63 as compared to EPS of Rs. 26.00 reported in the last year.

On the back of strong volumetric growth in current account and favorable yield curve movements, net interest income for the year ended December 31, 2022 increased by 36% over last year. Average current deposits of the Bank registered a highest ever growth of Rs. 96.8 billion (+18%) in 2022, on the back of strategically focused drive.

Non-markup income registered a growth of 22.61% and aggregated to Rs. 24.613 billion against Rs. 20.074 billion in last year. Improved transactional volumes, 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. The contribution from foreign exchange line, debit cards, trade business and home remittances also remained strong during the year.

The Bank continues to manage an efficient operating expense base and manage costs prudently. Despite exceptionally high inflation, impact of currency devaluation and continued investments in human resources, branch network and technological upgradation, operating expenses of the Bank were recorded at Rs. 41.8 billion, growing by 17% over the last year, while the cost to income ratio significantly improved to 37.4% from 42.4% reported in the last year.

On the provision front, proactive monitoring and recovery efforts led to a net provision reversal of Rs. 2.8 billion in specific provision maintained against non-performing loans (NPLs). 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.

On the financial position side, the total asset base of the Bank, on an unconsolidated basis, was reported at Rs. 2.1 trillion (+6%). The gross advances of the Bank registered a historic growth of Rs. 162 billion (+25%), above the industry average, to close the year at Rs. 798 billion; improving ADR of the Bank to 58%. The corporate lending book grew by Rs. 161 billion (+36%) whereas the consumer loan portfolio increased by Rs. 4.5 billion (+12%).

On the liabilities side, the deposit base registered a complete transformation with current account growth gaining momentum quarter on quarter. The concentration level of current account improved to 49% on the back of strategic drive to focus on core deposits. Non-

remunerative deposits grew by 21% to close at Rs. 680 billion as at December 31, 2022. CASA mix was reported at 95.9% whereas the total deposits of the Bank were reported at Rs. 1.38 trillion.

Return on Assets and Return on Equity reported at 1.61% and 19.78% respectively, whereas the book value per share was reported at Rs. 144.17.

While complying with the regulatory capital requirements, the Bank's total Capital Adequacy Ratio (CAR) is 18.84% 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 16.32% against the requirement of 6%. Bank's capitalization also resulted in a Leverage Ratio of 6.12% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 204.16% and Net Stable Funding Ratio (NSFR) of 138.10% against requirement of 100%.

To support business expansion in new demographics, the Bank continued to expand its brick & mortar footprint in selected regions and digital access points; the overall branch network expanded to 1,448 branches along with 12 sub branches while the ATM network was increased to 1,484 ATM's. Remaining focused on boarding New to Bank (NTB) relationships, the Bank added 600,000 plus accounts to the existing account base during the year.

In 2022, while successfully completing 75 years of the banking services to the nation, the Bank, has transformed into a dynamic and innovative organization; overcoming a multitude of challenges along the way with resolve and fortitude. Recognition by the globally coveted Asia Money awards as 'Pakistan's Best Corporate Bank of the Year' in 2022 is a testament to its legacy of posting consistent and exceptional performance for its stakeholders.

### **Impact of Government policies on the Bank performance**

Amidst the manifold challenges faced by the Bank, encompassing a tough operating environment, lower economic activity and rising cost of doing business, MCB stayed steadfast in supporting government's economic policies aimed at fostering economic development and better utilization of resources.

Key measures taken to implement government's overall sustainable and inclusive growth objectives stemming from the national agenda of financial inclusion, digitization of payments landscape, documentation of financial transactions and integration of overseas Pakistanis with the country's banking system included:

- Sustained focus on serving economically significant and priority sectors, including agriculture and SME sectors through product diversification, customer acquisition and facilitation approaches. During the year in review, the Bank achieved its regulatory target for agriculture credit disbursements and successfully rolled out 'Electronic Warehouse Receipt Financing' (EWRf) facility with the purpose of increasing quality of agriculture based lending portfolio. Furthermore, the Bank's total SME book size increased to Rs. 14,734 million as at December 31, 2022.
- Facilitation of overseas Pakistanis under the RDA initiative, MPMG, Kamyab Jawan and other national financial inclusion/support initiatives have remained a key focus area for the Bank. The total inflows at MCB, for the year 2022, under RDA initiative summed up to USD 203.17 million while the total home remittance inflows stood at USD 3,434 million, improving the market share to 11.6% and further consolidated Bank's position as an active participant in SBP's cause for improving flow of remittances into the country through banking channels.
- From subsidized financing / re-finance perspective, the Bank successfully executed SBP's product initiative of Rupee-based discounting. Hence, ensuring provision of an adequate supply of financing to the value-added industries at competitive rates and also incentivizing exporters to bring in their proceeds on time to improve foreign exchange inflows in the interbank market. The Bank has also disbursed loans under the 'Refinance and Credit Guarantee Scheme for Women Entrepreneurs' program in line with SBP's agenda to reduce gender gap in financial inclusion.
- The digital transformation drive of the country registered some major accomplishments during the year. SBP's "Customers' Digital Onboarding Framework" introduced a comprehensive framework that inter alia elaborates the basic parameters for opening of bank accounts for Resident Pakistanis through digital channels. The digitization of payment landscape was further augmented through launch of second phase of SBP's flagship payment system 'RAAST'; enabling free instant 'Person to Person' (P2P) payments for retail transactions. As of December 31, 2022, the Bank has achieved an aggregate of 37,060 RAAST ID registrations whereas the total value generated through these transactions exceeded Rs. 61 billion.

## Economy Review

### Global Economy

The global outlook deteriorated markedly throughout the year 2022. Synchronized monetary policy tightening to contain the rapid pace of inflation, less favorable financial conditions, and disruptions from the Russian Federation's invasion of Ukraine all contributed to a sharp deceleration in economic activity.

The slowdown in global economic activity has been broad-based and sharper-than-expected. Major economies are undergoing a period of pronounced weakness amidst persistent inflation and elevated financial and geopolitical uncertainties. The resulting spillover, from this downturn, is further exacerbating headwinds posed to emerging market and developing economies due to increasing fiscal consolidation pressures and risks of sovereign defaults amidst rising borrowing costs and diminishing policy support.

The economic outlook has several downside risks and the ultimate outcome still remains uncertain and largely dependent on the successful calibration of monetary and fiscal policies, the course of the war in Ukraine, growth prospects in China and the materialization of multilateral cooperation to prevent further geopolitical fragmentation.

### Domestic Economy

Pakistan witnessed significant economic and political headwinds in 2022. Rising inflation, depleting foreign exchange reserves, political instability, increasing interest rates, and high budget deficit compounded the issues requiring immediate attention. In this backdrop, Fitch & Moody's and S&P Global lowered country's sovereign credit rating.

In June 2022, Pakistan witnessed one of its worst floods. The floods resulted in millions of people being displaced and severe damage to both crops and livestock. This led to a steep uptick in domestic food prices. Additionally, international commodity prices also remained elevated through the year, most notably due to the war in Ukraine. For these reasons, the headline inflation increased significantly touching a multi-year high of 27.32% in August.

During the year, SBP increased the benchmark interest rate by a cumulative 625bps to 16%. This steep increase was aimed at reducing aggregate demand in the economy and also to counter high inflation.

On the external side, current account deficit (CAD) started to decline in the second half of the calendar year and reached a low of USD 0.276 billion in November 22. This was achieved through contraction in Imports while the exports dampened due to slowdown in the global

economy. The FX reserves of the country depleted significantly owing to external debt payments. On the fiscal side, the government aims to collect PKR 7.47 trillion in taxes and intends to achieve a fiscal deficit of 4.9% of the GDP. During July to Dec 2022, FBR collected PKR 3,428 billion depicting an increase of 17% from the last year.

During the year 2022, PKR depreciated by 28.3% against USD closing at 226.43. This marked the highest devaluation in the last 5 years. The weak balance of payment situation of the country remained the primary reason behind this depreciation. At the year end, SBP reserves stood at USD 5.585 billion and total liquid reserves at USD 10.8 billion, lowest since 2014.

IMF completed its 6th, 7th & 8th reviews of Pakistan Extended Fund Facility (EFF) during the year 2022. The 9th review, originally due in the last week of October 2022 has still not been completed as Pakistan strives to fulfill the essential performance criteria for this review.

### Future Outlook of the Economy

The revival of the stalled IMF program and external inflows from friendly countries remain vital for Pakistan's economy. However, the country will have to undergo strong fiscal and monetary adjustments to start the stalled program with IMF. These adjustments include reduction in gas and power circular debts, flexible exchange rate and enhanced tax revenue collection amongst others. These adjustments will put further inflationary pressures and significantly reduce aggregate demand.

### Risk Management Framework

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

### Credit Rating

Pakistan Credit Rating Agency re-affirmed credit ratings of MCB at "AAA / A1+" for long term and short term respectively, through its notification dated June 23, 2022.

### 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. 3.274 billion has been transferred to the Statutory Reserve for the year 2022.
- 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 2022, 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 2023 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,**



**Shoab Mumtaz**  
President & CEO  
MCB Bank Limited



**Mian Umer Mansha**  
Director  
MCB Bank Limited

February 08, 2023

بیرونی آڈیٹرز

ریٹائرنگ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی (A.F. Fergusons & Co) چارٹرڈ اکاؤنٹنٹس، اگلی مدت کے لیے اہلیت کے باعث دوبارہ انٹرنری کے خواہشمند ہیں۔ آڈٹ کمیٹی کی مشورے کے مطابق بورڈ آف ڈائریکٹرز اپنے آئیو اے سالانہ حساب اس کے لیے میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کو مالی سال 2023، کیلئے (Statutory) قانونی آڈیٹرز تجویز کرتے ہیں۔

تسلیم و تحسین

ایم سی بی بینک کے بورڈ آف ڈائریکٹرز حکومت پاکستان، الیٹ بینک آف پاکستان، سیکیورٹی اینڈ اینٹی ٹریڈ کمیٹی آف پاکستان اور دیگر انضامی اداروں کی جلدی مسابقت، بینک کے ٹئیر ہولڈرز اور صارفین کا اگے اگے اور اپنے ملازمین کا اگے حساس اور عزم پر مشرک ادا کرتا ہے۔

محبت و برائے بورڈ آف ڈائریکٹرز

میں محمد حیات  
ڈائریکٹر ایم سی بی بینک لینڈ

شعبہ مسابقت  
پریزیڈنٹ اور سی ای او  
ایم سی بی بینک لینڈ

08 فروری 2023ء

- اندرونی انضباط کا نظام مضبوط عدوحتال پر استوار کیا گیا ہے اور تسلیت مؤثر انداز میں نائنڈ اور حساباً حساباً ہے۔

- چھ سال کا فن نیشنل مولو (ڈیٹا) اور اہم کارکردگی کے حواصل کو سالانہ رپورٹ کے حوالہ سیکشن میں پیش کیا گیا ہے۔

- قانون میں مجوزہ شرائط کی تعمیل میں ٹیئر ہولڈنگ (حصص کی ملکیت) کی ترجیحاً صورت کو سالانہ رپورٹ سے منسلک کیا گیا ہے۔

- کوڈ آف کارپورٹ گورننس کی تعمیل (یکپلائن) بیان سالانہ رپورٹ میں شامل ہے۔

- بورڈ کی تشکیل کو کوڈ آف کارپورٹ گورننس کے تعینات کے بنیاد میں سالانہ رپورٹ کے کارپورٹ گورننس کے سیکشن میں بیان کیا گیا ہے۔

- سال 2022ء کے دوران کسی بھی وقت بینک کے ڈائریکٹرز رہنے والے اشخاص کے نام سالانہ رپورٹ کے کارپورٹ گورننس کے سیکشن میں الگ سے بیان کئے گئے ہیں۔

- بورڈ آف ڈائریکٹرز کی کمپنیاں اور اسکے ضابطہ، کلر / چارجز کو سالانہ رپورٹ کے کارپورٹ گورننس کے سیکشن میں الگ سے بیان کیا گیا ہے۔

- سال کے دوران بورڈ اور اسکی کمپنیوں کے احکاموں کی تعمیل اور اس میں ہر ڈائریکٹر کی شرکت کی تعمیل اس سالانہ رپورٹ کے کارپورٹ گورننس کے سیکشن میں الگ سے واضح کی گئی ہے۔

- ڈائریکٹرز کے ترقی پر وگرام کی تعمیل کوڈ آف کارپورٹ گورننس کی تعمیل کے بیان میں دی گئی ہے۔

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

- جی آر، پی ایچ، سی ای او اور غیر انحصاری ڈائریکٹرز کو ادا کیے گئے مشاہرہ کی تفصیل غیر محسوسی فنانشل اسٹیٹمنٹس کے نوٹ نمبر 40 میں درج کی گئی ہیں۔

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

کارپورٹ معاشرتی ذمہ داریاں سی ایس آر (CSR) بورڈ معاشرتی طور پر انتہائی ذمہ دار بینک کی حیثیت سے اپنے فرائض پر عملدرآمد کا تسلسل اور اک رکھتا ہے۔ سی ایس آر (CSR) کے حوالے سے بینک کے لیے گئے تمام اقدامات کو اس سالانہ رپورٹ میں موجود کارپورٹ سسٹین ایبیلیٹی (برداشت کی قوت) رپورٹ میں واضح کیا گیا ہے

ریسک مینجمنٹ فریم ورک (عدولت کے حوالے کا نظام) ریسک مینجمنٹ فریم ورک کو سالانہ رپورٹ میں الگ واضح کیا گیا ہے۔

گریڈ ریٹنگ پاکستان گریڈ ریٹنگ ایجنسی (PACRA) نے نو ٹیلیکیشن مورٹن 23 جون 2022ء کے مطابق بینک کی طویل اور قلیل مدتی گریڈ ریٹنگ ریٹنگ ہائسٹریٹیبل اے (AAA) اور (A1+) اسے دن پر دوبارہ برقرار ہے۔

انٹرنل کنٹرول اسٹیٹمنٹ جنونہ کی حساب سے فنانشل رپورٹ پر اندرونی انضباط (ICFR) اور محسوسی اندرونی انضباط (انٹرنل کنٹرول) سے متعلقہ بیان کی، بورڈ بخوشی توثیق کرتا ہے۔ سٹیٹمنٹ کا اندرونی انضباط سے حقائق بیان سالانہ رپورٹ میں شامل ہے۔

کوڈ آف کارپورٹ گورننس اور کمپنیز ایکٹ 2017 کے سیکشن 227 تحت بنیاد

بورڈ آف ڈائریکٹرز اس امر کو یقینی بنانے کے لیے ہر موسم میں سیکورٹی لیڈ ایجنٹ کمپنیز آف پاکستان کی حساب سے معین کردہ کارپورٹ گورننس کے تمام معیار اور شرائط اور کمپنیز ایکٹ 2017 کے سیکشن 227 کے تمام مطالبات کی مکمل پاسداری ہو۔ بینک نے کارپورٹ گورننس کے بہترین معیار کو اختیار کیا ہے اور ڈائریکٹرز بہتر رپورٹ کرتے ہیں کہ

- بینک کی سٹیٹمنٹ کی طرف سے تیار کردہ فنانشل اسٹیٹمنٹس اسکے معاملات اور کارکردگی، صورتحال، نقدی کے بہت (کیس منسلو) اور دیگر امور میں تبدیلیوں کا واضح اظہار کرتی ہیں۔

- بینک کے اکاؤنٹس کی درست کتابیں تیار کی گئی ہیں۔

- فنانشل اسٹیٹمنٹس کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اطلاق کیا گیا ہے۔ اکاؤنٹنگ کے گنتے مزدوں اور متعلقہ امدادوں پر مبنی ہیں۔

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

- کارپورٹ گورننس کے بہترین معیار اور ضابطہ عمل سے کوئی قابل ذکر روگردانی نہیں کی گئی ہے۔

- بطور ادارہ بینک کے کام حیداری رکھنے کی اہلیت میں کسی شک و شبہ کی محسوس نہیں ہے۔

- سال 2022ء کے دوران 3,274 بلین روپے کا منافع قانونی ریزرو میں منتقل کیا گیا ہے۔



قیمتیں بھی حتمی طور پر یوکرین میں حبسہ کی جنگ کی وجہ سے، سال بھر ہندی کی طرف مائل رہیں۔ ان وجوہات کی بدولت اگست کے مہینے میں برڈ لائن افراط زر میں 27.32 فیصد تک کا اضافہ منساف دیکھا گیا جو کہ گزشتہ کئی سالوں کی بلند ترین شرح ہے۔

سال کے دوران، ایلٹیک بینک آف پاکستان نے پی سی جی مارک انشورٹ ریٹ میں مجموعی طور پر 625 بی بی ایف کا اضافہ کر کے اس کی شرح کو 16 فیصد پر مقرر کر دیا۔ انشورٹ ریٹ میں اس تیز رفتار اضافے کا مقصد مجموعی طلب کو کم اور افراط زر سے نمٹنا تھا۔

بیرونی حوالے سے، کرنٹ اکاؤنٹ کے خسارے میں سال کی دوسری ششماہی کے دوران کمی دیکھی گئی اور نومبر 2022ء میں اس کا حجم 0.276 بلین امریکی ڈالرز کی کم ترین سطح پر درج کیا گیا۔ یہ صورتحال درآمدات میں کمی کے ذریعے حاصل کی گئی جبکہ برآمدات، معاشی معیشت کی سست روی کے باعث ہندی کا شمار کریں۔ بیرونی قرضوں کی ادائیگیوں کے سبب غیر منجی ذمہ دار کے ذخائر میں اضافے کی واقع ہوئی۔ مالیاتی حوالے سے، حکومت نے ٹیکس کی وصولیوں کا ہدف 7.47 بلین روپے مقرر کیا ہے۔ اور مالیاتی خسارے کے حجم کو جی ڈی پی کی 4.9 فیصد کی شرح تک محدود کرنے کا اعلان کیا ہے۔ جولائی تا دسمبر 2022ء کے دوران، ایف بی آر نے 3,428 بلین روپے کی وصولیوں کی ہیں جو کہ گزشتہ سال سے 17 فیصد کے اضافے کو ظاہر کرتی ہیں۔

سال 2022ء کے دوران، پاکستان روپیہ امریکی ڈالر کے مقابلے میں 28.3 فیصد کی فرسودگی کے ساتھ 226.43 روپے فی ڈالر پر بند ہو گیا۔ گزشتہ 5 سال کی سب سے بلند شرح (سودگی تھی) ملک کی ادائیگیوں کے توازن کی باتوں صورتحال اس فرسودگی کی بنیادی وجہ تھی۔ سال کے اختتام تک ایلٹیک بینک آف پاکستان کے ذخائر 5.585 بلین امریکی ڈالرز پر رہے جبکہ کل دستیاب ذخائر کا حجم 10.8 بلین امریکی ڈالرز پر رہا جو کہ 2014ء سے اب تک کی کم ترین سطح ہے۔

سال 2022ء کے دوران آئی ایم ایف نے پاکستان کے لیے ایکسٹرنل ڈیفنڈ فیسیلٹی (EFF) کے اپنے چھٹے ساتویں اور آٹھویں حصارے کو مکمل کر لیا۔ نواں حصارہ جو کہ اکتوبر 2022ء کے آخری ہفتے میں مکمل ہونا تھا جو اب بھی اٹھواں کا شمار ہے۔ پاکستان اب تک اس حصارے کے بنیادی مطالبات اور مشاغل کو پورا کرنے کے لیے کوشاں ہے۔

معیشت کے مستقبل کی پیش بینی  
آئی ایم ایف کے جمود کے شمار پروگرام کی بحالی اور دوست ممالک سے بیرونی امداد اور سرمائے کا حصول، پاکستان کی معیشت کے لیے ناگزیر ہے۔ تاہم، آئی ایم ایف کو مطمئن کرنے کی خاطر ملک کو آئی ایم ایف کے ذمے ہونے پروگرام کو بحال اور مقبوض مالیاتی اور انضباطی اصلاحات کو اپنانا ہو گا۔ ان اصلاحات میں دیگر کے ساتھ ٹیکس اور توانائی کے سرنگر ڈیبٹس (Debts) میں کمی، ذمہ دار کے سپیکٹر ریٹ اور ٹیکس وصولیوں کے اضافے کے اقدامات بھی شامل ہیں۔ ان اقدامات سے افراط زر کے دہا میں مزید اضافہ اور مجموعی طلب میں اضافے کی واقع ہو گی۔

ملک کی ڈیجیٹل ٹرانسفریشن کی مہم نے سال کے دوران کچھ بڑی کامیابیوں حاصل کی ہیں۔ ایلٹیک بینک آف پاکستان کے "سٹریٹ ڈیجیٹل آن بورڈ" تک فریم ورک" نے ایک جامع نظام متعارف کرایا ہے جو دیگر چیزوں کے ساتھ ساتھ ڈیجیٹل چینلز کے ذریعے ریڈیڈنٹ پاکستانیوں کے لئے بینک اکاؤنٹس کے کھولنے کے بنیادی ضوابط کی وضاحت کرتا ہے۔ لاٹجی کی ڈیجیٹلائزیشن میں مزید اضافے کے لیے ایلٹیک بینک آف پاکستان کے متعارف کردہ ادائیگیوں کے نظام (دراست۔ RAAST) کے دوسرے مرحلے کا آغاز کیا گیا۔ جس میں فوری لین و دیں کے لئے ٹرسن ٹو ٹرسن (P2P) ادائیگیوں کو بغیر کسی لاگت کے ممکن بنایا گیا۔ 31 دسمبر 2022ء تک بینک نے مجموعی طور پر 37,060 "دراست" آئی ڈیز (IDs) کو رجسٹر کیا ہے جبکہ سال کے دوران ان ٹرانزیکشنز کی مالیت مجموعی طور پر 61 بلین روپے سے تجاوز کر گئی۔

### معاشی حصارہ معاشی معیشت

معاشی چوٹی کا منظر نامہ سال 2022ء کے پورے دورانیے میں زبوں حالی کا شمار ہوا۔ افراط زر کی تیز رفتار کو کم کرنے کے لیے ہم آہنگ مالیاتی پالیسی کے کڑے اقدامات، ناموافق مالیاتی صورتحال اور روس کی فیڈریشن کی یوکرین پر جدیدیت سے پیدا ہونے والی رکاوٹوں جیسے تمام عوامل نے ملکر معاشی سرگرمی کی تطہیر میں ایک کردار ادا کیا ہے۔

معاشی سرگرمی کی سست روی توقع سے کہیں زیادہ تیز اور وسیع اہلیت ہے۔ تمام اہم معیشتیں افراط زر کے تسلسل اور بڑھتی ہوئی مالیاتی اور جنسرافیائی و سیاسی غیر یقینوں کے باعث تنزلی کے واضح نشانات میں گھس رہی ہیں۔ اس ہندی کے رہنما کے نتیجے میں اختیار کیے گئے مالیاتی استحکام کے اقدامات کے دہا اور قرضوں کے لاگت میں اضافے اور پالیسی سپورٹ میں کمی کے سبب ترقی پزیر معیشتوں اور بھرتی مارکیٹوں کو درپیش مشکلات دو چہند ہوئی ہیں جس کی بدولت ریات کے ڈیٹا کے نشانات میں اضافہ ہوا ہے۔

اقتصادی چوٹی میں کمی منفی نشانات لاحق ہیں اور حتیٰ شارج اب بھی غیر یقینی کا شمار ہیں۔ ان کا زیادہ تر انحصار مالیاتی اور انضباطی پالیسیوں کی کامیاب درجہ بندی، یوکرین میں حبسہ کی جنگ کی سست، چین میں ترقی کے امکانات اور جنسرافیائی و سیاسی تقسیم کو روکنے کے بغیر اہلیت تعاون کو عملی طور پر نافذ کرنے پر ہے۔

### ملکی معیشت

سال 2022ء کے دوران پاکستان کو کئی معاشی اور سیاسی چیلنجز کا سامنا رہا۔ بڑھتے افراط زر، کم ہونے ذمہ دار کے ذخائر، سیاسی عدم استحکام، بڑھتی شرح سود اور بلند بجٹ خسارے نے ملکر ایک پیچیدہ شکل اختیار کر لی ہے، جس پر فوری توجہ کی ضرورت ہے۔ اسی چوٹی منظر میں (Fitch)، موڈیز (Moody's) اور ایس اینڈ پی گلوبل (S & P Global) نے ملک کی خود مختار گریڈ ریٹنگ کو کم کر دیا ہے۔

جون 2022ء میں، پاکستان کو اپنی تاریخ کے بدترین سیلاب کا سامنا ہوا۔ اس سیلاب سے نام صرف لاکھوں افراد بے گھر ہوئے بلکہ فصلوں اور مویشیوں کو بھی شدید نقصان پہنچا۔ اسی سلسلہ پر گھسٹیلو اجناس کی قیمتوں میں بڑھتی اضافہ دیکھا گیا۔ مزید برآں، بین الاقوامی اجناس کی

ہمارے کے تمام اہلیک ہولڈرز کے لیے مستحکم اور غیر معمولی کارکردگی کا ثبوت ہے۔

بینک کی کارکردگی پر حکومتی پالیسیوں کے اثرات بینک کو درپیش متعدد چیلنجوں کے باوجود، جس میں ایک مشکل کاروباری ماحول، کم ہوتی معاشی سرگرمی اور کاروبار کرنے کی پرمیٹی لاکٹ شامل ہے، ایم سی بی معاشی ترقی کو فروغ دینے اور وسائل کے بہتر استعمال کے مقصد کے تحت حکومت کی معاشی پالیسیوں کی تسلیت میں حجت قدم رہا ہے۔

حکومت کے مجموعی پائیدار اور حیا مع ترقی کے مقصد، جن میں مالیاتی شمولیت، لوہائیوں کے نظام کی ڈیجیٹائزیشن، مالی لین دین کی دستاویزات اور بیرون ملک مقیم پاکستانیوں کو ملک کے بینکاری کے نظام کے ساتھ ہم آہنگ کرنے کے قوی لہجے کی تعمیل کے لیے اہم اقدامات اٹھائے گئے، جن میں مندرجہ ذیل بھی شامل ہیں:

- زراعت اور ایس ایم ای کے شعبوں سمیت اقتصادی طور پر اہم اور ترجیحی دیگر شعبوں میں اپنی مصنوعات کے مجموع، صارفین کے حصول اور آگے سہولیات کے اقدامات کے ذریعہ خدمات کی فراہمی پر مستقل توجہ کا ارتکاز۔ سال کے حبابزے کے دوران بینک نے زرعی قرضوں کی تقسیم کے لئے اپنا ضوابطی پروف حاصل کیا اور زراعت پر مبنی قرضوں کے پورٹ فولیو کے معیار کو بڑھانے کے مقصد سے " اینٹرائٹک ویٹر ہاؤس ریہیڈ سٹانڈنگ (ای ویڈیو آر ایف۔ EWRF) کی سہولت کامیابی سے حداثہ کرلی۔ مزید برآں، بینک کی ایس ایم ای کے قرضہ حبات کا مجموعی حجم 31 دسمبر 2022ء تک پرموٹی کے ساتھ 14,734 ملین روپے ہو گیا۔

- بیرون ملک مقیم پاکستانیوں کے لیے آر ڈی اے (RDA)، ایم پی ایم جی (MPMG)، کامیاب، جھان اور دیگر شمولیت / حبات کے قوی مالیاتی اقدامات کے تحت کی سہولیات کی فراہمی بینک کی توجہ کا مرکز رہی ہے۔ آر ڈی اے اقدام کے تحت سال 2022ء کے لئے ایم سی بی میں کل ترسیلات زر 203.17 ملین امریکی ڈالرز تک رہیں جبکہ مجموعی گسٹریلو ترسیلات زر کی آمد 3,434 ملین امریکی ڈالر رہیں۔ مارکیٹ شیئر 11.6 فیصد تک بہتر ہوا اور ملک میں ترسیلات زر کے پیمانہ کو بینکنگ چینلز کے ذریعے بہتر بنانے کے اسٹیٹ بینک آف پاکستان کے مقصد میں ایک فعال شراکت دار کے طور پر بینک نے اپنی پوزیشن کو مزید مستحکم کیا۔

- سہڈائزڈ فنڈنگ اری فنڈس کی مدد میں بینک نے اسٹیٹ بینک آف پاکستان کی حباب سے وابہ پرمی ڈسکانٹنگ کے پراڈکٹ کے اقدام کا کامیابی سے نفاذ کیا۔ لہذا ویڈیو ایڈڈ (value added) مصنوعات کو مستحق رقوم پر اسٹانڈنگ کی مناسب فراہمی کو یقینی بنایا گیا اور برآمد کنندگان کی اپنی رقوم کی بروقت ترسیل کی حوصلہ افزائی کی گئی تاکہ انہیں بینک سڈرکٹ میں زر مبادلہ کے پیمانہ کو بہتر بنایا جاسکے۔ اسٹیٹ بینک آف پاکستان کے لہجے کے مطابق بینک نے مالیاتی شمولیت میں صحتی فرق کو کم کرنے کے لیے اری فنڈس اینڈ کریڈٹ گھرنٹی اسکیم فنڈ ویمن انہیڈر پرنورڈ (Guarantee Scheme for Women Entrepreneur Refinance and Credit) کے پروگرام کے تحت قرضے بھی تقسیم کیے ہیں۔

گئے جو کہ صنعت کی رواں سال کی اوسط نمونے بھی زلہ ہے۔ جس سے بینک کی اے ڈی آر (ADR) کی شرح بہتر ہوتے ہوئے 58 فیصد تک پہنچی گئی۔ کارپوریٹ قرضوں میں 161 ارب روپے (+36 فیصد) کا اضافہ ہوا جبکہ صارفین کے قرضوں کے پورٹ فولیو میں 4.5 ارب روپے (+124 فیصد) اضافہ ہوا۔

واجبات کے حوالے سے، ڈیپازٹ کی اساس میں مکمل تبدیلی دیکھی گئی جس میں کرنٹ اکاؤنٹ کی شرح نمونے کے اضافے میں، ر مابوں کی بنیہ پر (quarter on quarter) تیز تحریک نظر آئی۔ اساس لہجہ پورٹ کے حصول کی اساس نہ اثر اور واقفندانہ تحریک کی وجہ سے کرنٹ اکاؤنٹ کی ارتکاز کی سطح 49 فیصد تک بہتر ہوئی۔ 31 دسمبر 2022ء کو غیر پیداواری ڈیپازٹس 21 فیصد کے اضافے کے ساتھ 680 ملین روپے پر بند ہوئے۔ کاس کی ترکیب 95.9 فیصد ریکارڈ کی گئی جبکہ بینک کے کل ڈیپازٹس 1.38 ٹریلین روپے پر درج کیے گئے۔

بہت حبات کی آمدنی اور ایکویٹی (سرمائے) کی آمدنی کی شرح پاستریب 1.61 فیصد اور 19.78 فیصد پر ریکارڈ کی گئیں جبکہ یک ویڈیو 144.17 روپے فی حصص پر درج کی گئی۔

سرمائے کے ضوابطی مطلوبات کی تعمیل کرتے ہوئے بینک کے کل سرمائے کی معقولیت (کیپٹل ایڈیکویٹی) 11.5 فیصد کی مطلوبہ شرح کی نسبت 18.84 فیصد پر رہی (جس میں 2020ء کے بی پی آر ڈی (BPRD) سرکلر یز نمبر 12 کے تحت سرمایہ کو حفظ دینے کے لیے 1.50 فیصد کی تخفیف کی شرح شامل ہے)۔ سرمایہ کے اہلی معیار کا انہیڈر بینک کی کاسن ایکویٹی ٹائر-1 (Common Equity Tier-1) (CET1) سے کل رسک ویڈیو ایٹس (Risk Weighted Assets) کی شرح سے 107 جو کہ 6.0 فیصد کی مطلوبہ حد کے مقابلہ 16.32 فیصد کی شرح پر درج کی گئی۔ بینک کی کیپٹلایزیشن کے نتیجے میں لیوریج (Leverage) کی شرح بھی 3.0 فیصد کی ضوابطی حد سے ناپاا اضافہ کے ساتھ 6.12 فیصد پر حباب بنی۔ بینک نے لیکویڈٹی کوریج ریٹو (LCR - Liquidity Coverage Ratio) کو 204.16 فیصد اور نیٹ سٹیبل فنڈنگ ریٹو (Stable Funding Ratio) Net - NSFR کو 100 فیصد کی مطلوبہ شرح کی نسبت 138.10 فیصد پر رپورٹ کیا۔

کاروبار میں توسیع کی نئی جستوں سے مستفید ہونے کے لیے بینک نے مخصوص عملوں میں اپنے (برک اینڈ مارٹ فٹ پرنٹ۔ Brick & Mortar Footprint) تعمیراتی احاطے اور ڈیجیٹل رسائی کے مقامات میں اضافہ جاری رکھا۔ مجموعی برانچ نیٹ ورک 12 ذیلی برانچوں کے ساتھ 1,448 تک پھیل گیا۔ جبکہ، اے ٹی ایم نیٹ ورک کو بڑھا کر 1,484 اے ٹی ایم نیٹ ورک پھیل گیا۔ نیو ٹو بینک (ایس ٹی بی) حصالات پر توجہ مرکوز کرتے ہوئے بینک نے سال کے دوران، موجودہ اکاؤنٹس میں 600,000 سے زلہ اکاؤنٹس کا اضافہ کیا۔

2022 میں قوم کے لیے بینکاری کی خدمات کے 75 سال کامیابی سے مکمل کرتے ہوئے بینک اپنے عزم اور حوصلے کے ساتھ راستے میں بہت سے چیلنجوں پر قابو پا کر ایک مختصر اور جدت پسند ادارے میں تبدیل ہو چکا ہے۔ ایشیا می ایوارڈ کی حباب سے بینک کو سال 2022ء میں پاکستان کا بہترین کارپوریٹ بینک آف دی لیڈ قرار دیا جانا اس

## ڈائریکٹرز رپورٹ:

بورڈ آف ڈائریکٹرز کی جانب سے ہم ایم سی بی بینک لینڈ کی سالانہ رپورٹ برائے سال ختم 31 دسمبر 2022ء کو پیش کرتے ہوئے نہایت مسرت محسوس کرتے ہیں۔

### منافع اور تخصیص

31 دسمبر 2022ء کو اختتام پذیر سال میں بینک کے انحصاری منافع قبیلہ بعد از ٹیکس اور تخصیص شدہ منافع ذیل ہے۔

ملین روپے	منافع قبیلہ از ٹیکس
71,365	
38,624	
32,741	منافع بعد از ٹیکس
63,683	اختتامی غیر تخصیص شدہ منافع
(302)	ڈیٹا سنڈ میٹنگ واجبات کا دوبارہ تعین شدہ نقصان
3	منافع از ٹیکس
14	پائیدار ہاتھوں کے سربسٹس پر فروخت سے حاصل آمدن۔ منافع از ٹیکس
76	غیر بینکاری ہاتھوں کے سربسٹس پر فروخت سے حاصل آمدن۔ منافع از ٹیکس
63,474	پائیدار ہاتھوں کی تحریز نو سے اضافی آمدنی کی غیر تخصیص شدہ منافع کی
96,215	انحصاری غیر تخصیص شدہ منافع
3,274	تخصیص
5,925	حالی ریوز
5,925	حتمی کیش ڈیویڈنڈ 5 روپے فی حصص 31 دسمبر 2021ء
4,740	پہلا مسدودی کیش ڈیویڈنڈ 5 روپے فی حصص 31 مارچ 2022ء
5,925	دوسرا مسدودی کیش ڈیویڈنڈ 4 روپے فی حصص 30 جون 2022ء
25,789	تیسرا مسدودی کیش ڈیویڈنڈ 5 روپے فی حصص 30 ستمبر 2022ء
70,426	کلی تخصیص
27.63	اختتامی غیر تخصیص شدہ منافع
	فی حصص آمدنی۔ (روپے)

### ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 31 دسمبر 2022ء کو اختتام پذیر سال کیلئے 6 روپے فی حصص کے حتمی کیش ڈیویڈنڈ کا اعلان کیا ہے جو کہ حصص یافتگان کو 14 روپے فی حصص کے پمپلے سے ادا شدہ مسدودی ڈیویڈنڈ کے علاوہ ہے اور اس طرح سال 2022ء کے لیے ڈیویڈنڈ ادا کرنے کی شرح 72.39 فیصد پر دیکھو ہوئی ہے۔ حتمی کیش ڈیویڈنڈ کے اس اعلان کے اثرات کو مسترد حسب ہوا تخصیص میں شمار نہیں کیا گیا ہے۔

### کارکردگی کا جائزہ

31 دسمبر 2022ء کو ختم ہونے والے مالی سال کے دوران ایم سی بی کی قبیلہ از ٹیکس منافع (PBT) 37.3 فیصد اضافے کے ساتھ 71.4 بلین روپے کی شرح کی بلند ترین سطح پر پہنچ گیا۔ روپے سال کے لیے فنانشل ایکٹ 2022ء کے ذریعے نافذ کردہ ترامیم سے ٹیکس کی شرح میں اضافے کے ساتھ اطلاق کے باعث ٹیکس کی حتمی شرح 54 فیصد رہی۔ بعد از ٹیکس منافع (PAT) میں بھی 6.3 فیصد اضافہ درج ہوا جو کہ 30.8 بلین روپے سے بڑھ کر 32.7 بلین روپے تک پہنچ گیا اور اس طرح گزشتہ سال کی 26.00 روپے فی شیئر کے مقابلہ میں 27.63 روپے فی شیئر کی آمدنی کو درج کیا گیا۔

کرنٹ اکاؤنٹ میں مصداری اضافے کی بنیاد پر آمدنی میں مثبت تحریک کی بدولت 31 دسمبر 2022ء کو اختتام پذیر سال کے لئے منافع انٹرنیٹ آمدنی میں گزشتہ سال کے مقابلے میں 36 فیصد کا اضافہ اور 2022ء میں بینک کے اوسط کرنٹ ڈیپازٹس میں 96.8 بلین روپے (18+ فیصد) کا اضافہ کا بلند ترین اضافہ ریکارڈ کیا گیا۔

ٹان مارک اپ آمدنی گزشتہ سال کے 20.074 بلین روپے کے حجم میں 22.61 فیصد کے اضافے کے ساتھ 24.613 بلین روپے پر درج کی گئی۔ این دین کی مقدار میں بہتری، آمدنی کے ذریعے میں فروغ، پیکیجنگ مینٹننس کی مدد میں سرمایہ کاری اور صنعت میں خدمات کے اضافی ترین معیار کو برقرار رکھنے کے لیے غیر مستزلال توجہ کی بدولت فیس کی آمدنی میں 14 فیصد کی نمو حاصل کی گئی۔ اس مد میں غیر منفعی کرنسی کی شرحیں زیادہ، ڈیٹا کھارہ، تبدیلی کاروبار اور گھمبیریلو حرکیات در سے حاصل آمدنی اس حصے کے اعلان مضبوط اور اہم کردار کی حاصل رہیں۔

بینک کاروباری اخراجات کی ایک موثر بنیاد برقرار رکھے ہوئے ہے اور اپنے اخراجات کا انتظام نہایت دانش مندی سے کرتا ہے۔ غیر معمولی طور پر بلند اڑیلو زر، کرنسی کی قدر میں کمی کے اثرات اور اس کے ساتھ انسانی وسائل، برانچ نیٹ ورک اور جیٹا لوجی کی جدیدیت میں مسلسل سرمایہ کاری کے باوجود بینک کے کاروباری اخراجات 41.8 بلین روپے پر دیکھو کیے گئے، جو گزشتہ سال کے مقابلے میں 17 فیصد کا مستدل اضافہ ہے۔ جبکہ اگت اور آمدنی کا باہمی تناسب گزشتہ سال کی 42.4 فیصد کی شرح سے نسیاں بہتری کے ساتھ 37.4 فیصد تک پہنچ گیا۔

پر وہیٹرن کے حوالے سے بین قدم گمرانی اور وصولیوں کی کوششوں سے غیر فعال قرضوں کے لیے مخصوص پر وہیٹرن کی مد میں 2.8 بلین روپے کی رپورٹس ہوئی۔ خدشات کے عمارک کے مضبوط فریم ورک جو کہ حیا کے حتمی ماڈل، قرض کی اوائلی سے پمپلے اسکی قدر پیمانی کے موزوں طریقہ کار اور اوائلی کے بعد گمرانی کے موثر نظام پر مبنی حواصل پر مسلسل توجہ برقرار رکھتے ہوئے، ایم سی بی نے اپنے کریڈٹ کے خدشات کا احسن طریقے سے انتظام کیا۔

مالیاتی پوزیشن کی مد میں، بینک کے غیر مجموعی بنیاد پر شمار کئے گئے کل اثاثہ حیا 2.1 ٹریلین روپے (6+ فیصد) پر درج کیے گئے۔ بینک کے کل قرض حیا 162 بلین روپے (25+ فیصد) کی شانہ اور جاریتی افزائش کے ساتھ سال کے اختتام تک 798 بلین روپے پر درج کئے

## Groups Review

### Wholesale Banking Group

The Group remained focused on all business areas during 2022 and all business teams including 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 increased through fee income generation and a well-managed loan book; with no additional charge on the portfolio on net basis during 2022.

Several strategy papers were issued which included group limit settings for large corporates, limit review exercise and Risk Asset Acceptance Criteria (RAAC). To manage the portfolio on a proactive basis, the Group continued to closely monitor the concentration of sectors and regions.

The Corporate team managed to use its relationship and resources to actively help in book-building, augment trade based flows to boost the bottom line and cross-sell various products including cash management products, construction finance, 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 continued to post notable fee-based revenue. The team successfully arranged Pakistan's 1st Islamic Short Term Sukuk for the textile sector. The Sukuk Issue amounting to PKR 7.5 Billion was arranged for Nishat Mills Limited. In addition to this, various large and high profile transactions were also successfully closed within the year 2022; including but not limited to arranging a Syndicated Running Finance Facility amounting to PKR 50 Billion for Pakistan State Oil Company Limited and a Syndicated Term Finance Facility amounting to PKR 35 Billion for Pakistan Telecommunication Company Ltd. MCB also received international recognition through the following awards:

- o International Finance Awards 2022:
- o Best Corporate Finance Bank – Pakistan 2022

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 3.9 Trillion in 2022. This was realized through focus on, E-Dividends, Electronic tax payments and biller payments through ADC channels / OTC and up gradation of domestic payment module to help meet the requirements of top Corporations across the country.

MCB Burqraffaar, the remittance arm of MCB Bank remained amongst the largest remittance payout brands

in Pakistan in 2022. Remittances contribute towards the national cause of the country and MCB is proud to be one of the key contributors for promoting legal channels of remittances. Through our extensive network of global partners, local branch network and state of the art technology we facilitate overseas Pakistani's to take care of their loved ones back home.

Pakistan's economy is expected to face severe headwinds in the year 2023, however, Business Teams would strive to achieve budgeted numbers with one eye on maintaining portfolio quality.

### 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:

Over two and half decades, 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.

In 2022 Sri Lanka faced its worst economic crisis since independence. The crisis resulted in all-time-high rupee devaluation of about 80% and inflation of 70%. Despite the country-wide crisis situation and challenges (Sovereign Default/Political, Social and economic unset), MCB Bank Sri Lanka has reported highest ever Profit before tax of LKR 1,009 million for the year 2022.

During the year several initiatives have been taken to reduce the operating expenses and to mitigate credit and liquidity risk of the balance sheet. Right sizing of the branch network has improved the overall cost efficiency of the operation without denting overall business volumes. MCB Sri Lanka has improved its CASA and AD Ratio in line with the Bank's strategic objectives.

#### UAE Operations:

In 2015, MCB Bank launched its wholesale banking branch in Dubai, United Arab Emirates. The franchise adopted a strategy of diversifying portfolio in terms of assets and liabilities. The branch has achieved its growth targets with exceptional success by concentrating on growth in the Financial Institutions risk and trade risk products. The branch's increased productivity has allowed it to produce quality returns.

The Branch CASA base is more than 92%. MCB UAE has reported profit before tax of AED 26.37 million for the year 2022.

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:**

MCB Bahrain has had a successful year in terms of its operations. MCB Bank Bahrain doubled its profitability. The bottom line closed at USD 2.39 million compared to USD 1.03 million last year. The water-locked asset and liability management at the branch level enabled the branch to arrive at this bottom line. Branch assets stood funded through organic liquidity which gave the branch balance sheet a solid foundation for future growth.

MCB Bahrain's franchise operates to provide its customers with quality products and services. MCB Bahrain remained focused on developing and implementing various policies and procedures to ensure compliance with ever-evolving regulations.

### **Retail Banking Group**

To create extra focus on business drivers, service excellence, improved governance & operational efficiencies, the Bank significantly transformed the overall structure of Retail Banking in the year 2022. The frontline distribution teams are now split into Retail Banking Central, Retail Banking North & Retail Banking South. The branch service teams are now driven by 7 Area Head Services, under the supervision of Head Retail Banking services.

Retail Banking celebrated 2022 as another year of sustained current deposit growth, stellar financial results and accomplishment of major business objectives during unprecedented macroeconomic challenges. The year brought with it an exceptional set of opportunities and challenges. High inflation, volatile parity rates, upsurge in the discount rate, enhanced regulatory requirements became a test of resolve, capabilities and commitment. Retail Banking with its 1420+ locations, 9700+ employees serving more than 8 million valued customers in all economic geographies and business segments. Being the biggest deposit and revenue contributor in the overall growth of MCB Bank, the passionate Retail Banking team was instrumental in building "CA deposit" with exceptional improvement in the overall CASA mix of RBG at 96% in 2022. Strategically focused team made this possible with a smart mix of new and revamped products, process innovations and re-engineering initiatives, sales support programs, service management activities, robust governance and untiring sales efforts.

Robust planning, commitment, dedication and aspiration helped the team in surpassing all business targets of Retail Banking. Growth in current deposits, fee-based income, cross selling, trade and considerable increment in advances portfolio without compromising on credit quality was achieved. On-going expense management including cost rationalization at all business functional levels has played its role in revenue maximization and profitability of the Bank.

In order to ensure delivery of customer convenience, excellence and competitiveness, offering of liability products was further strengthened. The Bank launched exclusively designed product for youth segment MCB Young Account and the product gained tremendous success. Providing opportunities to potential female customers for their deposit account, the Bank introduced MCB Ladies Savings Account alongside of a revamp of MCB Ladies Current account. Addition of new deposit tier along with various new benefits were also introduced in our flagship current account product "MCB One Current Account" which created an enhanced traction among our customers. In order to maintain and further build upon our contribution in payroll mandates, "MCB Works" a new payroll proposition was introduced.

On advances side, Retail Banking ensured provision of complete range of products (including Working Capital, Trade and Seasonal Finance and all other Advances related requirements) to our Corporate and SME customers. Our Agri and SME financing teams were engaged in loan disbursements to potential customers & managing existing portfolio with regards to high interest rate environment and fluid catastrophe. Retail team is at the forefront in delivering all regulator led initiatives. PM's Kissan Package, PM's Youth Business & Agriculture Loan Scheme were key product considerations.

Ongoing product enhancements and value addition in Roshan Digital Account (RDA) have made the proposition more beneficial for our overseas Pakistanis. The Bank also hosted RDA Roadshows in Dubai & Ajman for the benefit of large Pakistani community, residing in UAE and also hosted numerous webinars across the globe with our overseas Pakistanis. The Bank is also offering digital account opening provision to its domestic customers.

The Retail team also enriched customer digital experience through the introduction of latest technological advancements. Almost 600,000 Retail Banking customers were registered on MCB Live (Mobile Application) to avail unmatched digital banking services. The enrollment of e-statement customers also increased to 800,000+ subscribers. All these initiatives not just only provide unmatched digital convenience but also helped in registering significant contribution towards the

green banking initiative. Our vast ATM network remained available 24/7 (ATM Uptime stands at 99%) to service all banking customers. In pursuance of branch network optimization strategy, a number of branches were merged, relocated while under the annual network expansion plan new branches were opened during 2022.

With increased passion, determination and hard work, team is geared to deliver even better results in 2023. The growth of core deposit book alongside of increase in quality assets will be a primary objective in 2023. Being face of the Bank, facilitation of all types of financial banking needs (deposits, advances, trade and associated services) financial inclusion, digital innovation, process reengineering, sales and service enrichment while maximizing stakeholders' interests shall remain our key consideration. The team will also focus on conversion of Home Remittances, soliciting quality NTBs, retention / deepening of existing deposits on-boarding Cash Management, Collection and Payroll & Mandates. Disciplined implementation of policies and procedures in ensuring compliance and control culture along with creating further operational efficiencies shall remain focus areas. Team Retail Banking is committed to pull off an even stronger performance in all deliverables exceeding all milestones in the days beyond.

### Special Assets Management (SAM)

The year 2022 has been a crucial one in country's history and Pakistan faced several unexpected challenges of catastrophic floods, high inflation, tight monetary policy, devaluation of currency, subdued business activity, political chaos and un-conducive global environment. However, despite all these adversities, which badly impaired repayment capacity of the borrowers, SAM Divisions with their highly dedicated remedial teams, made continued progress on its strategic path and put tremendous results on the board.

During 2022, SAM surpassed all previous records of recovery by achieving ever highest figure of Rs. 3.158 billion, registering 18% growth over the last year. It has registered 19% growth in recovery from written-off portfolio as compared to last year. Besides, SAM has also been successful in resolution/restructuring/rescheduling of a large amount of NPLs, aggregating to Rs. 3.586 billion and made significant progress in several other big ticket defaults. On the other hand, the focus on operating efficiency also continued during the period under review with equal emphasis on internal controls. These results abundantly demonstrate SAM's pro-active approach towards remedial management of infected portfolio and its continuous focus on incorporating requisite process improvement interventions to maintain its leadership position in the industry. Besides this, SAM also actively supported Sri Lanka Team in management of big ticket

defaults and extended utmost assistance in realizing recovery in several cases.

While fiscal & microeconomic imbalances may take further toll on country's economy viz. recital of the businesses in the year 2023, NPLs of the banking sector have already surged to Rs. 913 billion as of 30th September 2022. Therefore, SAM is all-set to play a visible role in the long run and contribute positively in strengthening financial position of the Bank.

### Wealth Management and Privilege Banking

The year 2022 saw significant changes in Bancassurance, with the new SBP regulations kicking in which saw an increased focus on customer selection. Due to discontinuation of Takaful products offering being a conventional Bank without Islamic Window, sales for the year impacted significantly as Takaful had previously constituted approximately 40% of MCB's Banca portfolio. The loss of this segment caused a shortfall against the target, particularly from geographies where the market preference was for Takaful and Islamic products. However, total sales volume in 2022 for conventional life-insurance Banca grew against the previous year (CY2022: Rs. 2,032 million vs CY2021: Rs. 1,906 million) and the business has also accelerated its effort to develop new sales channels like MCB Live and tele sales, which should start generating volume from Q1 2023.

While the high-inflationary environment put pressure on the Banca business, it served as a stimulant for the Investment Services business which rode the crest of high interest rates on fixed income securities to post impressive numbers in 2022. Total volume for the year was Rs. 11.3 billion against Rs. 8 billion for the previous year, a growth of 41%.

We began the journey to revive Privilege Banking in 2022 with focus on revamping the proposition and enhancing brand entrenchment, reach and profitability. The strategy is beginning to pay dividends with robust traction and growth in CA, cross-sell and profitability. The average CA deposit grew by 30% and NFI by 51% over the previous year, resulting in an extremely impressive 125% growth in profitability (PBT) i.e. from Rs. 315 million in 2021 to Rs. 708 million in 2022. This clearly reflects the potential of high net-worth banking segment in the market and the feasibility to enhance the reach and penetration of the proposition across the country.

### Consumer Lending

Continuing its journey as MCB's engine for growth, Consumer Banking has been at the forefront of a strategic realignment with market dynamics, successfully re-establishing itself as brand ambassador for, and major

bottom-line contributor to, MCB Bank. Our strategic intent has been to make our customer journey seamless while establishing long term relationships. Despite the uncertain and volatile economic and political environment prevalent in the country, our book size has increased by 12%, closing at approximately Rs. 43 billion. Our business now serves over 144,000 customers across various consumer lending products.

The Business continued to form strategic alliances with Auto Manufacturers (OEMs) to provide value-added services to our auto customers, while we also offered high-end tactical and regular discount campaigns to our credit card customers. Our credit cards went on to register their best performance in terms of spend, whereas volumes under Fleet Financing (up by 200% + YoY), and Mera Pakistan Mera Ghar Home Loan Facility (up by 140% + YoY), continued their upward trajectory.

In line with our strategic intent, in Q4 2022, MCB initiated the process of establishing a digital-based consumer asset management service platform for individual customers to provide enriched customer experience along with reduced turn-around-time. As always, our priority remains our customer, offering them our seamless support in their asset building endeavors.

## Capital Market

The year 2022 was a forgettable year for capital markets with myriad challenges on the economic, political and geo-political fronts. With the world emerging from the COVID crisis, demand outpaced supply, leading to rising commodity prices globally. Things took a turn for the worse when the Ukraine conflict started as energy prices shot further up. Runaway inflation started to impact Pakistan's economy with nosediving currency, fiscal slippages and weakening forex reserves. To add fuel to this fire, the country experienced deadly flash floods and worst political upheaval in recent memory. The market remained under pressure throughout the year due to the mentioned economic and political conditions. In the face of these unprecedented challenges, MCB's Capital Market Division managed to outperform the market by focusing on dividend yielding investments and liquidating cyclical stocks. Going forward, revival of IMF program will be critical in determining the direction of the economy and the market.

## Treasury and FX Group

Pakistan faced a range of economic challenges in 2022. High inflation, unsustainable current account deficit, depleting foreign exchange reserves, high budget deficit and delays in concluding IMF reviews all contributed to a dire economic situation. The prevalent political uncertainty added to the volatile economic situation.

MCB's Treasury & FX Group expertly navigated this unprecedented situation and delivered another year of stellar performances. The Group continued delivering significant contributions to the Bank's markup and non-markup revenues. Focus remained on catering to our client's FX and Money Market needs and ensuring that our clients remained abreast of all important economic developments.

The year was marked by significant movements in the interest rates as the policy rate was increased by 625 bps. The FX market also witnessed significant volatility with PKR bearing the brunt of the balance of payment pressures. Treasury through its top-notch research capacity, timely and accurately anticipated the unraveling of this interest rate and FX phenomenon. Treasury not only smoothly weathered this volatility but turned it into an opportunity of material value-addition for the organization.

The interbank desks (Money Market and FX) maintained their position as top market makers and our sales team remained fully engaged with our clientele to advise them during these volatile times. MCB Bank also became a top 5 Primary Dealer, a testament to its commitment towards developing the fixed income market in the country. As an Authorized Derivatives Dealer, our derivatives team continued to advise and provide solutions to suitable clients on their FX and Interest Rate exposures.

MCB Treasury Research Desk assisted the Bank in its decision making by providing timely analysis of leading economic indicators. The Research Desk prepared economic forecasts of interest rates, inflation, and other macroeconomic variables and shared the findings with the Bank's internal and external stakeholders. The Research Desk continued its bi-monthly release of the MCB Purchasing Managers Index (PMI). MCB PMI is one of the few private-label leading economic indicators available to gauge the strength of Pakistan's economy, in particular its manufacturing sector. The customers appreciated the initiative and sought solutions for impending challenges. This is the manifestation of Treasury living the true values of the Bank by watching out for our customers and creating value in their businesses.

## 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 E-Commerce 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 Operations, IT Software Solutions, IT Support Services, IT Governance, IT Innovation & Transformation Enablement, IT Business Continuity & DR 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 2023, IT Group is more committed towards:

- Zero Trust Architecture- Analyze existing environment

with respect to Zero Trust Principle to enhance security layers due to digitalization acceleration.

- Data Warehouse and BI Solution
- Content Management and Workflow Automation
- Digitize, corporate customers onboarding process and transactional controls.
- Design lab to support business in conducting research
- Proactive and Vigilant Technology Performance Monitoring Mechanism

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 Group

At Digital Banking, 2022 was about accelerating prior year's transformation momentum. To realize our vision to create a full stack digital bank of the future – on a "built to last" principle. We stayed the course on designing customer-centric products & services, simultaneously delivering scale. Our operating strategy was: simpler and faster customer delivery, de-centralized / digital processes, and leaner & smarter orgs – aligned to digital bank of the future.

### Debit Cards

MCB customers benefitted from our diverse range of debit card comprising VISA, Mastercard, and PayPak. Continuing the trend to break our own previous records, MCB Bank achieved highest ever card issuance of 0.82 million debit cards in a year. Yet another high point, we achieved 72% activation rate for cards in force. The Debit Card spend grew to Rs. 34 billion (+68%) year on year. The Bank signed a path-breaking Partnership for Growth agreement with VISA, to augment our effort on offering exciting and rewarding opportunities to our cardholders.

The Bank executed several large and small progressive projects on Debit Cards. Original Credit Transaction or OCT (a fund transfer service to send funds to an eligible card based account, resulting in a credit of funds to a cardholder's account) was implemented to facilitate cross border payments. Implementing 3D Secure technology on Mastercard Debit Cards supported our strategy to grow e-Commerce transactions by improving customer trust & confidence.

The card value proposition was made richer for customers, by offering exciting discounts on lifestyle products. Our website on Debit Card offers enabled our customers to scan discounts and alliances according to category, region, percentages.



### MCB Live

MCB Live, an Omni-channel digital banking App, is equipped with day-to-day and advanced banking functions. It delivers customers an easy and secure way to transfer money, carry out balance inquiries, check mini-statements, buy top-ups, pay bills, send and receive money via QR code and much more on the go. The new App facilitates its customers to manage and control their bank accounts, debit & credit cards: wherever they are and whenever they want.

In 2022, the Bank introduced MCB Live version 2.0, upgrading the App customer experience through an aesthetically designed and user-friendly-interface. This culminated into in a monumental landmark of more than 0.7 million MCB Live user base with a transactions throughput of Rs. 480 billion.

### ATMs

ATMs network witnessed strong progress in terms of reach, reliability, and transactional volume. With a network of over 1450 ATMs, spanning more than 500 cities, it served banking customers across the nation as one of the largest ATMs networks. Our ATMs served 70 million financial transactions with more than Rs. 980 billion in throughput value and recorded an uptime upward of 97%. Keeping customer-experience at the heart of our actions, the Bank has embarked upon a new ATMs fleet deployment – procuring 100s of state-of-the-art ATMs conforming to highest global standards.

### Branchless Banking

Branchless Banking wallet allows customers to open an account with minimum formalities and handle their financial transactions in an efficient manner. In 2022, instant self-account opening was introduced with the commercial launch of “Asaan Mobile Account (AMA)” to increase financial inclusion. AMA scheme facilitates the less privileged and marginalized sections of the society towards adopting digital payments even without internet or smartphones access. MCB Lite is all set to explore new avenues while embracing the digital revolution in the banking arena.

### SMS Alerts

MCB Bank offers its valued customers an array of SMS alerts. Through MCB alerts, customers receive real time updates and can keep track of all of their banking transactions whenever they conduct a transaction on any of their MCB bank accounts.

### MCB Payment Solutions

MCB Payment Solutions (previously, Merchant Acquiring) saw an enhanced management focus in 2022. The Bank had a three-pronged focus on this business: one,

rationalizing the business model and go after viable merchant base; two, expanding on-ground team to better serve merchants; three, upgrading technology and POS inventory to expand market opportunity. On the POS merchant acquiring the results were highly encouraging: 65% growth in merchant sales volume, generating over Rs. 44 billion in 2022.

MCB eGate (internet acquiring) continued to power online-businesses to accept payments reliably and securely through VISA and Mastercard debit & credit cards. In 2022, MCB eGate merchants were successfully migrated to EMV 3D secure version 2.0 – thus making e-Commerce transactions even more safe. The product line generated volume of Rs. 12 billion in 2022. This business line is geared up to launch MCB eStore, a product line extension of eGate, that will offer easy onboarding to small & medium sized businesses intending to start online business. Furthermore, MCB Payment Solutions has initiated projects on acceptance of UnionPay International (UPI) and PayPak cards. While, the online payments continue to grow exponentially, MCB aspires to gain market leadership in this business.

### Operations Group

In its commitment towards operational excellence and readiness, Operations Group has continued to uphold its focus on agility, flexibility, capacity optimization, and improved controls throughout the year. Operations Group has aspired to be a Centre of Excellence that is also avidly contributing to business growth, improved customer experience and cost management through business process re-engineering, digitization, centralization and the effective resource allocation.

With the world economy treading a rather historic path, post COVID-19, due to a combination of inflationary pressures and changing customer needs geared towards digital solutions, the Banking Industry had to also become ever more competitive and responsive. Likewise, MCB, and consequently, Operations Group leveraged these dynamics as an opportunity for growth maximization and customer service optimization. This was achieved through constant improvement in processes and enrichment of user experience through digitization and centralization.

In light of the above, Operations Group has been determined on furthering its contributions in automation, digitization and customer-centricity through various Bank-wide projects. To this effect, major projects include implementation of Pakistan Single Window initiative, implementation of Image Based Clearing and Digital Account Opening. It is pertinent to mention that the end-to-end automation and handling of Image based clearing system led MCB becoming among the first banks to have achieved the standardization as per NIFT guidelines. Further, various Cheque Clearing activities

were centralized to take the load off from our branch staff and allow them to better focus on service delivery. For our Trade customers, dedicated Trade Help Desk had also been established to provide hassle free service / guidance to our partnering businesses and customers. In addition, various processes and reporting were digitized resulting in availability of ready information to the management and customers for various reviews and decision making.

Year 2022 had been a year with a focus on Customer Service. In this regard focus was given on Turn-around Time (TAT) of various critical activities/ transactions such as account opening, debit card & cheque book delivery and customer call wait time etc. where significant reduction in TAT was achieved. For improving our customer services, MCB Contact Centre was enriched with better visibility through provision of various tools and utilities to better inform customers on their requests and transactions viz a viz Debit/Credit Cards, Customer Statements etc. Further, Call-Back Service to unanswered calls made to MCB Contact Centre was initiated along with establishments of a dedicated helpline for our Roshan Digital Account customers. Augmentation and Strengthening of SMS intimations to customers was also carried out with the objective to improve the quality and coverage of our communications with the customer. Another project worth mentioning is the overhaul of the overall dormant reactivation process to facilitate the customers by using different channels of communication for reviving their relationship with the Bank.

On controls side, various charges were automated through development of dedicated screens having full integration with various subsidiary systems. Likewise, the development of new client and account maintenance screens with supervisory roles was carried out.

Moreover, reliable and accurate data is of paramount importance and can help the Bank from both business growth and control improvement perspectives. Accordingly, a Bank wide Data Cleansing exercise was initiated during 2022 aiming to cleanse and enrich our customers' data under a strong control environment having real-time monitoring mechanism. The accuracy, meaningfulness and relevance of the data will not only strengthen the controls and reporting but will also open new avenues for the Bank with the capability to make more informed decisions.

Operations Group has also continued its attention to Green Banking and Business Continuity with an emphasis on sustainability and continuity. The Bank is fully aligned with SBP's aim to transform the country's economy into a low carbon and climate resilient economy through implementation of Green Banking Guidelines. MCB has reinforced its responsibility to reduce its direct/

indirect carbon footprints on the environment by making the Bank's processes, use of technology and physical infrastructure more sustainable and efficient to have minimal environmental impact. Additionally, Operations Group has remained focused on improving its contingency planning and crisis response backed by dedicated and tested Business Continuity Plans to counter the threat of any environmental/external vulnerabilities.

Operations Group foresees a multitude of opportunities and possibilities in the forthcoming year. Therefore, the Group will continue to strive for a transformative approach that reaps greatest results linked to lean processes and reputable customer service. The group is committed to enhance itself in terms of the capabilities – both human and physical – in order to realize new and scale-up existing digitization, centralization, and automation endeavors. With a strict approach to cost controls, internal assessments and compliance, Operations Group will continue to work towards Operational Excellence with regard to products, processes and systems.

The customer centric impulse will continue in 2023 to bring service TATs to minimum possible level in line with strategic direction of the Senior Management of the Bank. In 2023, we are poised to use more data analytics and perform design level intervention to further enhance customer service standards of the Bank in collaboration with other groups.

## 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 patterns /unusual transactions to detect possible Money Laundering/ Terrorism Financing /Proliferation Financing activities through Transaction Monitoring Solution (FCCM) and Name List Screening System (SafeWatch). It also

leads the Management Committee on AML/CFT/CPF for oversight of AML/CFT/CPF compliance with respect to relevant regulations, policies, 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.

Highlights of 2022 include successful completion of project on integration of the name list screening system (Safe Watch) with Core Banking System, updation of transaction monitoring system in overseas jurisdictions, automation of review of High Value Transactions at branches' end, automation of sanctioned list updations process in the name List Screening system i.e. SafeWatch, digitization of KYC of funds provider/mandate holders/beneficial owners and implementation of KYC protocols for customers on boarded through digital channels. Further, CCG through a structured model of Internal Risk Assessment, continuously assesses its inherent and residual Money Laundering, Terrorism Financing & Proliferation Financing risk based on threats and vulnerabilities through risk control matrices. Accordingly, bank-wide Internal Risk Assessment Report (IRAR) as of 31-12-2021 was devised and approved by the BoD during the year 2022. 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). Moreover, Preliminary Investigations of Consumer & Digital banking related frauds are also conducted by CCG for ensuring a timely conclusion of the reported incidences.

Regulatory Risk & International Compliance (RRIC) plays a vital role in management of Regulatory Risk. It liaises with the regulatory authorities, manages Bank's Regulatory Risk function, conducts activities and discharges its responsibilities in a way to determine impact of the compliance risk and address challenges surfaced by the bank. In order to achieve its mandate, it coordinates with multiple quarters across the Bank to facilitate the management of Compliance Risk by effectively embedding methodology and furnishing advice and guidance relating to compliance issues of strategic nature by coordinating with State Bank of Pakistan (SBP) and Pakistan Banks' Association (PBA). It also strives to achieve regulatory obligations by mitigating the risk emanating from High Risk Jurisdictions and Customers.

To remain abreast with regulatory requirements, it pursues implementation of various dimensions of SBP Compliance Risk Management (CRM) Guidelines. In this

regard, it aims to inculcate and embed compliance culture within the Bank wherein ongoing regulatory requirements and industry challenges can be managed effectively in local and overseas jurisdictions of the Bank. It manages Compliance related Policies and Procedures to ensure that obligations set out are meticulously observed and plays an effective role in managing/organizing CCM and matters pertinent to BoD Committees/Sub Committees

An important function of CCG is to work as a bridge between the Bank, its regulators and other Government Authorities. Regulatory bodies like State Bank, Securities & Exchange Commission, Competition Commission, Banking Mohtasib and Financial Monitoring Unit, in addition to various Law Enforcement Agencies (e.g. NAB, FIA, ANF, CTD, NACTA etc.), Courts and Government Organizations regularly require the Bank to comply with their directions besides soliciting various type of information with the purpose of monitoring, preparing reports, formulating policies/strategies/regulations and for conducting investigations/inquiries to ensure enforcement of laws and regulations. For all the above entities, CCG works as a focal point for ensuring compliance with all their requirement/directions effectively and efficiently. Further, SBP regularly conducts on-site and off-site inspection of the Bank for which CCG is the designated Coordinating Office. In this regard, CCG strives to coordinate between Bank's internal stakeholder and State Bank of Pakistan (SBP), Law Enforcement Agencies and other Regulatory Bodies.

The Fraud Risk Management Department (FRMD) has taken several steps to consolidate and manage fraud, forgery, theft & dacoity data on bank wide basis. FRMD has also been reporting the fraud, forgery, theft & dacoity related data to the regulator/stakeholders as per their requirements. Further, Implementation of 'Internal Eye', a tool for reviewing and monitoring of transactions associated with customers' as well as employees' accounts for potential fraudulent activities. This tool is designed to detect and manage the fraud risk encountered by the bank through various predefined system based potential scenarios by highlighting suspicious and fraudulent activities well in time. In addition, FRMD is leading Bank-wide Fraud Risk Assessment Exercise 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 a program called Know Your Employee (KYE) that conducts quarterly reviews of the credentials of newly hired regular employees.

Bank's Service Quality (SQ) function, an integral part of the Compliance and Controls Group (CCG), is committed to enhancing the customer experience through relentless focus and endeavor. The SQ team leverages senior management oversight and continuous stakeholder engagement to ensure that the Bank delivers unparalleled service quality. To achieve this, the Bank adopts a multi-pronged approach to assess the quality of service standards for its customers. This includes ongoing evaluations of the look and feel of the bank's branches, the speed of product and service delivery, the efficiency of digital channels, and the performance of its contact center. Additionally, the Bank actively solicits customer feedback through its in-house Voice of Customer team and third-party Mystery Shopping vendors. These initiatives help the Bank identify areas for improvement and reinforce its commitment to delivering better customer experiences.

Bank's unwavering commitment to treating its customers fairly remained a top priority throughout 2022. To ensure that frontline staff are equipped to handle customers with care, the Bank implemented an e-learning program in 2021 that reinforced their roles and responsibilities. The program gained significant momentum throughout the year 2022 and will remain an ongoing project during 2023. In addition, the Bank's Induction program is designed to prepare fresh candidates for their roles with extensive training on compliance, processes, services, and products. The Fair Treatment of Customers (FTC) training module is now a mandated part of the Orientation program, ensuring that all staff is well-versed in the principles of fair treatment.

The Service Quality function takes pride in serving as the custodian of customer grievances. It is the nerve center of the Bank, working hand in hand with all businesses and functions responsible for addressing customer complaints. The SQ team acknowledges, conducts follow ups, escalates, and aims towards closure of all customer complaints within the specified turnaround times, performs root cause analyses periodically to identify opportunities for improvement to ensure that each customer grievance is handled with utmost focus and urgency. Whether it comes to resolving a simple issue or addressing a complex problem, the Service Quality function is always at the forefront, striving to ensure an improved customer experience.

## **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 2022. 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. In compliance with the regulatory requirements as well as to increase internal audit's efficiency and effectiveness, various internal audit processes were also automated during 2022. 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 2023.

## **Legal Affairs Group**

The mission of the Legal Affairs Group is to achieve 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 and procedure to ensure that an organization follows relevant laws, regulations and business rules.

## **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 / positions. The scorecard helps management defining 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. A segment comprising senior management was engaged through a Management Development Program as part of the Talent Management Scheme of the Bank.

Additionally, 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 total of 1,175 training sessions were conducted in which 12,646 unique participants were trained.

Following significant initiatives were taken in 2022:

- Minimum salary in the bank is fixed at Rs. 30,000/- at a grade of OG III.
- Keeping in view the market practices with respect to inflated prices of fuel, the bank allowed approx. 70% increase in monthly fuel allowance to all employees.
- Significantly increased the employee's life Insurance coverage.
- Pay continuation (i.e. one gross salary for 12 months) to grieved family of deceased employees – in case of death during service.

## Security Division

The Security Division through advanced planning and synergistic execution successfully managed the safety and security of the Bank's human resources, physical assets and operations during the year, despite numerous security challenges. Based on feedback of the management and continuous analysis of the evolving law & order situation in the country, our security teams constantly reviewed and aligned their plans and ensured their execution in a professional manner. Robust security arrangements coupled with effective coordination and constant vigilance by security teams ensured security at branches and offices of the Bank across Pakistan. Persistent endeavors of security teams and supervisory tiers provided a safe and secure environment for smooth and safe business operations of the Bank.

Security Division always endeavors to equip branches with the latest technical equipment and ensure constant vigilance throughout the year and even during public holidays. Branch staff and security teams always work synergistically and our Security apparatus is all set to

meet any challenge and ensure safety and security at MCB Bank.

## Marketing Division

The Marketing Division is geared towards enhancing the positive image of the Bank through corporate brand building, promotion of Bank's products & services on visible optimized mediums, standardization of corporate & brand communications, branch merchandizing, Corporate Social Responsibility (CSR) and public relations.

During 2022, Marketing Division produced a new TVC for our Omni-channel digital platform MCB Live and supported the launch of MCB Young account, a new product with a focus on the youth segment. Marketing also provided ample support to the revamp of MCB One – Current Account (Bronze Tier addition) and MCB Ladies Account propositions. Significant efforts were also undertaken to effectively support key regulator's initiatives such as Roshan Digital Account, RAAST, QR Code Project, Digital Freelancer Account, Digital Account Opening and Asaan Mobile Account among others.

The Bank also celebrated its 75th Anniversary during the year and undertook many innovative marketing initiatives, such as consumer lending focused marketing campaigns, exciting discount alliances and specialized stationery. The Bank also undertook a woman focused awareness campaign – Women of Spirit. Under this initiative, a series of special videos and content was developed to showcase women working at MCB Bank, highlight women empowerment at the organisation and highlight MCB's contributions towards "Banking on Equality".

On the CSR front, key initiatives led by Marketing Division include providing support to leading NGOs, such as Shaukat Khanum Memorial Cancer Hospital, Pink Ribbon, Sundus Foundation, Edhi Foundation and others in their respective Zakat collection and Awareness campaigns. In its effort to support healthy outdoor activities, the Bank continued its monthly maintenance support to Shuhada Park Chakwal, while sponsoring the Inter Sapphire Cricket Tournament in 2022. MCB also made contributions for flood affected people, including support to a charity event organized by Bestway Foundation.

The Bank also managed the Illumination of MCB House in Lahore to commemorate Independence Day. The Bank helped create awareness of Women Empowerment and Gender Equality through an engaging event held to celebrate Working Women's Day. As a part of its regular CSR focus, the team also worked to enhance awareness of Breast Cancer during 'Pinktober' with communication campaigns and a special event held at MCB House, Lahore in association with Pink Ribbon. The Team revitalized its efforts to strengthen the Bank's presence

on Social Media and used the communication channel effectively to enhance visibility for strategic brand alliances and regulator initiatives. The Division also continued its initiative to educate, encourage and guide customers in using the Bank's 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 (MIB) 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 MIB 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.

Despite challenges MIB remained fully aware of the high downside risks to the economic and operating environment and pursued its strategy of consistent growth through low cost deposit mobilization and prudent financing practices, supported by an optimal organizational structure, robust risk management framework and effective compliance with regulatory instructions. During 2022, MCB Bank limited further injected capital of Rs. 4 billion in MIB.

The Deposits reached at Rs. 154 billion as of December 31, 2022 as compared to Rs. 122.75 billion as at December 31, 2021, registering an excellent growth of 25% while accumulation of no and low-cost deposits remained a key objective of MIB during the period under review. The MIB's Current and Saving Account (CASA) mix stands at a healthy rate of 72% with non-remunerative Deposits constituting 32% of total deposit mix of the Bank as of December 31, 2022. The Bank achieved a significant growth in Current Accounts by Rs. 7.51 billion (18%) during the year. The Bank continues to emphasize on promoting Islamic Banking amongst potential non-banked customers through offering a variety of Islamic Banking products and ensuring service excellence.

Total assets of the Bank increased by 23% to reach at Rs. 199.04 billion as of December 31, 2022 as compared to Rs. 161.27 billion as at December 31, 2021. The net Financing was closed at Rs. 90.30 billion against the December 31, 2021 position of Rs. 96.31 billion whereas the investments were at Rs. 72.67 billion against Rs. 33.48 billion at December 31, 2021, showing management's prudent approach to gear up the Banks' profitability without compromising its Capital Adequacy which increase by 8.32% points to close at 20.41%. The management has its continuous focus on efficient capital

management, better asset quality and high yielding portfolio.

During the year under review, the Bank earned operating income of Rs. 9.39 billion, while return on earning assets stood at 11.62% with the cost of funds at 6.24% resulting in a net spread of 5.38%. Due to exorbitant rise in the general price level and the Rupee devaluation, the operating and other expenses increased by 26% as compared to last year. However, expenses are being monitored closely through effective management controls in order to sustain profitability levels.

In view of the above developments, gradually increasing Balance Sheet spreads through effective portfolio mix management enabled the Bank's to earn after-tax profit of Rs. 1.548 billion for the year against Rs. 100 million for the last year. EPS for the 2022 is Rs. 1.125 as compared to Rs. 0.073 for 2021.

The Bank is determined to continue with its strategy of long-term sustainable growth and key focus will be on generating no and low-cost deposits, high earning assets and containment of operating costs along with the investment in automation of processes, building new product platforms and digitization.

## Corporate Governance

Corporate Governance at MCB Bank Limited (“MCB” or the “Bank”) refers to the 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. 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

### Casual Vacancies on the Board of Directors:

During the year, Mr. S. M. Muneer, the Vice-Chairman of the Bank, passed away on November 28, 2022. The Board of Directors is in the process of filling the casual vacancy with a suitable person.

### 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 Bank and are neither involved in managing the day-to-day affairs of the Bank nor form part of the Executive Management Team of the Bank.

### Executive director serving on the Board of other companies/trust:

The Executive Director i.e. President & CEO is serving on the Board of MCB Non-Bank Credit Organization Closed Joint Stock Company Azerbaijan, a subsidiary of MCB Bank Limited as a nominee Director and also as Chairman of the Board of Trustees of MCB Employees Foundation.

### Detail of Board Meetings held outside Pakistan:

During the year 2022, no meeting of Board of Directors was held outside Pakistan.

### Diversity in the Board of Directors

The Board comprises of local as well as foreign directors who have a diverse educational background and professional 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. Please refer to “Profile of the Board of Directors” section of the Annual Report.

## Process of Appointment and Nomination of directors:

As per the applicable provisions of the law and regulations, 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.

## 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 2022

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	-	-	◆	4/5	-	-	-	-	-	-	◆	4/4	◆	3/4	-	-
2	Mr. S. M. Muneer	◆	3/4	-	-	◆	0/4	-	-	◆	4/4	-	-	-	-	-	-	-	-
3	Mr. Muhammad Tariq Rafi	◆	5/5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	◆	-
4	Mian Umer Mansha	◆	5/5	◆	5/5	◆	5/5	◆	4/4	◆	-	◆	5/5	-	-	◆	4/4	◆	-
5	Mrs. Iqraa Hassan Mansha	◆	4/5	-	-	-	-	-	-	-	-	-	-	◆	2/4	◆	2/4	-	-
6	Mr. Muhammad Ali Zeb	◆	5/5	◆	5/5	-	-	◆	4/4	◆	4/4	-	-	◆	4/4	◆	4/4	◆	-
7	Mr. Mohd Suhail Amar Suresh	◆	4/5	-	-	◆	4/5	◆	3/4	-	-	◆	4/5	-	-	-	-	-	-
8	Mr. Yahya Saleem	◆	5/5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Mr. Salman Khalid Butt	◆	5/5	-	-	◆	5/5	◆	4/4	◆	3/4	◆	5/5	◆	4/4	-	-	-	-
10	Mr. Shahzad Hussain	◆	5/5	◆	5/5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Mr. Masood Ahmed Puri	◆	5/5	-	-	◆	5/5	-	-	-	-	-	-	-	-	-	-	-	-
12	Mr. Sharifuddin bin Khalid	◆	5/5	◆	5/5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Mr. Shoab Murtaz (President & CEO)	◆	5/5	-	-	◆	5/5	◆	4/4	◆	3/4	◆	5/5	-	-	◆	4/4	-	-
Total Number of Meetings Held		5		5		5		4		4		5		4		4		0	

Chairman ◆ Member ◆

<b>AC:</b>	Audit Committee
<b>BS&amp;DC:</b>	Business Strategy & Development Committee
<b>RM&amp;PRC:</b>	Risk Management & Portfolio Review Committee
<b>CR&amp;MC:</b>	Compliance Review & Monitoring Committee

<b>ITC:</b>	Information Technology Committee
<b>HR&amp;RC:</b>	Human Resource & Remuneration Committee
<b>PP&amp;CA:</b>	Committee on Physical Planning & Contingency Arrangements
<b>Wo&amp;WC:</b>	Write-Off & Waiver Committee



## Notes to Detail of Directors' Participation/ Attendance in Board and Committee Meetings

Sr No.	Name of Director	Notes
1		Meetings of a particular forum attended by the concerned member during his/her tenure.
2	Mr. S. M. Muneer	Passed away on November 28, 2022.
3	Mian Umer Mansha	Became Chairman of the Board's Compliance Review & Monitoring Committee (CR&MC) on December 07, 2022.

## Names of the persons who, at any time during the financial year, were elected directors of the Bank:

- Mian Mohammad Mansha
- Mr. S. M. Muneer\* (Late)
- 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

\*Mr. S. M. Muneer, the Vice-Chairman of the Bank passed away on November 28, 2022.

## Disclosure on Board of Directors

Sr. No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director	Member of Board Committee(s)	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 (Late)	08-Apr-1991/ 28-Nov-2022	Non-Executive Director	- BS&DC - CR&MC	6	Din Textile Mills Limited
						Din Leather (Pvt.) Limited
						Din Farm Products (Pvt.) Limited
						Arabian Sea Country Club
						Din Industries Limited
						Din Global Investment Inc.
3	Mr. Muhammad Tariq Rafi	08-Apr-1991	Non-Executive Director	- WO&WC	5	Central Depository Co. of Pakistan Limited
						Siddiqsons Energy Limited
						Siddiqsons Limited
						Siddiqsons Tin Plate Limited
						TSM Mining (Pvt) Limited
4	Mian Umer Mansha	11-Nov-1997/ 08-Sep-2007 & 27-Mar-2009	Non-Executive Director	- ITC - PP&CA - CR&MC - WO&WC - AC - BS&DC - RM&PRC	12	Adamjee Insurance Company Limited
						Adamjee Life Assurance Company Limited
						Hyundai Nishat Motor (Pvt.) Limited
						National Textile Foundation
						Nishat (Raiwind) 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	- RM&PRC - AC - 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	24-Feb-2014	Non-Executive Director	- BS&DC - RM&PRC - ITC	4	Malaysian Global Innovation & Creativity Centre Bhd Maybank Shared Services Sdn Bhd (a wholly owned subsidiary of Maybank) MBB Labs Pvt Ltd (a subsidiary of Maybank Shared Services) MRANTI Corporation Sdn. Bhd. (formerly Technology Park Malaysia Corporation, Sdn. Bhd).
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 YSG Trading Private Limited
9	Mr. Salman Khalid Butt	10-Nov-2018	Non-Executive (Independent) Director	- HR&RC - BS&DC - RM&PRC - ITC - CR&MC	5	New Heights Concepts Ltd, a BVI Company New Heights Management Ltd, a BVI Company Next Commercial FZ LLC, a Ras El Khaimah (Rakez), U.A.E. Company Next Pharmaceutical Products (Pvt.) Limited Saleem Memorial Trust Hospital
10	Mr. Masood Ahmed Puri	31-May-2019	Non-Executive (Independent) Director	- BS&DC	3	Jedex Logistics Pvt. Limited (Pakistan) Jedex Transport Company LLC (UAE) Transarab Trading Services (KSA)
11	Mr. Shahzad Hussain	31-May-2019	Non-Executive (Independent) Director	- AC	1	NAMAL Education Foundation
12	Mr. Shariffuddin bin Khalid	23-Jul-2019	Non-Executive Director	- AC	4	Malayan Banking Berhad Marine & General Berhad Maybank (Cambodia) Plc (A subsidiary of Maybank) Maybank Islamic Berhad
13	Mr. Shoaib Mumtaz President & CEO	21-Dec-2021	Executive Director	- BS&DC - RM&PRC - CR&MC - ITC - PP&CA	2	MCB Non-Bank Credit Organization, CJSC, Azerbaijan MCB Employees Foundation

<b>AC:</b>	Audit Committee
<b>BS&amp;DC:</b>	Business Strategy & Development Committee
<b>RM&amp;PRC:</b>	Risk Management & Portfolio Review Committee
<b>HR&amp;RC:</b>	Human Resource & Remuneration Committee

<b>ITC:</b>	Information Technology Committee
<b>PP&amp;CA:</b>	Committee on Physical Planning & Contingency Arrangements
<b>CR&amp;MC:</b>	Compliance Review & Monitoring Committee
<b>WO&amp;WC:</b>	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. Mohd Suhail Amar Suresh - (Non-Executive Director)
4. Mr. Salman Khalid Butt - (Independent Director)
5. Mr. Masood Ahmed Puri - (Independent Director)
6. 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. Mian Umer Mansha - (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 Muhammad 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. Chief Compliance Officer
5. Chief Information Officer
6. Chief Digital Officer
7. Group Head – Human Resources Management
8. Group Head – Risk Management
9. Group Head – Wholesale Banking
10. Group Head - Treasury & Forex
11. Group Head – General Services
12. Group Head – Operations
13. Group Head – Legal Affairs
14. Group Head – Security & Marketing
15. Head - Retail Banking North
16. Head - Retail Banking South
17. Head - Retail Banking Central
18. Head - Retail Banking Services
19. Head - Wealth Management & Privilege Banking
20. Head - Consumer Banking
21. Head - International Banking

### Purchase & Expense Committee

1. Group Head – Operations
2. Chief Financial Officer
3. Group Head – Security & Marketing
4. Group Head – Human Resources Management

### Assets & Liabilities Committee

1. President & CEO - Chairman
2. Group Head - Treasury & Forex
3. Chief Financial Officer
4. Group Head – Risk Management
5. Group Head – Operations
6. Group Head – Wholesale Banking
7. Chief Digital Officer
8. Head - International Banking
9. Head Retail Banking Central
10. Head - Retail Banking North
11. Head - Retail Banking South

### Write off Committee

1. President & CEO - Chairman
2. Group Head – Risk Management
3. Group Head – Wholesale Banking
4. Chief Financial Officer
5. Head Retail Assets & Trade
6. Chief Digital Officer
7. Secretary of Management Credit & Risk Committee
8. Division Head SAM Consumer & Retail
9. Division Head SAM Corporate & Commercial

### Investment Committee

1. President & CEO - Chairman
2. Group Head – Wholesale Banking
3. Group Head - Treasury & Forex
4. Chief Financial Officer
5. Group Head – Risk Management

### IT Steering Committee

1. President & CEO - Chairman
2. Chief Financial Officer
3. Chief Information Officer
4. Group Head – Operations
5. Group Head – Risk Management
6. Chief Digital Officer
7. Head Retail Assets & Trade
8. Group Head – Wholesale Banking
9. Chief Compliance Officer
10. Chief Information Security Officer

### Disciplinary Action Committee

1. Group Head – Human Resources 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. Group Head – Human Resources Management
4. Head Retail Assets & Trade
5. Division Head SAM Corporate & Commercial
6. Division Head SAM Consumer & Retail
7. Head - Consumer Banking
8. Division Head – Legal Affairs

### 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. Head - International Banking

### Compliance Committee of Management

1. President & CEO – Chairman
2. Group Head – Risk Management
3. Group Head – Wholesale Banking
4. Head – International Banking
5. Head – Retail Banking North
6. Head – Retail Banking South



7. Head – Retail Banking Central
8. Head – Retail Banking Services
9. Chief Digital Officer
10. Head – Consumer Banking
11. Head – Wealth Management & Privilege Banking
12. Group Head – Oversight & Monitoring
13. Group Head – Operations
14. Chief Information Officer
15. Group Head – Legal Affairs
16. Group Head – Human Resources Management
17. Chief Compliance Officer

#### **Cyber Security Risk Committee**

1. Group Head – Risk Management - Chairman
2. Chief Information Officer
3. Chief Digital Officer
4. Chief Compliance Officer
5. Group Head – Operations
6. Head - International Banking
7. Head - Retail Banking Services
8. Head - Consumer Banking

#### **Outsourcing Relationship Review Committee**

1. Group Head – Operations – Chairman
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. Head - Retail Banking Services
4. Chief Financial Officer
5. Chief Information Officer

#### **Management Sub-Committee on AML/CFT**

Chief Compliance Officer - Chairman  
 Group Head - Oversight & Monitoring  
 Group Head – Operations  
 Head - Retail Banking Services  
 Group Head – Risk Management  
 Head - International Banking

#### **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

#### **Wealth Management Committee**

1. President & CEO – Chairman
2. Chief Compliance Officer
3. Head – Retail Banking North
4. Head – Retail Banking South
5. Head – Retail Banking Central

6. Division Head – Service Quality
7. Head – Wealth Management & Privilege Banking

### **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.

In 2022, MCB Bank Limited conducted performance evaluation of the Board as a whole, the Chairman, Individual Directors including Independent Directors, the President & CEO and Board's Committees for the year 2021 through an external independent evaluator, namely, M/s Pakistan Institute of Corporate Governance ("PICG") 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. As per the Analysis Report issued by PICG, the Board Strategic Performance Index ("BSPi") of the Bank has improved to 93% for the year 2021 as compared to 88% for the year 2018; which essentially indicates that the overall effectiveness of the Board of Directors has increased. The performance of Board Committees has also been assessed at an average of 94%, showing an aggregate result of all sub-committees of the Board, whereas, the performance evaluation of individual Board Members has been assessed between a range of 85% to 98%.

### **Performance Evaluation through External Independent Evaluator:**

In order to comply with the regulatory requirements and to bring objectivity to the Board's annual performance evaluation process, the Bank carries out independent, third party assessment of the Board, its Committees and individual directors once in every three years. During the year under review, the Bank engaged the PICG as an Independent External Evaluator who conducted the performance evaluation of the Board, its Committees and individual directors for the year 2021.

#### **Criteria for Annual Performance Evaluation of the Overall Board of Directors:**

While conducting the annual performance evaluation of the Board as a whole, its Committees and individual directors, the Bank in line with the SBP Guidelines adopts an in-house approach, whereas, the same is undertaken by an external independent evaluator once at least every three years.

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 2022, the performance evaluation of the Board was conducted through external independent evaluator who performed the evaluation 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 rules, regulations and laws as well as business needs of the Bank.

The annual performance evaluation of the Board Committees is also performed by the Evaluation Committee by using an in-house-approach; however, during the year, the performance evaluation of the Board Committees was conducted through an external evaluator who conducted the evaluation 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 SBP Guidelines, the performance evaluation of the Chairman of the Board is performed by the Independent Directors. Similarly, the performance evaluation of Individual Directors is conducted by the Chairman; however, Independent Directors are evaluated by all other Directors of the Bank excluding the Director being evaluated.

During the year, the performance evaluation of the Chairman, Individual and Independent Directors was conducted through an external evaluator.

#### **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. The Board, assuming a monitoring role, delegates its authority to the CEO to effectively manage the Bank, implement strategic decisions/policies and align the Bank's direction with the vision and set objectives. Through effective leadership and team building efforts, the CEO achieves the maximum possible performance and manages the affairs of the Bank in accordance with strategic and long-term objectives of the Bank. The Senior Management under his leadership devises its goals in line with the strategic direction of the Bank.

The performance evaluation of the President & CEO is conducted by all the Directors of the Bank; however, during the year, the performance evaluation of the President & CEO was conducted through external evaluator who conducted the evaluation on basis of questionnaires broadly covered under 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 determined and approved the scale of remuneration for the Chairman and other Board Members, excluding the Executive Director, 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. The scale of remuneration, including the 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 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 comprises 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.

Salient features of the said Remuneration Policy are as under:

- The Policy has been prepared in accordance with the regulatory requirements;
- The Board shall determine and approve the scale of remuneration to be paid to the Chairman and its other Members {excluding the Executive Director(s)}, for attending Board and its Committees meetings;
- 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 by SBP;
- The above mentioned remuneration shall also be approved by the Shareholders of the Bank, preferably on pre-facto basis, in general meeting of the Bank;
- No remuneration shall be paid to the Executive Director(s) except for traveling, boarding, lodging and/or any other expenses incurred for attending Board and its Committees meetings;
- No consultancy or allied work shall be awarded to a director or to the firm(s), institution(s) or company (ies) etc. in which he/she individually and/or in concert with other directors of the same Bank, holds substantial interest;
- 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;
- Executive Director(s) shall be entitled for travelling, boarding, lodging and/or any other expenses incurred for attending Board and its Committees meetings, on actual basis, as per the Bank's standard rules and regulations; and
- Remuneration shall be fixed invariably in Pakistani Rupees (PKR). However, the payment of the same may either be made in Pakistani Rupees or in equivalent foreign currency (ies) as stated therein.

#### Payment of Directors' Remuneration:

The detail of remuneration paid to the Executive Director and the Non-Executive Directors during the year 2022 has been disclosed in the Note No. 40 of the Unconsolidated Financial Statements of the Bank for the year ended December 31, 2022.

### Directors' Orientation:

Directors' orientation enables the directors to have a 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 (the "Regulations") 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 shareholders' 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, the Board of Directors deliberated/ approved the following Significant Issues/ Matters:

- Strategic Business Plan including annual budget of the Bank;
- Strategic Business Plans of Bank's overseas operations;
- Internal Audit Strategy of the Bank;
- Management Letter(s) issued by the External Auditors of the Bank;
- Financial Results of MCB Bank and consolidated Financial Results with its subsidiaries on a quarterly, half yearly and annual basis together with Directors Report, Audit Report and Chairman's Review Report;
- Declaration of Interim and Final Cash Dividends;
- Bank's Policies including periodic reviews and amendments thereto;
- Periodical review of Terms of Reference ("TORs") of Board's Committees;
- Related Party Transactions as recommended by the Board's Audit Committee;
- Credit proposals in respect of facilities extended to related parties of the Bank;
- Donations/Charities under CSR Activities of the Bank;
- Annual Branch Expansion Plan of the Bank.
- 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 Board's Audit Committee;
- Various SBP Inspection/ Assessment Reports pertaining to the period under review;
- Complaints Received under Whistle Blowing Program and Action taken thereon;
- Matters recommended by Board's Committees;
- Performance Evaluation through external evaluator 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;
- Status and implications of all material law suits filed by and against the Bank;
- Update on Laws, Rules and Regulations.

## 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 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; and
- 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, regulations and rules 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, regulations and rules, 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.

### Roles and Responsibilities of the President & CEO:

The President & CEO of the Bank, subject to the control and directions of Board, are 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 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 2022, 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 Assessment & 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).

### 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’ profiles have been incorporated in the “Board of Directors” section.

### Accessibility of Annual Report 2022:

Annual Report 2022 and other information of the Bank are accessible on Bank’s Website: [www.mcb.com.pk](http://www.mcb.com.pk)

### Security Clearance of Foreign Directors:

Foreign Directors elected on the Board of Bank requires 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 Governance of Risk and Internal Controls:

The Board oversees matters relating to risks, compliance and internal control matters through its committees. The Board of Directors regularly assess all risk governance structures and lines of defense to ensure that key roles, responsibilities and accountabilities for implementing an effective governance, risk management, internal control and compliance function, in each of its jurisdictions, are appropriately defined and responded to; in line with Bank’s approved policy frameworks and applicable regulatory requirements.

For details please refer to “Risk Management Framework” and “Statement on Internal Controls” section of the Annual Report.

### Board’s Policy on Diversity:

The Board of Directors firmly believe that the diverse mix of gender, knowledge, expertise, skill sets and experience 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.

### Board’s Policy on Communication with Stakeholders:

Conscious to the need of creating a culture of clear and open communication with stakeholders and to follow a disciplined and professional approach for managing the information flow, the Board of Directors have approved a policy framework that articulates necessary tools, processes and guiding principles of communication to be adopted by the Bank in engaging various stakeholder groups.

The key goals of the policy framework are:

- Pursuing strong corporate reputation through high transparency and consistency in communication with stakeholders; and
- Timely dissemination of information through formal communication channels; with clarity, coherence and credibility.

### Board’s Policy on Employee Health, Safety & Protection:

MCB is committed to the health, safety and welfare at work of its employees to minimize the risk of workrelated injuries and ill-health, comply with applicable health & safety legal requirements, continually improve its health & safety management system, and to establish a framework for setting occupational health & safety objectives. This commitment has laid the basis for MCB’s “Health, Safety & Environment” policy; duly approved by the Board of Directors. This policy establishes minimum safety standards that all businesses, offices and branches of the Bank must adhere to while encouraging all employees to promote safety of their fellow employees, customers and non-customers.

### Board’s Policy on Providing reasonable Opportunity to the Shareholder for Participation in the AGM:

MCB encourages all shareholders, particularly the minority members, for a healthy participation in its general meetings. The efforts of the Bank, in this regard, are not limited to the timely circulation of notices of meetings to all members, at their registered addresses, and their publication at the stock exchange as well as in leading newspapers of English and Urdu languages having nationwide circulation. To counter the disruptions caused by the COVID-19 pandemic, the Bank arranged audio/video link facility to support maximum participation in its general meetings. Furthermore, the Bank endeavors to arrange a venue for its general meetings, which is easily accessible to the shareholders, while concurrently taking all essential steps to ensure provision of an equal opportunity to the shareholder to speak and raise any query or comments on the financial performance and business operations of the Bank during the meeting.

For further details, please also refer to “Steps to Encourage Minority Shareholders Participation in AGM” section of the Annual Report.

## 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 situation 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 in significant contracts and arrangement by Directors:

None of the Directors have any interest in significant contracts and arrangements the Bank has entered into. However, 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 a register of Insiders who have access to unpublished price sensitive/inside information and the said Register is 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](mailto: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.

MCB Bank is having approved policy as defined in the realm of "The Protection against Harassment of Women at the Workplace Act 2010" assigns the responsibility to eliminate the menace of sexual harassment from the organizations to their management. Thus, the emphasis is on holding individuals accountable for their illicit behavior through professional mechanisms.

The Management of the bank, under this Act, is obligated to follow the Act in letter & spirit for the implementation of provisions and ensure any complaint of harassment is

addressed based on fair, impartial, and just inquiry, totally free of any sort of victimization and retaliation towards the complainant (Harassment complaints are being addressed/processed through Inquiry Committee which is constituted under guidelines of the Protection against Harassment of Women at the Workplace Act 2010)

Succession planning provides guidelines to develop train and retain the pool of employees as the successor to the key / critical positions to ensure the continuity of leadership within the Bank that helps the management to align its business goals with its human capital needs.

### **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, but not limited to, the 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**

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 with 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 2020, the world was taken aback by the COVID-19 pandemic that impacted every segment of life. Since then, although the spread of COVID-19 has been following a declining trend, but it doesn't insinuate that the preventive measures against this infectious disease must not be followed. Remaining cognizant and further augmenting its institutional readiness, while preempting any future outbreaks, the Bank has formulated well defined and dedicated BCM plans.

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 2022 was 59.

### Significant changes from prior years

- During the year; The Vice-Chairman of the Bank, Mr. S. M. Muneer, passed away on November 28, 2022.
- One group head (Key Management Personnel) retired from his position and the Board approved his replacement accordingly.
- The Bank completed voluntary winding up of its subsidiary - M/s Financial & Management Services (Pvt.) Limited.
- Reorganization in Retail Banking Group and Consumer Banking Group of the Bank.

### 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.

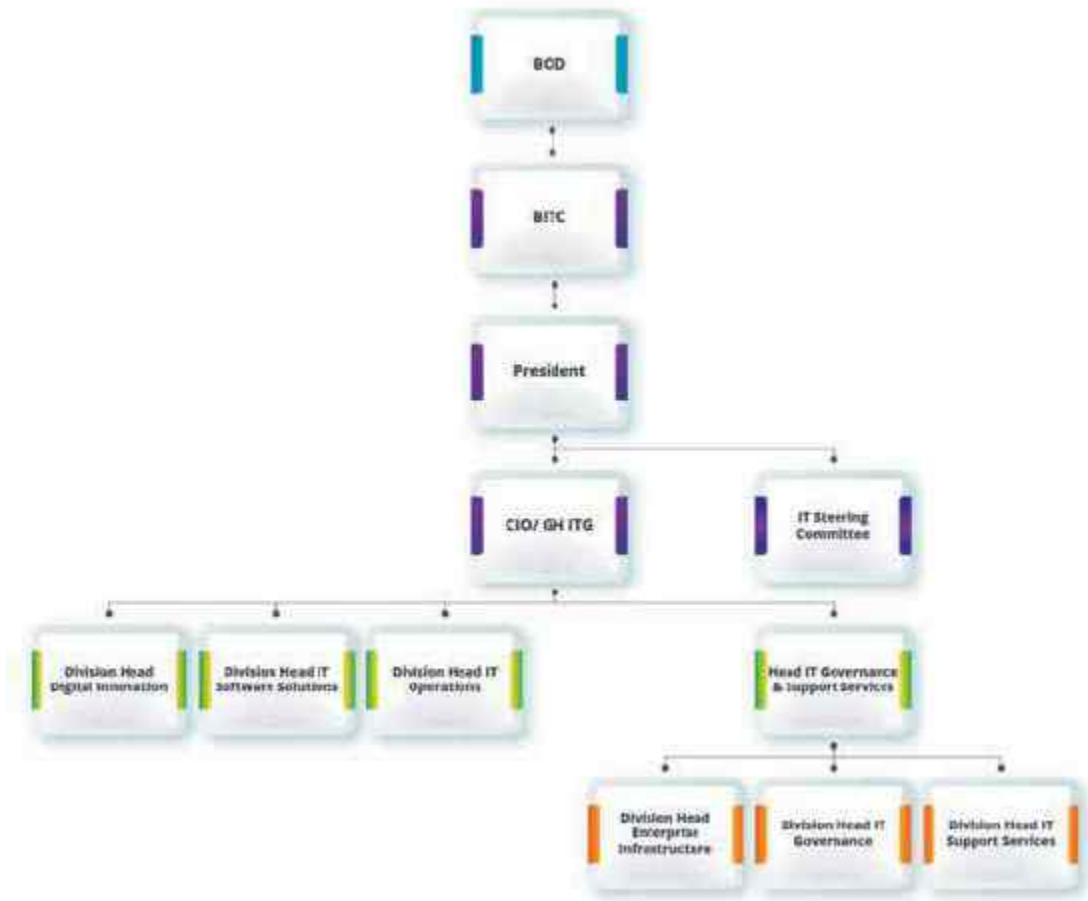
### Presence of Chairman of Audit Committee at the AGM

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, at MCB Bank Limited, he is also a member of the Board's Business Strategy & Development Committee, Human Resource & Remuneration Committee and Committee on Physical Planning & Contingency Arrangements. He does not have any significant commitments other than the those mentioned in his profile under the section "Directors Profile" of the Annual Report.

## IT Governance & Cyber Security



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

- g. IT Project Management
- h. IT Financial Services
- i. IT Procurement
- j. IT Compliances & Internal Control
- k. IT Business Continuity
- l. IT Quality Assurance

### 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;
- To review steps taken by CISO/IT to ensure data security and infrastructure protection;
- To align IT strategy with business strategy, ensuring that strategy stays on track to achieve its objectives and implementing good ways to measure performance.
- To evaluate the resilient contingency and disaster recovery plan in terms of dealing with a possible IT failure or cyber breach and details about organization's cyber insurance

### The Board's Responsibility Statement on the Evaluation and Enforcement of Legal and Regulatory Implications of Cyber Risks

At the Board level, Risk Management & Portfolio Review (RM&PR) Committee oversees the effective management of Cyber Risks whereas the Board IT committee (BITC) is entrusted to oversee a reliable and secure information security infrastructure with the capacity to address future challenges and threats.

The disruption of the banking architecture amidst an unprecedented pace of digital transformation, increased

integration of operating technology platforms and modernization of payment systems & online financial services have exacerbated risks of cyber-attacks and cyber-crimes; the evolving threat landscape, hence, requires strong governance and policy frameworks to protect against potential risks for unauthorized access, use, disclosure, disruption, modification, or destruction of Bank's information assets and/or information systems.

The Board of Directors and senior management of the Bank have remained cognizant of the emerging risks. MCB is tuned to the identification of risks – regulatory, operational, or cyber risks – and ensures that its operations are conducted within a developed control framework, underpinned by policy statements, frameworks and standards; to mitigate any adverse legal and/or regulatory implications from the evolving risk landscape.

### Industry-specific Requirements for Cyber Security

To provide an enabling regulatory environment for managing risks associated with the use of technology, SBP has time and again issued advisories, circulars, and regulations, including the "Enterprise Technology Governance & Risk Management Framework" that focuses on improving Bank's cyber security posture and these are being rigorously complied with.

### Cybersecurity Programs, Policies, Procedures and Strategies in Place

The Bank's "Technology Governance Framework" and "Information / Cyber Security Management Framework" has laid the foundation for a robust governance model encompassing following key aspects:

- **Governance Structure (Board Oversight & Engagement with Management)**

Key roles and responsibilities, for various lines of defense, in managing and governing cyber security (CS) risks across the Bank have been formalized, with an emphasis on defining business ownership and individual accountability. The structural framework paves way for greater understanding and collaboration between the Board of Directors and the senior management, by formalizing approach to rigorous oversight and robust reporting mechanisms.

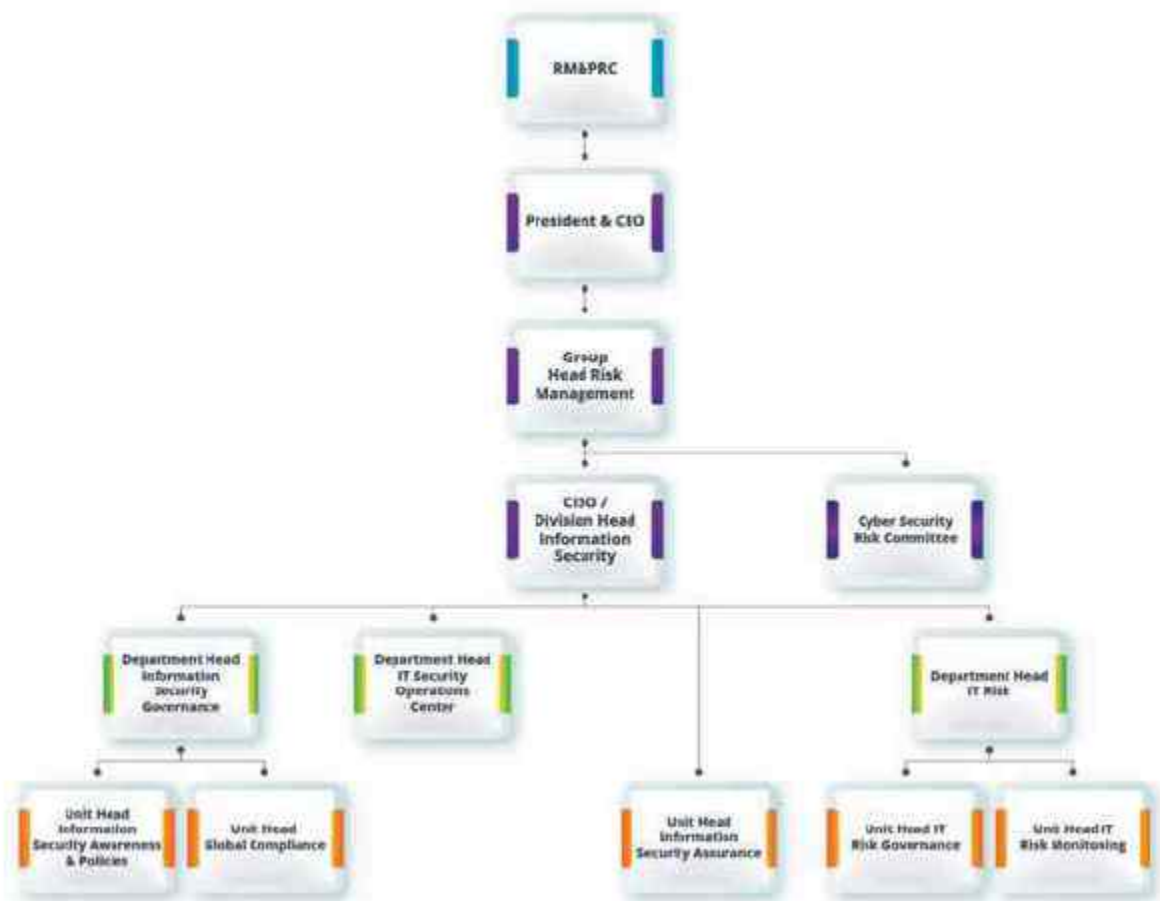
At the Board level, Risk Management & Portfolio Review (RM&PR) Committee oversees the effective management of CS Risk. The Bank has also created a "Cyber Security Risk Committee (CSRC)" at the management level, chaired by Group Head RMG, as a way of ensuring that the Bank's senior management team are well informed on the CS Risk, and to increase business understanding and awareness so that business priorities drive Bank's security and cyber resilience agenda.

At the management level, the Group Head RMG has the overall first line of defense responsibility while the

Chief Information Security Officer (CISO) has been entrusted with the task to lead development and execution of the operational plan.

CISO heads the Information Security Division which is responsible for providing proactive security expertise, creating and maintaining a resilient & secure infrastructure and fostering a culture of security awareness and compliance throughout the Bank.

Information Security Division consists of a team of committed professionals equipped with subject matter expertise and hands-on experience to govern, detect, monitor and mitigate security risks. The team works in synergy with other groups and under the guidance of RM&PRC and management's "Cyber Security Committee (CSC)" to achieve Bank's information security and technology objectives.



- Risk Identification and Assessment (Early Warning System)**

The risk assessment is performed by the Bank's CISO to identify key CS risks, breaches and weaknesses, and to ascertain the severity of the risk posture. Risk-based vulnerability exercises are conducted across the Bank covering critical information systems and supporting infrastructure assets. During these reviews, the status of each risk is assessed to identify and evaluate any changes to their materiality, impact and likelihood; which in turn forms the basis for prioritizing key information security risks.

One of the prime roles of Information Security Division is to protect Bank's technology assets (systems, applications, networks, mobile applications, web interfaces, ATMs, POS Machines, etc.) and banking services from all types of threats including cybersecurity threats, whether internal or external, deliberate or accidental. The Security Operation Center (SOC) function of the Information Security Division operates 24x7 and 365 days a year to gather threat intelligence, detect anomalies posing security risks to bank technology infrastructure and proactively report these for corrective and preventive actions. Whereas the Information Security Assurance and IT Risk function ensure security assessment and risk assessment to identify the threats and vulnerabilities, in time, before those get exploited.

- **Risk Monitoring & Communication (Comprehensive Security Assessment of Technology Environment)**

Formal monitoring and reporting mechanisms, on the CS Risk Appetite profile, ensure that performance which falls outside the approved Risk Appetite is highlighted and reviewed at the governance committee level of RM&PRC and adequate remediation actions are in place, where necessary. Information and reports covering cybersecurity risks and incidents are timely communicated to the executive management, management committee (CSC) and the Board committee (RM&PRC).

Security assessment of technology infrastructure and services is of paramount significance to the Bank's operating model. Not only has the bank institutionalized security assessment capabilities in its Information Security Division, but their veracity and effectiveness are further validated through comprehensive independent security assessments being undertaken for the whole technology environment on an annual basis.

- **Risk Mitigation Action Planning**

Risk mitigation and control strategies, in line with international standards and best practices, are designed and implemented to counter and mitigate key information security risks; based on value of information assets and corresponding risk tolerance levels.

- **Testing Programs**

Comprehensive testing programs are established within MCB's overall information security action plan to validate effectiveness of the information security environment. The programs involve engagement of relevant external and internal stakeholders. The results of the testing programs are continually evaluated to support improvement in Banks' information/CS posture.

Following methodologies are being employed by the Bank, on a regular basis, to test its cyber resilience:

- o Vulnerability Assessments
- o Scenario Based Testing
- o Penetration Testing

- **Incident Management & Reporting**

Information Security Division not only ensures proactive threat management, but it is also prepared for the unforeseen incident which disrupts business continuity with a possible IT failure or cyber breach. Bank has its Computer Emergency Response Team (CERT) which is headed by the CISO. The incident handling is done as per the approved incident management process in place and to remain compliant and up-to-date with the latest strategies', annual drills on incident management and periodic disaster recovery drills are also performed.

### **Board-level committees for IT Governance and Cyber Security**

At the Board level, Risk Management & Portfolio Review Committee (RM&PRC) oversees the effective management of Cyber Risks whereas the Board IT committee (BITC) is entrusted to oversee a reliable and secure information security infrastructure with the capacity to address future challenges and threats. The information / cyber security governance is ensured by the enforcement of Board approved Information Security Policy, which empowers its subsequent Board and Management Committees to oversight the information / cyber security governance matters related to security risks.

The meetings of RM & PRC and BITC are held on quarterly basis and the Group Head RMG and Chief Information Officer apprise the RM & PRC and BITC respectively.

### **Policy related to independent comprehensive security assessment of technology environment**

Independent comprehensive security assessment of technology environment is performed on annual basis and last review was carried out in 2022.

### **Disaster recovery plan and cyber insurance**

The Bank has robust Business Continuity Plan (BCP) and DR sites in order to ensure the continuity of business and IT services. The Bank is also evaluating cyber insurance to help cover the financial losses that result from cyber events and incidents.

### **Advancement in Digital Transformation to Leverage 4.0 Industrial Revolution to Improve Transparency, Reporting and Governance**

Rapidly evolving digital technologies are challenging all business models, including banking, in this era of the 4th industrial revolution. Banking sector's future viability, hence, is linked with its ability to strategically transform legacy business processes and organization structures towards a 'Digitalized' and 'Artificial Intelligence' assisted proactive and agile environment. Remaining cognizant and keeping track with the fast-paced, vigorous and virtually competitive market scenario, MCB's rolling strategic plan is paving the Banks future road map; by aligning adoption of emerging technologies with Bank's business objectives for improving efficiency, transparency, reporting and governance.

### **Disclosure about Education and Training efforts of the Company to mitigate Cybersecurity Risks**

Empowering staff with security knowledge reduces the risk of data breaches and provides additional benefits. The Information Security Division ensures regular education to develop a cyber security-aware culture and encourages behavioral shifts of staff through planned awareness sessions. These sessions are designed to help users and staff understand the role they play in helping to combat information security breaches. Effective security awareness training helps staff understand proper cyber



hygiene, and the security risks associated with their actions and to identify cyber-attacks they may encounter through various mediums directed towards them.

### Board disclosure on Company's use of Enterprise Resource Planning (ERP) Software

Investments in enterprise resource planning systems (ERP) are significant and increasingly critical to the success of any organization. The Bank has implemented a robust and dynamically designed ERP environment, where financial and non-financial results are readily available for daily consumption.

#### Integration of Core Business Processes

At MCB Bank, our goal has always been to align the business processes into a single unified technology platform. Our core enterprise systems, mainly comprising of Symbols Core Banking, Oracle EBS Financials, Oracle OBDX and Harmony, are creatively aligned and integrated to work within the boundaries of the ecosystem and ensure competitive advantage by servicing customer needs efficiently with the use of instant information pull.

#### User Training of ERP software

In order to ensure an exceptional customer experience, regular staff trainings are conducted by the Management for core users, especially new recruits, on the proper usage of ERP systems and associated risk controls / access prevention policies. A centralized help desk is accessible to employees for instant resolution of user complaints.

#### Management Support in the Effective Implementation and Continuous Up-dation of ERP

Being a multi layered integrated ERP environment of multiple software solutions, its maintenance becomes all the more imperative to ensure smooth operations for 24/7 banking in an increasingly digitized environment. The Bank has in place a dedicated team that monitors operations to highlight necessary changes to be prioritized for development, alongside any major software upgrades being provided by service providers. Furthermore, our CAPEX objectives are driven through a top down approach in order to ensure that investment in new software is aligned with the Board's strategic objectives.

#### Bank's Assessment of System Security, Access to Sensitive Data and Segregation of Duties

Following sound governance capabilities, including a comprehensive security strategy informed by business-risk-based analysis, direct Bank's ability to manage ERP security challenges:

- An ERP Procurement team consisting representation from all major domains of the Bank is established to a) ensure that specific needs are identified; b) document and approve specific functional and technical requirements; c) design detailed demonstration scripts for service providers; and d) evaluate and choose service provider based on Bank's approved procurement processes.
- Dedicated "Project Management Officers" are identified and tasked with overseeing and guiding the implementation project by planning, organizing, and integrating & controlling cross-functional information.
- Access to sensitive data is carefully controlled; role-based access with granular permission controls is implemented when granting ERP access to Banks' employees. Restrictions are implemented for avoiding user access to conflicting activities within the application to counter segregation of duties (SoD) issues. Furthermore, access privileges are regularly reviewed to ensure alignment with organizational changes.
- Robust security and user testing is performed by all key teams to ensure that the ERP solution meets minimum defined standards and established policies for system security. ERP systems are regularly subjected to IT/IS audits for confirming that individual modules are solving problems adequately and streamlining workflows, as intended

#### Management of Risks and Control Risk Factors on ERP projects

ERP projects undertaken for upgradation/modifications as well as new developments generally involve a hybrid methodology of in-house development and third-party implementation. In order to mitigate data related risks during external implementations, the Bank has in place a complete set of procedure for third-party access control, including but not limited to, time bound access, contractual non-disclosures and binding agreements with service providers while for internal developments, employment contracts enumerate clauses binding on employees for maintaining data security. The projects are initially conducted on cloned environments, whereas migration to live environment is performed by the Bank's in-house team, with guidance from relevant third-party, where required.

## 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.

### 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).

### 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.

- 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, covering validation & evaluation aspects in line with guidelines on Compliance Risk management, 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 2021 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



**Hammad Khalid**  
Chief Financial Officer



**Muhammad Farooq Wasi**  
Chief Internal Auditor

# Statement of Compliance

with the Listed Companies (Code of Corporate Governance) Regulations, 2019

## MCB Bank Limited

For the year ended December 31, 2022

MCB Bank Limited (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
<b>Independent Directors</b>	Mr. Yahya Saleem Mr. Salman Khalid Butt Mr. Shahzad Hussain Mr. Masood Ahmed Puri
<b>Non-Executive Directors</b>	Mian Mohammad Mansha Mr. S. M. Muneer (Late)* Mr. Muhammad Tariq Rafi Mian Umer Mansha Mr. Mohd Suhail Amar Suresh bin Abdullah Mr. Muhammad Ali Zeb Mr. Shariffuddin bin Khalid
<b>Executive Director (President &amp; CEO)</b>	Mr. Shoaib Mumtaz
<b>Female Director (Non-Executive)</b>	Mrs. Iqraa Hassan Mansha

\*During the year, Mr. S. M. Muneer, the Vice-Chairman of the Bank, passed away on November 28, 2022. The Board of Directors is in the process of filling the casual vacancy with a suitable person.

As per the requirements of the Regulations, 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, currently on its Board, 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 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, as at December 31, 2022, as 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. Mohd Suhail Amar Suresh bin Abdullah	Member
Mr. Shariffuddin Bin Khalid	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 bin Abdullah	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. Information Technology Committee (ITC)	
Mian Umer Mansha	Chairman	Mian Umer Mansha	Chairman
Mian Mohammad Mansha	Member	Mr. Mohd Suhail Amar Suresh bin Abdullah	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)	
Mian Umer Mansha	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 Committees for compliance;



14. The frequency of meetings of each Committee is given below:

Name of Committee	No. of Meetings held during the year, 2022
Audit Committee	Five
Business Strategy & Development Committee	Five
Risk Management & Portfolio Review Committee	Four
Human Resource & Remuneration Committee	Four
Committee on Physical Planning & Contingency Arrangements	Four
Information Technology 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 Directors 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; and

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 08, 2023**  
**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

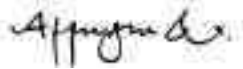
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of MCB Bank Limited (the Bank) for the year ended December 31, 2022 in accordance with the requirements of regulation 36 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, 2022.



**A. F. Ferguson & Co.**  
**Chartered Accountants**

Lahore

Date: March 06, 2023

UDIN: CR2022100927LR1Yofmx

## 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:
  - Review the terms of engagement and ensure that external auditor is independent to the Bank in terms of local regulatory requirements.
  - Ensure that external auditors have resources and professional qualification to conduct the audit.
  - The Auditors have been allowed direct access to the Audit Committee.
  - Discuss external auditors' feedback on the Bank's critical accounting estimates and judgments.
  - Discuss the significant control issues and significant audit matters identified by external auditors.

### Audit Committee held five (5) meetings, during the year 2022, 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. During the year, a total of 59 whistle blowing instances were reported to the Audit Committee.
- 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 2023.

- 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.
- Review and recommendation of Internal Audit Strategic Plan 2023-25 to the Board for approval.
- 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 (including subsidiaries audited in year 2022) 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 5.0)
  - Internal Audit Manual (Version 9.0)
  - Internal Audit Manual Sri Lanka Operations (Version 5.0)
  - IFRS 9 Expected Credit Loss Provisioning Policy - MCB Sri Lanka Operations. (Version 4.0)
  - IFRS 9 Expected Credit Loss Provisioning Policy - MCB Bahrain (Version 4.0)
  - IFRS 9 Expected Credit Loss Provisioning Policy – MCB UAE (Version 4.0)
  - Investor Relations Policy (Version 4.0)
  - Policy for Engagement of External Auditors for Assurance & Non-Assurance Services –MCB Sri Lanka (Version 2.0)

#### 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

## Profile - MIB Shari'ah Board Members

(Annual Report – 2022)



### **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 50 years' teaching and 35 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 23 years of teaching, 16 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhassus-Fil-Fiqh, M.A Islamic Studies, M.Phil. in Islamic Banking & Finance and M.S (I.T) degrees. He is enrolled in Phd. on Islamic Banking and Finance from International Islamic University, Islamabad (IIU).

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 34 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 31 years' experience of teaching Islamic Jurisprudence and 19 years' experience of issuing Fatawa (Shari'ah Opinions). He has 17 years' experience in Islamic Banking. He holds Master's Degree in Islamic Studies from University of Karachi, Takhusus-Fil-Fiqh from Dar-ul-Uloom Amjadia, Karachi, Fazil Dars-e-Nizami, and Fazil Shahada-tul-Almia. He gave his services as Resident Shari'ah Board Member/

Shari'ah Advisor at Soneri Bank's Islamic Banking Division for 13 years. He has served as 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 2022:

S. No	Quarter	Date of Meeting	Meeting Attended (Yes / No)		
			Chairman	Member	RSBM
1	Q1	16-Mar-22	Yes	Yes	Yes
2	Q2	27-Jun-22	Yes	Yes	Yes
3	Q3	30-Sep-22	Yes	Yes	Yes
4	Q4	14-Dec-22	Yes	Yes	Yes

### Meetings of Shari'ah Board-Board of Directors held in 2022:

S. No	Half Year	Date of Meeting	Meeting Attended (Yes / No)		
			Chairman	Member	RSBM
1	1st	26-Apr-22	Yes	Yes	Yes
2	2nd	15-Dec-22	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, 2022)

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. 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 2022 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 16, 2022
- Second Shari'ah Board Meeting – June 27, 2022
- Third Shari'ah Board Meeting – September 30, 2022
- Fourth Shari'ah Board Meeting – December 14, 2022

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 coordinated 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 2022, Shari'ah Board – Board of Directors' Meeting held on the following dates:
  - First Shari'ah Board – Board of Directors' Meeting – April 26, 2022
  - Second Shari'ah Board – Board of Directors' Meeting – December 15, 2022
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 transactions on sample basis, 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 branches and back offices of the Bank. A list of branches for Shari'ah compliance review was approved by the Shari'ah Board. In this regard, 118 branches have been reviewed for Shari'ah compliance 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 12 branches of South and North regions to ensure compliance of regulatory and Shari'ah requirements.
3. Five (5) Instructions & Guidelines and Six (6) 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. SB has reviewed and approved 63 modus operandi out of which 22 for Corporate Banking, 15 for Commercial Banking, 9 for SME Banking, 13 Standard process flows and there were 4 regarding Staff Financing. As far as Products are concerned, SB issued 59 Shari'ah Vetting Certificates related to products, 8 for Liability products, 21 for Diminishing Musharakah, 3 for Murabahah, 2 for Ijarah and 1 each for Musawamah, Musharakah & Salam modes of financing and some other Product related documents which also includes Prime Minister's kamyab Jawan Youth Entrepreneurship Scheme in the year 2022.
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. L&D was determined to adhere to cover the Islamic Banking & Finance trainings of its staff. Therefore, this year also L&D arranged sessions for the capacity enhancement of staff with the facilitation of SCD. Shari'ah training sessions were a combination of both Classroom & Virtual sessions; as it allows learning for all by overcoming geographical obstacles.

Moreover 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: Jun 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 were executed during 2022.

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 & Shari'ah Non-Compliance Risk Management Committee as well as to the Shari'ah Board 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). This committee is responsible for close monitoring of Shari'ah Non-Compliance Risk at the operational/management level. Regular meetings of all committees are being conducted and SCD reports all Shari'ah Non-Compliance events and transactions to the said committees.
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.

## Recommendations:

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

- i. In the future, there shall be more Shari'ah Training in compliance with regulatory requirements. Further, Shari'ah Board strongly recommends classroom Shari'ah training sessions. The arrangement of purpose built training locations should be ensured so that participants could get more & more benefits.
- ii. More focus is needed on Product & Shari'ah trainings of Treasury and Corporate, Commercial & SME banking and it is strongly recommended to ensure mandatory Product & Shari'ah trainings of the back office.
- 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. Shari'ah Board recommends the Bank's participation in national & international conferences which will be beneficial for the Bank's brand image and capacity enhancement of the Bank's staff.
- v. Continuity of Shari'ah trainings of the Bank's higher management.
- vi. 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.
- vii. 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 & 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 Fatawas, 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-Shari'ah compliant income &
  - 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 2022 the addition in the amount of Charity was PKR 20.796 million from different heads which was instructed to transfer to the Charity account.**

Additions in Charity account during the year	Rupees in 000s
- Received from customers against late payment	20,120
- Dividend purification amount	351
- Charity against other Non-Shari'ah compliant income	-
- Profit on charity saving account	325
<b>Total additions in Charity account during the year</b>	<b>20,796</b>

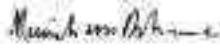
The Bank has disbursed the Charity amount to Shari'ah approved charitable organizations as per Bank's charity policy and SBP's guidelines. Details of Charity account are available in the note # 19.3.1. Shari'ah Board appreciates the maintenance of a strong Shari'ah compliance environment by SCD, as there is zero amount of Charity of Non-Shari'ah compliant income. Shari'ah Board would like to praise Shari'ah Compliance Department/RSBM for efforts made by SCD during the year.

- 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.

وَاللّٰهُ سُبْحٰنُهُ وَتَعَالٰى اَعْلَمُ



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



**Mufti Syed Sabir Hussain**  
Resident Shari'ah Board Member

**Date of Report: January 19, 2023**



**Mufti Nadeem Iqbal**  
Member Shari'ah Board

### خلاصہ کلام

شریو بورڈ نے اہل بی بی معائنہ رپورٹ، بیرونی اور داخلی شریو آؤٹ اور شریو کھلائس کی رپورٹس کو دیکھنے کے بعد اسلامی اقدامات کے لئے ہدایت دیں، لہذا شریو بورڈ کے مطابق

الف ایم سی بی اسلامک بینک نے شریو بورڈ کے جاری کردہ فتاویٰ حیات اور ہدایت والا حصے عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔

ب ایم سی بی اسلامک بینک نے حقیقی مستوں میں اصل روح کو مد نظر رکھتے ہوئے اہل بی بی انجیکشن رپورٹ پر عملدرآمد کیا ہے

ج ایم سی بی اسلامک بینک، ایٹھٹ بینک آف پاکستان کے احکامات، قوانین و ہدایات اور والا حصے عمل (جو ایٹھٹ بینک آف پاکستان کے شریو ایڈوائزری کمیٹی کے احکام کے مطابق ہیں) سے ہم آہنگ ہے۔

د بینک کے پاس اپنے مجموعی اثاثہ میں شریو کھلائس کو چھٹی بنانے کے لیے ایک جامع طے پور کار موجود ہے۔

ہ جہاں تک چیریٹی فنڈ کا تعلق ہے، ہر طرح کے چیریٹی فنڈ جمع کرنے کے لیے علیحدہ ٹان چیکنگ، الیکٹرانک ڈونٹ کولے جاتے ہیں۔

ز او ایچ بی میں تاخیر کی وجہ سے چیریٹی

ی بائبل 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 قسم ممانعت میں جمع کی گئی رقم اپنے اپنے "شریو کھلائس" نفع بخش چیریٹی فنانسنگ فنڈ "ڈونٹ" میں شریو بورڈ / ایڈوائزری شریو بورڈ مسہر کی صوابدید پر جمع کی جاتی ہیں

چیریٹی فنڈ، چیریٹی کمیٹی / شریو بورڈ کے منظور شدہ کسی شرعی، معاشرتی، سہو، مذہبی یا تعلیمی مقصد کے لئے استعمال ہوتا ہے۔

سال 2022ء میں چیریٹی فنڈ کی عطف ممانعت میں جمع کی گئی رقم میں کل افسانہ 20,796 ملین رہا جس کو چیریٹی ڈونٹ میں منتقل کرنے کی ہدایت کی گئی۔

روپے (000) میں	ایس سال چیریٹی فنڈ میں افسانہ
20,120	سارے کی طرف سے او ایچ بی میں تاخیر کی وجہ سے
351	منافع (ڈیویڈنڈ، Dividend) میں سے غیر شرعی منافع منہا کرنے کی وجہ سے
-	بائبل معاملات کی وجہ سے
325	چیریٹی بینک ڈونٹ پر منافع
20,796	ایس سال چیریٹی فنڈ میں کل افسانہ

بینک نے چیریٹی کی رقم شریو سے منظور شدہ غیر ملکی تنظیموں کو ایم سی بی اسلامک بینک کی چیریٹی پالیسی اور ایٹھٹ بینک کی ہدایت والا حصے عمل کے مطابق فراہم کی ہے۔ چیریٹی ڈونٹ کی تفصیلات نوٹ نمبر 19.3.1 میں دستیاب ہیں۔ شریو بورڈ SCD کی طرف سے بینک مقبول شریو کھلائس ماحول کو برقرار رکھنے کے عمل کو سراہتا ہے، جیسا کہ شریو ٹان کھلائس آمدنی پر کی جانے والی چیریٹی کی رقم منظر ہے۔ شریو بورڈ اس سال کے دوران شریو کھلائس ڈیپازٹ / RSBM کی طرف سے کی گئی کوششوں کی تعریف کرتا ہے۔

د ایم سی بی اسلامک بینک کے جمع و نقصان کی تخمینہ اور پول کی انتظام کاری ایٹھٹ بینک آف پاکستان کی ہدایت کے مطابق ہے۔

ز اگرچہ بینک فعال طریقے سے اپنے فراہم کار کو اسلامی بنکاری اور مالیاتی نظام کے بارے میں تربیت دے رہا ہے، تاہم فراہم کار، عملی سطحی انتظام اور بورڈ آف ڈائریکٹرز میں آگہی پیدا کرنے کی حوصلہ شکنی سے اسلامی بنکاری کی حیرت میں مزید اضافے کی ضرورت ہے۔ انتظام اور بورڈ آف ڈائریکٹرز نے اشتیاق پر مبنی کوششیں کی ہیں اور انہوں نے ایم سی بی اسلامک بینک میں شریو کھلائس کی اہمیت کو سراہا ہے۔

ج شریو بورڈ کو اپنی ذمہ داریوں سے عہدہ برآؤنے کے لئے حنا طے پور خواہ و سائل فراہم کئے گئے ہیں۔

شریو بورڈ، ایم سی بی اسلامی بینک لینڈ کے شریو کھلائس ڈیپازٹ / ریڈینٹ شریو بورڈ مسہر کی کوششوں کا اعتراف کرتے ہوئے اس قابل ذکر امر کی تعریف کرتا ہے کہ شریو کھلائس ڈیپازٹ / ریڈینٹ شریو بورڈ مسہر نے بینک کے شریو کھلائس ماحول کو برقرار رکھنے ہونے شریو گورننس فریم ورک کی عمل کو چھٹی بنایا۔

شریو بورڈ اہل نفسی کی ہدایت میں اس کی تعریف پیش کرتے، اس کی ہدایت و توجہ اور سہر مستحقین و اسلامی بنکاری انڈسٹری کی ترقی اور خوشحالی کا مقصد ہے۔



مفتی محمد اقبال  
شریو بورڈ مسہر

### والله سبحانه وتعالى اعلم

Munir Ahmad

یو ڈی مینجنگ ڈائریکٹر  
شریو بورڈ

مفتی محمد حسین  
ایڈوائزری شریو بورڈ مسہر  
تاریخ اجراء: 19 جنوری 2023ء

تربیت کا محترم کیل۔ لہذا اس سال بھی L&D نے شریعہ کھپائیس ڈیپارٹمنٹ کے تعاون سے عملے کی استعداد کار میں اضافے کے لیے سیمینار کا اہتمام کیا۔ شریعہ ٹریننگ سیمینار کا س روم اور ایپنگ سیمینار دونوں کا مجموعہ تھے جس کی وجہ سے جغرافیائی رکاوٹوں سے نکل کر اسٹیف کے لیے سیکھنے کے مواقع مہیا ہوئے۔

مزید یہ کہ کوڈز کے حالات کو پیش نظر رکھتے ہوئے اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی حساب سے جاری کردہ سرکلر (نمبر ۲/۲۰۱۸ بتاریخ ۲۹ جون ۲۰۱۸) پر سلسلہ آمد کو یقینی بنانے کے لیے موثر اور حساب اقدامات کئے گئے۔ لہذا ایک موثر اور حساب پروگرام L&D-HRG کی طرف سے ترمیم دیا گیا، جس کے تحت بینک کے ہر درجہ کے (زنٹ اور بینک آفیس اسٹاف کو اسلامی بینکاری کی ٹریننگ دی گئی۔ شریعہ کھپائیس ڈیپارٹمنٹ کے اسٹاف نمبرز نے شریعہ ٹریننگ کے لیے پورا سال اپنی خدمات پیش کیں۔ مزید برآں، ایگزیکوٹو مینجمنٹ کی شریعہ ٹریننگ کی ریگولیری ضروریات کے ساتھ ساتھ، شریعہ کھپائیس ڈیپارٹمنٹ اور L&D نے ایگزیکوٹو مینجمنٹ کی مہارت کو مزید بڑھانے کی عہدہ سے اسلامی بینکاری اور شریعی میٹریٹس، اکاؤنٹنگ لینڈڈاؤنٹلگ آرگنائزیشن برائے اسلامی مالیاتی ادارے AAOIFI کے کورسز تیار کئے، جنہیں 2022ء کے دوران شروع کر دیا گیا۔

۶ شریعہ کھپائیس ڈیپارٹمنٹ نے اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی حساب سے جاری کردہ سرکلر (نمبر ۱/۲۰۲۱، تاریخ ۱۳ جون ۲۰۲۱)، شریعہ نائ کھپائیس رسک مینجمنٹ SNCRM کی تعمیل کے لیے تمام ضروری اقدامات کئے ہیں۔ شریعہ کھپائیس ڈیپارٹمنٹ نے یقینی بنایا ہے کہ SNCRM بینک کے مجموعی رسک مینجمنٹ فریم ورک کا ایک اذی عنصر ہونا چاہیے۔ SCD تمام شریعی عدم تعمیل کے معاملات اور لین دین کی رپورٹ بورڈ کی رسک مینجمنٹ اور پورٹ فولیو ریویو کمیٹی اور شریعہ نائ کھپائیس رسک مینجمنٹ کمیٹی کے ساتھ ساتھ شریعہ بورڈ کو سہ ماہی بنیادوں پر کرے گا۔ جہاں تک SNCRM کی عمرانی کا تعلق ہے، اس کے ساتھ ایک اعلیٰ کمیٹی شریعہ نائ کھپائیس رسک مینجمنٹ کمیٹی کے ممبروں سے پریزیڈنٹ/CEO کی سربراہی میں تشکیل دی گئی ہے جس میں تمام گروپس کے گروپ ہیڈز کی قیادت کی ہے۔ یہ کمیٹی آپریشنل/اعلانی سطح پر شریعی عدم تعمیل کے رسک کی کوئی عمرانی کے لیے ذمہ دار ہے۔ تمام کمیٹیوں کی باقاعدہ میٹنگز کا انعقاد کیا جا رہا ہے اور SCD تمام شریعی عدم تعمیل کے معاملات اور لین دین کی رپورٹ مذکورہ کمیٹیوں کو دیتا ہے۔

۷ شریعہ بورڈ اپنی جاری کردہ ہدایت و لائحہ عمل پر سلسلہ آمد کے اعتبار سے بینک کے منتظمین کی مسلسل اور حساب کوششوں کی تعریف اور بہت افزائی کرتا ہے۔

### مشاورات

شریعی بورڈ شریعی اعتبار سے کئے گئے حسابوں کی حساب پر تامل کے بعد درج ذیل مشاورات پیش کرتا ہے:

- الف مستقل بین، ریگولیری تقاضوں کی تعمیل میں مزید شریعی ٹریننگز ہونی چاہئیں۔ مزید برآں شریعی بورڈ کا س روم شریعی ٹریننگز سیمینار کی بحسب پورے سال شریعی ہدایت کے تحت بنائے گئے معاملات کا اہتمام یقینی بنایا جائے تاکہ شرکاء زیادہ سے زیادہ فائدہ حاصل کر سکیں۔
- ب کارپوریٹ، گورننس اور ایس ایف ای بینکاری کی پروڈکٹس اور شریعی کی ٹریننگز پر زیادہ توجہ دینے کی ضرورت ہے اور بحسب پورے سال شریعی کی حساب سے کہ عملے کی لازمی پروڈکٹ اور شریعی تربیت کو یقینی بنایا جائے۔
- ج اسلامی بینکاری اور مالیات کی اسل روٹ کے مطابق تشریح اور تمام لوگوں کو آسانی دینے کے ساتھ ساتھ اسلامی بینکاری کے بارے میں شعور پیدا کرنے اور مشاہدہ کمیٹیوں کو دور کرنے کے لیے ایم سی بی اسلامک بینک کے پلیٹ فارم سے سیمینارز، ورکشاپس اور سوال و جواب کے سیمینارز کا اہتمام کرنے کی سفارش کی جاتی ہے۔
- د شریعی بورڈ قومی اور بین الاقوامی کانفرنسوں میں بینک کی شرکت کی سفارش کرتا ہے اور بینک کے برانچ ایچ اور بینک کے عملے کی صلاحیت میں اضافے کے لیے مشاہدہ سند مہیا ہوگا۔
- ه ایم سی بی اسلامک بینک کے اعلیٰ منتظمین کی شریعی ٹریننگز کی بحسب پورے سال شریعی کی حساب سے۔
- و ماہیکو و فنانس انسٹرکٹس سرگرمیوں کو جاری رکھنے کی سفارش کی جاتی ہے۔ ایم سی بی اسلامک بینک کو بلاک میں ماہیکو و فنانس انسٹرکٹس کی ضرورت کے سبب اسلامی ماہیکو و فنانس انسٹرکٹس کی حوصلہ افزائی کرنی چاہئے۔ اسلامی ماہیکو و فنانس انسٹرکٹس کے ذریعے، اسلامی بینکاری کی صنعت کم سرمایہ کے ساتھ کام کرنے والے تاجروں کی سہولت کے لیے بہت آئی اور جب پر کام کر سکتی ہے۔
- ز 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 بینک آفس کے تمام عملے کو ڈریس کوڈ کی سختی سے پروی کرنے کی بحسب پورے سال کی حساب سے۔ اسٹاف کا لباس ایم سی بی اسلامک بینک ڈریس کوڈ پالیسی، ثقافتی اصولوں اور شریعی تقاضوں کے مطابق شریعی و حیا کی عکاسی کرتا ہو۔

## شریہ بورڈ رپورٹ

(مالی سال اختتام پذیر ۳۱ دسمبر ۲۰۲۲ء)

## بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

## الْحَمْدُ لِلّٰهِ رَبِّ الْعَالَمِیْنَ وَالصَّلٰوةُ وَالسَّلَامُ عَلٰی خَاتَمِ الْاَنْبِیَاءِ وَالْمُرْسَلِیْنَ وَعَلٰی اٰلِهِ وَصَحْبِهِ اَجْمَعِیْنَ اَمَّا بَعْدُ

شریہ بورڈ ایم سی بی اسلامک بینک لمیٹڈ کے امور سے متعلق اپنی سالانہ رپورٹ پیش کرتا ہے۔ ایم سی بی اسلامک بینک کا شریہ بورڈ ستمبر ۲۰۱۵ء کو تشکیل پایا، موجودہ شریہ بورڈ ڈیپٹی چیئرمین شریہ بورڈ، مفتی سید صابر حسین ریڈینٹ شریہ بورڈ، مسیّر مدیم اقبال، مسیّر شریہ بورڈ پر مشتمل ہے۔ ۲۰۲۲ء میں پورا سال شریہ بورڈ کی خدمات ادا کرنے کو حاصل رہیں، بینک کے معاملات کے حوالے سے شریہ بورڈ نے ٹیلی فون اور ویڈیو کانفرنسنگ کے ذریعے بھی کئی غیر رسمی ملاقاتیں کیں۔ علاوہ ازیں ۲۰۲۲ء میں شریہ بورڈ کے 4 رسمی اجلاس درج ذیل تاریخوں میں منعقد ہوئے، جس میں دیگر امور کے علاوہ نئی پالیسی اور خدمات کے ساتھ ساتھ موجودہ پالیسی اور خدمات میں ترامیم کا شریہ حصارہ کیا گیا۔

☆	شریہ بورڈ کا پہلا اجلاس،	۱۶ مارچ ۲۰۲۲ء
☆	شریہ بورڈ کا دوسرا اجلاس،	۲۶ جون ۲۰۲۲ء
☆	شریہ بورڈ کا تیسرا اجلاس،	۳۰ ستمبر ۲۰۲۲ء
☆	شریہ بورڈ کا چوتھا اجلاس،	۱۳ دسمبر ۲۰۲۲ء

مندرجہ بالا شریہ بورڈ کی مجالس کے علاوہ سال بھر تمام امور کی شریہ بورڈ کی حساب سے نگرانی میں شریہ کپلائنس ڈیپارٹمنٹ نے شریہ بورڈ کے ساتھ ہم آہنگی کو یقینی بنایا، جس کے نتیجے میں شریہ بورڈ کی بینک کے شریہ امور میں مستقل شمولیت اور مواصلاتی طریقہ کار کو بروئے کار لاتے ہوئے بینک کے مختلف انواع معاملات کی بروقت منظوری کو یقینی بنایا گیا۔

۱ چونکہ بورڈ آف ڈائریکٹرز اور ایگزیکٹو منتظمین اس امر کے ذمہ دار ہیں کہ ایم سی بی اسلامک بینک کے جملہ معاملات شریہ کے اصولوں کے مطابق ہوں، لہذا ہم (شریہ بورڈ) ایم سی بی اسلامک بینک کے شریہ کپلائنس کی حیثیت سے صورت حال کے بارے میں ایک رپورٹ جمع کرانے کے ذمہ دار ہیں۔ ۲۰۲۲ء میں شریہ بورڈ کے بورڈ آف ڈائریکٹرز کے ساتھ رسمی اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

☆	شریہ بورڈ بورڈ آف ڈائریکٹرز کا پہلا اجلاس،	۲۶ اپریل ۲۰۲۲ء
☆	شریہ بورڈ بورڈ آف ڈائریکٹرز کا دوسرا اجلاس،	۱۵ دسمبر ۲۰۲۲ء

۲ رپورٹ میں عباہر کردہ امور کے مطابق اپنی رائے دیتے ہوئے عرض یہ ہے کہ ایم سی بی اسلامک بینک کے شریہ کپلائنس ڈیپارٹمنٹ نے ریڈینٹ شریہ بورڈ، مسیّر ایڈیٹو شریہ کپلائنس ڈیپارٹمنٹ کی زیر نگرانی تمام قسم کے مالی معاملات، پروڈکٹس، معاملات کے مراحل اور نظریات کاموں کی نڈی پر مبنیہ کیا ہے۔ شریہ کپلائنس ڈیپارٹمنٹ نے شریہ بورڈ کو بینک کے فرنٹ اور بیک آفس کی شریہ تعمیل کا حصارہ لینے کے معاملات سے آگاہ رکھا۔ برائے ذمہ داری فہرست شریہ تعمیل کے حصارے کے لیے شریہ بورڈ نے منظور کی تھی۔ اس سلسلے میں شریہ تعمیل کے حصارے کے لیے 118 برانچوں کا معائنہ کیا گیا ہے اور جہاں تک بیک آفس کے شریہ تعمیل کے حصارے کا تعلق ہے، اس کے لیے شریہ بورڈ کی منظور شدہ فہرست کی تعمیل کو یقینی بنایا گیا ہے۔ لرننگ اینڈ ڈیولپمنٹ ڈیپارٹمنٹ (L&D - HRG) کے تعاون سے فرنٹ اور بیک آفس کے عملے کے ارکان کی اسلامی بینکاری اور مالیاتی معلومات اور مہارت کو برطانیہ کی مندرجہ سے بینک کے تمام عملے کے لیے شریہ تربیت کو لازمی قرار دیا گیا۔ مزید RSBM/Head-SCD نے ریگولری اور شریہ تفتیشوں کی تعمیل کو یقینی بنانے کے لیے جنوبی اور شمالی ریجن کی 12 شاخوں کا احیاء دورہ کیا۔

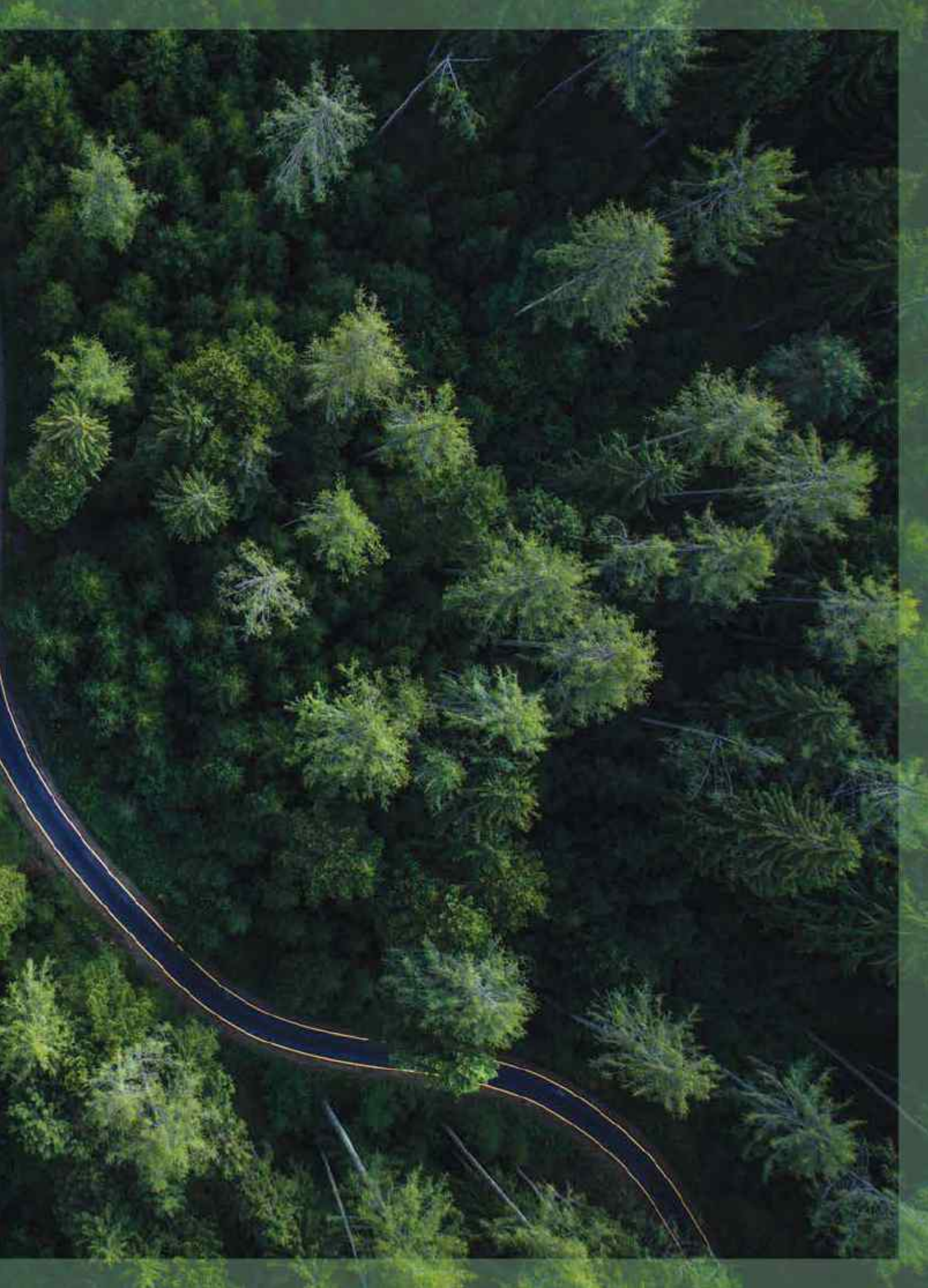
۳ ایم سی بی اسلامک بینک کے شریہ بورڈ کی عباہر کردہ پانچ ہدایات والٹھ عمل اورچہ فتاویٰ حبات بیہر کسی تبدیلی کے ابھی بھی موجود ہیں۔ ایم سی بی اسلامک بینک میں شریہ بورڈ کی عباہر کردہ تمام ہدایات والٹھ عمل اور فتاویٰ حبات پر عملدرآمد کو ان کی اصل روح کے مطابق یقینی بنایا گیا۔

۴ بینک کے منتظمین کے تعاون سے شریہ کپلائنس ڈیپارٹمنٹ نے ریڈینٹ شریہ بورڈ، مسیّر ایڈیٹو شریہ کپلائنس ڈیپارٹمنٹ کی زیر نگرانی 2022ء میں ان قسم پالیسی کی دستاویزات کا حصارہ لیا اور شریہ بورڈ نے 63 متناسنگ کے لٹھ عمل کی دستاویزات، جن میں سے 22 کلر پورٹ بینکاری، 15 کمرشل بینکاری، 9 ایس ای بینکاری، 13 تمام صارفین کے لئے استعمال کے حبانے والے اور 14 سٹاف متناسنگ کے لٹھ عمل کا حصارہ لیا اور ان کی منظوری دی۔ جہاں تک پالیسی کا تعلق ہے، شریہ بورڈ نے 59 شریہ معائنہ سرٹیفکیٹ عباہر کیے، جن میں سے 8 لائسنسنگ پالیسی، 21 شرکت متناسنگ، 3 مراحمہ، 2 احبارہ، اور ایک مسابوہ مشارکہ اور مسلم متناسنگ کے لیے اور کچھ دیگر پروڈکٹس سے متعلق دستاویزات حاصل ہیں۔

۵ شریہ کپلائنس ڈیپارٹمنٹ نے ایٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی حساب سے عباہر کردہ ہدایات 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 نظام کی معلومات تک آسان رسائی کے لئے کاس روٹ میٹنگ کا انعقاد کیا، اس کے ساتھ ساتھ لرننگ سینیورٹ سسٹم (LMS) کے ذریعے آن لائن اسلامک بینکنگ ٹریننگ مادیور بھی اپ لوڈ کیے۔ L&D نے اپنے اسٹاف کی اسلامی بینکاری اور مالیات کی

An aerial photograph of a dense, lush green forest. The trees are tall and closely packed, creating a vibrant green canopy. On the right side of the image, a paved road with a white dashed line runs vertically, curving slightly at the top. The overall scene is bright and natural, suggesting a healthy, well-maintained forest.

# SUSTAINABILITY & CSR



# Sustainability & Corporate Social Responsibility

As a leader in the Pakistani banking sector, MCB Bank has a great legacy in preservation and safeguarding the interests of all our stakeholders. This legacy has been established by our senior management and is carried forward by our hard working and talented employees, who 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

The Board of the Bank has approved Corporate Social Responsibility Policy covering major areas of SECP's CSR guidelines 2013. We ensure that our 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, in letter and spirit
2. Business operations are conducted 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 the society.
7. Minimize environmental footprint to coexist harmoniously whilst encouraging minimum wastage of resources.





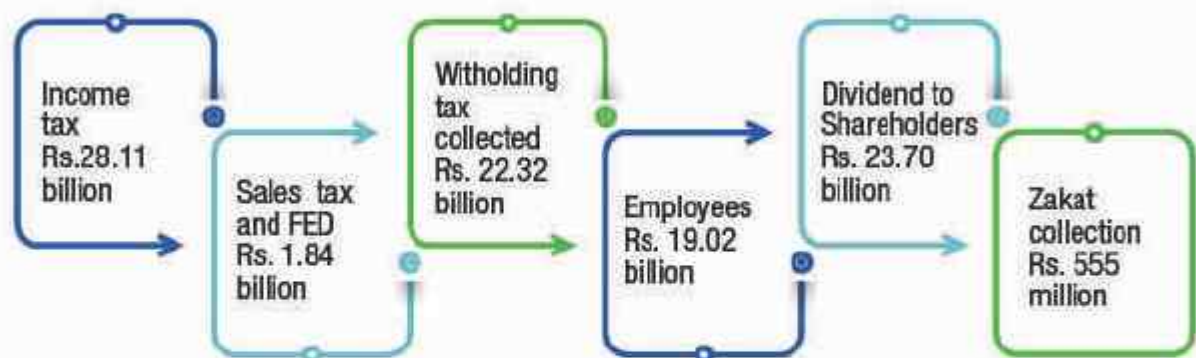
## Our approach to sustainability

The Bank focuses on several key principles as an institution. It is committed towards fostering a better work place and cleaner environment through varied initiatives with measurable outcomes. 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.



## Contribution to Economy & National Exchequer:

MCB Bank has the second highest market capitalization in the banking industry. In 2022, the Bank paid approx. PKR 28.11 billion on account of income taxes to Government Treasury and collected over PKR 22.32 billion for the National Exchequer as withholding tax agent under different provisions of Income Tax Ordinance 2001. In addition to that Bank has also paid PKR 1.84 billion in respect of sales tax and FED. The contribution by the Bank to the national economy by way of value addition was PKR 94.49 billion, out of which around PKR 19.02 Billion were distributed to employees and PKR 23.70 billion to shareholders.

Zakat is an essential component in delivering assistance to those most in need. The Bank supplemented and augmented the Zakat collection efforts of prominent public welfare organisations such as Shaukat Khanum and Edhi Welfare Organisation through its communication channels such as MCB Live, internal email, propagation via the MCB Bank corporate website and via the Bank’s diverse 1450+ ATM network. MCB Bank also contributed to the national exchequer in Zakat Deductions to the sum of PKR 555 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:

The Bank has a “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 business practices and operations, across the Bank and areas it operates in. The Bank’s short term and long term CSR goals are aligned to execute bank operations for the betterment of its stakeholders, which necessarily includes the general public and society of Pakistan. The aim of the Bank is to be well versed in CSR by being a sustainable organization. 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 through implementation of ethical and responsible 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 its employees regarding various facades of corporate sustainability and social responsibility, but to also ensure that its strategic CSR vision is met through operational objectives. The Bank’s policies therefore address these key aspects:

- Internship Program for Persons with Disabilities
- Financial Literacy for Un-banked Population / Gender equality and equal opportunity employment
- Occupational Health and Safety
- Business Continuity Plan
- 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 activities are centrally monitored throughout to ensure that the Bank invests in the right places



that magnify the goodwill of Bank and our community at large. The performance against sustainability and integration of various groups in achieving this are explained through this report.

### Internship Program for Persons with Disabilities

The Bank prides itself on providing equal employment opportunities, free of discrimination, and implemented on a methodical merit based nondiscriminatory selection process. Gender Diversity & inclusion remains one of the top priorities on our strategic agenda. We have further improved the Diversity, Equity and inclusion index by adopting gender diverse hiring practices, capability development and providing career progression opportunities while ensuring meritocracy. The Bank capped off the year 2022 with permanent staff strength of 14,236 employees and 105 contractual employees.



The Bank rolled out customized internship programs over a 3 month duration for persons with disabilities (PWD), at a national level, in branch banking and at back offices where the following were included:

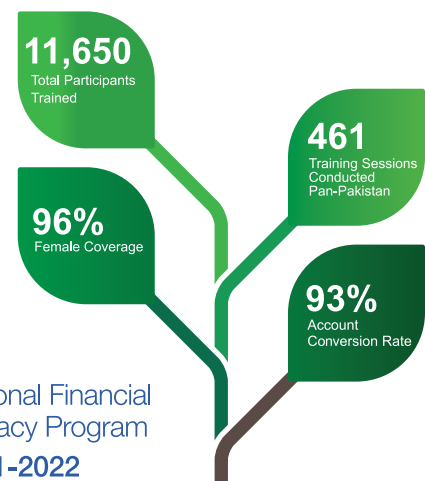
- 3 month Internships for PWDs which could be extended up to six months
  - Internships included a stipend amount of PKR 12,000 per month
  - Job offerings to potential candidates upon successful completion of the internship
  - Distribution of Welcome Packs among employees who were inducted through the PWD internship program
- Recruitments:
- Hiring for PWDs was made mandatory in all job posts across the Bank
  - Encouragement towards inducting PWDs through lateral hiring
  - Fast track hiring was introduced for PWD hiring cases taking into consideration geographical location and suitability of function to be performed by them

## Trainings:

Learning & Development engaged an external trainer to conduct awareness / sensitization training for staff on ways to interact with and accommodate PWDs, while providing them with special assistance and due care. A total of seven sessions were conducted in 2022 to build sensitivity around PWDs with the title “Financial Inclusion of Persons with Disabilities”. 195 participants were trained in these classroom and Zoom sessions.

## Financial Literacy Program for Un-banked Population

In line with SBP’s initiatives towards increasing financial literacy in society and to include more of the unbanked population into the financial system through its National Financial Literacy Program (NFLP), MCB played its active role to support and achieve this aim again in its 6th year. During FY 2021-22, MCB conducted 461 training sessions pan-Pakistan with the inclusion of 11,650 total participants including 96% female coverage. Through these sessions our field trainers permeated financial literacy across the far flung areas of Pakistan.



## Occupational Health and Safety

MCB is well aware of the fact that a conducive work environment, better health facilities and safety of employees and customers are of utmost importance. Occupational health and safety condiments not only avoid significant cost of retrofitting safety and health measures at a later stage, but also improves productivity and delivery of services to its customers.

Every workplace is unique and the health and safety needs vary accordingly. Therefore, effective measures, strategies and initiatives had been adopted to prevent, control, reduce or eliminate occupational hazards. Practical Occupational Health and Safety policy and guidelines have been implemented over the years to cope up with ever changing technological, economic and safety requirements.

The staff at MCB Bank, is well aware of the importance of occupational health and safety standards and is committed in maintaining these standards at workplace.

COVID-19 though not completely rooted out, has yet left lasting imprints on the world economy, causing permanent changes. MCB Bank has been proactive in propagating the precautionary advisories and ensured that all its staff and their families are vaccinated. Internal communication channels are being used to reinforce staff regarding protection against Dengue epidemic, avoid ill effects of SMOG, adopting cautious driving/riding measures during rainfalls, preempting the after-effects of floods/monsoon rainfalls etc. All premises of the Bank are equipped with First Aid Kits to deal with any emergency medical condition.

Facility Level Plans and/or Crisis Response Plans are regularly updated to ensure readiness associated with possible eventualities at premises. Moreover, effective controls, processes, surveillance and security equipment pertaining to the physical security of employees, customers and visitors are already in place. Trained security personnel at the Bank constantly implement the controls, processes, and security equipment. Safety and Security Audit of major iconic

buildings through external consultants has contributed in improving the workplace standards as per the industry best practices. All iconic buildings and branches of the Bank are equipped with modern fire safety, surveillance and security equipment (as applicable).

MCB has implemented well developed policy guidelines of health and safety, which are periodically reviewed and approved by the Board and senior management. By integrating robust controls, implementing risk control strategies, and senior management's commitment along with adequate planning and implementation of effective in-house safety and health programs, The Bank is staunch in preserving its vision for the well-being of its employees, customers and visitors.



## Business Continuity Plan (BCP)

Business Continuity Management (BCM) is about creating strategies, that identify and recognize risks, threats and vulnerabilities that could impact Bank's operations internally or externally. BCM provides a framework encompassing steps to mitigate risk, withstand changes in the environment and still perform its critical processes and functions with minimum delay/outage.

BCM is an enterprise level plan which ensures the continuation of critical business functions during a disruptive event, however Disaster Recovery Plans (DRP) helps to recover the system(s), application(s) and data after a technology disruption. Furthermore, a robust Business Continuity Plan (BCP) eliminates the confusions that may arise in a crisis situation by offering a clear guideline for actionable steps, essential to mitigate the risks.

The Board of Directors periodically reviews Banks preparedness to deal with any untoward situation. 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 functions.

The spread of COVID-19 pandemic has been on a declining trend during the year, but it doesn't mean that we should lower our collective guards and that preventive measures against this infectious disease must not be followed anymore. The Bank has formulated well defined and dedicated BCM plans to combat COVID-19.

BCPs are tested and updated on regular intervals, ensuring Bank's preparedness to deal with any contingency situation. Since BCM is deeply rooted into Banks structure, it gives confidence to its customers, stakeholders and regulator that the Bank can live up-to its commitment and expectations by ensuring continuity of its critical businesses and functions in unforeseen circumstances.

## Business Ethics and Anti-Corruption Measures

A comprehensive "Code of Conduct and Business Ethics" guidelines have been disseminated for all staff of the Bank for information and signoff to mitigate and addresses the possible risks related to ethics and corruption.

The Bank is striving hard to maintain a strong compliance culture through its robust policies and procedures. Employees are expected to perform all Bank related task with due diligence and ethical manners. The code of conduct of the Bank comprehensively defines the values and minimum standards of ethical business conduct. Bank staff must ensure to follow ethical standards and guidelines while interacting with the clients, competitors, business partners, government and regulatory authorities, shareholders or with one another. It is the utmost responsibility of the Bank to ensure that employee's conduct is impeccable and within the Bank's defined Code of Conduct and business ethics.

MCB Bank strives to ensure a friendly and harassment free environment for all employees. The policy for protection of women harassment has been revisited and is circulated Bank wide every year. Zero tolerance for any form of harassment or discrimination is further covered in the Bank's existing Code of Conduct.

The Disciplinary Action Committee (DAC) is vigilant and takes vigorous actions to address any violation of policies & procedures, acts of fraud & forgery, breach of discipline and code of conduct, ethics & business practices, law of land and statutory regulations by an employee. To maintain a harmonious and efficient work environment in which the

employees are assured a nondiscriminatory, transparent, harassment free and respectful atmosphere regardless of their caste, religion and gender, HRMG has issued a clear and non-discriminatory Code of Conduct; violation of which may lead to disciplinary action.

## Service Quality Function & Grievance Handling Mechanism

### Service Council:

The Service Council is a monthly forum, chaired by the President & CEO, which brings together key stakeholders from across the bank with a view to place service on the forefront through thought leadership, collaborative discussions and the creation of a clear service roadmap.

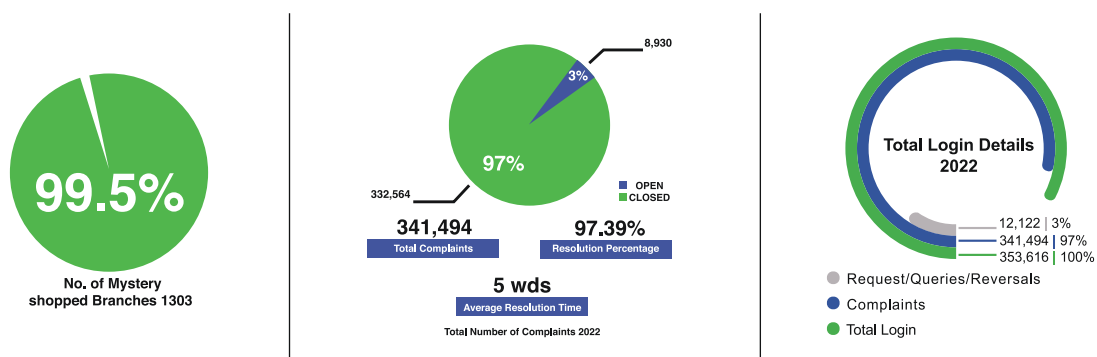
### Customer Experience Management:

Feedback is solicited from customers for all contact points via surveys and remedial actions are taken for identified areas:

- In the year 2022, the VOC (Voice of Customer) team increased its outreach to pan Pak customers while covering added Products of the Bank and tapping pain points which were impacting customer experience.
- Banca customers were contacted to gauge their onboarding experience and feedback was also taken from the customers who cancelled their policies during the year.
- Remittance customers' feedback was taken and remedial actions were taken with respective stakeholders accordingly. All branches were provided with added biometric devices to reduce customer Wait and Transaction times.
- NTB (New to Bank) customers were contacted to gauge their onboarding experience and to capture feedback on areas for improvement.
- Complaint resolution satisfaction was another area that was revisited for customers who had lodged their complaints with the bank. Customers were also probed about their experience regarding ease of lodgment.
- The External Customer Satisfaction survey (CSS), with an external vendor was also initiated and executed during the year covering Retail, Consumer and Digital segments of the Bank.
- The Bank started Live monitoring of branches in 800+ branches in 2022 to improve customer experience.

### Turnaround Time (TAT) Monitoring:

During 2022, 99.5% of the total pan-Pakistan branches were monitored while following approved service parameters and protocols. The remaining branches were not visited owing to security concerns/remote locations while a few were under renovation. Moreover, 1303 branches were 'Mystery Shopped' by independent external vendors and the results of this activity were shared with management while focusing on further improvement.



### Consumer Protection Measures

The Bank is committed towards providing 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

The 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 may 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.

The Service Quality Division also performs in-depth qualitative and quantitative complaints analysis followed by suggestions and recommendations in order to eliminate root causes behind customer issues and with the intent to drive continuous improvement.

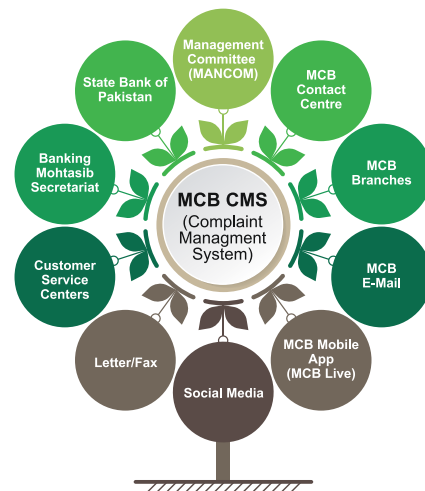
During 2022, a total of 341,494 complaints were logged in the system of which 332,564 complaints were resolved by year end (resolution rate 97.39%).

There was a 29.74% increase in total logged complaints in 2022 as compared to the previous year. The total number of complaints logged during 2021 were 263,212.

### Channels / Sources of Complaint Lodgment

- Following are the Channels through which complaints are received:

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 his/her 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 continues via the escalation matrix until it is resolved.



### Projects which were initiated as per regulatory requirement during the year including:

- Banking on Equality and Women Empowerment
- Facilities provided to Persons with disabilities
- PM’s Kissan Package, PM’s Youth Business & Agriculture Loan Scheme
- RAAST

### Banking on Equality and Women Empowerment:

In keeping with regulatory requirement, the Bank created a working group headed by the focal person in order to work towards a Banking on Equality (BoE) policy while focusing on related campaign and initiatives to empower women both within the Bank as well as to encourage financial inclusion. The Bank’s policy was approved in December, 2021 and subsequently several campaigns and products were launched by the Marketing and Products teams. Sessions on gender sensitization were conducted by internal and external Trainers and select members off the Bank also attended SBP led “Train the Trainer” sessions to further disseminate these trainings pan Pak.

- Personal loan product has been launched for salaried women
- Celebrating ‘National Working Women Day’ and ‘Women of Spirit’ for recognizing contribution of working women.
- Ladies Saving and Current Accounts were revamped during 2022 etc.
- During the year the ratio of female staff member improved to 18.27% from 16.3% in the last year.

### Prime Minister’s Kissan Package:

The Agriculture Sector is the back bone of Pakistan’s Economy and is a major stimulant of GDP growth. PM Kissan package is another giant leap forward intended towards farmers facilitation & revamping the agriculture sector.

Under the PM Kissan Package, farmers affected by the recent floods were provided relief, small time farmers were provided fresh financing on zero markup rate for production of crops and rehabilitation of farming activities in flood affected areas.

Moreover, financing was extended for farm mechanization which would greatly revamp the machinery/equipment for use by the farmers.

Recognizing the significance of this priority sector, MCB is extending financial support to the farmers. MCB has responded promptly to the national cause and aligned its policies & procedures aiming at optimum utilization of aforementioned.

### Prime Minister's Youth Business & Agriculture Loan Scheme:

Developing economies around the world face a host of challenges in their pursuit of economic growth. One of the key challenges is the unemployment of youth. To ensure progression it is imperative to extend financing to this specific population. The Bank actively pursued PM's Youth Business & Agriculture Loan Scheme (PMYB&ALS) initiative during 2022.

MCB remains cognizant of the fact that emerging youth & agriculture set-ups stimulate economic growth by reducing income inequalities and fostering innovation. With this positive vision of the Prime Minister, MCB was aligned towards enabling youth to avail affordable financing for establishing new businesses or strengthening their existing business.

Moreover, MCB Bank acknowledges that women in Pakistan are a valuable asset and need to be addressed at each level. Therefore, the Bank provides equal opportunities to women working in the Agriculture and added business sectors.

### RAAST

RAAST is an innovative digital payment solution introduced by the State Bank of Pakistan (SBP) that facilitates customers in making instant transactions conveniently with peace of mind.

It is a trusted payment gateway for thousands of customers, as it eliminates the need for customers to remember long-digit bank account codes. It is secure and best of all, free of cost. With minimal onboarding requirements and an easy to understand funds transfer procedure, RAAST is doing wonders to foster financial inclusion in all segments and strata of society. Furthermore, digital alerts and digital on boarding also reduces the need for customers to visit branches for fund transfers. This helps curb the carbon footprint and reduces reliance on paper.

### Investing in communities:

MCB Bank is committed to create 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 2022:

- Healthcare sector
- Community development & Sports
- International Outreach
- Equal Opportunity for All Employees
- Energy Conservation
- Environmental Cleanliness & Protective Measures
- Green Banking



## Healthcare Sector

The Bank seeks to support key initiatives that bolster the health care sector of Pakistan.

A dedicated seminar for female employees of MCB Bank was conducted at its head office. The seminar saw huge turnover and in-depth content and collateral were focused 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 has in the past also supported the construction and launch of 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 various ADC platforms; especially during the holy month of Ramadan.

## Community Development & Sports

During 2022, Pakistan faced one of the worst floods that devastated major part of the country. MCB Bank, made its contribution in support of a charity event for flood affected victims organized by Bestway Foundation.

In its effort to support healthy outdoor activities, the Bank continued to play its part by extending ongoing monthly maintenance support to Shuhada Park Chakwal. The Bank also sponsored for Inter Sapphire Cricket Tournament 2022.

During the year, MCB Bank sponsored the 17th 'My Karachi Oasis of Harmony Exhibition 2022' organized by Karachi Chamber of Commerce & Industry.

In order to promote small and medium businesses, MCB Bank was one of the sponsors at the SME Finance Mela 2022 organized by The Lahore Chamber of Commerce & Industry (LCCI). In addition, MCB Bank also sponsored PAF Aerospace and National Security Workshop led by Directorate of Mutual Cooperation, PAF.

## International Outreach – UAE Roadshow

One of the key global events in recent times has been the Dubai Expo that provided international platform to thriving industries. In addition to its earlier participation in the Dubai Expo through a sponsorship, the Bank presented itself as one of the leading financial institutions of Pakistan at the UAE Roadshow. The aim was not only to have an international presence but also to contribute to the SBP's target of promoting MCB Roshan Digital Account (RDA) initiative to the masses.

## Energy Conservation:

MCB Bank is fully aware of its responsibility towards energy conservation country-wide by exercising strict control over energy consumption whether in the bank branches or principal offices. MCB Bank accords priority to actions that contribute towards national obligations.

WWF certification of Green Banking to MCB Centre building is a big achievement in-line with energy conservation by using solar energy, LED lights, paperless work and water conservation.

WWF-Green Office is a practical environmental program designed for office/workplace, which helps to reduce the carbon footprint, achieve resource conservation and contribute towards slowing down climate change. Under the guidelines of WWF-Green Office, training programs were run by WWF –Green Office Team at MCB Centre which were followed by Audit for "Logo" and "diploma".

The Bank also engages employees through its internal communication channels to follow the best practices and initiatives to inculcate consciousness to save energy.

## Energy Saving Measures

MCB Bank is already conscious of controlling excessive electricity usage. The bank through its concerned departments & staff monitors power consumption and ensures that all unnecessary lights / gadgets are switched off if not required.



Natural light is utilized instead of artificial lights during day time wherever possible in the buildings. Windows / blinds are kept open to capture sunlight for heating during winter. Almost, all the bank buildings have been switched over to using low energy consuming LED Lights.

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 enables to control all the building fitted resources from a single point/ place. Setting central heating / cooling system set point 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 to conserve energy.

The MCB Tower Karachi Captive power generation from Gas Generators is being replaced with KE Electric Power. This action will contribute in saving the natural gas resources.

## Environmental Cleanliness & Protective Measures

Waste is a major hazard to health of employees and aesthetics of the organizations. MCB Bank focuses on waste reduction for environmental improvement and workforce productivity. Therefore, MCB Bank has segregated the building waste into recyclable and non-recyclable waste, for 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 developing a culture of self-segregation of waste into dry and wet waste streams at source.

We ensure our wet waste including kitchen and organic materials are responsibly led to the landfills with minimum impact to the natural environment. 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 objective.

Plantation with-in the commercial business premises / branches is encouraged by the Senior Management of MCB Bank. Emails through corporate communication are circulated to each staff, to maintain high standard of cleanliness inside/outside office buildings/ premises. The respective building Administrators & each Building Floor Coordinators periodically emphasized to maintain high quality cleanliness.

## Solarization

In order to adhere to its commitment to energy conservation and green banking, the Bank implemented clean energy projects for solarization of branches during the year 2022. A total of 33 branches were equipped with Hybrid Solar PV Systems with battery backup and accumulated generation capacity of 339kW. Generation of clean energy through such measures helped the bank to reduce its carbon footprint. Building on the same momentum, the bank is planning to solarize around 300 more branches in second phase. Data collection for feasibility of solarization at these branches has been completed.

In parallel, the bank engaged solar companies to conduct survey of iconic buildings in major cities including Lahore, Islamabad and Multan to gauge potential of solarization with the aim to reduce energy bills. Detailed surveys were conducted by leading solar companies for MCB House, 15-Main, Lahore, MCB Center, Airport Road, Lahore, MCB Shahrah-e-Aiwan-e-Tijarat China Chowk, Lahore, MCB Landmark Building Blue Area Islamabad and MCB Abdali Road Multan. The management has decided to implement this initiative starting from MCB Landmark Blue Area Islamabad as a pilot project. Proposals for solarization of MCB Landmark Building Islamabad with a 60kW On-Grid Solar System, estimated annual generation capacity of 85MWh resulting in reduction of 14% in grid usage are under consideration and expected to be implemented during 2023.

In addition, the bank has also engaged vendors to submit proposal for energy audit of major buildings. In this regard, detailed proposals for comprehensive energy audit of MCB House 15-Main Jail Road Lahore were submitted by energy

auditing companies which are under management review. Energy audits are expected to help the bank identify & implement ways and methods of using energy efficiently and finding ways to improve energy performance of the facility. The expected outcome of such initiatives will be to reduce energy costs and minimizing carbon footprints.

MCB Bank has taken these initiatives not only to meet legal requirements but as it is own corporate social responsibility to address environmental concerns of our worthy clients and stakeholders. We are proud that MCB Bank has adopted Green Banking Guidelines of the State Bank in letter and spirit. The MCB Bank management appreciates the cooperation it has received from its employees and staff and the interest shown by its stakeholders in adopting the responsible and ethical business practices.

### Solar financing

MCB Bank is providing solar financing solutions to a number of corporate and retail clients through both SBP's subsidized solar financing schemes and through the Bank's own sources. Given the shorter payback periods involved in solar projects, it is one of our preferred areas of financing.

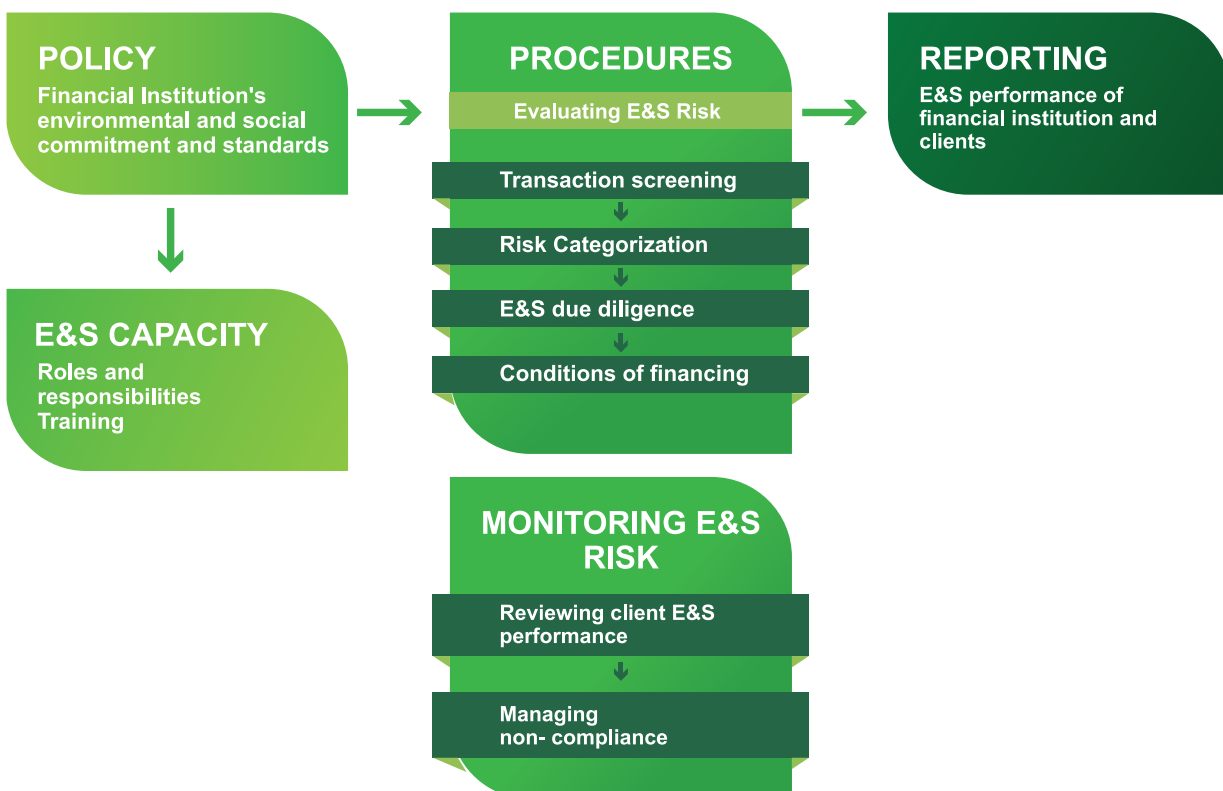
### Remittances flow in the country

Flow of remittances through banking channels is an important contributor to the national cause. During the year 2022, MCB Bank attracted home remittance inflows of USD 3.4 Billion, increasing its market share from 11.4% to 11.6%. The Bank also facilitated overseas Pakistanis under the RDA initiative where the total inflows for the year 2022 summed up to USD 203 Million.

### Environmental & Social Risk Management (ESRM)

The State Bank of Pakistan through IH&SMEFD Circular Letter No. 12 of 2022 issued ESRM Implementation Manual for Financial Institutions to ensure compliance of minimum standard for environmental & social risk management in the financial sector under Green Banking Guidelines (GBGs),SBP expects that the banks will fully implement the ESRM within three (03) years of issuance of this Manual. SBP will also play its due facilitative role in implementation of ESRM through trainings, awareness sessions and other support measures.

## Componants of an ESMA



# Certifications Acquired and International Standards Adopted

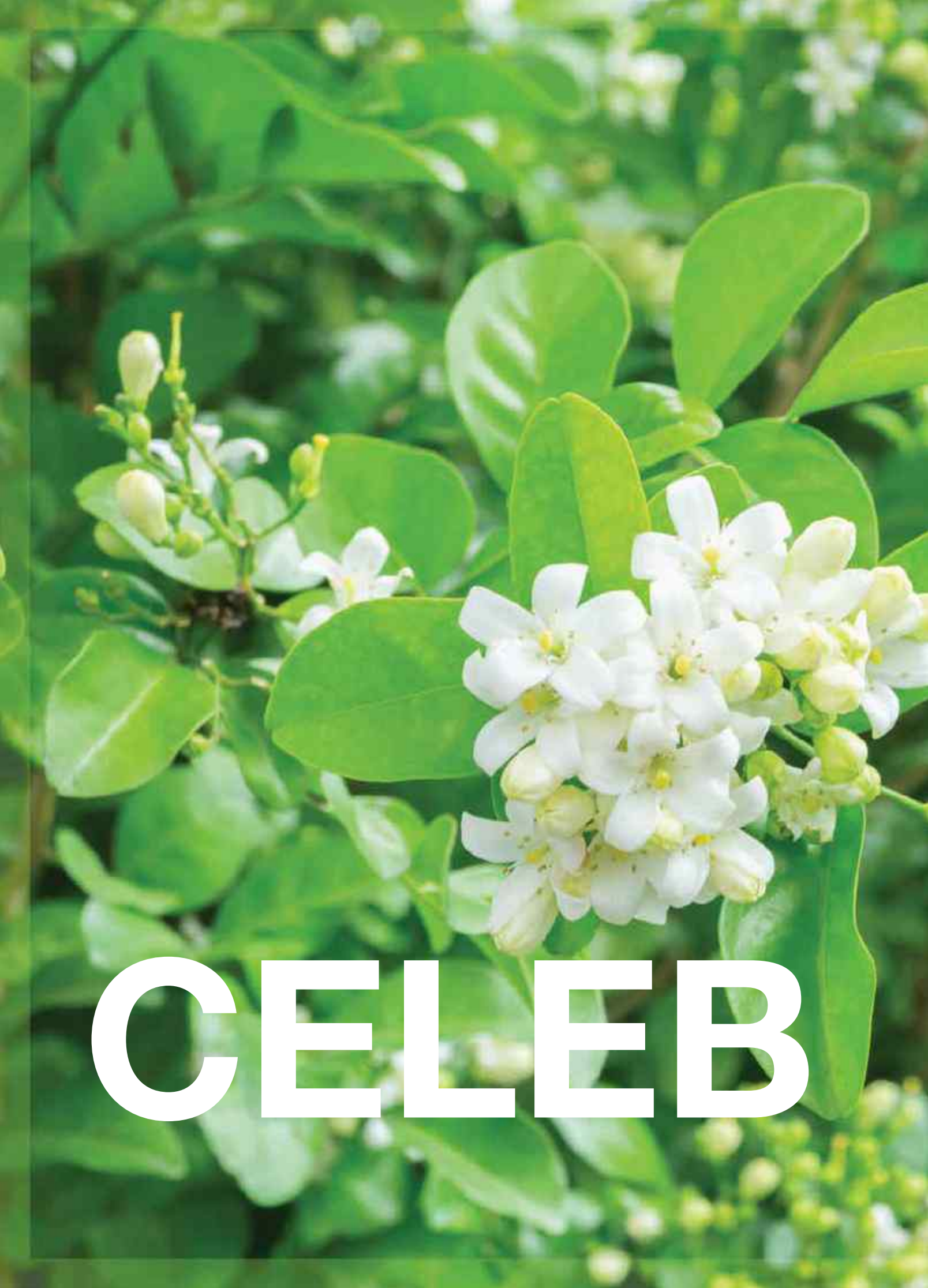
## World Wide Fund for Nature (WWF) - Green Office Certification

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

Six umbrella categories under which the MCB Bank Limited contributes to the Sustainable Development Goals (SDGs):

<p><b>3 GOOD HEALTH AND WELL-BEING</b></p> <p>In addition to supporting employees' health and wellbeing, the Bank also actively engages in community services within the health sector under its CSR Plan.</p> <p>The detailed initiatives have been disclosed in the Sustainability &amp; Corporate Social Responsibility section of the Annual Report.</p>	<p><b>5 GENDER EQUALITY</b></p> <p><b>UN Global Impact</b> Elimination of discrimination with respect to employment</p> <p>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:</p> <ul style="list-style-type: none"> <li>• There has been a consistent growth in the number of female staff at the Bank (16.9% in 2021 to 18.3% in 2022).</li> <li>• The representation of women in the senior management positions with 12% of the women reporting directly to the Head of Departments (HOD's) who in turn report to the CEO.</li> <li>• Supporting SBP's National Financial Literacy Program (NFLP), in 2022, MCB conducted 461 training sessions pan-Pakistan with the inclusion of 11,650 total participants including 96% female coverage.</li> </ul> <p>By improving product diversification, development capability and customer acquisition and facilitation approaches towards women segments, Bank's product portfolio has been deployed to foster to the captioned goal; As at December 31, 2022, the Bank was operating more than 700,000 active women deposit accounts.</p>	<p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p> <p><b>UN Global Impact</b></p> <ul style="list-style-type: none"> <li>• Initiates to promote greater environmental responsibility</li> <li>• Fostering environmental responsibilities</li> </ul> <p>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.</p> <p>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; By virtue of this initiative, the pilot branches have significantly reduced their electricity consumption which ultimately contributed towards the Bank's achievement of avoiding 50+tons of CO2 emissions to the environment</p> <p>Detailed Initiatives have been disclosed in the Green Banking section of the Annual Report.</p>	<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> <p><b>UN Global Impact</b></p> <ul style="list-style-type: none"> <li>• Upholding freedom of association</li> <li>• Working against corruption</li> </ul> <p>The Bank continues 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:</p> <p>Created employment opportunities which led to the hiring of 3,708 employees.</p> <p>Contributed Rs. 28,106 billion to the national exchequer on account of income taxes to the Government Treasury.</p> <p>51 differently abled people working for the Bank as permanent staff.</p> <p>Extended finance to all key economic segments including the SME and Agriculture sector which cumulatively contribute above 40% to the domestic GDP.</p>	<p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p> <p>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.</p>	<p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p> <p>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.</p> <p>The detailed policy has been disclosed in the Green Banking section of the Annual Report</p>
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**CELEB**



# RATING WOMEN

Many women have now become bread earners for their families and both men and women contribute equally to family income and lifestyle. With increased participation in economic activities as employees and owners, more and more women are now becoming financially independent. Due to changes in social, economic and individual requirements, women and their households stand to benefit when females engage with and acquire women focused financial and insurance products.

MCB Bank is conscious of its responsibility of creating and propagating financial solutions that promote financial inclusion of women. We strongly believe in gender equality and providing equal opportunities of access to affordable financial services. The Bank also regularly undertakes different initiatives to propagate gender equity in the workplace and to foster a more conducive environment for working women. We are proud to share details of these different activities and much more in the following report.

## Revamp of MCB Ladies Current Account and launch of MCB Ladies Savings Account

MCB Ladies Current Account was introduced as a tailor-made financial solution for women that provides them the means to create their own security and the freedom to manage their funds independently with free Life & Health Insurance.

Over the years MCB Ladies Current Account successfully facilitated females in catering to their financial requirements. To further facilitate women's growing financial needs, specifically for long-term investment and financial security, MCB Bank introduced the MCB Ladies Savings Account. To modernize the product proposition and make it more competitive, MCB Ladies Current Account proposition was revamped and made for relevant for the modern Pakistani woman. Key financial benefits and services that MCB Ladies Account holders can benefit from include free Online transactions, Exclusive Cheque Book & Debit Cards, Banker's Cheques, Locker Facility, SMS alerts and health insurance. Best of all, there are no minimum balance requirements!



**MCB LADIES ACCOUNT**

Unlock your financial freedom  
with our Ladies Account

MCB Ladies Current & Savings Account

— **FREE/ DISCOUNTED FEATURES** —

Online Transactions	Banker's Cheques	SMS Alerts	Locker Facility
Health Insurance	Exclusive Cheque Book & Debit Cards		

To open a MCB Ladies Account visit any MCB Bank Branch  
or <https://eaccount.mcb.com.pk>

**MCB Debit Card & Cheque Book**

\*Terms & Conditions Apply

## MCB Personal Loan for Women

When women are empowered, there is no obstacle they cannot overcome! MCB Bank took the initiative of launching a special personal loan for salaried women to facilitate their financial freedom and to help them finance important decisions in their life conveniently and affordably.



### Empower, Inspire, Uplift

MCB Bank now offering a customized affordable Personal Loan for Salaried Women.

Processing Fee	Standard Personal Loan	Women Personal Loan
Markup Rate	PKR 3,600 or 1.2% of loan amount (whichever is higher) <small>Note: processing fee will be effective from 1<sup>st</sup> July, 2022 as per new RORC.</small>	50% fee waiver
	Credit History: 1 Y KIBOR + 14% Without Credit History: 1 Y KIBOR + 16%	Credit History: 1 Y KIBOR + 8.5% Without Credit History: 1 Y KIBOR + 9.5%

**Personal Loan is available in the following cities:**

- Karachi
- Gujranwala
- Lahore
- Peshawar
- Rawalpindi
- Skardu
- Islamabad
- Bahawalpur
- Faisalabad
- Abbottabad
- Hyderabad
- Jhelum
- Multan
- Wah Cantt

For more information, please call us at 111-000-622 or email at [credit.card@mcb.com.pk](mailto:credit.card@mcb.com.pk)



## MCB Ladies Debit Card - Women's Day Discounts

MCB Bank worked with premium alliance partners to offer exciting women focused discount and promotional campaigns on the occasion of International Women's Day. Participating in such campaigns promotes financial inclusion as it encourages women to exercise their financial freedom and contribute towards economic growth.



The collage features logos for various partners: READINGS (books), SN SOHA NIGAM (textiles), Shop Gallery.pk (shopping), FLOWERS (floral arrangements), SHOES (high heels), GLO (hair care), TENERIFE CAFE (food), and GOSUSHI (sushi).

## Celebrating Women of Spirit

MCB Bank celebrated its 75th Anniversary in 2022 and to commemorate this milestone, MCB Bank took an initiative to promote our Women of Spirit, showcasing dynamic and hard working women who work at MCB Bank. A special video series was developed to showcase women working at MCB Bank, highlighting women empowerment at the organization and to propagate our efforts to further “Banking on Equality”.



**Shoaib Mumtaz**  
President & CEO

“ Empowering women and providing them with equal opportunity to excel is a major priority here at MCB Bank. This is a direction set forth by the Board and a mandate that we take very seriously. Today over 17% of our workforce are women and we are committed to increase this percentage going forward!







**Nadia Aslam**  
Department Head,  
Disciplinary Actions,  
Human Resources

“ Be ambitious but be persistent  
and be patient. As they say,  
Rome wasn't built in a day! ”

“ Dream, Dream Big,  
There is nothing that you  
can't do. Just focus! ”



**Natasha Ahmed**  
Head Corporate Banking, North



**Maziya Hussain**  
Division Head Marketing

“ I encourage all women to  
believe in themselves, to work  
hard, to stay persistent and  
keep moving! ”

“ Remember that your work speaks  
for you, speaks volume infact so  
leave behind a mark that your  
work will exemplify! ”



**Tehmina S. Khan**  
Division Head Service Quality



**Nausheen Karamally**  
General Manager Retail Banking

“ While it can have its own set of  
challenges the fact remains that if  
you are a woman who knows exactly  
what she wants and committed to  
achieve it, nothing can stop you.  
Hard work always pays off! ”

## Celebrating Pinktober 2022 MCB and Pink Ribbon join hands for Breast Cancer Awareness

MCB Bank is a strong advocate for women and women's health. Healthy women lead to health families which lead to health societies. In the past, MCB Bank has joined hands with several reputable organisations, including SKMCH, Pink Ribbon and others to create awareness of diseases that impact women, with an aim to dispel common misperceptions and foster awareness.

MCB Bank joined hands with reputable NGO Pink Ribbon Pakistan to organize a special breast cancer awareness seminar for female staff members at MCB Head Office in Lahore. Breast cancer is highly prevalent in South Asia, especially in Pakistan where over 40,000 deaths annually are attributable to this dreaded disease.

During the session, Ms. Sonia Qaiser, Programmes and Fundraising Manager at Pink Ribbon Pakistan, presented essential facts and insights into breast cancer and how simple precautionary measures such as annual checkups and mammograms could mitigate the risk of the disease. If detected early and treated promptly, there was an increased likelihood of the illness being completely cured.

After the presentation, members of the audience raised pertinent questions on symptoms, signs and treatment of breast cancer in Pakistan. The seminar was well received by female colleagues, who felt the session helped raise attention and awareness of this important health issue.





## National Working Women Day

Every year, 22nd December 2022 is celebrated as “National Working Women’s Day” to recognize the struggle of working women to secure and work in a dignified and respectful working environment in Pakistan. To commemorate this important occasion, MCB Bank held a special awareness session with expert speaker Ms. Maleeha Bangash, an international corporate banking professional with over 23 years of rich and diverse experience, and female members of the Bank’s senior management team.

The thoroughly informative session featured speeches by Ms. Maleeha Bangash, Ms. Natasha Ahmed, Head Corporate North, Ms. Nausheen Karamally, General Manager Circle East, Ms. Rabia Malik, Branch Manager Privilege Center Karachi, Ms. Aqsa Omer Khan, Department Head Corporate Banking, Ms. Fareeha Ijaz, Branch Manager Ajmal House Branch and special guest speaker Mr. Shahzad Ishaq, Chief Digital Officer.

The captive audience learned from the personal stories and experiences of the articulate speakers and were regaled by motivational life lessons that were shared on the occasion. Participants thoroughly enjoyed the event and found the speakers to be engaging and a rich source of inspiration. MCB Bank thanked all the wonderful women at the Bank for their valuable contributions to the organization and looks forward to organizing many more such events in the future.



**Maleeha Bangash**  
Corporate Banking Professional

“ Focus on work, deliver performance/ results, help other women, create community and collaborate with each other. ”



**Nausheen Karamally**  
General Manager, Retail Banking Group

“ Women: Stop carrying pity on yourselves. Draw a line and be professional. Women are gifted by God to carry out many roles. Stay positive! ”



**Natasha Ahmed**  
Head Corporate Banking, North

“ Women must mean business, make ourselves visible, if people talk, just mean business. Don’t be submissive simply set your standards high. ”



**Fareeha Ijaz**  
Branch Manager

“ MCB Bank is my family, my bank for life. I get respect here, there are ups and downs.. never give up. ”



**Aqsa Omar**  
Department Head, Corporate Banking

“ Follow your dreams, it is ok to fail, important to get up, if your destination is far, start early. ”



**Rabia Malik**  
Branch Manager, Privilege Banking

“ Women; train & educate yourselves, cultivate open & safe communication, be flexible, focus on creating your identity. ”

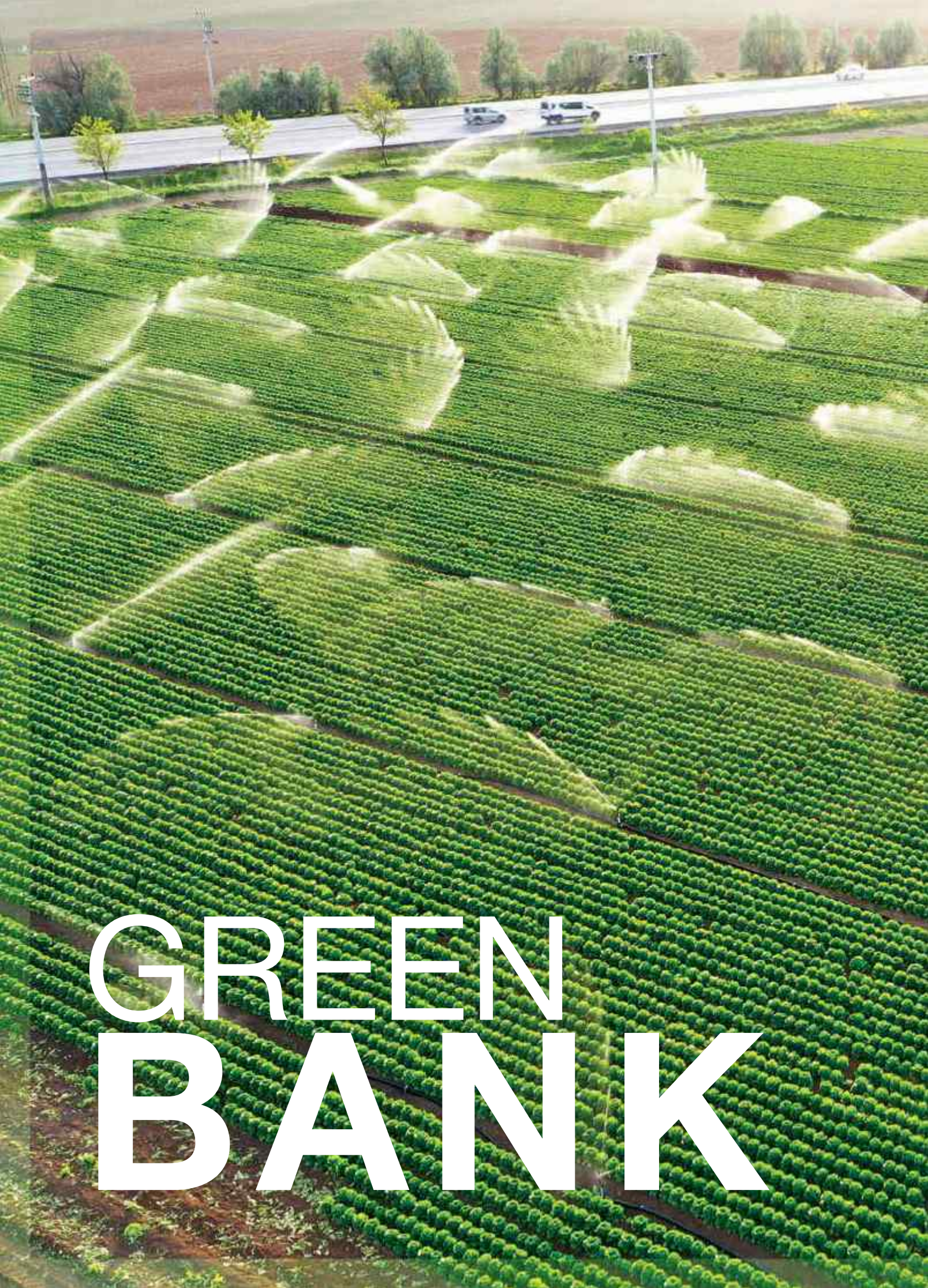




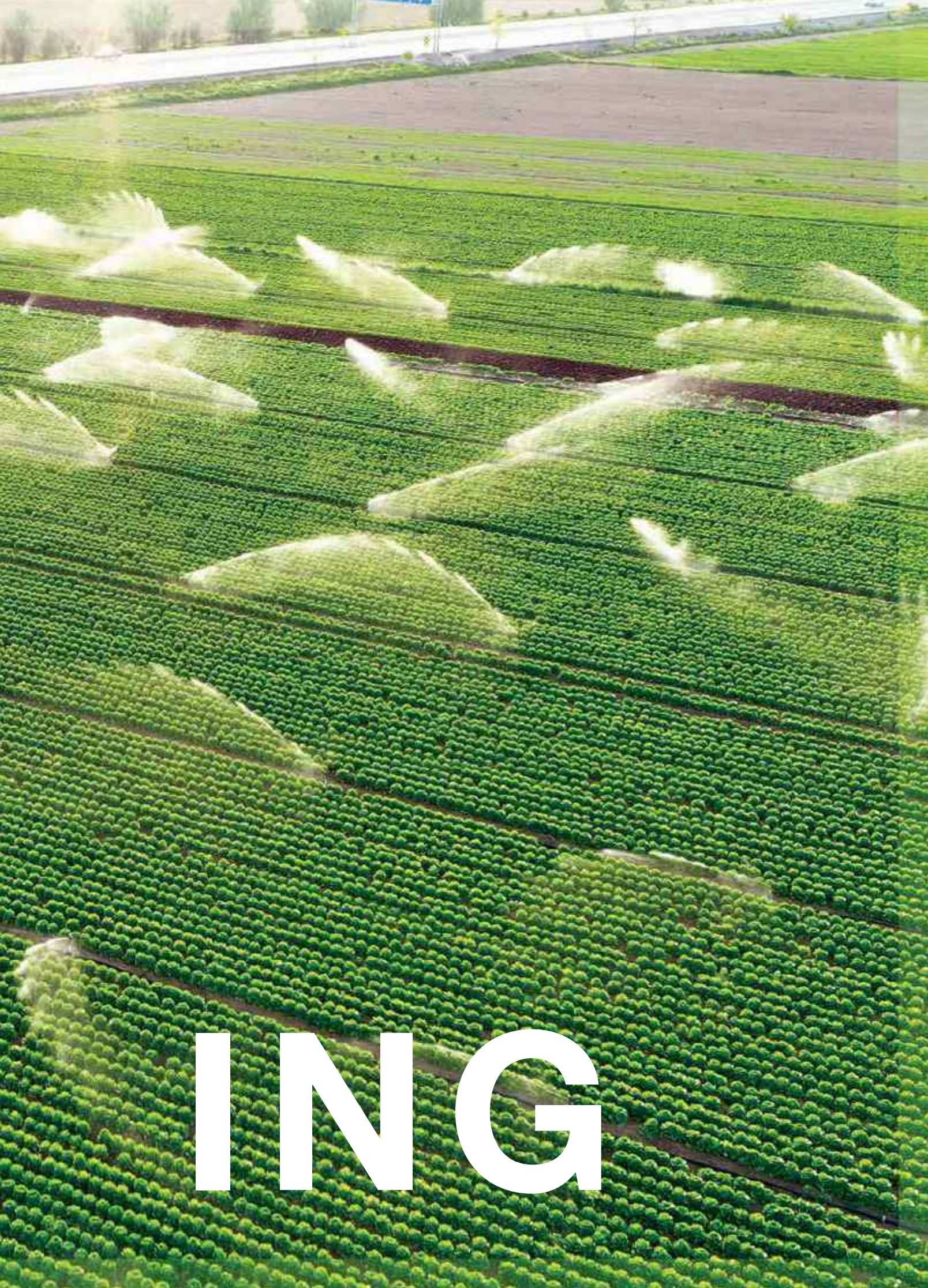
Mr. Shahzad Ishaq thanking Ms. Bangash for sharing her experience and words of wisdom on National Working Women Day

As part of the Bank's efforts to promote gender equality, diversity and inclusion, the senior management of the Bank undertook effective measures to inculcate a progressive and gender forward culture across the Bank. In Recruitment, hiring teams were given targets and directions to prefer female candidates when on-boarding new resources to the Bank, especially in senior positions and leadership roles. Business teams were directed to provide female colleagues with opportunities to work on projects and assignments, which traditionally were not assigned to them as a way to break stereotypes. Product teams took the initiative to create and propagate customized financial solutions that meet and effectively address the fiscal needs of Pakistani women. All business functions across the Bank were directed to create diversity and inclusion ambassadors from their respective teams, who would act as bank-wide role models for MCB Bank.





# GREEN BANK



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# Green Banking

During the past few decades, rapidly changing climate conditions have motivated all sectors of society including the financial industry to play their due role in achieving the common goal of environmental conservation. As a result, the concept of Green Banking has gained importance among financial institutions as well to play their role in de-carbonization of global economy.

In the financial industry, "Green Banking" is an emerging concept which aims to integrate the sustainability into Banking operations/businesses to combat against climate change. It intends to make financial institutions resilient against environmental vulnerabilities through adoption of sustainable banking practices and mitigation of environmental risk emanating from the business and in-house operations.

MCB Bank is intensifying its efforts to conserve the environment by contributing towards the climate change mitigation measures. The Bank is fully aligned with SBP's aim to transform the country's economy into a low carbon and climate resilient economy through implementation of Green Banking Guidelines (GBG).

Since the establishment of the MCB Green Banking Office (GBO), Green Banking Culture has gained momentum within the Bank.

MCB undertakes its responsibility to reduce its direct/indirect carbon footprints on the environment by making the Bank's processes, the use of Information Technology and physical infrastructure more sustainable and efficient to have minimal impact on the environment. Additionally, the Bank is also focused to implement robust system 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.

A synopsis of Green Initiatives undertaken by the Bank are mentioned below:



## Environmental Risk Management System

The Environmental Risk Assessment of customers is now part of the Credit Approval Process for credit facility, and this assessment is carried out on an ongoing basis according to the customer's credit package.



## Green Finance Products/Services

MCB Bank has introduced various instruments and mediums 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/flexible instalment plan. In addition, the clients are also provided advisory services on availing Green Finance for Environmentally-Friendly and/or Renewable Energy Projects. Furthermore, an array of digital services also introduced by the Bank to bring a practical change in customer's behavior that includes but not limited to MCB Live Mobile Application, Digital Account Opening Solutions for both Resident and Non-Resident Pakistanis (e.g. Asaan Mobile Account, MCB e-account portal, Roshan Digital Account etc.), e-statement for both Credit & Debit Card customers.



## Solarization of Branches/ATMs

MCB Bank has installed solar power systems in number of selected 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 (CO<sub>2</sub>) emissions to the environment.



## Paperless Operations

MCB Bank is opting for ways and mechanisms to reduce, if not entirely eliminate, the consumption of paper and other associated resources through awareness and automation of paper-based workflows and processes. A few initiatives have been undertaken for the elimination and/or reduction of paper consumption i.e. suspension of dissemination of paper-based internal circular, encouraging duplex printing, use of digital collateral, 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 transaction 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, Instagram and Twitter.





## World Wide Fund for Nature (WWF) - Green Office Certification

MCB Bank has persistently maintained its industry wide prestigious title of having WWF - Green Office Certification for the second time in a row owing to its iconic building: MCB Centre, Lahore. Every year, a detailed certification surveillance audit is conducted by WWF to validate the continuation of resource conservation measures implemented in the building. This certification is a testimonial of MCB's commitment to reduce the carbon footprint at the workplace. This accreditation has positioned MCB Bank as one of the few top tier Banks that have successfully met the requirements of such significant 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. Previously, MCB Bank undertook the tree plantation drive as an environment-based CSR initiative in collaboration with Civil Society Organization 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. Plants were properly maintained by the relevant authorities, as a result now they have grown up into proper trees and contributing in reducing air pollution.



## Employees Capacity Building

Green Banking training has been turned into regular 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. 1800+ personnel have successfully received the training on Green Banking during 2022.

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.



## Generator Fuel Monitoring System

MCB Bank has entered into an alliance to install real time Internet of Things (IoT) based fuel management and monitoring system. This proactive monitoring solution will help the Bank in centralized monitoring to analyze fuel consumption through telemetry data to reduce wastage and over-consumption of fuel which ultimately reduces the carbon footprint of the Bank.



## Dry Waste Recycling Initiative

Among many other initiatives, MCB Bank has also partnered an organization that provides services pertaining to dry waste collection and recycling through its green partner network. The dry waste recycling services are currently being rendered at four iconic facilities of the Bank in Lahore. The dry waste is being effectively segregated and recycled in an environment friendly manner which reduces the burden on landfill site which makes it better for the environment. The dry waste that weighs around 11 tons is being recycled during the year in an environment-friendly manner.



## Reduction of Business Travel

Transportation is one of those sectors which considerably contribute to Greenhouse Gas (GHGs) emission and phenomenon of climate change. MCB Bank is committed to play 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.



## Carbon Footprint 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 50+tons of CO2 emissions to the environment as compared to the baseline year.



## Green Banking Web-Page

A dedicated webpage on Green Banking under the heading of 'Social and Environmental Responsibility' has been made available on the MCB Corporate Website. This webpage has facilitated the Bank in terms of updating stakeholders regarding Green Initiatives undertaken by the Bank.

# 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	Needs & Interests	Engagement frequency	Mode of consultation / interaction
 Institutional Investors / Shareholders / Analysts	<ul style="list-style-type: none"> <li>To deliver relevant and timeous information to existing and potential shareholders</li> <li>To keep shareholders posted to ensure that our shares are traded at a fair value</li> <li>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</li> </ul>	Sustainable performance, dividend payout, return on equity, return on assets, earning per share, future growth strategy, corporate governance, risk management, compliance with rules and regulations.	Quarterly, semi-annually and annually  When the need arises	<ul style="list-style-type: none"> <li>Quarter, semi-annual and annual financial statements</li> <li>Annual General Meeting</li> <li>Participation in local and international road shows</li> <li>Press releases / Media announcements</li> <li>Communications and answering investor / analyst questions</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>Integral to deliver strategic objectives</li> <li>Our most important and valued ambassador</li> <li>To ensure that we remain an employer of choice by providing a safe, positive and inspiring working environment</li> <li>To understand and respond the needs and concerns of our staff members</li> <li>To educate our staff regarding strategic direction and to communicate the pertinent information relating to bank activities</li> <li>Continuously encouraging employees and working towards creating a healthy, ethical and supportive work environment</li> </ul>	Career development and Advancement, competitive remuneration, effective performance management, equal opportunity along with safe, positive and inspiring 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: <ul style="list-style-type: none"> <li>Regular electronic and printed newsletters</li> <li>Compliance letters</li> <li>Annual conference</li> <li>Strategy sessions</li> <li>Grievance reporting procedure</li> <li>One Bank, One Team sessions with senior management</li> </ul>

Stakeholders	Stakeholder worthiness and reasons of engagement	Needs & Interests	Engagement frequency	Mode of consultation / interaction
 <p>Customers</p>	<ul style="list-style-type: none"> <li>To win and maintain customers by developing and providing products and services to improve the brand.</li> <li>To understand the growing financial services needs of our customers.</li> <li>To provide better solution and advice to our customers' financial requirements</li> <li>To ensure accuracy of our customers respective information.</li> <li>Integral to achieve strategic objectives</li> </ul>	<p>Innovative &amp; bespoke financial services/solutions, excellent customer service, convenience in accessibility, responsible banking services, confidentiality, integrity and accountability, security for customer's investments.</p>	<p>Regular interaction of customers through branch staff</p> <p>Dependent on customers' specific requirements</p>	<ul style="list-style-type: none"> <li>Spreading the geographical boundaries through opening more branches across the country.</li> <li>Continuously innovating in product suite and operational process to meet customer requirements in the most efficient manner.</li> <li>Interaction through our branches, relationship managers, call centers, social media, surveys and various advertising activities</li> </ul>
 <p>Suppliers/Service Providers</p>	<ul style="list-style-type: none"> <li>Adhere to proper procurement regulations while maintaining good business relationships with the service providers</li> </ul>	<p>Long-term work relationship, prompt payments, transparency &amp; confidentiality, adherence to contractual terms and conditions.</p>	<p>Routine basis/ When the need arises</p>	<ul style="list-style-type: none"> <li>Rigorously following internal procurement policy and upgrading the policy regularly to ensure strong control and fair treatment of suppliers.</li> </ul>
 <p>Regulator</p>	<ul style="list-style-type: none"> <li>To maintain open, honest and transparent relationships with the regulator</li> <li>To ensure meticulous compliance with legal and regulatory requirements</li> <li>Develop legislation and policies that impact the environment in which we operate</li> </ul>	<p>Compliance with all legal and regulatory requirements, corporate governance, , risk management, sustainable business practices.</p>	<p>Daily, weekly, quarterly</p> <p>When the need arises</p>	<ul style="list-style-type: none"> <li>Active engagement with regulator improves level of compliance these engagements include meetings with representative of regulator and written communications on need basis</li> <li>One-on-one Meetings</li> <li>Submission of applicable statutory returns Responding / enquiring various queries / information</li> </ul>
 <p>Communities</p>	<ul style="list-style-type: none"> <li>To have best collaboration with our community for delivering our social responsibilities</li> <li>To obtain input from communities regarding key focus areas</li> <li>To create awareness of our integrated sustainability commitments and initiatives</li> <li>Conducting business without causing disruptions in the society</li> </ul>	<p>Socially responsible activities, employment opportunities, financial resilience, financial inclusion, community development, ethical business practices.</p>	<p>When the need arises</p>	<p>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.</p> <p>The bank is consistent in support for community development projects and interaction with a wide range of non-profit organizations.</p> <p>Enhancing financial access to marginalized population and most importantly, adding value to the society by being a good and transparent corporate citizen.</p>

## 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](http://www.mcb.com.pk) to promote investor relations and facilitate access to the Bank for grievance / other query registration.

## 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.

## Summary of the Analyst Briefings

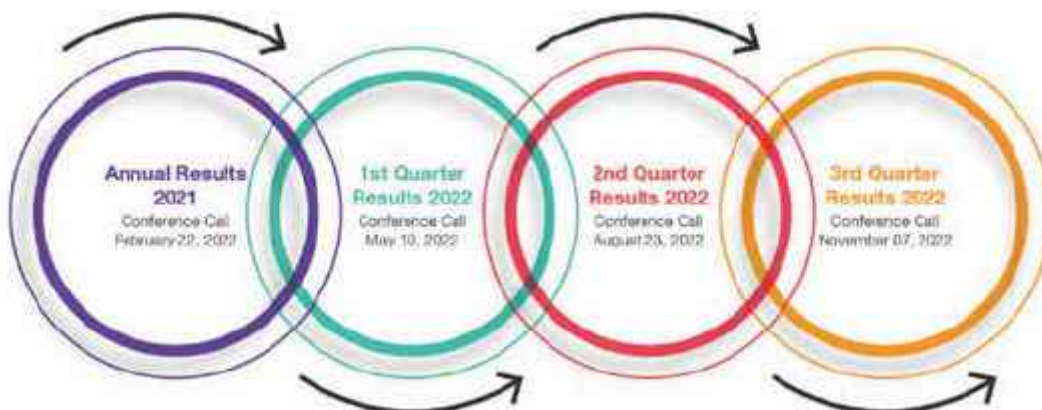
Analyst briefings are interactive sessions between the management of the Bank and the investor community whereby the Bank takes the opportunity to apprise the local and foreign investors about the business environment and economic indicators of the country, explain its financial performance, competitive 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 vide teleconferencing and during the year four analysts briefing were held on following dates;



In addition to the above-mentioned regular teleconferencing sessions, during the year, the Bank's 'Corporate Analyst Briefing' Session was held on November 07, 2022. The session was held remotely in attendance of members of the Bank, shareholders and analysts. 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 74<sup>th</sup> Annual General Meeting of the shareholders of MCB Bank Limited was held on Tuesday, March 29, 2022 at 11:00 am, Nishat Hotel, Emporium Mall, Lahore. 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 and the Company Secretary.

The company secretary invited the CFO to present key highlights of the audited financial statements for the year 2021 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.

Citing prevailing uncertainty about the future path of global energy and food prices amidst the geopolitical tensions and its repercussion for the domestic inflationary indicators, one of the shareholders enquired about the prospect of further monetary policy tightening in 2022 and the corresponding interest rate trajectory. Responding to the query, the CFO stated that while the country was confronted with a surge in inflationary pressures, the challenges on the political and fiscal side combined with external account imbalances had further exacerbated the downside side risks. Hence, the management of the Bank expects further tightening in SBP's monetary policy stance in order to anchor country's inflationary outlook and keep real interest rates at a level that supports sustainable economic growth. He further added that the Bank's management was proactively monitoring the evolving scenario and remains committed to delivering optimum return for the shareholders.

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 remained one of the prime stocks traded in the Pakistan equity market, which is appropriately reflected in its market capitalization; one of the highest in the financial institution category as at December 31, 2021.

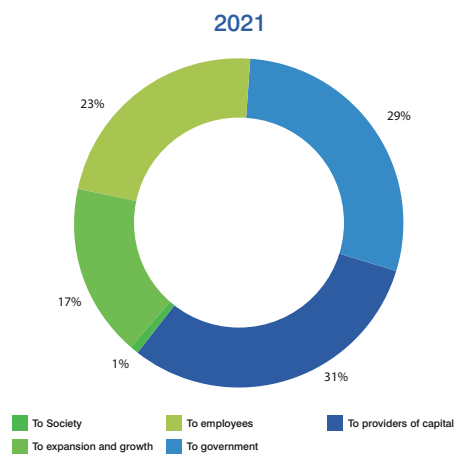
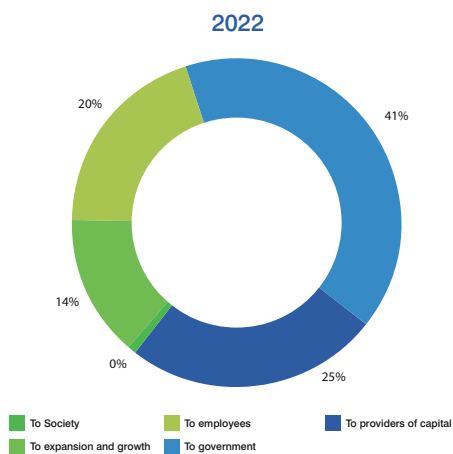
The shareholders appreciated the services of the Board of Directors for its visionary approach and collective wisdom reflected in the sound financial performance of the Bank.

Following businesses were also discussed during the AGM:

- Consideration and approval of Annual Accounts of 2021
- Approval of Final Cash dividend for the year 2021
- Appointment of External Auditors

# Statement of Value Added

	2022 PKR (mln)	%	2021 PKR (mln)	%
<b>Value Added</b>				
Net interest income	87,156		63,987	
Non interest income	24,613		20,074	
Operating expenses excluding staff costs, depreciation, amortization	(20,062)		(16,215)	
Provision against advances, investments & others	2,782		4,823	
<b>Value added available for distribution</b>	<b>94,489</b>		<b>72,669</b>	
<b>Distribution of value added:</b>				
<b>To employees</b>				
Remuneration, provident fund and other benefits	19,020	20.13%	16,940	23.31%
<b>To government</b>				
Income tax	38,624	40.88%	21,178	29.14%
<b>To providers of capital</b>				
Cash dividends to shareholders	23,701	25.08%	22,516	30.98%
<b>To Society</b>				
Donations	1	0.00%	8	0.01%
<b>To expansion and growth</b>				
Depreciation, amortization, Retained Earnings & Reserves	13,142	13.91%	12,027	16.55%
	<b>94,489</b>	<b>100%</b>	<b>72,669</b>	<b>100%</b>





**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, 2022, 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 53 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, 2022 and of the profit and other comprehensive income, 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	<b>Provision against advances</b>	
	<p>(Refer notes 3.4, 6.4 and 11.4 to the unconsolidated financial statements).</p> <p>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).</p> <p>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.</p>	<p>Our audit procedures to verify provision against advances included, amongst others, the following:</p> <p>We obtained an understanding of the design and tested the operating effectiveness of relevant controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing advances.</p> <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> <li>controls over correct classification of non-performing advances on time-based criteria;</li> </ul>



S. No.	Key Audit Matter	How the matter was addressed in our audit
	<p>The PRs also require the creation of general provision for certain categories of advances.</p> <p>Provision against advances of overseas branches is made as per the requirements of the respective regulatory regimes.</p> <p>As at December 31, 2022, the Bank holds a total provision of Rs. 44,172.353 million against advances in the unconsolidated financial statements of the Bank.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria;</li> <li>• controls over accurate computation and recording of provisions; and</li> <li>• controls over the governance and approval process related to provisions, including continuous reassessment by the management.</li> </ul> <p>We selected a sample of loan accounts and performed the following substantive procedures:</p> <ul style="list-style-type: none"> <li>• checked repayments of loan / mark-up installments and tested classification of non-performing advances based on the number of days overdue; and</li> <li>• 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 and discussions with the management.</li> </ul> <p>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.</p> <p>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.</p>

#### 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 the 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.

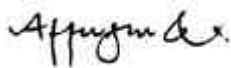
We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

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 06, 2023**

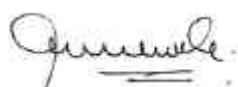
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# Unconsolidated Statement of Financial Position

As at December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>ASSETS</b>			
Cash and balances with treasury banks	7	96,368,918	164,613,179
Balances with other banks	8	24,872,110	18,830,310
Lendings to financial institutions	9	50,415,768	42,467,110
Investments	10	978,731,140	1,035,585,496
Advances	11	753,399,576	589,711,091
Fixed assets	12	79,918,324	57,327,871
Intangible assets	13	801,117	978,785
Deferred tax assets	14	7,547,068	–
Other assets	15	93,301,143	60,954,606
		2,085,355,164	1,970,468,448
<b>LIABILITIES</b>			
Bills payable	17	39,136,884	24,589,644
Borrowings	18	340,237,265	269,525,556
Deposits and other accounts	19	1,378,717,068	1,411,851,527
Liabilities against assets subject to finance lease		–	–
Subordinated debt		–	–
Deferred tax liabilities	14	–	729,424
Other liabilities	20	137,769,297	89,364,889
		1,895,860,514	1,796,061,040
<b>NET ASSETS</b>			
		189,494,650	174,407,408
<b>REPRESENTED BY</b>			
Share capital	21	11,850,600	11,850,600
Reserves	22	88,578,024	84,602,024
Surplus on revaluation of assets - net	23	18,640,651	14,271,517
Unappropriated profit		70,425,375	63,683,267
		189,494,650	174,407,408
<b>CONTINGENCIES AND COMMITMENTS</b>			
	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



**Mian Umer Mansha**  
Director



**Shahzad Hussain**  
Director



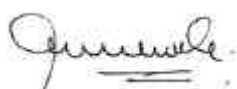
**Muhammad Ali Zeb**  
Director

## Unconsolidated Profit and Loss Account

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
Mark-up / return / interest earned	26	200,763,193	123,334,306
Mark-up / return / interest expensed	27	113,607,359	59,347,404
Net mark-up / interest income		87,155,834	63,986,902
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	28	14,181,818	12,439,679
Dividend income		2,413,620	2,251,473
Foreign exchange income		9,159,404	3,734,284
Income from derivatives		33,148	14,035
(Loss) / gain on securities	29	(1,464,224)	810,850
Other income	30	289,536	823,415
Total non-markup / interest income		24,613,302	20,073,736
Total income		111,769,136	84,060,638
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	31	41,494,758	35,380,554
Workers welfare fund		1,427,303	1,039,786
Other charges	32	264,373	473,716
Total non-markup / interest expenses		43,186,434	36,894,056
Profit before provisions		68,582,702	47,166,582
(Reversals) / provisions and write offs - net	33	(2,782,463)	(4,822,728)
Extra ordinary / unusual items		–	–
<b>PROFIT BEFORE TAXATION</b>		71,365,165	51,989,310
Taxation	34	38,624,230	21,178,263
<b>PROFIT AFTER TAXATION</b>		32,740,935	30,811,047
		<b>(Rupees)</b>	
<b>Basic and diluted earnings per share</b>	35	27.63	26.00

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



**Mian Umer Mansha**  
Director



**Shahzad Hussain**  
Director



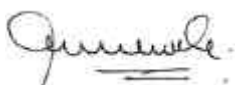
**Muhammad Ali Zeb**  
Director

# Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	2022	2021
	(Rupees in '000)	
<b>Profit after taxation for the year</b>	32,740,935	30,811,047
<b>Other comprehensive income / (loss)</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Effect of translation of net investment in foreign branches	701,906	824,584
Movement in (deficit) / surplus on revaluation of investments - net of tax	(14,343,651)	(12,978,358)
	(13,641,745)	(12,153,774)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(301,720)	37,922
Movement in surplus on revaluation of operating fixed assets - net of tax	18,723,033	(147,019)
Movement in surplus on revaluation of non-banking assets - net of tax	82,879	124,017
	18,504,192	14,920
<b>Total comprehensive income</b>	<b>37,603,382</b>	<b>18,672,193</b>

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



**Shoab Mumtaz**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Shahzad Hussain**  
Director



**Muhammad Ali Zeb**  
Director

# Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2022


	Share capital		Capital reserve			Statutory reserve	Revenue reserve		Surplus/(deficit) on revaluation of		Unappropriated profit	Total
	Share capital	Share premium	Non-distributable capital reserve	Exchange translation reserve	General reserve		Investments	Fixed / non-banking assets				
<b>Balance as at December 31, 2020</b>	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		
<b>Total comprehensive income for the year ended December 31, 2021</b>	-	-	-	824,584	-	-	-	-	30,811,047	30,811,047		
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	(12,978,358)	(23,002)	37,922	(12,138,854)		
Other comprehensive loss - net of tax	-	-	-	824,584	-	-	(12,978,358)	(23,002)	(3,081,105)	18,672,193		
Transfer to statutory reserve	-	-	-	-	3,081,105	-	-	(82,067)	82,067	-		
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(115,263)	115,263	-		
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	(250,211)	250,211	-		
Surplus realized on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	-	-	-	-		
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-	-	-	-	(17,775,900)	(17,775,900)		
Final cash dividend at Rs. 15.0 per share - December 31, 2020	-	-	-	-	-	-	-	-	(5,332,770)	(5,332,770)		
Interim cash dividend at Rs. 4.5 per share - March 31, 2021	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)		
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)		
<b>Balance as at December 31, 2021</b>	11,850,600	23,751,114	908,317	3,701,067	37,641,526	18,600,000	(4,738,726)	19,010,242	63,683,267	174,407,408		
<b>Total comprehensive income for the year ended December 31, 2022</b>	-	-	-	701,906	-	-	-	-	32,740,935	32,740,935		
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	-	(14,343,651)	18,805,912	(301,720)	4,862,447		
Other comprehensive income - net of tax	-	-	-	701,906	-	-	(14,343,651)	18,805,912	32,439,215	37,603,382		
Transfer to statutory reserve	-	-	-	-	3,274,094	-	-	-	(3,274,094)	-		
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(76,031)	76,031	-		
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	(3,140)	3,140	-		
Surplus realized on disposal of non-banking assets - net of tax	-	-	-	-	-	-	-	(13,956)	13,956	-		
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)		
Final cash dividend at Rs. 5.0 per share - December 31, 2021	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)		
Interim cash dividend at Rs. 5.0 per share - March 31, 2022	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)		
Interim cash dividend at Rs. 4.0 per share - June 30, 2022	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)		
Interim cash dividend at Rs. 5.0 per share - Sep 30, 2022	-	-	-	-	-	-	-	-	(22,516,140)	(22,516,140)		
<b>Balance as at December 31, 2022</b>	11,850,600	23,751,114	908,317	4,402,973	40,915,620	18,600,000	(19,082,376)	37,723,027	70,425,375	189,494,650		

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 Mumtaz**  
 President/Chief Executive

  
**Hammad Khalid**  
 Chief Financial Officer

  
**Mian Umer Mansha**  
 Director

  
**Shahzad Hussain**  
 Director

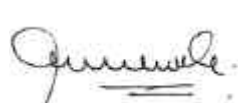
  
**Muhammad Ali Zeb**  
 Director

# Unconsolidated Cash Flow Statement

For the year ended December 31, 2022

Note	2022 (Rupees in '000)	2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	71,365,165	51,989,310
Less: Dividend income	(2,413,620)	(2,251,473)
	68,951,545	49,737,837
Adjustments:		
Depreciation on fixed assets	12.2 2,375,622	2,176,394
Depreciation on right-of-use assets	31 1,327,442	1,201,974
Depreciation on non-banking assets acquired in satisfaction of claims	31 23,389	35,544
Amortisation	13 376,802	316,984
(Reversals) / provisions and write offs - net	33 (2,782,463)	(4,822,728)
Workers welfare fund	1,427,303	1,039,786
Gain on sale of non-banking assets acquired in satisfaction of claims	30 (6,817)	(571,449)
Charge for defined benefit plan	31.1 209,051	289,144
Gain on sale of fixed assets	30 (112,091)	(106,456)
Gain on termination of lease liability against right-of-use assets	30 (58,837)	(54,854)
Unrealized loss on revaluation of investments classified as held for trading	29 -	12
Interest expensed on lease liability against right-of-use assets	27 1,174,390	914,209
	3,953,791	418,560
	72,905,336	50,156,397
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	(7,948,658)	(25,327,657)
Held-for-trading securities	12,455	1,296,425
Advances	(161,164,764)	(121,904,642)
Others assets (excluding advance taxation)	(28,935,480)	(5,202,789)
	(198,036,447)	(151,138,663)
<b>Increase / (decrease) in operating liabilities</b>		
Bills Payable	14,547,240	608,952
Borrowings from financial institutions	71,558,140	104,261,218
Deposits	(33,134,459)	122,349,223
Other liabilities (excluding current taxation)	32,522,192	6,229,912
	85,493,113	233,449,305
Defined benefits paid	(292,346)	(250,977)
Income tax paid	(28,106,042)	(21,496,866)
Net cash flow (used in) / from operating activities	(68,036,386)	110,719,196
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net divestment / (investment) in available-for-sale securities	35,690,276	(35,187,427)
Net investment in held-to-maturity securities	(200,831)	(6,276,699)
Dividends received	2,409,247	2,281,375
Investments in fixed assets	(4,391,456)	(2,764,311)
Investments in Intangible assets	(206,988)	(356,679)
Proceeds from sale of fixed assets	200,139	398,773
Proceeds from sale of non-banking assets acquired in satisfaction of claims	153,500	2,052,928
Investment in subsidiary	(4,000,000)	-
Effect of translation of net investment in foreign branches	701,906	824,584
Net cash flow from / (used in) investing activities	30,355,793	(39,027,456)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	36.1 (21,807,509)	(34,036,857)
Payment of lease liability against right-of-use-assets	36.1 (1,867,928)	(1,685,366)
Net cash flow used in financing activities	(23,675,437)	(35,722,223)
Effects of exchange rate changes on cash and cash equivalents	9,600,163	5,341,973
<b>Increase in cash and cash equivalents</b>	(51,755,867)	41,311,490
Cash and cash equivalents at beginning of the year	172,183,208	140,471,881
<b>Cash and cash equivalents at end of the year</b>	36 120,427,341	181,783,371

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



**Shoab Mumtaz**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Shahzad Hussain**  
Director



**Muhammad Ali Zeb**  
Director



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 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 1,439 branches (2021: 1,426 branches) within Pakistan and 9 branches (2021: 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 and International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) through BSD Circular Letter 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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

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 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, 2022. 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, 2023:

	Effective date (annual periods beginning on or after)
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	January 01, 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
Amendment to IFRS 16 – Leases on sale and leaseback	January 01, 2024
Amendment to IAS 1 – Non current liabilities with covenants	January 01, 2024

### IFRS 9 - Financial Instruments

As directed by SBP via BPRD Circular No 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after January 01, 2023 for banks having asset base of more than Rs. 500 billion as at December 31, 2021. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

During 2022, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

#### Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

#### Classification and measurement

The classification and measurement of financial assets will base on the business model within which

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

they are held and their contractual cash flow characteristics. Financial assets that do not meet the solely payments of principal and interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL').

The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows ('hold to collect'), and where those contractual cash flows are solely payments of principal and interest (SPPI). Assets may be sold out of 'hold to collect' portfolios where there is an increase in credit risk. Disposals for other reasons are permitted but such sales should be insignificant in value or infrequent in nature.

Debt instruments where the business model objectives are achieved by collecting the contractual cash flows and by selling the assets ('hold to collect and sell') and that have SPPI cash flows are held at FVOCI, with unrealised gains or losses deferred in reserves until the asset is derecognised.

The classification of equity instruments is generally measured at FVTPL unless the Bank, at initial recognition, irrevocably designates as FVOCI but both unrealized and realised gains or losses are recognised in reserves and no amounts other than dividends received are recognised in the income statement.

All other financial assets will mandatorily be held at FVTPL. Financial assets may be designated at FVTPL only if doing so eliminates or reduces an accounting mismatch.

The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

## Equity Securities

The Bank expects to continue measuring at fair value all financial assets currently held at fair value.

For equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on adoption. However, in accordance with IFRS 9 requirements, fair value gain or losses recognized in OCI will not be recycled to profit and loss account on derecognition of these securities. Expected credit losses are not recognised for equity instruments designated at FVOCI.

Unquoted equity securities are required to be measured at fair value under IFRS 9, however, SBP has allowed relaxation to the banks till one year to carry these investments under the current PR regime.

## Debt securities and Loans and advances

Debt securities currently classified as AFS and those passing the SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those passing the SPPI test are expected to be measured at amortised cost under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows.

## Impairment of financial assets not held at FVTPL

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for Expected Credit Losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

is recognised are categorized in 'stage 1'; financial assets that are considered to have experienced a SICR are categorized in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are categorized in 'stage 3'.

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SICR, Probability of Default, Loss Given Default and Exposure at Default. These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Bank expects to receive, including any form of collateral.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For calculating ECL, the Bank shall classify its financial assets under three following categories:

- a) Stage 1: Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Bank shall recognize an allowance based on the 12-month ECL.
- b) Stage 2: Under-Performing Assets: Financial assets where there has been a SICR since initial recognition, but they are not credit impaired, the Bank shall recognize an allowance for the lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.
- c) Stage 3: Non-Performing Assets: Financial assets which have objective evidence of impairment at the reporting date. The Bank shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential regulations.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply. An exposure cannot be upgraded from Stage 3 to 1 directly and should be upgraded to Stage 2 initially.

## Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., stage 2.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, stage 1 and stage 2 provisions would be made as per IFRS 9 ECL framework and stage 3 provision would be higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

## Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Bank's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

The State Bank of Pakistan is yet to issue a revised format for financial statements of the banks for the accounting periods starting from January 01, 2023, which shall include the presentation and disclosures of adoption of IFRS 9 as applicable in Pakistan.

## Impact of adoption of IFRS 9

The Bank will adopt IFRS 9 in its entirety effective January 01, 2023 with modified retrospective approach for restatement. As permitted by IFRS-9, the Bank will not be restating comparatives on initial application. The cumulative impact of initial application will be recorded as an adjustment to equity at the beginning of the accounting period.

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

## Impact on Equity of the Bank

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at January 01, 2023 is reduction in equity of approximately Rs. 3,050.368 million, representing corresponding impact of:

- An increase of approximately Rs. 3,422.521 million (net of tax) related to impairment requirements; and
- Adjustment of approximately Rs. 372.153 million related to classification and measurement requirements, other than impairment.

The Bank continues to refine its expected credit loss model and embed its operational processes which may change the actual impact on adoption.

## Impact on regulatory capital

The Banks are allowed to include provisions for stage 1 and stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the Banks to absorb the impact on regulatory capital. Accordingly, Banks, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP's Guideline for absorption of ECL for CAR Purposes as mentioned in Annexure-C of BPRD Circular no 3 of 2022.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

The estimated impact of initial adoption of IFRS 9 on the Bank's capital ratios, without accounting for the allowed transitional arrangement, is as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	16.53%	16.32%
Tier 1 Capital Adequacy Ratio	16.53%	16.32%
Total Capital Adequacy Ratio	19.06%	18.84%
CET1 available to meet buffers (as a percentage of risk weighted assets)	9.03%	8.82%

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, 2023 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 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

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

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, amortisation, 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.

**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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 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 of buildings 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.

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.



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 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 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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 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.

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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 6.5.1 Intangible assets

Intangible assets are stated at cost less accumulated amortisation 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
- 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 statement of comprehensive income in the period of occurrence.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

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'.

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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 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.
- Fee, brokerage and commission income is recognized 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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 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.

### 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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 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, 2022

	Note	2022 (Rupees in '000)	2021
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		29,535,358	22,275,982
Foreign currencies		7,366,137	6,201,240
		36,901,495	28,477,222
With State Bank of Pakistan in			
Local currency current account	7.1	51,724,040	81,786,372
Local currency special deposit account	7.2	–	979,736
Foreign currency current accounts	7.3	2,227,841	2,315,211
Foreign currency deposit account	7.4	–	10,550,168
		53,951,881	95,631,487
With other central banks in			
Foreign currency current accounts	7.5	5,208,115	6,728,135
With National Bank of Pakistan in			
Local currency current accounts		142,820	33,521,087
Prize bonds		164,607	255,248
		96,368,918	164,613,179

**7.1** This represents current account maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

**7.2** This represents amount placed in a special account with SBP against shortfall in meeting monthly disbursement targets advised by SBP under Mera Pakistan Mera Ghar (MPMG).

**7.3** These represents foreign currencies settlement accounts maintained with SBP.

**7.4** This represents account maintained with the SBP to comply with the Cash Reserves in US\$ equivalent of their total FE-25 deposits on daily basis. The Bank is maintaining Nil balance as of December 31, 2022 as allowed by SBP for a short term.

**7.5** 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	2022 (Rupees in '000)	2021
<b>8. BALANCES WITH OTHER BANKS</b>			
Outside Pakistan			
In current account		17,700,810	8,494,144
In deposit account	8.1	7,171,300	10,336,166
		24,872,110	18,830,310
		24,872,110	18,830,310

**8.1** Balances with other banks outside Pakistan in deposit accounts carry interest rate of 3.00% to 24.00% (2021: 0.40% to 6.00%) per annum.

	Note	2022 (Rupees in '000)	2021
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lendings	9.1	23,736,012	27,571,021
Repurchase agreement lendings (Reverse Repo)	9.2	26,679,756	14,896,089
		50,415,768	42,467,110



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

- 9.1** Call money lending carries mark-up rate ranging from 4.40% to 14.50% (2021: 0.15% to 10.45%) per annum and is due to mature in January 2023.
- 9.2** Repurchase agreement lendings carry mark-up rate ranging from 16.00% to 16.55% (2021: 10.50% to 10.70%) per annum and is due to mature in January 2023.

		2022		2021	
		(Rupees in '000)			
<b>9.3</b>	<b>Particulars of lending</b>				
	In local currency		26,679,756		18,396,089
	In foreign currencies		23,736,012		24,071,021
			50,415,768		42,467,110

		2022			2021		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
		(Rupees in '000)					
<b>9.4</b>	<b>Securities held as collateral against lendings to financial institutions</b>						
	Market Treasury Bills	26,679,756	-	26,679,756	14,896,089	-	14,896,089

## 10. INVESTMENTS

### 10.1 Investments by type:

		2022				2021			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
		(Rupees in '000)							
		<b>Held-for-trading securities</b>							
	Federal Government Securities	-	-	-	-	12,467	-	(12)	12,455
		-	-	-	-	12,467	-	(12)	12,455
		<b>Available-for-sale securities</b>							
	Federal Government Securities	946,651,272	(134,427)	(32,744,038)	913,772,807	977,660,377	(22,288)	(9,111,067)	968,527,022
	Shares and units	28,270,391	(9,618,325)	(723,632)	17,928,434	31,011,555	(10,096,489)	1,342,189	22,257,255
	Non Government Debt Securities	2,953,840	-	5,782	2,959,622	1,443,840	-	5,900	1,449,740
	Foreign Securities	4,134,882	(1,232)	(15,965)	4,117,685	7,557,240	(1,748)	(5,424)	7,550,068
		982,010,385	(9,753,984)	(33,477,853)	938,778,548	1,017,673,012	(10,120,525)	(7,768,402)	999,784,085
		<b>Held-to-maturity securities</b>							
	Federal Government Securities	15,477,681	(98,464)	-	15,379,217	14,360,970	(52,637)	-	14,308,333
	Provincial Government Securities	118	(118)	-	-	118	(118)	-	-
	Non Government Debt Securities	8,032,203	(477,541)	-	7,554,662	8,155,476	(477,541)	-	7,677,935
	Foreign Securities	-	-	-	-	792,607	(8,632)	-	783,975
		23,510,002	(576,123)	-	22,933,879	23,309,171	(538,928)	-	22,770,243
	<b>Associates</b>	700,401	-	-	700,401	700,401	-	-	700,401
	<b>Subsidiaries</b>	16,318,312	-	-	16,318,312	12,319,037	(725)	-	12,318,312
	<b>Total Investments</b>	1,022,539,100	(10,330,107)	(33,477,853)	978,731,140	1,054,014,088	(10,660,178)	(7,768,414)	1,035,585,496

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

Note	2022				2021				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	
(Rupees in '000)									
<b>10.2</b>	<b>Investments by segments:</b>								
	<b>Federal Government Securities</b>								
Market Treasury Bills	131,583,990	-	(698,933)	130,885,057	325,536,276	-	(478,211)	325,058,065	
Pakistan Investment Bonds	817,629,996	-	(29,326,723)	788,303,273	660,197,527	-	(8,648,559)	651,548,968	
Sukuks bonds	-	-	-	-	434,622	(1,410)	16,014	449,226	
Islamic Naya Pakistan Certificates	4,801,864	-	-	4,801,864	925,513	-	-	925,513	
Euro Bonds	8,113,103	(232,891)	(2,718,382)	5,161,830	4,939,876	(73,515)	(323)	4,866,038	
	962,128,953	(232,891)	(32,744,038)	929,152,024	992,033,814	(74,925)	(9,111,079)	982,847,810	
	<b>Provincial Government Securities</b>								
	118	(118)	-	-	118	(118)	-	-	
	<b>Shares and units</b>								
Listed Companies	26,641,320	(9,431,098)	(723,632)	16,486,590	29,382,484	(9,923,898)	1,342,189	20,800,775	
Unlisted Companies	1,629,071	(187,227)	-	1,441,844	1,629,071	(172,591)	-	1,456,480	
	28,270,391	(9,618,325)	(723,632)	17,928,434	31,011,555	(10,096,489)	1,342,189	22,257,255	
	<b>Non Government Debt Securities</b>								
Listed	4,570,731	-	5,782	4,576,513	4,234,441	(3,469)	5,900	4,236,872	
Unlisted	6,415,312	(477,541)	-	5,937,771	5,364,875	(474,072)	-	4,890,803	
	10,986,043	(477,541)	5,782	10,514,284	9,599,316	(477,541)	5,900	9,127,675	
	<b>Foreign Securities</b>								
Government securities	4,128,352	-	(15,965)	4,112,387	8,342,536	(8,632)	(5,424)	8,328,480	
Unlisted equity securities	6,530	(1,232)	-	5,298	7,311	(1,748)	-	5,563	
	4,134,882	(1,232)	(15,965)	4,117,685	8,349,847	(10,380)	(5,424)	8,334,043	
	<b>Associates</b>								
- Adamjee Insurance Company Limited	10.8	647,880	-	-	647,880	-	-	647,880	
- Euronet Pakistan (Private) Limited		52,521	-	-	52,521	-	-	52,521	
		700,401	-	-	700,401	-	-	700,401	
	<b>Subsidiaries</b>								
MCB Islamic Bank Limited	10.9	15,550,000	-	-	15,550,000	-	-	11,550,000	
MCB Arif Habib Savings and Investments Limited		320,123	-	-	320,123	-	-	320,123	
Financial Management Services (Pvt) Limited	10.10	-	-	-	725	(725)	-	-	
MCB Non-Bank Credit Organization Closed Joint Stock Company		448,189	-	-	448,189	-	-	448,189	
		16,318,312	-	-	16,318,312	(725)	-	12,318,312	
<b>Total Investments</b>		1,022,539,100	(10,330,107)	(33,477,853)	978,731,140	1,054,014,088	(10,660,178)	(7,768,414)	1,035,585,496

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>10.2.1 Investments given as collateral</b>			
- Market Treasury Bills		32,722,107	107,136,184
- Pakistan Investment Bonds		191,811,500	53,303,403
		224,533,607	160,439,587
<b>10.3 Provision for diminution in value of investments</b>			
<b>10.3.1</b> Opening balance		10,660,178	10,652,723
Exchange and other adjustments		27,649	570
Charge / (reversals)			
Charge for the year		2,483,239	935,164
Reversals for the year		-	(18,390)
Reversal on disposals		(2,840,234)	(909,889)
		(356,995)	6,885
Amounts written off		(725)	-
Closing balance	10.3.3	10,330,107	10,660,178

### 10.3.2 Particulars of provision against debt securities

#### Category of classification

	2022		2021	
	Non Performing Investments	Provision	Non Performing Investments	Provision
	(Rupees in '000)			
<b>Domestic</b>				
Loss	477,659	477,659	477,659	477,659
	477,659	477,659	477,659	477,659

**10.3.3** This includes a general provision of Rs. 232.891 million (December 31, 2021: Rs. 83.557 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;

	2022	2021
	Cost	
	(Rupees in '000)	
<b>Federal Government Securities - Government guaranteed</b>		
Market Treasury Bills	131,583,990	325,523,809
Pakistan Investment Bonds	804,899,596	647,475,027
Euro Bonds	5,365,822	3,301,406
Sukuk Bonds	-	434,622
Islamic Naya Pakistan Certificates	4,801,864	925,513
	946,651,272	977,660,377

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	Cost	
	(Rupees in '000)	
<b>Listed Companies and mutual funds</b>		
Automobile Assembler	1,456,200	1,551,062
Automobile Parts and Accessories	211,460	413,930
Cable and Electrical Goods	13,412	536,448
Cement	1,832,837	2,333,482
Chemical	508,654	634,587
Close end Mutual Fund	1,186,851	1,186,851
Commercial Banks	4,539,180	3,897,895
Engineering	1,186,104	1,550,301
Fertilizer	2,247,845	2,800,992
Food and Personal Care Products	1,417,443	1,122,096
Glass and Ceramics	–	89,048
Insurance	775,120	753,786
Investment Banks / Investment Companies / Securities Companies	585,624	585,624
NIT Units	5,253	5,253
Oil and Gas Exploration Companies	3,552,340	3,968,160
Oil and Gas Marketing Companies	294,292	683,965
Open End Mutual Fund	96,361	96,361
Paper and Board	562,738	543,706
Pharmaceuticals	1,020,578	1,048,524
Power Generation and Distribution	3,191,306	3,454,440
Refinery	–	684,113
Technology and Communication	1,737,566	1,296,309
Textile composite	203,987	129,382
Textile spinning	16,169	16,169
	<b>26,641,320</b>	<b>29,382,484</b>

	2022		2021	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
<b>Unlisted Companies</b>				
Central Depository Company Limited	184,426	929,121	184,426	819,324
First Capital Investment Private Limited	2,500	2,633	2,500	2,831
First Women Bank Limited	63,300	215,838	63,300	215,838
ISE Towers REIT Management Company Limited	30,346	105,977	30,346	101,804
National Investment Trust Limited	1,027,651	1,820,462	1,027,651	2,006,567
National Institutional Facilitation Technologies	1,527	44,622	1,527	35,899
Pak Agro Storage And Service Corporation	2,500	1,614,513	2,500	1,567,552
1 Link Private Limited	50,000	428,290	50,000	267,895
Naymat Collateral Management Company	29,286	13,824	29,286	21,021
Pakistan Corporate Restructuring Company	51,396	40,771	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	–	30,177	–
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	–
Pak Elektron Limited - Preference shares	25,000	25,000	25,000	25,000
	<b>1,629,071</b>	<b>5,241,051</b>	<b>1,629,071</b>	<b>5,111,941</b>

\*These investments are fully provided.

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022		2021	
	Cost			
	(Rupees in '000)			
<b>Non Government Debt Securities</b>				
<b>Listed</b>				
- AA+, AA, AA-			1,333,840	1,193,840
- A+, A, A-			200,000	-
<b>Unlisted</b>				
- AA+, AA, AA-			1,420,000	250,000
			2022	2021
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
<b>Foreign Securities</b>				
Government debt Securities				
- Sri Lanka	4,128,352	*CC	7,549,929	Caa2
			2022	2021
	Cost			
	(Rupees in '000)			
<b>Equity Securities</b>				
<b>Unlisted Equity Securities</b>				
Lanka Clear (Private) Limited	616		874	
Credit Information Bureau of Sri Lanka	19		26	
Lanka Financial Services Bureau Limited	1,232		1,748	
Society for Worldwide Inter Fund Transfer (SWIFT)	4,663		4,663	
	6,530		7,311	
<b>10.5 Particulars relating to Held to Maturity securities are as follows:</b>				
<b>Federal Government Securities - Government guaranteed</b>				
Pakistan Investment Bonds	12,730,400		12,722,500	
Euro Bonds	2,747,281		1,638,470	
	15,477,681		14,360,970	
<b>Provincial Government Securities - Government guaranteed</b>				
	118		118	

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022		2021	
	Cost			
	(Rupees in '000)			
<b>Non Government Debt Securities</b>				
<b>Listed</b>				
- AA+, AA, AA-		2,387,040		2,387,280
- CCC and below		49,851		49,851
		<b>2,436,891</b>		<b>2,437,131</b>
<b>Unlisted</b>				
- AAA		1,799,700		–
- AA+, AA, AA-		2,300,705		4,800,967
- A+, A, A-		667,366		439,837
- BB+, BB, BB-		350,000		–
- Unrated		477,541		477,541
		<b>5,595,312</b>		<b>5,718,345</b>

	2022		2021	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
<b>Foreign Securities</b>				
<b>Government Securities</b>				
- Sri Lanka	–	–	792,607	Caa2

\*Local currency rating as the Bank has Nil investment in Foreign Currency Bonds.

- 10.5.1** The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. 19,861.244 million (December 31, 2021: Rs. 22,217.535 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 (2021: 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 (2021: 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. 200 million (2021: 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 (2021: Rs. 647.880 million) as at December 31, 2022. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2022 amounted to Rs. 1,971.900 million (2021: Rs. 2,800 million).
- 10.9** During the year, the Bank has invested Rs. 4,000 million via subscription of right shares in the ordinary share capital of MCB Islamic Bank Limited, a wholly owned subsidiary.
- 10.10** During the year, the company dissolved under members voluntary winding up.
- 10.11** 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, 2022

## 10.12 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)							
<b>2022</b>							
<b>Associates</b>							
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2022)	Pakistan	30%	898,423	(123,247)	(123,247)	989,942	958,753
Adamjee Insurance Company Limited (unaudited based on September 30, 2022)	Pakistan	20%	26,802,182	1,330,355	649,050	137,855,092	111,961,733
<b>Subsidiaries</b>							
MCB Islamic Bank Limited (audited based on December 31, 2022)	Pakistan	100.00%	18,553,458	1,548,129	1,742,327	199,039,573	182,692,691
MCB Arif Habib Savings and Investments Limited (audited based on June 30, 2022)	Pakistan	51.33%	881,912	173,362	173,362	2,232,851	798,360
MCB Non-Bank Credit Organization Closed Joint Stock Company (audited based on December 31, 2022)	Azerbaijan	99.94%	313,420	88,340	88,340	2,499,263	1,712,793
<b>2021</b>							
<b>Associates</b>							
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
<b>Subsidiaries</b>							
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

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 11. ADVANCES

Note	Performing		Non Performing		Total	
	2022	2021	2022	2021	2022	2021
(Rupees in '000)						
Loans, cash credits, running finances, etc.	735,403,086	565,230,252	50,204,881	49,404,885	785,607,967	614,635,137
Bills discounted and purchased	10,908,660	19,852,814	1,055,302	1,085,920	11,963,962	20,938,734
Advances - gross	746,311,746	585,083,066	51,260,183	50,490,805	797,571,929	635,573,871
Provision against advances						
- Specific	-	-	(41,947,778)	(44,156,471)	(41,947,778)	(44,156,471)
- General	(2,224,575)	(1,706,309)	-	-	(2,224,575)	(1,706,309)
	(2,224,575)	(1,706,309)	(41,947,778)	(44,156,471)	(44,172,353)	(45,862,780)
Advances - net of provision	744,087,171	583,376,757	9,312,405	6,334,334	753,399,576	589,711,091

### 11.1 Includes net investment in finance lease as disclosed below:

	2022				2021			
	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	1,474,363	3,050,762	676,596	5,201,721	1,494,858	1,495,106	853,040	3,843,004
Residual value	35,800	833,077	50,333	919,210	12,535	340,969	28,726	382,230
Minimum lease payments	1,510,163	3,883,839	726,929	6,120,931	1,507,393	1,836,075	881,766	4,225,234
Financial charges for future periods	(6,665)	(821,087)	(410,737)	(1,238,489)	(5,382)	(291,213)	(397,000)	(693,595)
Present value of minimum lease payments	1,503,498	3,062,752	316,192	4,882,442	1,502,011	1,544,862	484,766	3,531,639

**2022**                      **2021**  
(Rupees in '000)

### 11.2 Particulars of advances (Gross)

In local currency	754,344,065	587,623,982
In foreign currencies	43,227,864	47,949,889
	<b>797,571,929</b>	<b>635,573,871</b>

### 11.3 Advances include Rs. 51,260.183 million (2021: Rs. 50,490.805 million) which have been placed under the non-performing status as detailed below:



## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022		2021	
		Non performing loans	Provision	Non performing loans	Provision
(Rupees in '000)					
<b>Category of Classification</b>					
<b>Domestic</b>					
Other Assets Especially					
Mentioned	11.3.1	1,465,073	1,535	49,319	1,340
Substandard		112,715	27,286	264,462	65,075
Doubtful		133,474	66,737	118,054	59,027
Loss		37,693,228	37,253,871	40,666,099	40,203,253
		<u>39,404,490</u>	<u>37,349,429</u>	<u>41,097,934</u>	<u>40,328,695</u>
<b>Overseas</b>					
Not past due but impaired		–	–	–	–
Overdue by:					
Upto 90 days		434,904	218,623	38,999	14,993
91 to 180 days		16,035	4,573	12,212	5,750
181 to 365 days		134	67	109,551	54,776
>365 days		11,404,620	4,375,086	9,232,109	3,752,257
		<u>11,855,693</u>	<u>4,598,349</u>	<u>9,392,871</u>	<u>3,827,776</u>
Total		<u>51,260,183</u>	<u>41,947,778</u>	<u>50,490,805</u>	<u>44,156,471</u>

**11.3.1** This includes non-performing portfolio of agricultural financing, small enterprise financing and infrastructure project financing classified as “Other Assets Especially Mentioned” as per the requirements of respective Prudential Regulations issued by the State Bank of Pakistan.

**11.3.2** Exposure amounting to Rs. 1,769 million relating to Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan has not been classified as non performing, in accordance with a relaxation given by the SBP. However, unrealized markup has been kept in memorandum account.

### 11.4 Particulars of provision against advances

	Note	2022			2021		
		Specific	General	Total	Specific	General	Total
(Rupees in '000)							
Opening balance		44,156,471	1,706,309	45,862,780	45,142,956	5,465,459	50,608,415
Exchange adjustments		711,262	(663)	710,599	319,945	18,623	338,568
Charge for the year	11.4.3 &	947,726	579,756	1,527,482	2,340,739	179,944	2,520,683
Reversals	11.4.4	(3,793,453)	(60,827)	(3,854,280)	(3,250,860)	(3,957,717)	(7,208,577)
		<u>(2,845,727)</u>	<u>518,929</u>	<u>(2,326,798)</u>	<u>(910,121)</u>	<u>(3,777,773)</u>	<u>(4,687,894)</u>
Amounts written off	11.5	(74,228)	–	(74,228)	(396,309)	–	(396,309)
Closing balance		<u>41,947,778</u>	<u>2,224,575</u>	<u>44,172,353</u>	<u>44,156,471</u>	<u>1,706,309</u>	<u>45,862,780</u>

#### 11.4.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	36,955,756	1,537,643	38,493,399	39,981,173	1,327,163	41,308,336
In foreign currencies	4,992,022	686,932	5,678,954	4,175,298	379,146	4,554,444
	<u>41,947,778</u>	<u>2,224,575</u>	<u>44,172,353</u>	<u>44,156,471</u>	<u>1,706,309</u>	<u>45,862,780</u>

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

**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 (2021: Nil) as a result of settlement on debt asset swap arrangement with customers.

**11.4.4** 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	2022 (Rupees in '000)	2021
<b>11.5</b>	<b>Particulars of write offs:</b>		
<b>11.5.1</b>	Against Provisions	74,228	396,309
	Directly charged to Profit & Loss account	680	–
		74,908	396,309
<b>11.5.2</b>	Write Offs of Rs. 500,000 and above		
	- Domestic	74,068	384,417
	- Overseas	–	10,108
	Write Offs of below Rs. 500,000	840	1,784
		74,908	396,309

### 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, 2022 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	2022 (Rupees in '000)	2021
<b>12.</b>	<b>FIXED ASSETS</b>		
	Capital work-in-progress	1,064,714	857,736
	Property and equipment	73,138,764	50,723,894
	Right-of-use assets	5,714,846	5,746,241
		79,918,324	57,327,871
<b>12.1</b>	<b>Capital work-in-progress</b>		
	Civil works	805,081	431,382
	Equipment	92,330	1,922
	Advances to suppliers	163,858	417,309
	Others	3,445	7,123
		1,064,714	857,736

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 12.2 Property and Equipment

	2022								
	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)								
<b>At January 01, 2022</b>									
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
<b>Year ended December 31, 2022</b>									
Opening 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
Additions	363,018	-	595,394	2,415	216,297	2,560,212	186,577	262,308	4,186,221
Movement in surplus on assets revalued during the year	15,148,539	1,270,897	4,033,554	253,682	-	-	-	-	20,706,672
Disposals	(44,307)	-	(18,333)	-	(3,589)	(8,660)	(13,131)	(28)	(88,048)
Write offs	-	-	-	-	(134)	(1,041)	(568)	-	(1,743)
Depreciation charge	-	-	(546,560)	(36,212)	(160,351)	(1,349,497)	(100,822)	(182,180)	(2,375,622)
Exchange rate adjustments	-	-	(29,010)	6,404	3,167	(2,642)	(2,269)	11,740	(12,610)
Transfers	-	-	-	-	(1,152)	1,152	-	-	-
Closing net book value	41,815,212	4,173,285	18,363,594	996,555	882,966	5,391,469	519,493	996,190	73,138,764
<b>At December 31, 2022</b>									
Cost / Revalued amount	41,815,212	4,173,285	18,363,594	996,555	2,281,071	17,830,213	1,258,467	1,624,030	88,342,427
Accumulated depreciation	-	-	-	-	(1,398,105)	(12,438,744)	(738,974)	(627,840)	(15,203,663)
Net book value	41,815,212	4,173,285	18,363,594	996,555	882,966	5,391,469	519,493	996,190	73,138,764
Rate of depreciation / estimated useful life	-	-	2.50%-5.0%	2.50%-5.0%	10%	10%-25%	20%	Lease term	-
	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)								
<b>At January 01, 2021</b>									
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
<b>Year ended December 31, 2021</b>									
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
Disposal	(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
<b>At December 31, 2021</b>									
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	-

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

**12.2.1** Leasehold land include a plot of land measuring 3,120.46 square yards having book value of Rs. 1,716.250 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, 2022 by independent valuers (Pee Dee & Associates, J&M Associates, Tristar International Consultant (Pvt) Limited, Design Crafts, Ahmad Associates, Materials & Designs Services (Pvt) Limited and Dharmaratne Holdings (Pvt) Limited), valuation and engineering consultants, on the basis of market value. The total surplus against revaluation of fixed assets as at December 31, 2022 amounts to Rs. 40,516.509 million (2021: Rs. 19,947.432 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:

	2022	2021
	(Rupees in '000)	
Freehold land	10,795,107	10,474,671
Leasehold land	2,331,440	2,331,440
Building on Freehold land	11,038,005	10,907,025
Building on Leasehold land	667,585	688,597

**12.2.4** The gross carrying amount (cost) of fully depreciated assets that are still in use are as follows:

	2022	2021
	(Rupees in '000)	
Furniture and fixtures	648,355	642,688
Electrical, office and computer equipment	7,882,611	7,952,157
Vehicles	651,831	442,647

**12.2.5** Carrying amount of temporarily idle property of the Bank is Rs. 564.469 million (2021: Rs. 44.479 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	2022	2021
		(Rupees in '000)	
<b>12.3</b>	<b>Movement in right-of-use assets is as follows:</b>		
Opening balance		5,746,241	6,757,331
Additions / adjustments	12.3.1	1,423,466	405,848
Derecognition		(127,419)	(214,964)
Depreciation charge	31	(1,327,442)	(1,201,974)
Closing Net Book Value		5,714,846	5,746,241

**12.3.1** This includes impact of lease modifications pertaining to change in consideration of the lease(s), increase in scope of the lease(s) due to an extension in contractual lease terms and termination of existing lease(s) due to relocation of branches to new premises.

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>13. INTANGIBLE ASSETS</b>			
Capital work-in-progress		221,743	429,453
Computer software	13.1	579,374	549,332
		<b>801,117</b>	<b>978,785</b>

		2022 (Rupees in '000)	2021 (Rupees in '000)
<b>Computer software</b>			
<b>13.1 At January 01</b>			
Cost		4,513,840	4,185,598
Accumulated amortisation and impairment		(3,964,508)	(3,641,783)
Net Book Value		<b>549,332</b>	<b>543,815</b>
<b>Year ended December 31</b>			
Opening net book value		549,332	543,815
Additions		414,698	321,869
Amortisation charge		(376,802)	(316,984)
Exchange rate adjustments		(7,854)	632
Closing Net Book Value		<b>579,374</b>	<b>549,332</b>
<b>At December 31</b>			
Cost		4,879,476	4,513,840
Accumulated amortisation and impairment		(4,300,102)	(3,964,508)
Net Book Value		<b>579,374</b>	<b>549,332</b>
Rate of amortisation		14.29% to 33.33%	14.29% 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. 3,674.464 million (2021: Rs. 3,257.802 million).

### 14. DEFERRED TAX ASSET / ( LIABILITY ) - NET

	Note	2022 (Rupees in '000)			
		As January 01, 2022	Recognized in P&L A/C	Recognized in OCI	At December 31, 2022
<b>Taxable Temporary differences on</b>					
- Surplus on revaluation of fixed assets	23.1	(1,366,245)	58,424	(1,983,639)	(3,291,460)
- Surplus on revaluation of Non-banking assets	23.2	(274,315)	10,532	(111,886)	(375,669)
- Accelerated tax depreciation		(2,124,452)	(524,245)	-	(2,648,697)
- Receivable from pension fund		(1,255,185)	(427,287)	492,172	(1,190,300)
- Business combination		(705,218)	-	-	(705,218)
		<b>(5,725,415)</b>	<b>(882,576)</b>	<b>(1,603,353)</b>	<b>(8,211,344)</b>
<b>Deductible Temporary differences on</b>					
- Provision against advances		1,966,314	(603,379)	-	1,362,935
- Deficit on revaluation of investments	23	3,029,677	-	11,365,800	14,395,477
		<b>4,995,991</b>	<b>(603,379)</b>	<b>11,365,800</b>	<b>15,758,412</b>
		<b>(729,424)</b>	<b>(1,485,955)</b>	<b>9,762,447</b>	<b>7,547,068</b>

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

		2021			
Note		As January 01, 2021	Recognized in P&L A/C	Recognized in OCI	At December 31, 2021
(Rupees in '000)					
<b>Taxable Temporary Differences on</b>					
- 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)
<b>Deductible Temporary Differences on</b>					
- Provision against advances		2,782,530	(816,216)	-	1,966,314
- Deficit on revaluation of investments		(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)
Note		2022		2021	
(Rupees in '000)					

## 15. OTHER ASSETS

Income/ mark-up accrued in local currency		41,004,910	21,654,370
Income/ mark-up accrued in foreign currencies		303,957	304,911
Advances, deposits, advance rent and other prepayments		3,946,039	1,897,020
Compensation for delayed income tax refunds		133,809	133,809
Non-banking assets acquired in satisfaction of claims	15.1	2,025,354	2,170,938
Branch adjustment account		101,362	-
Mark to market gain on forward foreign exchange contracts		1,535,665	4,319,018
Unrealized gain on derivative financial instruments	25	778,441	304,893
Acceptances	20	24,847,224	20,941,457
Receivable from the pension fund	38.4	2,768,142	3,218,426
Clearing and settlement accounts		14,102,285	4,794,316
Claims receivable against fraud and forgeries		1,225,857	1,117,067
Others		2,720,726	2,104,292
		95,493,771	62,960,517
Less: Provision held against other assets	15.2	3,066,275	2,709,281
Other Assets (net of provision)		92,427,496	60,251,236
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		873,647	703,370
Other Assets - total		93,301,143	60,954,606
<b>15.1</b>	Market value of Non-banking assets acquired in satisfaction of claims	2,804,844	2,785,535

Non-banking assets acquired in satisfaction of claims of the Bank are revalued as at December 31, 2022 by independent valuers (Pee Dee & Associates, Tristar International Consultant (Pvt) Limited, Ahmad Associates and Materials & Designs Services (Pvt) Limited) on the basis of market value.

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>15.1.1 Non-banking assets acquired in satisfaction of claims</b>			
Opening balance		2,785,535	4,036,914
Additions		–	–
Revaluation		194,765	259,321
Disposals		(146,683)	(1,481,479)
Depreciation	31	(23,389)	(35,544)
(Charge) / reversal of impairment		(5,384)	6,323
Closing balance		2,804,844	2,785,535
<b>15.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims</b>			
Disposal proceeds		153,500	2,052,928
Less			
- Revalued amounts		146,888	1,493,844
- Accumulated depreciation		(205)	(12,365)
		146,683	1,481,479
Gain	30	6,817	571,449
<b>15.2 Provision held against other assets</b>			
Non banking assets acquired in satisfaction of claims		94,157	88,773
Claims receivable against fraud and forgeries		587,468	486,976
Others		2,384,650	2,133,532
		3,066,275	2,709,281
<b>15.2.1 Movement in provision held against other assets</b>			
Opening balance		2,709,281	2,582,686
Charge for the year		109,887	56,128
Reversals		(1,755)	(25,036)
	33	108,132	31,092
Amount written off		(1,193)	(991)
Exchange and other adjustments		250,055	96,494
Closing balance		3,066,275	2,709,281

### 16. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2022 (2021: Nil).

	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>17. BILLS PAYABLE</b>		
In Pakistan	39,079,047	24,541,023
Outside Pakistan	57,837	48,621
	39,136,884	24,589,644

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>18. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.1	45,834,001	44,958,974
Under Long Term Financing Facility	18.2	23,123,421	22,532,703
Under Renewable Energy Performance Platform	18.3	2,177,355	1,443,069
Under Refinance Scheme for Payment of Wages & Salaries	18.4	667,152	5,683,739
Under Temporary Economic Refinance Facility	18.5	39,628,326	24,881,195
Under Refinance Facility for combating COVID-19	18.6	14,195	18,357
Under Financing Facility for Storage of Agricultural Produce	18.7	111,862	147,260
Under Refinance and Credit Guarantee Scheme for Women Entrepreneurs	18.8	4,082	–
		111,560,394	99,665,297
Bai Muajjal		–	44,809,236
Repurchase agreement borrowings	18.9	227,700,898	116,920,102
<b>Total secured</b>		<b>339,261,292</b>	<b>261,394,635</b>
<b>Unsecured</b>			
Borrowings from other financial institution		–	41,365
Call borrowings		–	6,267,152
Overdrawn nostro accounts		813,687	1,660,118
Others		162,286	162,286
<b>Total unsecured</b>		<b>975,973</b>	<b>8,130,921</b>
	18.10	<b>340,237,265</b>	<b>269,525,556</b>

**18.1** 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 10.0% per annum (2021: 1.0% to 2.0% per annum)

**18.2** 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 8.0% per annum (2021: 2.0% to 3.5 % per annum)

**18.3** 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 2.0% per annum (2021: 2.0% per annum)



## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

- 18.4** 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 borrowings are repayable in 8 equal quarterly installments beginning from January 2021. These carry mark up rates ranging from 0% to 2.0% per annum (2021: 0% to 2.0% per annum)
- 18.5** 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 1.0% per annum (2021: 1.0% per annum).
- 18.6** 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.
- 18.7** 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 2.5% to 3.5% per annum (2021: 2.5% to 3.5% per annum).
- 18.8** These borrowings have been obtained from SBP under "Refinance and Credit Guarantee Scheme for Women Entrepreneurs" to finance women entrepreneurs for setting up of new business enterprises and for expansion of existing ones. 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 5 years. These carry mark-up ranging from 0% to 2.0% per annum.
- 18.9** These carry mark-up rates ranging from 15.23% to 16.50% per annum (2021: 5.10% to 10.70% per annum) and are secured against government securities of carrying value of Rs. 224,533.607 million (2021: Rs. 116,508.613 million). These are repayable latest by March 2023.

	2022	2021
	(Rupees in '000)	
<b>18.10 Particulars of borrowings with respect to currencies</b>		
In local currency	339,423,578	266,453,798
In foreign currencies	813,687	3,071,758
	340,237,265	269,525,556

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 19. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
(Rupees in '000)						
<b>Customers</b>						
Current deposits	549,697,362	70,653,195	620,350,557	454,999,719	68,396,660	523,396,379
Savings deposits	594,764,760	38,603,905	633,368,665	692,860,151	44,991,159	737,851,310
Term deposits	40,850,001	12,423,072	53,273,073	80,826,341	12,107,066	92,933,407
Others	31,207,083	5,827,480	37,034,563	25,795,729	3,062,911	28,858,640
	1,216,519,206	127,507,652	1,344,026,858	1,254,481,940	128,557,796	1,383,039,736
<b>Financial Institutions</b>						
Current deposits	19,747,897	1,036,116	20,784,013	9,064,099	1,472,720	10,536,819
Savings deposits	8,973,107	94,720	9,067,827	10,894,817	117,898	11,012,715
Term deposits	595,968	2,299,049	2,895,017	539,968	6,319,339	6,859,307
Others	-	1,943,353	1,943,353	-	402,950	402,950
	29,316,972	5,373,238	34,690,210	20,498,884	8,312,907	28,811,791
	1,245,836,178	132,880,890	1,378,717,068	1,274,980,824	136,870,703	1,411,851,527

### 19.1 Composition of deposits

	2022	2021
	(Rupees in '000)	
- Individuals	1,000,339,108	912,825,109
- Government (Federal and Provincial)	56,727,213	74,581,258
- Public Sector Entities	25,659,481	87,893,826
- Banking Companies	7,025,294	4,958,226
- Non-Banking Financial Institutions	27,664,916	23,853,565
- Private Sector	261,301,056	307,739,543
	1,378,717,068	1,411,851,527

19.2 Deposits and other accounts include deposits eligible to be covered under the Deposits Protection insurance arrangements amounting to Rs. 1,055,580.880 million (2021: Rs. 982,896.128 million).

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>20. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		32,720,479	5,303,967
Mark-up/ return/ interest payable in foreign currencies		200,553	171,780
Unearned commission and income on bills discounted		1,227,553	807,468
Accrued expenses		6,911,941	6,420,208
Provision for taxation (provisions less payments)		17,650,382	8,641,789
Workers' Welfare Fund	20.1	11,305,773	9,878,470
Acceptances	15	24,847,224	20,941,457
Unclaimed/dividend payable		2,731,456	2,022,825
Mark to market loss on forward foreign exchange contracts		1,013,853	4,388,436
Unrealized loss on derivative financial instruments	25	778,137	302,365
Staff welfare fund		1,275	4,755
Branch adjustment account	15	-	78,348
Provision for employees' compensated absences	38.4	1,179,992	1,100,865
Provision for post retirement medical benefits	38.4	2,219,281	1,982,169
Provision for employees' contributory benevolent scheme	38.4	165,426	197,712
Retention money		12,473	12,473
Insurance payable against consumer assets		828,882	736,768
Unclaimed balances		642,169	755,141
Duties and taxes payable		1,435,225	3,868,463
Provision against off-balance sheet obligations		48,403	46,319
Security deposits against lease		1,317,668	799,331
Lease liability against right of use assets		7,943,593	7,399,921
Clearing and settlement accounts		15,210,786	6,234,150
Others		7,376,773	7,269,709
		<b>137,769,297</b>	<b>89,364,889</b>

**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

	2022 (Number of shares)	2021		2022 (Rupees in '000)	2021
	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

	2022 (Number of shares)	2021		2022 (Rupees in '000)	2021
			<b>Ordinary shares</b>		
	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
	<b>1,185,060,006</b>	<b>1,185,060,006</b>		<b>11,850,600</b>	<b>11,850,600</b>

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

**21.3** The movement in the issued, subscribed and paid-up capital during the year is as follows:

2022 (Number of shares)		2021 (Number of shares)		2022 (Rupees in '000)		2021 (Rupees in '000)	
1,185,060,006	1,185,060,006	1,185,060,006	1,185,060,006	11,850,600	11,850,600	11,850,600	11,850,600
1,185,060,006	1,185,060,006	1,185,060,006	1,185,060,006	11,850,600	11,850,600	11,850,600	11,850,600

**21.4** Number of shares held by the associated undertakings as at December 31, are as follows:

	2022 (Number of shares)	2021 (Number of shares)
Adamjee Insurance Company Limited	59,225,639	55,196,435
Nishat Mills Limited	95,125,651	88,015,291
Siddiqsons Limited	12,016,543	11,271,920
Nishat (Aziz Avenue) Hotels and Properties Limited	654,376	434,176
Nishat Real Estates Development Company (Private) Limited	194,000	68,900
Adamjee Life Assurance Company Limited	1,200,000	1,200,000
	168,416,209	156,186,722

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>22. RESERVES</b>			
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		4,402,973	3,701,067
Statutory reserve	22.2	40,915,620	37,641,526
General reserve		18,600,000	18,600,000
		88,578,024	84,602,024

**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, 2022

	Note	2022 (Rupees in '000)	2021
<b>23. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	(33,477,853)	(7,768,402)
- Fixed Assets	23.1	40,516,509	19,947,432
- Non-banking assets acquired in satisfaction of claims	23.2	873,647	703,370
		7,912,303	12,882,400
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities	14	14,395,477	3,029,677
- Fixed Assets	23.1	(3,291,460)	(1,366,245)
- Non-banking assets acquired in satisfaction of claims	23.2	(375,669)	(274,315)
		10,728,348	1,389,117
		18,640,651	14,271,517
<b>23.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 01		19,947,432	20,211,952
Recognised during the year		20,706,672	-
Realised on disposal during the year - net of deferred tax		(3,140)	(115,263)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(76,031)	(82,067)
Related deferred tax liability on incremental depreciation charged during the year		(57,357)	(52,471)
Related deferred tax liability on surplus realised on disposal		(1,067)	(14,719)
Surplus on revaluation of fixed assets as at December 31		40,516,509	19,947,432
Less: Related deferred tax liability on:			
- revaluation as at January 01		1,366,245	1,286,416
- opening liability remeasurement		140,128	147,019
- recognised during the year		1,843,511	-
- surplus realised on disposal during the year		(1,067)	(14,719)
- incremental depreciation charged during the year		(57,357)	(52,471)
	14	3,291,460	1,366,245
		37,225,049	18,581,187
<b>23.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 01		703,370	854,231
Recognised during the year		194,765	259,321
Realised on disposal during the year - net of deferred tax		(13,956)	(250,211)
Related deferred tax liability on surplus realised on disposal		(10,532)	(159,971)
Surplus on revaluation as at December 31		873,647	703,370
Less: Related deferred tax liability on:			
- revaluation as at January 01		274,315	298,982
- opening liability remeasurement		28,137	34,169
- revaluation recognised during the year		83,749	101,135
- surplus realised on disposal during the year		(10,532)	(159,971)
	14	375,669	274,315
		497,978	429,055

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>24. CONTINGENCIES AND COMMITMENTS</b>			
- Guarantees	24.1	271,137,800	186,607,084
- Commitments	24.2	366,568,874	406,841,074
- Other contingent liabilities	24.3	27,947,886	25,738,784
		665,654,560	619,186,942
<b>24.1 Guarantees:</b>			
Financial guarantees		224,226,300	158,802,090
Performance guarantees		43,947,906	25,596,864
Other guarantees		2,963,594	2,208,130
		271,137,800	186,607,084
<b>24.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		200,919,363	178,952,056
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	131,535,057	217,379,046
- forward government securities transactions	24.2.2	13,797,435	5,098,200
- derivatives (notional)	24.2.3	18,241,918	4,434,780
Commitments for acquisition of:			
- operating fixed assets		1,860,344	806,239
- intangible assets		214,757	170,753
		366,568,874	406,841,074
<b>24.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		75,618,221	119,831,839
Sale		55,916,836	97,547,207
		131,535,057	217,379,046
<b>24.2.2 Commitments in respect of government securities transactions</b>			
Purchase		12,328,130	5,098,200
Sale		1,469,305	-
		13,797,435	5,098,200

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	(Rupees in '000)	
<b>24.2.3 Commitments in respect of derivatives</b>		
FX options (notional)		
Purchase	8,817,006	1,432,779
Sale	8,817,006	1,432,779
	17,634,012	2,865,558
Cross Currency Swaps (notional)		
Purchase	303,953	784,611
Sale	303,953	784,611
	607,906	1,569,222
	18,241,918	4,434,780

**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	2022	2021
		(Rupees in '000)	
<b>24.3 Other contingent liabilities</b>			
Claims against the Bank not acknowledged as debts	24.3.1	27,947,886	25,738,784

**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 2021, 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. 844 million (2021: Rs. 1,497 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, 2022

## 25. DERIVATIVE INSTRUMENTS

### 25.1 Product Analysis

2022

	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)						
<b>Counterparties</b>						
<b>With Banks for</b>						
Hedging	303,953	185,139	-	-	8,817,006	593,302
Market Making	-	-	-	-	-	-
<b>With other entities for</b>						
Hedging	-	-	-	-	-	-
Market Making	303,953	(184,835)	-	-	8,817,006	(593,302)
<b>Total</b>						
Hedging	303,953	185,139	-	-	8,817,006	593,302
Market Making	303,953	(184,835)	-	-	8,817,006	(593,302)

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)						
<b>Counterparties</b>						
<b>With Banks for</b>						
Hedging	784,611	298,956	-	-	1,432,779	5,937
Market Making	-	-	-	-	-	-
<b>With other entities for</b>						
Hedging	-	-	-	-	-	-
Market Making	784,611	(296,428)	-	-	1,432,779	(5,937)
<b>Total</b>						
Hedging	784,611	298,956	-	-	1,432,779	5,937
Market Making	784,611	(296,428)	-	-	1,432,779	(5,937)



## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

### 25.2 Maturity Analysis

	2022				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
<b>Remaining Maturity</b>					
Upto 1 month	40	2,229,963	(18,637)	18,637	–
1 to 3 months	114	6,301,417	(203,092)	203,092	–
3 to 6 months	160	8,701,844	(353,887)	353,887	–
6 months to 1 Year	8	400,788	(17,686)	17,686	–
2 to 3 Years	2	607,906	(184,835)	185,139	304
<b>Total</b>	<b>324</b>	<b>18,241,918</b>	<b>(778,137)</b>	<b>778,441</b>	<b>304</b>
	2021				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
<b>Remaining Maturity</b>					
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
<b>Total</b>	<b>68</b>	<b>4,434,780</b>	<b>(302,365)</b>	<b>304,893</b>	<b>2,528</b>

25.3 Risk management related to derivatives is discussed in note 45.5.

	2022	2021
	(Rupees in '000)	
<b>26. MARK-UP/RETURN/INTEREST EARNED</b>		
Loans and advances	65,834,615	33,123,048
Investments	130,431,820	89,523,092
Lendings to financial institutions	3,918,252	566,646
Balances with banks	578,506	121,520
	<b>200,763,193</b>	<b>123,334,306</b>
<b>27. MARK-UP/RETURN/INTEREST EXPENSED</b>		
Deposits	93,996,146	47,106,616
Borrowings	16,239,220	9,716,805
Cost of foreign currency swaps against foreign currency deposits / borrowings	2,197,603	1,609,774
Unwinding cost of lease liability against right-of-use assets	1,174,390	914,209
	<b>113,607,359</b>	<b>59,347,404</b>

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>28. FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		3,126,130	2,849,788
Consumer finance related fees		592,792	504,901
Card related fees (debit and credit cards)		4,030,300	2,946,442
Credit related fees		256,287	262,066
Investment banking fee		194,775	206,755
Commission on trade		1,623,193	1,386,348
Commission on guarantees		588,724	596,657
Commission on cash management		838,059	724,588
Commission on remittances including home remittances		1,310,357	987,133
Commission on utility bills		87,736	80,763
Commission on Bancassurance		1,056,599	1,474,872
Rent on lockers		231,183	233,155
Commission on investments services		66,365	42,696
Other commission		179,318	143,515
		14,181,818	12,439,679
<b>29. (LOSS) / GAIN ON SECURITIES - NET</b>			
Realised	29.1	(1,464,224)	810,862
Unrealised - Held For Trading	10.1	–	(12)
		(1,464,224)	810,850
<b>29.1</b> Realised (loss) / gain on:			
Federal Government Securities		140,141	383,592
Non Government Debt Securities		–	40
Shares and units		(1,604,365)	427,230
		(1,464,224)	810,862
<b>30. OTHER INCOME</b>			
Rent on property		111,791	90,656
Gain on sale of fixed assets - net		112,091	106,456
Gain on termination of lease liability against right-of-use assets		58,837	54,854
Gain on sale of non-banking assets - net	15.1.2	6,817	571,449
		289,536	823,415

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>31. OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	31.1	19,020,211	16,939,722
<b>Property expense</b>			
Rent and taxes		207,608	193,157
Insurance		19,887	21,091
Utilities cost		1,956,740	1,567,229
Fuel expense generators		1,041,908	413,518
Security (including guards)		1,672,889	1,505,660
Repair and maintenance (including janitorial charges)		935,480	716,289
Depreciation on right-of-use assets	12.3	1,327,442	1,201,974
Depreciation	12.2	765,994	709,924
		7,927,948	6,328,842
<b>Information technology expenses</b>			
Software maintenance		1,281,977	1,096,825
Hardware maintenance		264,433	184,802
Depreciation	12.2	641,540	619,329
Amortisation	13.1	376,802	316,984
Network charges		568,349	518,317
Insurance		4,099	3,425
		3,137,200	2,739,682
<b>Other operating expenses</b>			
Directors' fees and allowances	40.2	45,800	46,300
Legal and professional charges		433,607	267,642
Outsourced services costs	37.1	859,627	766,445
Travelling and conveyance		345,106	271,750
NIFT clearing charges		189,640	154,329
Depreciation	12.2	968,088	847,141
Depreciation on non-banking assets acquired in satisfaction of claims	15.1.1	23,389	35,544
Training and development		62,225	35,410
Postage and courier charges		292,955	235,818
Communication		513,045	364,519
Stationery and printing		784,098	586,848
Marketing, advertisement & publicity		736,449	778,223
Donations	31.2	1,352	8,165
Auditors' remuneration	31.3	61,109	56,724
Cash transportation charges		921,828	860,210
Repair and maintenance		585,189	445,056
Subscription		28,437	12,994
Entertainment		278,742	203,250
Remittance charges		223,262	209,080
Brokerage expenses		39,985	36,364
Card related expenses		1,472,699	992,445
CNIC verification charges		387,431	262,250
Insurance		1,805,904	1,667,611
Others		349,432	228,190
		11,409,399	9,372,308
		41,494,758	35,380,554

Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 138.651 million (2021: Rs. 196.446 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, 2022

The Bank has material outsourcing arrangement with "Euronet Pakistan Private Limited" (a related party) for hosting of POS acquiring & e-commerce gateway services. The annual cost of outsourcing is Rs. 138.651 million (2021: 196.446 million).

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>31.1</b>	<b>Total compensation expense</b>		
	Fees and allowances	664,656	543,744
	Managerial remuneration		
	i) Fixed	13,980,303	12,260,442
	ii) Variable - cash bonus / awards / incentives	2,903,811	2,737,353
	Charge for defined benefit plan	209,051	289,144
	Contribution to defined contribution plan	477,287	430,857
	Staff group insurance	478,824	384,854
	Rent and house maintenance	75,166	61,448
	Medical	39,755	37,001
	Conveyance	164,826	81,878
		18,993,679	16,826,721
	Sign-on bonus	2,433	2,501
	Severance allowance	24,099	110,500
		19,020,211	16,939,722

**31.1.1** During the year sign on bonus was paid to 11 employees (2021: 5).

**31.1.2** Severance allowance pertains to 4 employees (2021: 6).

**31.2** Detail of donations made during the year is as follows:

	2022 (Rupees in '000)	2021 (Rupees in '000)
M/s Bestway Foundation	1,352	–
Murshid Hospital & Health Care Centre	–	100
Jahandad Society For Community Development	–	1,500
Nigahban Welfare Association	–	5,000
Ambulance donation to Sadiq Public School	–	1,565
	1,352	8,165

**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.

	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>31.3</b>	<b>Auditors' remuneration</b>	
	Audit fee	17,738
	Fee for audit of foreign branches	21,891
	Special certifications and sundry advisory services	1,000
	Tax services	17,820
	Sales tax on audit fee	887
	Out-of-pocket expenses	1,773
		61,109
		56,724

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>32. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		49,620	399,873
VAT & National Building tax & Crop Insurance Levy		179,910	49,907
Education cess		34,843	23,936
		<b>264,373</b>	<b>473,716</b>
<b>33. PROVISIONS / (REVERSALS) &amp; WRITE OFFS - NET</b>			
(Reversals) / provisions against balance with Banks		(14,856)	6,600
(Reversals) / provisions for diminution in value of investments	10.3.1	(356,995)	6,885
(Reversals) / provisions against loans & advances	11.4	(2,326,798)	(4,687,894)
Provisions / (reversals) against off balance sheet items	20	4,297	(2,643)
Provisions against other assets	15.2.1	108,132	31,092
Bad debts written off directly	11.5.1	680	–
Recovery of written off / charged off bad debts		(196,923)	(176,768)
		<b>(2,782,463)</b>	<b>(4,822,728)</b>
<b>34. TAXATION</b>			
Current		33,667,769	19,929,457
Prior years		3,470,506	–
Deferred	14	1,485,955	1,248,806
		<b>38,624,230</b>	<b>21,178,263</b>
<b>34.1 Relationship between tax expense and accounting profit</b>			
Accounting profit for the year		71,365,165	51,989,310
Tax on income @ 39% (2021: 35%)		27,832,414	18,196,259
Super tax @ 10% (2021: 4%)		7,136,517	2,079,572
Additional tax charge under sub rule 6A		–	754,458
Tax effect of permanent differences		24,314	155,950
Tax effect of prior years charge		3,470,506	–
Others		160,479	(7,976)
Tax charge for the year		<b>38,624,230</b>	<b>21,178,263</b>
		<b>(Rupees in '000)</b>	
<b>35. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit for the year after tax		32,740,935	30,811,047
		<b>(Number)</b>	
Weighted average number of ordinary shares		1,185,060,006	1,185,060,006
		<b>(Rupees)</b>	
Basic and diluted Earnings Per Share		27.63	26.00

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, 2022

	Note	2022 (Rupees in '000)		2021 (Rupees in '000)	
<b>36. CASH AND CASH EQUIVALENTS</b>					
Cash and balances with treasury banks	7		96,368,918		164,613,179
Balances with other banks	8		24,872,110		18,830,310
Overdrawn nostro account	18		(813,687)		(1,660,118)
			120,427,341		181,783,371
<b>36.1 Reconciliation of movement of liabilities to cash flows arising from financing activities</b>					
		2022			
		(Rupees in '000)			
		Liabilities	Equity	Liabilities	Equity
		Other Liabilities	Share Capital Reserves	Other Liabilities	Share Capital Reserves
					Unappropriated profit
					Total
<b>Opening Balance</b>		89,364,889	11,850,600 84,602,024	82,900,828	11,850,600 80,696,335
Changes from Financing cash flows					
Payment of lease liability against right-of-use-assets		(1,867,928)	-	(1,685,366)	-
Dividend paid		-	(21,807,509)	-	(34,036,857)
Total changes from financing cash flows		(1,867,928)	(21,807,509)	(1,685,366)	(34,036,857)
<b>Liability related</b>					
Changes in Other liabilities					
- Cash based		32,229,846	-	5,978,935	-
- Dividend payable		708,631	(708,631)	329,883	(329,883)
- Non cash based		17,333,859	-	1,840,609	-
Total liability related other changes		50,272,336	(708,631)	8,149,427	(329,883)
Total equity related other changes		-	3,976,000	-	28,215,405
<b>Closing Balance</b>		137,769,297	11,850,600 88,578,024	89,364,889	11,850,600 84,602,024
					63,683,267
					249,500,780

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		(Number)	
<b>37.</b>	<b>STAFF STRENGTH</b>		
	Permanent	14,236	13,737
	On Bank contract	105	112
	Bank's own staff strength at end of the year	14,341	13,849

**37.1** In addition to the above, 75 (2021: 87) 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 67 (2021: 80) working domestically and 8 (2021: 7) working abroad.

		2022	2021
		(Number)	
<b>37.2</b>	<b>Staff Strength Bifurcation</b>		
	Domestic	14,210	13,716
	Overseas	131	133
		14,341	13,849

## 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:

		2022	2021
		(Number)	
	- Pension fund - funded	5,688	5,731
	- Benevolent scheme - unfunded	930	1,002
	- Post retirement medical benefits - unfunded	14,067	13,612
	- Employees compensated absence - unfunded	14,068	13,612

### 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, 2022. The principal actuarial assumptions used are as follows:

	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2022	2021	2022	2021	2022	2021	2022	2021
(%)								
Discount rate	14.50	11.75	14.50	11.75	14.50	11.75	14.50	11.75
Expected rate of return on plan assets	14.50	11.75	-	-	-	-	-	-
Expected rate of salary increase	12.50	9.75	12.50	9.75	-	-	12.50	9.75
Expected rate of increase in pension	0-5	0-5	-	-	-	-	-	-
Expected rate of increase in medical benefit	-	-	-	-	12.50	9.75	-	-

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 38.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Present value of obligations	38.5	4,319,946	5,031,961	166,426	197,712	2,219,281	1,982,169	1,179,992	1,100,865
Fair value of plan assets	38.6	(7,088,088)	(8,250,387)	-	-	-	-	-	-
(Receivable) / payable	38.7	(2,768,142)	(3,218,426)	166,426	197,712	2,219,281	1,982,169	1,179,992	1,100,865

## 38.5 Movement in defined benefit obligations

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Obligations at the beginning of the year		5,031,961	5,097,744	197,712	222,084	1,982,169	2,004,122	1,100,865	919,407
Current service cost	38.8.1	65,893	62,653	15,470	21,449	62,068	61,978	37,574	24,653
Interest cost		567,009	477,989	21,437	20,249	224,498	188,540	122,248	85,558
Benefits paid		(412,708)	(390,586)	(30,531)	(28,812)	(143,092)	(140,756)	(120,915)	(83,768)
Re-measurement loss / (gain)	38.8.1 & 38.8.2	(932,209)	(215,839)	(38,662)	(37,258)	93,638	(131,715)	40,220	155,015
Obligations at end of the year	38.4	4,319,946	5,031,961	166,426	197,712	2,219,281	1,982,169	1,179,992	1,100,865

## 38.6 Movement in fair value of plan assets

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Fair value at the beginning of the year		8,250,387	8,467,923	-	-	-	-	-	-
Interest income on plan assets		945,174	806,581	-	-	-	-	-	-
Benefits paid		(412,708)	(390,586)	-	-	-	-	-	-
Re-measurement loss: Net return on plan assets over interest income gain / (loss)	38.8.2	(1,694,765)	(633,531)	-	-	-	-	-	-
Fair value at end of the year	38.4	7,088,088	8,250,387	-	-	-	-	-	-

## 38.7 Movement in (receivable) / payable under defined benefit schemes

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Opening balance		(3,218,426)	(3,370,179)	197,712	222,084	1,982,169	2,004,122	1,100,865	919,407
Charge / (reversal) for the year	38.8.1	(312,272)	(265,939)	34,715	39,339	286,566	250,518	200,042	265,226
Employees' contribution		-	-	2,192	2,359	-	-	-	-
Re-measurement loss / (gain) recognised in OCI during the year	38.8.2	762,556	417,692	(38,662)	(37,258)	93,638	(131,715)	-	-
Benefits paid by the Bank		-	-	(30,531)	(28,812)	(143,092)	(140,756)	(120,915)	(83,768)
Closing balance	38.4	(2,768,142)	(3,218,426)	166,426	197,712	2,219,281	1,982,169	1,179,992	1,100,865



## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

### 38.8 Charge for defined benefit plans

#### 38.8.1 Cost recognised in profit and loss

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
(Rupees in '000)									
Current service cost	38.5	65,893	62,653	15,470	21,449	62,068	61,978	37,574	24,653
Net interest on defined benefit asset / liability		(378,165)	(328,592)	21,437	20,249	224,498	188,540	122,248	85,558
Employees' contribution		-	-	(2,192)	(2,359)	-	-	-	-
Actuarial gain	38.5	-	-	-	-	-	-	40,220	155,015
	38.7	(312,272)	(265,939)	34,715	39,339	286,566	250,518	200,042	265,226

#### 38.8.2 Re-measurements recognised in OCI during the year

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
(Rupees in '000)									
Loss / (gain) on obligation	38.5								
Financial assumptions		(140,403)	(542,097)	(20,092)	(18,272)	211,953	(100,133)	-	-
Experience adjustments		(791,806)	326,258	(18,570)	(18,986)	(118,315)	(31,582)	-	-
Return on plan assets over interest income	38.6	1,694,765	633,531	-	-	-	-	-	-
Re-measurement loss / (gain) recognised in OCI	38.7	762,556	417,692	(38,662)	(37,258)	93,638	(131,715)	-	-

### 38.9 Components of plan assets

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
(Rupees in '000)									
Cash and cash equivalents - net		209,899	133,780	-	-	-	-	-	-
Shares		6,669,075	7,929,453	-	-	-	-	-	-
Open ended mutual funds units		209,114	187,154	-	-	-	-	-	-
	38.4	7,088,088	8,250,387	-	-	-	-	-	-

#### 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, 2022

## 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	(220,925)	(9,763)	(262,320)	(68,422)
1% decrease in discount rate	245,014	10,892	329,646	76,177
1 % increase in expected rate of salary increase	60,768	–	–	76,886
1 % decrease in expected rate of salary increase	(57,591)	–	–	(70,166)
1% increase in expected rate of pension increase	174,914	–	–	–
1% decrease in expected rate of pension increase	(159,767)	–	–	–
1% increase in expected rate of medical benefit increase	–	–	291,618	–
1% decrease in expected rate of medical benefit increase	–	–	(232,584)	–

## 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, 2023 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	(341,375)	33,441	396,567	207,647
38.13 Maturity profile				
The weighted average duration of the obligation (in years)	7.76	7.76	7.76	7.76

## 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, 2022

**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;

<b>Investment risk</b>	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
<b>Longevity risk</b>	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.
<b>Salary increase risk</b>	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.
<b>Withdrawal rate</b>	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 11,138 (2021: 11,570) employees where contributions are made by the Bank at 8.33% (2021: 8.33%) and employees ranging from 8.33% to 15% per annum (2021: 8.33% to 15% per annum) of the basic salary.

The Bank also operates an approved non-contributory provident fund for 592 (2021: 637) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 15% per annum (2021: 8.33% to 15% per annum) of the basic salary.

### 40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### 40.1 Total compensation expense

		2022					
		Directors			Key	Other material	
		Chairman	Executive (other than CEO)	Non executive	President/ CEO	management personnel	risk takers/ controllers
Note		(Rupees in '000)					
Fee and allowances	40.2	5,900	-	39,900	-	2,688	9,764
Managerial Remuneration							
i) Fixed		-	-	-	67,890	413,416	908,287
ii) Cash Bonus / Awards / Incentives	40.1.1	-	-	-	30,390	184,440	302,135
Contribution to defined contribution plan		-	-	-	3,624	13,993	35,696
Rent & house maintenance		-	-	-	54	26,285	15,078
Medical		-	-	-	54	2,094	8,353
Severance allowance		-	-	-	-	17,300	5,099
Overseas allowance		-	-	-	-	55,215	11,608
Security		-	-	-	681	-	-
Club membership		-	-	-	2,304	-	300
<b>Total</b>		<b>5,900</b>	<b>-</b>	<b>39,900</b>	<b>104,997</b>	<b>715,431</b>	<b>1,296,320</b>
Number of Persons		1	-	11	1	30	174

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2021					
	Directors			President/ CEO*	Key management personnel	Other material risk takers/ controllers
	Chairman	Executive (other than CEO)	Non executive			
	(Rupees in '000)					
Fee and allowances	5,500	-	40,800	-	369	10,668
Managerial Remuneration						
i) Fixed	-	-	-	75,073	304,376	750,890
ii) Cash Bonus / Awards / Incentives	-	-	-	55,000	153,736	302,227
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	-	-
Club membership	-	-	-	106	-	1,900
<b>Total</b>	<b>5,500</b>	<b>-</b>	<b>40,800</b>	<b>233,519</b>	<b>519,581</b>	<b>1,111,581</b>
Number of Persons	1	-	11	1	23	142

\*Paid to the retiring President / Chief Executive Officer whose term completed on December 20, 2021.

**40.1.1** During the year 2022, Rs. 79.748 million bonus has been deferred (2021: Rs. 34.20 million).

**40.2** Remuneration paid to Directors for participation in Board and Committee meetings

	2022									
	For Board Committees									
	Board meeting	Board's Audit Committee	BS & DC	RM & PRC	HR & RC	ITC	PP & CA	CR & MC	Wo & WC	Total
	(Rupees in '000)									
Mian Mohammad Mansha	4,800	-	400	-	400	-	300	-	-	5,900
Mr. S. M. Muneer	1,200	-	-	-	-	-	-	400	-	1,600
Mr. Tariq Rafi	2,000	-	-	-	-	-	-	-	-	2,000
Mian Umer Mansha	2,000	500	500	400	-	500	400	-	-	4,300
Mrs. Iqraa Hassan Mansha	1,600	-	-	-	200	-	200	-	-	2,000
Mr. Muhammad Ali Zeb	2,000	500	-	400	400	-	400	400	-	4,100
Mr. Mohd Suhail Amar Suresh	3,200	-	400	300	-	400	-	-	-	4,300
Mr. Yahya Saleem	4,000	-	-	-	-	-	-	-	-	4,000
Mr. Salman Khalid Butt	4,000	-	500	400	400	500	-	300	-	6,100
Mr. Masood Ahmed Puri	4,000	-	500	-	-	-	-	-	-	4,500
Mr. Shahzad Hussain	2,000	500	-	-	-	-	-	-	-	2,500
Mr. Shariffuddin Bin Khalid	4,000	500	-	-	-	-	-	-	-	4,500
	<b>34,800</b>	<b>2,000</b>	<b>2,300</b>	<b>1,500</b>	<b>1,400</b>	<b>1,400</b>	<b>1,300</b>	<b>1,100</b>	<b>-</b>	<b>45,800</b>

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2021									
	For Board Committees								Total	
	Board meeting	Board's Audit Committee	BS & DC	RM & PRC	HR & RC	ITC	PP & CA	CR & MC		Wo & WC
(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

**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 audited 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.

# Notes To The Unconsolidated Financial Statements

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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 Certificates 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 mark-to-market currency 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 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 & non-banking assets acquired in satisfaction of claims.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022				Total
	Carrying value / Notional value	Level 1	Level 2	Level 3	
	(Rupees in '000)				
<b>On balance sheet</b>					
<b>financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
Investments					
Federal Government Securities	913,772,807	–	913,772,807	–	913,772,807
Shares and units	16,486,590	16,423,058	63,532	–	16,486,590
Non-Government Debt Securities	2,959,622	–	2,959,622	–	2,959,622
Foreign Securities	4,112,387	–	4,112,387	–	4,112,387
<b>Financial assets - disclosed but not measured at fair value</b>					
Investments (HTM, unlisted ordinary shares, subsidiaries and associates)	41,399,734	–	–	–	–
<b>Non - Financial Assets measured at fair value</b>					
Operating fixed assets (land and buildings)	65,348,646	–	65,348,646	–	65,348,646
Non-banking assets	2,804,844	–	2,804,844	–	2,804,844
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Forward purchase of foreign exchange	75,618,221	–	266,932	–	266,932
Forward sale of foreign exchange	55,916,836	–	254,880	–	254,880
Derivatives purchase	9,120,959	–	778,441	–	778,441
Derivatives sale	9,120,959	–	778,137	–	778,137

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2021				Total
	Carrying value / Notional value	Level 1	Level 2	Level 3	
(Rupees in '000)					
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
Investments					
Federal Government Securities	968,539,477	-	968,539,477	-	968,539,477
Shares and units	20,800,775	20,733,599	67,176	-	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
<b>Financial assets - disclosed but not measured at fair value</b>					
Investments (HTM, unlisted ordinary shares, subsidiaries and associates)					
	37,250,999	-	-	-	-
<b>Non - Financial Assets measured at fair value</b>					
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
<b>Off-balance sheet financial instruments - measured at fair value</b>					
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

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.

## (b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Mutual Fund units, 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, 2022

## 42 SEGMENT INFORMATION

### 42.1 Segment details with respect to business activities

The segment analysis with respect to business activity is as follows:

	2022								
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Others	Sub-total	Eliminations	Total
	(Rupees in '000)								
<b>Profit &amp; Loss</b>									
Net mark-up/return/profit	(77,715,625)	4,209,753	41,976,296	115,352,325	3,333,085	-	87,155,834	-	87,155,834
Inter segment revenue - net	154,640,563	(2,013,974)	(35,995,220)	(126,734,396)	(200,333)	10,303,360	-	-	-
Non mark-up / return / interest income	9,224,705	2,304,862	5,892,310	5,426,418	1,344,354	420,653	24,613,302	-	24,613,302
<b>Total Income</b>	<b>86,149,643</b>	<b>4,500,641</b>	<b>11,873,386</b>	<b>(5,955,663)</b>	<b>4,477,106</b>	<b>10,724,013</b>	<b>111,769,136</b>	<b>-</b>	<b>111,769,136</b>
Segment direct expenses	26,854,472	1,821,733	776,159	453,334	1,570,911	11,709,825	43,186,434	-	43,186,434
Inter segment expense allocation	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>26,854,472</b>	<b>1,821,733</b>	<b>776,159</b>	<b>453,334</b>	<b>1,570,911</b>	<b>11,709,825</b>	<b>43,186,434</b>	<b>-</b>	<b>43,186,434</b>
Provisions / (reversals)	(191)	38,696	(333,869)	(478,163)	483,367	(2,492,303)	(2,782,463)	-	(2,782,463)
<b>Profit before tax</b>	<b>59,295,362</b>	<b>2,640,212</b>	<b>11,431,096</b>	<b>(5,930,824)</b>	<b>2,422,828</b>	<b>1,506,491</b>	<b>71,365,165</b>	<b>-</b>	<b>71,365,165</b>
<b>Balance Sheet</b>									
Cash and Bank balances	34,485,076	622,340	242,694	60,644,247	23,563,344	1,683,327	121,241,028	-	121,241,028
Investments	-	-	10,517,351	958,937,705	9,276,084	-	978,731,140	-	978,731,140
Net inter segment lending	1,114,563,059	-	-	-	-	190,628,927	1,305,191,986	(1,305,191,986)	-
Lendings to financial institutions	-	-	-	26,679,756	23,736,012	-	50,415,768	-	50,415,768
Advances - performing	96,972,626	41,235,105	589,623,635	-	16,255,805	-	744,087,171	-	744,087,171
- non performing - net	156,088	87,709	1,380,470	-	7,257,344	430,794	9,312,405	-	9,312,405
Others	50,005,640	2,399,035	37,780,657	26,778,287	1,667,282	62,936,751	181,567,652	-	181,567,652
<b>Total Assets</b>	<b>1,296,182,489</b>	<b>44,344,189</b>	<b>639,544,807</b>	<b>1,073,039,995</b>	<b>81,755,871</b>	<b>255,679,799</b>	<b>3,390,547,150</b>	<b>(1,305,191,986)</b>	<b>2,085,355,164</b>
Borrowings	13,558,449	-	98,051,501	227,813,628	813,687	-	340,237,265	-	340,237,265
Deposits and other accounts	1,209,548,280	20,379,488	87,712,328	-	61,067,142	9,830	1,378,717,068	-	1,378,717,068
Net inter segment borrowing	-	18,909,590	428,068,745	841,864,507	16,359,144	-	1,305,191,986	(1,305,191,986)	-
Others	73,075,760	5,055,111	25,722,233	3,361,860	3,515,898	66,175,319	176,906,181	-	176,906,181
<b>Total liabilities</b>	<b>1,296,182,489</b>	<b>44,344,189</b>	<b>639,544,807</b>	<b>1,073,039,995</b>	<b>81,755,871</b>	<b>66,185,149</b>	<b>3,201,052,500</b>	<b>(1,305,191,986)</b>	<b>1,895,860,514</b>
Equity	-	-	-	-	-	189,494,650	189,494,650	-	189,494,650
<b>Total Equity &amp; liabilities</b>	<b>1,296,182,489</b>	<b>44,344,189</b>	<b>639,544,807</b>	<b>1,073,039,995</b>	<b>81,755,871</b>	<b>255,679,799</b>	<b>3,390,547,150</b>	<b>(1,305,191,986)</b>	<b>2,085,355,164</b>
<b>Contingencies &amp; Commitments</b>	<b>76,591,298</b>	<b>-</b>	<b>376,393,133</b>	<b>163,574,410</b>	<b>18,749,788</b>	<b>30,345,931</b>	<b>665,654,560</b>	<b>-</b>	<b>665,654,560</b>
	2021								
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Others	Sub-total	Eliminations	Total
	(Rupees in '000)								
<b>Profit &amp; Loss</b>									
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
<b>Total Income</b>	<b>46,765,686</b>	<b>4,594,337</b>	<b>8,371,673</b>	<b>14,759,580</b>	<b>2,004,479</b>	<b>7,564,883</b>	<b>84,060,638</b>	<b>-</b>	<b>84,060,638</b>
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
Inter segment expense allocation	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>23,132,042</b>	<b>1,645,322</b>	<b>612,300</b>	<b>385,746</b>	<b>1,186,267</b>	<b>9,932,379</b>	<b>36,894,056</b>	<b>-</b>	<b>36,894,056</b>
Provisions / (reversals)	1,143,188	123,809	(128,002)	(27,836)	245,033	(6,178,920)	(4,822,728)	-	(4,822,728)
<b>Profit before tax</b>	<b>22,490,456</b>	<b>2,825,206</b>	<b>7,887,375</b>	<b>14,401,670</b>	<b>573,179</b>	<b>3,811,424</b>	<b>51,989,310</b>	<b>-</b>	<b>51,989,310</b>
<b>Balance Sheet</b>									
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
<b>Total Assets</b>	<b>1,307,371,642</b>	<b>39,040,995</b>	<b>462,069,513</b>	<b>1,143,360,404</b>	<b>88,220,048</b>	<b>227,572,989</b>	<b>3,267,635,591</b>	<b>(1,297,167,143)</b>	<b>1,970,468,448</b>
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
<b>Total liabilities</b>	<b>1,307,371,642</b>	<b>39,040,995</b>	<b>462,069,513</b>	<b>1,143,360,404</b>	<b>88,220,048</b>	<b>53,165,581</b>	<b>3,093,228,183</b>	<b>(1,297,167,143)</b>	<b>1,796,061,040</b>
Equity	-	-	-	-	-	174,407,408	174,407,408	-	174,407,408
<b>Total Equity &amp; liabilities</b>	<b>1,307,371,642</b>	<b>39,040,995</b>	<b>462,069,513</b>	<b>1,143,360,404</b>	<b>88,220,048</b>	<b>227,572,989</b>	<b>3,267,635,591</b>	<b>(1,297,167,143)</b>	<b>1,970,468,448</b>
<b>Contingencies &amp; Commitments</b>	<b>64,622,665</b>	<b>-</b>	<b>298,150,190</b>	<b>226,912,026</b>	<b>2,506,084</b>	<b>26,995,977</b>	<b>619,186,942</b>	<b>-</b>	<b>619,186,942</b>

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 42.2 Segment details with respect to geographical locations

### GEOGRAPHICAL SEGMENT ANALYSIS

	2022					
	Pakistan	South Asia	Middle East	Sub-total	Eliminations	Total
	(Rupees in '000)					
<b>Profit &amp; Loss</b>						
Net mark-up/return/profit	83,835,049	1,368,679	1,952,106	87,155,834	-	87,155,834
Inter segment revenue - net	139,184	(41,425)	(97,759)	-	-	-
Non mark-up / return / interest income	23,274,316	287,478	1,051,508	24,613,302	-	24,613,302
<b>Total Income</b>	<b>107,248,549</b>	<b>1,614,732</b>	<b>2,905,855</b>	<b>111,769,136</b>	<b>-</b>	<b>111,769,136</b>
Segment direct expenses	41,622,552	681,088	882,794	43,186,434	-	43,186,434
<b>Total expenses</b>	<b>41,622,552</b>	<b>681,088</b>	<b>882,794</b>	<b>43,186,434</b>	<b>-</b>	<b>43,186,434</b>
Provisions / (reversals)	(3,201,464)	255,412	163,589	(2,782,463)	-	(2,782,463)
<b>Profit before tax</b>	<b>68,827,461</b>	<b>678,232</b>	<b>1,859,472</b>	<b>71,365,165</b>	<b>-</b>	<b>71,365,165</b>
<b>Balance Sheet</b>						
Cash and Bank balances	98,140,191	3,500,659	19,600,178	121,241,028	-	121,241,028
Investments	969,455,056	4,114,254	5,161,830	978,731,140	-	978,731,140
Net inter segment lendings	14,071,055	-	-	14,071,055	(14,071,055)	-
Lendings to financial institutions	26,679,756	308,100	23,427,912	50,415,768	-	50,415,768
Advances - performing	727,892,435	6,087,539	10,107,197	744,087,171	-	744,087,171
- non performing - net	9,084,595	227,810	-	9,312,405	-	9,312,405
Others	179,939,079	674,844	953,729	181,567,652	-	181,567,652
<b>Total Assets</b>	<b>2,025,262,167</b>	<b>14,913,206</b>	<b>59,250,846</b>	<b>2,099,426,219</b>	<b>(14,071,055)</b>	<b>2,085,355,164</b>
Borrowings	338,758,794	-	1,478,471	340,237,265	-	340,237,265
Deposits and other accounts	1,321,671,722	9,577,139	47,468,207	1,378,717,068	-	1,378,717,068
Net inter segment borrowing	-	4,598,248	9,472,807	14,071,055	(14,071,055)	-
Others	175,337,001	737,819	831,361	176,906,181	-	176,906,181
<b>Total liabilities</b>	<b>1,835,767,517</b>	<b>14,913,206</b>	<b>59,250,846</b>	<b>1,909,931,569</b>	<b>(14,071,055)</b>	<b>1,895,860,514</b>
Equity	189,494,650	-	-	189,494,650	-	189,494,650
<b>Total Equity &amp; liabilities</b>	<b>2,025,262,167</b>	<b>14,913,206</b>	<b>59,250,846</b>	<b>2,099,426,219</b>	<b>(14,071,055)</b>	<b>2,085,355,164</b>
<b>Contingencies &amp; Commitments</b>	<b>646,904,872</b>	<b>342,976</b>	<b>18,406,712</b>	<b>665,654,560</b>	<b>-</b>	<b>665,654,560</b>
	2021					
	Pakistan	South Asia	Middle East	Sub-total	Eliminations	Total
	(Rupees in '000)					
<b>Profit &amp; Loss</b>						
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
<b>Total Income</b>	<b>82,063,799</b>	<b>812,963</b>	<b>1,183,876</b>	<b>84,060,638</b>	<b>-</b>	<b>84,060,638</b>
Segment direct expenses	35,803,737	564,433	525,886	36,894,056	-	36,894,056
<b>Total expenses</b>	<b>35,803,737</b>	<b>564,433</b>	<b>525,886</b>	<b>36,894,056</b>	<b>-</b>	<b>36,894,056</b>
Provisions / (reversals)	(5,067,762)	190,868	54,166	(4,822,728)	-	(4,822,728)
<b>Profit before tax</b>	<b>51,327,824</b>	<b>57,662</b>	<b>603,824</b>	<b>51,989,310</b>	<b>-</b>	<b>51,989,310</b>
<b>Balance Sheet</b>						
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
<b>Total Assets</b>	<b>1,901,656,246</b>	<b>22,992,475</b>	<b>58,361,833</b>	<b>1,983,010,554</b>	<b>(12,542,106)</b>	<b>1,970,468,448</b>
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
<b>Total liabilities</b>	<b>1,727,248,838</b>	<b>22,992,475</b>	<b>58,361,833</b>	<b>1,808,603,146</b>	<b>(12,542,106)</b>	<b>1,796,061,040</b>
Equity	174,407,408	-	-	174,407,408	-	174,407,408
<b>Total Equity &amp; liabilities</b>	<b>1,901,656,246</b>	<b>22,992,475</b>	<b>58,361,833</b>	<b>1,983,010,554</b>	<b>(12,542,106)</b>	<b>1,970,468,448</b>
<b>Contingencies &amp; Commitments</b>	<b>616,680,858</b>	<b>604,010</b>	<b>1,902,074</b>	<b>619,186,942</b>	<b>-</b>	<b>619,186,942</b>

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 2022 or 2021.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## RELATED PARTY TRANSACTIONS

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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:

	2022						2021					
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties		Directors	Key management personnel	Subsidiaries	Associates	Other related parties	
	(Rupees in '000)											
<b>Lendings to Financial Institutions</b>												
Opening balance	-	-	3,500,000	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	118,446,765	-	-	-	-	-	103,400,000	-	-	-
Repaid during the year	-	-	(121,946,765)	-	-	-	-	-	(99,900,000)	-	-	-
Closing balance	-	-	-	-	-	-	-	-	3,500,000	-	-	-
<b>Investments</b>												
Opening balance	-	-	12,319,037	700,401	254,253	-	-	-	12,319,037	700,401	254,253	-
Investment made during the year	-	-	4,000,000	-	-	-	-	-	-	-	-	-
Investments wound up / disposed off during the year	-	-	(725)	-	(5,000)	-	-	-	-	-	-	-
Closing balance	-	-	16,318,312	700,401	249,253	-	-	-	12,319,037	700,401	254,253	-
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	725	-	-	5,000
<b>Advances</b>												
Opening balance	109	147,331	940,062	1,018,449	3,084,862	1,042	1,042	166,757	856,704	356,898	152,147	-
Addition / exchange adjustment during the year	23,615	93,306	99,836	-	14,754,662	16,460	16,460	48,891	83,358	1,390,000	3,103,637	-
Repaid during the year	(22,181)	(69,178)	-	(1,018,449)	(13,394,232)	(16,576)	(16,576)	(53,410)	-	(728,449)	(170,922)	-
Transfer in / (out) - net	-	109,778	-	-	-	(817)	(817)	(14,907)	-	-	-	-
Closing balance	1,543	281,237	1,039,898	-	4,445,292	109	109	147,331	940,062	1,018,449	3,084,862	-
<b>Fixed Assets</b>												
Purchase of fixed assets	-	-	200,000	6,157	62,667	-	-	-	-	18,782	33,245	-
<b>Other assets</b>												
Markup receivable	-	3,208	5,942	-	64,384	-	-	2,436	20,398	17,154	16,572	-
Advances, deposits, advance rent and other prepayments	-	-	11,500	288,433	25,594	-	-	-	7,040	182,467	44,060	-
Receivable from Pension Fund	-	-	-	-	2,768,142	-	-	-	-	-	3,218,426	-
Unrealized gain on forward foreign exchange contracts - outstanding	-	-	3	-	-	-	-	-	-	-	-	-
<b>Borrowings</b>												
Opening balance	-	-	19,134	-	103,120	-	-	-	25,356	-	77,139	-
Borrowings / exchange adjustment during the year	-	-	1,570,501	-	-	-	-	-	598,267	-	25,981	-
Settled during the year	-	-	(1,584,489)	-	(103,120)	-	-	-	(604,489)	-	-	-
Closing balance	-	-	5,146	-	-	-	-	-	19,134	-	103,120	-

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022					2021				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
<b>Deposits and other accounts</b>										
Opening balance	700,547	196,067	51,961	3,827,846	8,285,021	302,130	138,566	53,877	4,815,780	4,869,941
Received during the year	7,966,971	1,508,191	5,793,034	59,131,008	109,663,854	2,874,441	1,315,435	3,162,263	49,364,225	86,845,287
Withdrawn during the year	(8,473,340)	(1,534,378)	(5,657,626)	(57,334,957)	(112,340,190)	(2,468,887)	(1,256,285)	(3,164,179)	(50,352,159)	(83,429,013)
Transfer in / (out) - net	(631)	14,232	-	-	(13,782)	(7,137)	(1,649)	-	-	(1,194)
Closing balance	193,547	184,112	187,369	5,623,897	5,594,903	700,547	196,067	51,961	3,827,846	8,285,021
<b>Other liabilities</b>										
Markup payable	4,804	1,171	883	59,052	46,907	1,475	-	2	18,219	16,792
Accrued expenses and other payables	-	-	29,100	81,476	1,571	100,100	3,500	23,556	66,889	2,893
Payable to MCB Employee Security Services	-	-	-	-	14,314	-	-	-	-	55,567
Advance received against sale of property	-	-	20,000	-	-	-	-	20,000	-	-
	4,804	1,171	49,983	140,528	62,792	101,575	3,500	43,558	85,108	75,252
<b>Contingencies and Commitments</b>										
Letter of Credit	-	-	-	-	6,638,499	-	-	-	-	5,207,768
Forward foreign exchange contracts (Notional)	-	-	86,341	-	-	-	-	-	-	-
Bank guarantee	-	-	70,227	7,102,828	1,053,845	-	-	35,276	10,739	666,342
Closing balance	-	-	156,568	7,102,828	7,692,344	-	-	35,276	10,739	5,874,110
<b>Income</b>										
Markup / return / interest earned	86	15,794	298,425	26,956	258,152	23	13,962	172,491	35,654	20,988
Fee and commission income	-	-	76,282	733,936	12,572	-	-	48,228	968,003	7,748
Dividend income	-	-	110,870	210,000	82,716	-	-	184,784	192,500	96,853
(Loss) / gain on forward foreign exchange contracts matured during the year	-	-	-	-	(8,179)	-	-	-	-	44,830
Net gain / (loss) on sale of securities	-	39	-	1,432	42,301	(13)	-	-	(62)	(837)
Gain on sale of assets	-	716	-	-	102	-	77	-	-	-
Rent income	-	-	59,245	12,220	3,840	-	-	50,892	12,662	2,280
<b>Expense</b>										
Markup / return / interest expensed	52,364	4,087	3,854	305,345	1,901,828	22,865	2,059	2,452	142,524	647,484

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022					2021				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
<b>Other Operating expenses</b>										
Clearing expenses paid to NIFT	-	-	-	-	189,640	-	-	-	-	154,329
Contribution to provident fund	-	-	-	-	477,287	-	-	-	-	430,857
Rent expenses	-	-	6,324	72,185	53,069	-	-	11,787	55,945	47,990
Cash sorting expenses	-	-	-	-	117,167	-	-	-	-	99,821
Stationery expenses	-	-	-	-	380,041	-	-	-	-	259,775
Security guards expenses	-	-	-	-	253,386	-	-	-	-	354,797
Remuneration to directors and key management personnel	150,797	715,431	-	-	-	279,819	519,581	-	-	-
Outsourcing service expenses	-	-	-	138,651	-	-	-	-	196,446	-
E-dividend processing fee and CDC charges	-	-	-	-	6,047	-	-	-	-	6,209
Travelling expenses	-	-	-	-	30,378	-	-	-	-	51,534
Hotel stay expenses	-	-	-	-	6,121	-	-	-	-	146
Repair and maintenance charges	-	-	-	-	3,184	-	-	-	-	2,148
Advertisement expenses	-	-	-	-	3,132	-	-	-	-	3,132
Utility expenses	-	-	-	-	4,519	-	-	-	-	-
Miscellaneous expenses and payments	-	-	-	-	2,659	-	-	587	-	2,466
Insurance premium-net of refund	-	-	-	904,527	-	-	-	-	495,818	-
Insurance claims settled	-	-	-	40,380	-	-	-	-	40,991	-
<b>Other Transactions</b>										
Proceeds from sale of assets	-	6,448	-	-	1,417	-	77	-	-	-
Sale of foreign currency	-	-	22,072,685	-	-	-	-	23,435,469	-	-
Purchase of foreign currency	-	-	13,175,745	-	1,039,000	-	-	13,597,031	-	-
Payments against home remittances	-	-	4,755,069	-	-	-	-	4,701,212	-	-
Reimbursement of other expenses	-	-	54,607	-	-	-	-	43,048	-	-
Sale of government securities	50,060	154,836	-	23,153,428	35,215,242	903,221	33,431	-	10,113,189	19,669,035
Purchase of government securities	-	13,741	-	22,187,916	15,254,061	26,076	-	-	19,077,222	5,096,819
Forward exchange contracts matured during the year	-	-	-	-	1,772,994	-	-	-	-	5,527,242

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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		(Rupees in '000)	
44	<b>CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
	<b>44.1 Capital Adequacy</b>		
	<b>Minimum Capital Requirement (MCR):</b>		
	Paid-up capital (net of losses)	11,850,600	11,850,600
	<b>Capital Adequacy Ratio (CAR):</b>		
	Eligible Common Equity Tier 1 (CET 1) Capital	160,614,100	150,353,964
	Eligible Additional Tier 1 (ADT 1) Capital	–	–
	<b>Total Eligible Tier 1 Capital</b>	160,614,100	150,353,964
	Eligible Tier 2 Capital	24,770,221	19,249,838
	<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	185,384,321	169,603,802
	<b>Risk Weighted Assets (RWAs):</b>		
	Credit Risk	738,811,439	711,304,243
	Market Risk	68,557,601	132,894,633
	Operational Risk	176,709,846	153,080,409
	<b>Total</b>	984,078,886	997,279,285
	<b>Common Equity Tier 1 Capital Adequacy ratio</b>	16.32%	15.08%
	<b>Tier 1 Capital Adequacy Ratio</b>	16.32%	15.08%
	<b>Total Capital Adequacy Ratio</b>	18.84%	17.01%

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, 2022 stood at Rs. 11.851 billion (2021: 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.

		2022	2021
		(Rupees in '000)	
	<b>44.2 Leverage Ratio (LR):</b>		
	Eligible Tier-1 Capital	160,614,100	150,353,964
	Total Exposures	2,623,267,930	2,451,779,962
	<b>Leverage Ratio</b>	6.12%	6.13%

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	(Rupees in '000)	
<b>44.3 Liquidity Requirements</b>		
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	750,264,991	1,109,267,469
Total Net Cash Outflow	367,492,625	450,352,949
Liquidity Coverage Ratio	204.16%	246.31%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	1,251,409,014	1,213,585,786
Total Required Stable Funding	906,145,461	782,982,025
Net Stable Funding Ratio	138.10%	155.00%

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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

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
- 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



## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

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 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.

During 2022, Pakistan witnessed significant economic headwinds. Rising inflation, increasing fuel prices, depleting foreign exchange reserves, massive devaluation of the Pakistani rupee, political instability, increasing interest rates, and high budget deficit made the year more challenging. In this backdrop, Fitch, Moody's and S&P Global lowered the country's sovereign credit rating. In June 2022, Pakistan was hit with a natural catastrophe in the shape of worst ever floods in the history of the country. The floods resulted in millions of people being displaced and severe damage to both crops and livestock. Additionally, international commodity prices also remained elevated through the year. The headline inflation increased significantly touching a multi-year high of 27.32% in August. During the year, SBP increased the benchmark interest rate by a cumulative 625 bps to 16%. This steep increase was aimed at reducing aggregate demand in the economy and also to counter high inflation. This led to a steep uptick in domestic food prices.

The Bank is regularly conducting assessments of the credit portfolio, with robust post disbursement credit review mechanism to identify borrowers most likely to be affected in the challenging business and economic environment. Bank is confident that it has more than sufficient risk bearing capacity to withstand these difficult times.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 45.1.1 Lendings to financial institutions

### Credit risk by public / private sector

Note	Gross lendings		Non - performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Public / Government	30,869,383	24,071,021	-	-	-	-
Private	19,546,385	18,396,089	-	-	-	-
9	50,415,768	42,467,110	-	-	-	-

## 45.1.2 Investment in debt securities

### Credit risk by industry sector

	Gross Investments		Non - performing Investments		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Chemical and pharmaceuticals	-	1,750,000	-	-	-	-
Financials including government securities	976,765,925	1,007,748,243	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	40,732	40,732	40,732	40,732	40,732
Telecommunications	-	-	-	-	-	-
Others	6,153	6,153	6,153	6,153	6,153	6,153
	977,243,466	1,009,975,784	477,659	477,659	477,659	477,659

	Gross Investments		Non - performing Investments		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
<b>Credit risk by public / private sector</b>						
Public / Government	967,048,012	1,001,027,317	-	-	-	-
Private	10,195,454	8,948,467	477,659	477,659	477,659	477,659
	977,243,466	1,009,975,784	477,659	477,659	477,659	477,659

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 45.1.3 Advances

### Credit risk by industry sector

Note	Gross Advances		Non - performing Advances		Provision held		
	2022	2021	2022	2021	2022	2021	
	(Rupees in '000)						
	Agriculture, forestry and fishing	5,861,523	6,296,378	391,920	418,737	334,664	358,691
	Construction	11,001,130	14,212,957	231,071	351,226	231,071	296,478
	Electricity, gas, steam and air conditioning supply	46,709,017	33,914,125	1,757,187	376,717	376,717	376,717
	Electronics and electrical appliances	11,427,331	8,492,204	89,980	92,104	89,980	92,104
	Financials	52,197,062	32,744,189	716,076	301,280	716,076	301,280
	Footwear and Leather garments	4,993,030	5,357,720	154,403	163,781	154,403	163,781
	Human health and social work activities	1,014,702	548,329	44,452	45,081	44,452	45,081
	Individuals	56,183,570	51,083,890	3,531,164	3,824,895	3,388,383	3,713,883
	Manufacture of basic metals and metal products	14,212,110	19,213,851	3,322,790	3,980,254	3,306,641	3,881,891
	Manufacture of cement	45,435,184	16,801,079	392,862	392,862	392,862	392,862
	Manufacture of chemicals and pharmaceutical products	62,036,003	60,149,203	191,248	232,324	187,478	232,324
	Manufacture of coke and refined petroleum products	1,595,977	4,031,606	755,125	855,984	578,891	855,984
	Manufacture of food & beverages products	63,524,249	49,347,312	2,740,489	3,066,745	2,524,123	2,851,306
	Manufacture of machinery, equipment and transport Equipment	21,270,532	7,573,933	363,386	373,053	363,386	373,053
	Manufacture of rubber and plastics products	10,047,142	6,056,179	538,155	606,722	538,155	606,722
	Manufacture of sugar	42,055,368	39,228,616	4,238,251	4,419,576	4,238,251	4,419,576
	Manufacture of textiles	131,251,828	114,257,523	12,183,374	12,733,639	11,968,607	12,497,961
	Mining and quarrying	3,804,693	4,359,943	1,877	3,714	1,877	3,714
	Manufacturing of Pulp, Paper, Paperboard	11,578,282	6,238,915	174,634	174,634	174,634	174,634
	Ship Breaking	3,820,216	4,088,794	3,813,615	3,988,794	3,813,615	3,988,794
	Services	13,746,107	14,907,349	428,464	430,017	385,926	415,831
	Telecommunications	39,616,332	23,855,551	42,798	42,798	42,798	42,798
	Transportation and storage	86,461,152	61,872,867	57,759	67,125	57,759	66,559
	Wholesale and retail traders	53,132,573	45,169,859	14,778,658	13,041,819	7,716,584	7,500,461
	Others	4,596,816	5,771,499	320,445	506,924	320,445	503,986
11		797,571,929	635,573,871	51,260,183	50,490,805	41,947,778	44,156,471
	<b>Credit risk by public / private sector</b>						
	Public / Government	118,072,888	89,835,878	564,853	639,825	564,853	639,825
	Private	679,499,041	545,737,993	50,695,330	49,850,980	41,382,925	43,516,646
11		797,571,929	635,573,871	51,260,183	50,490,805	41,947,778	44,156,471

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

Note	2022 (Rupees in '000)	2021
<b>45.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, forestry and fishing	469,517	2,834,653
Construction	23,128,480	17,599,642
Electricity, gas, steam and air conditioning supply	9,657,966	19,650,014
Electronics and electrical appliances	4,965,914	7,447,158
Financials	274,533,531	291,315,065
Footwear and Leather garments	2,575,321	1,478,562
Human health and social work activities	919,212	336,876
Individuals	1,169,600	2,269,551
Manufacture of basic metals and metal products	5,790,799	7,468,627
Manufacture of cement	4,424,646	15,168,937
Manufacture of chemicals and pharmaceutical products	28,610,714	25,749,257
Manufacture of coke and refined petroleum products	18,914,934	1,671,507
Manufacture of food & beverages products	52,609,673	22,767,423
Manufacture of machinery, equipment and transport Equipment	24,882,238	14,812,389
Manufacture of rubber and plastics products	7,558,951	5,096,950
Manufacture of sugar	6,365,079	14,556,109
Manufacture of textiles	41,910,205	37,035,617
Mining and quarrying	118,562	887,679
Manufacturing of Pulp, Paper, Paperboard	3,172,203	4,388,673
Ship Breaking	85,882	114,933
Services	57,658,396	62,032,269
Telecommunications	26,666,124	19,642,288
Transportation and storage	345,807	8,835,202
Wholesale and retail traders	43,607,014	11,845,793
Others	25,513,792	24,181,768
24	665,654,560	619,186,942
<b>Credit risk by public / private sector</b>		
Public/ Government	161,785,251	165,079,709
Private	503,869,309	454,107,233
24	665,654,560	619,186,942

## 45.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 340,909.143 million (2021: Rs. 250,579.571 million) are as following:

	2022 (Rupees in '000)	2021
Funded	170,034,940	95,079,790
Non Funded	170,874,203	155,499,781
Total Exposure	340,909,143	250,579,571

The sanctioned limits against these top 10 exposures aggregated to Rs. 470,959.712 million (2021: Rs. 296,220.092 million). There is no provision against these top 10 exposures.

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

### 45.1.6 Advances - Province/Region-wise Disbursement & Utilization

		2022					
		Disbursements		Utilization			
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Province/Region							
Punjab	814,687,313	773,948,538	28,738,870	10,899,031	374,463	726,395	16
Sindh	666,944,403	39,558,214	578,716,230	30,100,848	18,568,850	81	180
KPK including FATA	18,482,544	268,943	14,950	18,195,507	-	144	3,000
Balochistan	3,805,565	6	245	-	3,805,314	-	-
Islamabad	85,114,369	18,042,730	123	2,298,545	-	64,772,971	-
AJK including Gilgit-Baltistan	3,900,564	873	-	-	-	-	3,899,691
	1,592,934,758	831,819,304	607,470,418	61,493,931	22,748,627	65,499,591	3,902,887

		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
	915,850,703	487,357,852	356,258,499	29,279,768	19,012,895	23,648,393	293,296

### 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

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market Risk by using 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, Price Value of a Basis Point (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

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	96,368,918	-	96,368,918	164,613,179	-	164,613,179
Balances with other banks	24,872,110	-	24,872,110	18,830,310	-	18,830,310
Lendings to financial institutions	50,415,768	-	50,415,768	42,467,110	-	42,467,110
Investments	291,061,308	687,669,832	978,731,140	35,788,956	999,796,540	1,035,585,496
Advances	753,399,576	-	753,399,576	589,711,091	-	589,711,091
Fixed assets	79,918,324	-	79,918,324	57,327,871	-	57,327,871
Intangible assets	801,117	-	801,117	978,785	-	978,785
Deferred tax assets	7,547,068	-	7,547,068	-	-	-
Other assets	93,301,143	-	93,301,143	60,954,606	-	60,954,606
	1,397,685,332	687,669,832	2,085,355,164	970,671,908	999,796,540	1,970,468,448

## 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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022				2021			
	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	28,351,074	55,959,067	13,309,034	(14,298,959)	33,031,553	55,915,494	15,257,912	(7,626,029)
Sri Lankan Rupees	-	1,063,792	-	(1,063,792)	676,927	-	-	676,927
Arab Emirates Dirham	180,113	51,301	(43,157)	85,655	197,995	97,575	-	100,420
Euro	3,866,744	8,564,329	4,719,223	21,638	3,077,040	7,312,669	4,217,347	(18,282)
Great Britain Pound Sterling	4,495,176	7,667,882	3,158,116	(14,590)	4,039,717	6,855,354	2,716,087	(99,550)
Japanese Yen	23,586	13	-	23,573	-	783,686	823,221	39,535
Chinese Yuan	915,242	5	(786,512)	128,725	1,143,423	98	(811,293)	332,032
Other currencies	507,891	307,884	4,606	204,613	265,889	271,634	-	(5,745)
	38,339,826	73,614,273	20,361,310	(14,913,137)	42,432,544	71,236,510	22,203,274	(6,600,692)

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account		(149,131)	-	(66,007)
- Other comprehensive income		128,034	-	117,543

#### 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.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Other comprehensive income		824,330	-	1,040,039

#### 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:

	2022		2021	
	Banking Book	Trading Book	Banking Book	Trading Book
	(Rupees in '000)			
Impact of 1% increase in interest rates on				
- Profit and loss account	(1,403,422)	-	(3,632,054)	(4)
- Other comprehensive income	-	(947,571)	-	(7,457,483)

The Bank has classified Available for Sale investments as Trading in Basel-II.

# Notes To The Unconsolidated Financial Statements

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## 45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	2022										Non-interest bearing financial instruments	
	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)										
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks		-	-	-	-	-	-	-	-	-	-	36,368,918
Balances with other banks	0.43%	6,678,340	492,960	-	-	-	-	-	-	-	-	17,700,810
Lending to financial institutions	6.81%	50,415,768	144,817,076	150,973,578	79,405,515	69,298,650	39,610,342	9,542,226	74,437,166	-	-	-
Investments	12.41%	375,927,053	680,743,836	4,190,325	3,133,574	4,577,682	3,750,853	2,619,871	6,418,442	12,094,413	-	34,719,554
Advances	11.36%	753,399,576	680,743,836	4,190,325	3,133,574	4,577,682	3,750,853	2,619,871	6,418,442	12,094,413	-	-
Other assets		84,351,677	-	-	-	-	-	-	-	-	-	84,351,677
		1,868,139,189	1,113,764,997	155,163,903	82,539,089	73,876,312	43,361,195	12,162,097	80,855,608	12,094,413	-	233,140,959
<b>Liabilities</b>												
Bills payable		-	-	-	-	-	-	-	-	-	-	39,136,884
Borrowings	7.39%	340,237,265	147,788,198	6,067,827	1,659,084	3,779,083	3,633,405	7,435,913	34,117,066	-	-	-
Deposits and other accounts	6.23%	1,378,717,088	657,277,024	13,991,568	7,220,932	2,128,738	1,587,553	155,140	271,654	-	-	680,112,486
Other liabilities		105,248,443	-	-	-	-	-	-	-	-	-	105,248,443
		1,863,339,660	805,065,222	20,079,395	8,880,016	5,907,821	5,220,958	7,591,053	34,386,710	-	-	824,497,813
<b>On-balance sheet gap</b>		124,799,529	308,699,775	29,471,944	73,659,073	67,968,491	38,140,237	4,571,044	46,466,898	12,094,413	-	(591,356,854)
<b>Off-balance sheet financial instruments</b>												
FX options purchase		8,817,006	1,244,046	4,551,316	-	-	-	-	-	-	-	-
Forward purchase of Government securities		12,328,130	12,328,130	-	-	-	-	-	-	-	-	-
Cross Currency Swaps purchase		303,953	-	-	-	303,953	-	-	-	-	-	-
Foreign exchange contracts purchase		75,618,221	33,717,498	7,623,798	586,136	-	-	-	-	-	-	-
		97,067,310	47,289,674	12,175,114	586,136	303,953	-	-	-	-	-	-
FX options sale		8,817,006	1,244,046	4,551,316	-	-	-	-	-	-	-	-
Forward sale of Government securities		1,469,305	1,469,305	-	-	-	-	-	-	-	-	-
Cross Currency Swaps sale		303,953	-	-	-	303,953	-	-	-	-	-	-
Foreign exchange contracts sale		55,918,836	18,387,913	7,698,923	5,947,100	-	-	-	-	-	-	-
		66,507,100	21,101,264	12,250,239	5,947,100	303,953	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		30,560,210	26,188,410	(75,125)	(5,360,964)	-	-	-	-	-	-	-
<b>Total Yield/Interest Risk Sensitivity Gap</b>		334,888,185	374,168,018	509,177,401	577,475,510	645,444,001	683,564,238	688,155,282	734,822,180	746,716,533	-	-
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>												



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	2021										Non-interest bearing financial instruments	
	Effective yield/ interest rate	Exposed to Yield/ Interest risk										
		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)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	164,613,179	7,033,445	-	-	-	-	-	-	-	-	-	157,579,734
Balances with other banks	18,830,310	7,345,038	1,939,826	352,182	699,120	-	-	-	-	-	-	8,494,144
Lending to financial institutions	42,467,110	2,000,000	40,467,110	-	-	-	-	-	-	-	-	-
Investments	1,035,565,496	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	569,711,091	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	8,648,373	-	254,492,476
<b>Liabilities</b>												
Bills payable	24,589,644	-	-	-	-	-	-	-	-	-	-	24,589,644
Borrowings	269,525,556	99,350,424	76,884,401	53,887,609	4,615,742	5,701,961	2,816,770	5,607,738	26,660,911	-	-	563,194,788
Deposits and other accounts	1,411,851,527	771,620,918	27,229,903	19,657,866	27,529,119	211,101	1,495,106	700,706	212,000	-	-	67,465,536
Other liabilities	67,465,536	-	-	-	-	-	-	-	-	-	-	-
	1,773,452,263	864,971,342	104,114,304	73,545,465	32,144,861	5,913,062	4,311,876	6,308,444	26,872,911	-	-	655,269,968
<b>On-balance sheet gap</b>	130,892,002	182,708,684	105,424,164	61,569,501	(23,871,541)	66,763,488	54,628,201	32,961,928	43,836,696	8,648,373	-	(400,777,492)
<b>Off-balance sheet financial instruments</b>												
FX options purchase	1,432,779	591,814	741,535	99,430	-	-	-	-	-	-	-	-
Outright 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	51,990,865	31,472,430	22,346,898	14,019,626	-	-	-	-	-	-	-
	127,147,429	57,680,869	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	34,100,934	21,804,433	15,319,546	-	-	-	-	-	-	-
	99,764,597	26,824,108	34,932,469	21,976,144	15,484,760	-	547,116	-	-	-	-	-
<b>Off-balance sheet gap</b>	27,382,832	30,866,791	(2,718,504)	544,465	(1,299,920)	-	-	-	-	-	-	-
<b>Total Yield/Interest Risk Sensitivity Gap</b>		213,565,475	102,705,660	62,113,966	(25,171,461)	66,763,488	54,628,201	32,961,928	43,836,696	8,648,373	-	
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>		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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	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>Reconciliation to total assets</b>		
<b>Balance as per balance sheet</b>	2,085,355,164	1,970,468,448
<b>Less: Non financial assets</b>		
Fixed assets	79,918,324	57,327,871
Intangible assets	801,117	978,785
Deferred tax assets	7,547,068	-
Other assets	8,949,466	7,817,527
<b>Total financial assets</b>	<b>1,988,139,189</b>	<b>1,904,344,265</b>
<b>Reconciliation to total liabilities</b>		
<b>Balance as per balance sheet</b>	1,895,860,514	1,796,061,040
<b>Less: Non financial liabilities</b>		
Other liabilities	32,520,854	21,879,353
Deferred tax liability	-	729,424
<b>Total financial liabilities</b>	<b>1,863,339,660</b>	<b>1,773,452,263</b>

### 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 initiatives with respect to operational risk management like using Key Risk Indicators (KRIs), loss events database and Risk & Control Self Assessments (RCSA) 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.

### 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:

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- 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 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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 45.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2022

Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>													
Cash and balances with treasury banks	96,368,918	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	24,872,110	-	2,264,164	4,414,156	308,100	184,860	-	-	-	-	-	-	-
Lending to financial institutions	50,415,768	50,415,768	-	-	-	-	-	-	-	-	-	-	-
Investments	978,731,140	1,297,650	26,658,596	21,728,384	21,809,651	51,455,503	11,809,643	127,859,640	155,449,803	93,734,041	126,674,039	122,904,855	212,286,198
Advances	753,399,576	68,814,902	35,332,777	94,026,759	29,153,164	61,503,216	44,180,754	28,861,895	29,834,895	49,828,407	34,151,216	53,672,834	101,031,525
Fixed assets	79,918,324	9,555	66,895	246,837	379,982	379,588	1,134,913	1,126,281	1,115,861	3,523,994	3,573,397	4,244,680	64,069,002
Intangible assets	801,117	1,663	11,638	26,602	49,879	49,879	149,636	149,636	149,636	202,572	-	-	-
Deferred tax assets - net	7,547,068	5,132	22,068	47,294	110,638	282,082	252,414	1,315,528	433,392	2,529,182	1,588,865	(1,411,407)	2,353,889
Other assets	93,301,143	887,190	5,624,069	12,193,207	19,140,080	12,413,828	9,124,087	2,306,501	994,087	5,049,024	-	5,572,987	-
	2,085,355,164	249,043,647	69,880,227	132,683,239	70,951,494	126,268,956	66,651,447	161,919,471	187,977,674	148,867,220	165,967,517	184,983,749	379,730,624
<b>Liabilities</b>													
Bills payable	39,136,884	1,304,562	9,131,940	20,873,005	-	-	-	-	-	-	-	-	-
Borrowings	340,237,265	32,787,721	1,499,326	80,878,169	67,999,702	67,736,997	6,087,827	739,436	919,647	3,779,083	3,633,405	7,435,913	34,117,056
Deposits and other accounts	1,378,717,088	1,326,309,306	1,568,785	7,233,561	4,628,904	11,543,069	13,991,568	5,614,148	1,606,784	2,128,738	1,587,563	155,140	271,854
Other liabilities	137,769,297	21,306,064	9,392,603	22,202,334	9,463,001	6,925,068	7,623,441	22,606,415	3,720,078	6,483,543	1,131,935	13,424,762	5,616,813
	1,895,860,514	1,381,542,915	21,612,654	131,187,089	82,091,607	86,005,134	27,702,836	28,969,999	6,246,509	12,391,364	6,352,893	21,015,815	40,005,523
<b>Net assets</b>	<b>189,494,650</b>	<b>(1,132,499,068)</b>	<b>48,267,573</b>	<b>1,496,150</b>	<b>(11,140,113)</b>	<b>40,263,822</b>	<b>38,948,611</b>	<b>132,669,472</b>	<b>181,731,165</b>	<b>136,475,856</b>	<b>159,634,624</b>	<b>163,967,934</b>	<b>339,725,101</b>
Share capital	11,850,600	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	88,578,024	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	18,640,651	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	70,425,375	-	-	-	-	-	-	-	-	-	-	-	-
	189,494,650	-	-	-	-	-	-	-	-	-	-	-	-

\* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

2022

Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Lease liability against right of use assets</b>													
	-	-	-	73,611	73,638	75,269	228,970	229,101	230,605	1,140,285	837,397	1,529,913	3,524,804

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

2021

	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)													
<b>Assets</b>													
Cash and balances with treasury banks	164,613,179	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	8,479,616	3,618,039	882,436	2,859,091	-	1,939,826	352,182	-	698,120	-	-	-	-
Lending to financial institutions	42,467,110	38,967,110	1,500,000	-	2,000,000	-	-	-	-	-	-	-	-
Investments	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	83,244,539	196,359,191
Advances	83,634,281	26,981,914	17,892,637	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	8,429	50,569	59,987	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	12,441	14,514	33,175	62,203	62,203	186,609	186,609	186,609	232,348	-	-	-
Other assets	60,954,606	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	28,176,705	227,079,938	73,426,665	170,724,202	119,707,841	28,066,146	132,211,359	297,253,539	103,633,033	148,854,581	299,903,960
<b>Liabilities</b>													
Bills payable	819,654	4,917,929	5,737,584	13,114,477	-	-	-	-	-	-	-	-	-
Borrowings	269,525,556	73,678,410	1,132,836	670,191	14,626,682	62,257,709	53,887,609	535,632	4,080,110	5,701,981	2,816,770	5,607,738	26,660,911
Deposits and other accounts	1,411,851,527	5,560,757	4,889,942	11,342,858	6,906,515	20,923,388	19,657,886	13,939,237	13,590,882	211,101	1,495,106	700,706	212,000
Deferred tax liabilities - net	729,424	(17,491)	(26,260)	(197,446)	(132,457)	(172,871)	(392,258)	(354,339)	(387,932)	277,582	(254,654)	1,647,263	738,835
Other liabilities*	89,364,889	3,018,501	2,641,074	7,543,912	6,766,989	4,970,166	3,041,626	13,999,136	3,170,038	8,012,667	5,773,692	11,762,756	5,441,666
	1,796,061,040	1,344,935,928	14,374,176	32,473,992	28,167,729	87,376,382	76,194,863	28,118,666	20,453,098	14,203,311	9,830,914	19,718,463	33,053,412
<b>Net assets</b>	174,407,408	(1,076,816,305)	13,802,529	194,605,946	45,258,936	83,345,820	43,512,978	(62,520)	111,756,261	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												

\* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

2021

	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)													
<b>Lease liability against right of use assets</b>													
	-	-	-	66,599	67,377	64,336	188,460	186,261	188,149	1,089,125	744,341	1,377,613	3,427,600
<b>Total</b>	7,399,921	-	-	66,599	67,377	64,336	188,460	186,261	188,149	1,089,125	744,341	1,377,613	3,427,600

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 45.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2022

	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)										
<b>Assets</b>										
Cash and balances with treasury banks	96,368,918	96,368,918	-	-	-	-	-	-	-	-
Balances with other banks	24,872,110	24,379,150	492,960	-	-	-	-	-	-	-
Lending to financial institutions	50,415,768	50,415,768	-	-	-	-	-	-	-	-
Investments	978,781,140	54,734,415	73,254,130	11,777,614	283,284,776	93,704,534	126,508,479	122,879,858	193,593,274	18,994,060
Advances	753,399,576	207,817,373	72,370,645	33,362,731	46,828,695	92,669,664	82,237,609	103,134,738	98,825,592	16,162,539
Fixed assets	79,918,324	380,627	759,569	1,134,913	2,242,142	3,523,994	3,573,397	4,206,434	7,226,862	56,870,386
Intangible assets	801,117	49,878	99,758	149,636	299,273	202,572	-	-	-	-
Deferred tax assets- net	7,547,068	92,475	392,720	252,414	1,748,920	2,529,182	1,588,865	(1,411,407)	553,845	1,800,054
Other assets	93,301,143	24,542,527	45,711,929	9,124,087	3,300,589	5,049,024	-	5,572,987	-	-
	2,085,355,164	458,781,131	193,081,711	55,801,395	337,704,395	197,678,960	213,908,350	234,382,610	300,199,573	93,817,039
<b>Liabilities</b>										
Blis payable	39,136,884	39,136,884	-	-	-	-	-	-	-	-
Borrowings	340,237,265	147,788,198	135,736,699	6,087,827	1,659,084	3,779,083	3,633,405	7,435,913	34,117,056	-
Deposits and other accounts	1,378,717,068	73,291,874	68,730,836	90,015,213	77,040,336	321,777,455	321,236,270	319,803,857	106,821,227	-
Other liabilities*	137,769,297	60,774,243	16,388,068	7,623,441	26,326,492	6,483,543	1,131,935	13,424,762	4,802,238	814,575
	1,895,860,514	320,991,199	220,855,603	103,726,481	105,025,912	332,040,081	326,001,610	340,664,532	145,740,521	814,575
<b>Net assets</b>	189,494,650	137,789,932	(27,773,892)	(47,925,086)	232,678,483	(134,361,121)	(112,093,260)	(106,281,922)	154,459,052	93,002,464
Share capital	11,850,600									
Reserves	88,578,024									
Surplus on revaluation of assets - net	18,640,651									
Unappropriated profit	70,425,375									
	189,494,650									

\* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

	7,943,593	73,611	148,907	228,970	459,706	1,140,285	837,397	1,529,913	2,710,229	814,575
Lease liability against right of use assets										

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

		2021									
		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)									
<b>Assets</b>											
Cash and balances with treasury banks	164,613,179	-	-	-	-	-	-	-	-	-	
Balances with other banks	18,830,310	1,939,826	1,939,826	352,182	699,120	-	-	-	-	-	
Lending to financial institutions	42,467,110	2,000,000	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	60,964,606	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	
<b>Liabilities</b>											
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	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	
<b>Net assets</b>	<b>174,407,408</b>	<b>274,539,869</b>	<b>36,639,465</b>	<b>(68,176,129)</b>	<b>97,571,196</b>	<b>(938,775)</b>	<b>(187,736,792)</b>	<b>(152,106,702)</b>	<b>110,341,048</b>	<b>63,674,228</b>	
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										

\* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

	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
Lease liability against right of use assets	66,599	131,773	188,460	374,410	1,089,125	744,341	1,377,613	2,648,773	778,827

## 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	30%
Over 2 to 3 Years	30%
Over 3 to 5 Years	30%
Over 5 to 10 Years	10%

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2022

## 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, 2022

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 08, 2023 has announced a final cash dividend in respect of the year ended December 31, 2022 of Rs. 6.00 per share (2021: Rs. 5.00 per share). These unconsolidated financial statements for the year ended December 31, 2022 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

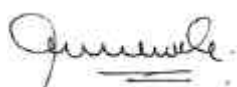
### 47 GENERAL

Comparative information has been reclassified, rearranged or additionally incorporated 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 08, 2023.



**Shoaib Mumtaz**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Shahzad Hussain**  
Director



**Muhammad Ali Zeb**  
Director

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2022

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				
<b>Domestic</b>											
1	<b>United Trading Corporation</b> Ghalla Mandi Ahmed Pur East.	Malik Muhammad Saleem Malik Muhammad Akhtar Malik Shammim Akhtar Muhammad Ali Abdul Mejeed Muhammad Younas	31201-8241392-7 31201-0371924-3 31201-6591915-8 347-16-051675 347-42-005225 41303-1140229-1	Malik Fajar Ali Malik Fajar Ali Fateh Muhammad Barkat Ali Karam Uddin	-	5,396	67	5,463	5,396	67	5,463
2	<b>Wali Muhammad &amp; Tanveer Akhtar</b> House # 1787/504 Ward No.7, Chungi # 14 Ittefaq Pura Mumtazabad Road Multan.	Muhammad Tanveer Akhtar Mian Wali Muhammad	36302-9050956-9 36302-5063770-3	Mian Wali Muhammad Mian Wilayat Ali	-	974	-	974	974	-	974
3	<b>Pakistan Commission Shop</b> Ghalla Mandi Ghakhar, Tehsil Wazirabad District Gujranwala	Muhammad Rafi	35202-2782478-5	Muhammad Shafi	-	663	57	720	663	57	720
4	<b>Mukhtar Ahmad</b> Bosat Malikwal, Mandi Bahuddin.	Mukhtar Ahmed	34401-9573919-7	Saeed Muhammad	-	634	72	706	634	72	706
5	<b>Irfan Traders</b> Ghali Ch Afzal Wali, Main Bazar Dhuley Gujranwala	Ch. Irfan Afzal	34101-9511723-3	Ch. Muhammad Afzal	-	661	18	679	661	18	679
6	<b>New Manj Traders</b> Ghakhar Mandi Tehsil Wazirabad District Gujranwala	M. Mujahid Iqbal Khan	34104-2310903-9	Muhammad Tufail Khan	-	583	67	650	583	67	650
7	<b>Farooq Traders</b> Farooq Center, Tehsil Road, Gujranwala	Mr. Kashif Farooq	34101-0669802-1	Muhammad Farooq	-	21,596	58	21,654	21,596	58	21,654
8	<b>Husnain Cotton Gainers</b> 3 K.M. Rajana Road, Samundari.	Mustansar Sulima Hamidan Begum Lal Din Muhammad Latif Shafiq Parveen Ifkhar Mahmood Nasir Mahmood Muhammad Awais Husnain Qasim Khalid Mahmood Tariq Mahmood	33105-0322639-8 33105-8438228-2 33105-0350145-3 33105-9070440-3 33105-0790660-8 33105-8363422-7 33105-8288422-7 33105-0353292-7 33105-9763758-1 33105-7061575-3 33105-5093660-5	W/O Lal Din W/O Muhammad Sharif Meher Din W/O Muhammad Latif Muhammad Sharif Muhammad Sharif Lal Din Lal Din Muhammad Sharif Muhammad Sharif Khair Muhammad	-	22,904	72	22,976	22,904	72	22,976
9	<b>Raza Muhammad Rahojo</b> C.S. # 279, Pir-Jo-Goth, Taluka Kingri, District Khairpur	Raza Muhammad Rahojo	45204-0477628-5	Khair Muhammad	-	562	32	594	562	32	594
10	<b>Khawaja Ahmed Khizer</b> House constructed on plot No.B-332, Block "N", KDA, Scheme No.2, North Nazimabad Karachi.	Khawaja Ahmed Khizer	42101-1937019-9	Khawaja Muhammad Yaqub	-	2,824	-	2,824	2,824	-	2,824

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		Name	NIC No.		Principal	Interest / mark-up	Others	Total			
<b>Domestic</b>											
11	<b>Bhittai Rice Mill</b> House No # 61015, Old Municipal Jacobabad.	Hejji Umer Farooq	43102-5446321-9	Muhammad	1,555	-	1,555	-	1,555	-	1,555
12	<b>Mushtaq Ahmed</b> Jamkay Road Street No 7 Mohallah Bhagwan Pura Daska	Mushtaq Ahmed	34601-7592335-9	Sodaggar	921	18	939	-	921	18	939
13	<b>Muhammad Amjad</b> House No 5 222, Ward No 5, Mandi Bahauddin	Muhammad Amjad	34402-1688395-9	Muhammad Haneef Malik	1,458	16	1,474	-	1,458	16	1,474
14	<b>Malik Traders</b> H No 27, St. No 28, Muhammad Square Gawal Mandli, Lahore.	Malik Muhammad Ayub Muazzam Ayub Mobeen Ayub	35202-2455905-1 35202-2455908-1 35202-2455896-7	Malik Ghulam Muhammad Malik Muhammad Ayub Malik Muhammad Ayub	1,917	52	1,969	-	1,917	52	1,969
15	<b>Malik Muhammad Sadiq</b> House No. 487-B, H-Block, Sabzazar, Lahore.	Malik Muhammad Sadiq	35202-9068113-9	Ghulam Muhammad	784	18	802	-	784	18	802
16	<b>Qasir Mehmood Malik</b> H # 294, Muazzam Colony, Sialkot Road, Gujranwala	Qasir Mehmood Malik	34101-2549040-1	Malik Abdul Gafoor	1,615	-	1,615	-	1,615	-	1,615
17	<b>Yousaf Bhatti Colton</b> Mz Central Plaza, Barket Market, Garden Town, Lahore.	Mian Muhammad Yousaf Bhatti	35202-9455599-7	Mian Muhammad Ibrahim Bhatti	2,302	18	2,320	-	2,302	18	2,320
18	<b>Softwear Shoes</b> 59-Timber Market Ravi Road Lahore.	Arshad Mehmood Butt	35202-2712050-3	Abdul Rehman Butt	3,695	67	3,762	-	3,695	67	3,762
19	<b>Amity Construction Co.</b> Shop No. 3/51, Shahab Pura, Ugoki Road, Sialkot	Muhammad Shabbir Butt	34603-2173762-5	Allah Ditta Butt	903	-	903	-	903	-	903
20	<b>Logo Tech International</b> Harar, Near Noul Chowik, Wazirabad Road, Sialkot	Muhammad Ashraf Ch. Zahid Aslam Raur Ashraf	34603-2235774-1 54400-6160867-7 34603-9358588-5	Muhammad Shafi Ch. Muhammad Aslam Muhammad Ashraf	1,042	-	1,042	-	1,042	-	1,042
21	<b>M.B.4 International</b> Roras Road, Noul, Sialkot	Aftab Ahmed	34603-0234057-5	Muhammad Hussain	1,805	-	1,805	-	1,805	-	1,805
22	<b>Ghulam Mustafa Shad</b> House # 180, Block -E-1, Sector A, Engineering Town, Defence Road, Lahore	Ghulam Mustafa Shad	35202-8694813-7	Bashir Ahmed	1,228	85	1,313	-	1,228	85	1,313
23	<b>Chaudhry Zafar Iqbal</b> House # E - 14, Street # 7, Zaman Colony, Cavalry Ground, Lahore - Cantt.	Chaudhry Zafar Iqbal	35201-8905961-5	Chaudhry Laal Khan	3,747	45	3,792	-	3,747	45	3,792

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		Name	NIC No.		Principal	Interest / mark-up	Others	Total				
<b>Domestic</b>												
24	<b>Muhammad Afzal Farooq</b> House # 30, Muslim Block, Allama Iqbal Town Lahore	Muhammad Afzal Farooq	35202-7078066-3	Muhammad Shafi Khan	-	1,200	-	1,200	-	1,200	-	1,200
25	<b>Muhammad Iqbal Butt</b> House No. 5 - C, bearing Wocland Homes, Ali Town, Raiwind Road, Mauza Niaz Baig, Lahore	Muhammad Iqbal Butt	35202-0846574-5	Muhammad Ashraf Butt	-	1,458	75	1,533	-	1,458	75	1,533
26	<b>Faisal Boit House</b> Rehman Gali, Kisan Street No.5, (Ram Gali) Brendrath Road, Lahore	Muhammad Tahir	35202-0821141-7	Muhammad Ashiq	-	4,601	-	4,601	-	4,601	-	4,601
27	<b>Muhammad Saeed</b> 123-Hussain Block, Azam Cloth, Market, Lahore.	Muhammad Saeed	35202-7782347-7	Sh. Muhammad Ismail	-	746	-	746	-	746	-	746
28	<b>Muhammad Sajjad Butt</b> House #9/265 Near Qasim Road Moh Islam Pura Sialkot	Muhammad Sajjad Butt	34603-8115826-9	Muhammad Hafeez	-	554	17	571	-	554	17	571
29	<b>Muhammad Usman Tahir</b> 3 East Canal Road Canal Park Faisalabad	Muhammad Usman Tahir	33100-0963255-3	Mushtaq Ahmed	-	488	32	520	-	488	32	520
30	<b>Abdul Rauf</b> House # 5 Abu Bakkar St, Rehman Pura 2 Saigodha	Abdul Rauf	38403-2221956-1	Dilbar Rasool	-	513	27	540	-	513	27	540
31	<b>Syed Shahid Hussain</b> House # R-52 Khayaban-E-Rizwan Phase 7, DHA Karachi.	Syed Shahid Hussain	42501-7297177-5	Syed Fida Hussain	367	318	223	908	-	318	223	541
32	<b>Gulam Dastagir</b> H # 31/2, St # 20, Mohallah Hassan Park Lahore	Gulam Dastagir	35201-1419541-5	Muhammad Ibrahim	-	910	150	1,060	-	910	150	1,060
33	<b>Muhammad Ayub</b> P-140 Rehmania Town, Jhang Road Faisalabad.	Muhammad Ayub	33100-9467258-1	Sheikh Muhammad Amin	-	5,724	112	5,836	-	5,724	112	5,836
34	<b>Bismillah Bricks &amp; Coal Company</b> Adda, Jhol Chak No. 68/ RB Kila Road Sheikhpura Road Faisalabad.	Rana Asghar Ali Rana Zaifur Ali	33104-7142897-5 53103-1444818-1	Ch. Mubarak Ali Ch. Mubarak Ali	-	1,096	36	1,132	-	1,096	36	1,132
35	<b>Gill Tahir Textile (Pvt.) Ltd</b> 102/B Peoples Colony No. 02 Muslim Park Faisalabad.	Pervaiz Iqbal Gill Muhammad Tahir Iqbal Sarwat Pervaiz Gill	33100-0570773-7 36104-0502404-5 33100-9651544-4	Bashir Ahmed Gill Abdul Aziz Pervaiz Iqbal Gill	-	2,231	65	2,296	-	2,231	65	2,296

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		Name	NIC No.		Principal	Interest / mark-up	Others	Total				
<b>Domestic</b>												
36	<b>Amteq Limited</b> 5 Pullian Ismail Road Faisalabad	Khuram Iftikhar Shahzad Iftikhar Nadeem Iftikhar Gul Muhammad Naz Usman Ghanni Suhail Maqsood Ahmed Muhammad Ahsan	33102-1749610-9 33102-1749610-3 33100-9694643-3 42000-0472030-9 33100-2320040-3 33100-1682681-1 33100-0922443-1	Iftikhar ud Din Iftikhar ud Din Iftikhar ud Din Habib Ullah Haji Abdul Ghani Molvi Muhammad Din Asmat Ullah	-	6,663	-	-	-	6,663	-	6,663
37	<b>Tanveer Hussain</b> House No. CB-1810, Street No. 24, Allama Iqbal Colony, Rawalpindi Cantt.	Tanveer Hussain	37405-0244307-1	Mulazim Hussain	-	1,549	45	-	1,549	45	-	1,594
38	<b>Abid Hussain</b> Resident of Ashraf Town, Umarabad, Chakwal.	Abid Hussain	37201-6623064-9	Muhammad Hussain	-	1,386	37	-	1,386	37	-	1,423
39	<b>Muhammad Ishaq</b> Ghalla Mandi Jattan, Mandi Faizabad	Muhammad Ishaq	35202-6068994-7	Muhammad Ismail	-	1,312	37	-	1,312	37	-	1,349
40	<b>Jamshaid Malik</b> House no 38, Block H, Gulberg-III, Lahore.	Jamshaid Malik Sohail Malik Malik Abdul Ahad	35202-7442980-7 35202-9794234-5 35202-9018922-9	Malik Abdul Wahid Malik Abdul Wahid Malik Abdul Wahid	-	8,635	-	-	8,635	-	-	8,635
41	<b>Supertech Leather Company</b> Pareq Pur Pasrur Road, Sialkot.	Muhammad Sadiq Abid Siddique Javed Siddique Omar Sadiq Hamza Sadiq	34603-0817527-3 34603-9959153-7 34603-3295719-9 34603-7236601-5 34603-7331601-5	Muhammad Siddique Goraya Muhammad Siddique Goraya Muhammad Siddique Goraya Muhammad Sadiq Goraya Muhammad Sadiq Goraya	-	5,021	103	-	5,021	103	-	5,124
42	<b>Rashid Associates</b> Pareq Pur Pasrur Road, Sialkot.	Muhammad Sadiq Abid Siddique Javed Siddique Omar Sadiq Hamza Sadiq Muhammad Rashid	34603-0817527-3 34603-9959153-7 34603-3295719-9 34603-7236601-5 34603-7331601-5	Muhammad Siddique Goraya Muhammad Siddique Goraya Muhammad Siddique Goraya Muhammad Sadiq Goraya Muhammad Sadiq Goraya Goraya	-	1,465	83	-	1,465	83	-	1,548
43	<b>Azhar Hussain Shah</b> Mouza Dekari Alam Shah PO Khas Tehsil Tandlianwala Distt. Faisalabad	Azhar Hussain	33106-2082805-7	Mehmood Shah	-	771	-	-	771	-	-	771
44	<b>Khudadad Rice Mills</b> Luban Puly, Muridke Road, Narowal.	Abdul Hameed	34501-7264094-1	Ahmad Khan	-	772	52	-	772	52	-	824
45	<b>Anwar Poultry &amp; Hatchery Farm</b> Lohanwala, Tehsil & District Gujranwala.	Muhammad Anwar	34101-8125713-5	Bashir Ahmed	-	608	31	-	608	31	-	639

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		Name	NIC No.		Principal	Interest / mark-up	Others	Total				
<b>Domestic</b>												
46	<b>Itehad Timber &amp; Plywood Group</b> Timber Market, Mohallah Islam Pura, Tehsil Pasrur, District Sialkot.	Mirza Waheed Ahmed	34602-6607285-9	Mirza Bashir Ahmed	-	9,177	117	9,294	-	9,177	117	9,294
47	<b>Qasim &amp; Co</b> Ghalla Mandi, Ghakhar, Tehsil Wazirabad, District Gujranwala.	Muhammad Rafi	35202-2782478-5	Muhammad Shafi	-	3,410	765	4,175	-	3,410	765	4,175
48	<b>Adeel Traders</b> Chak # 363 W/B Tehsil Dunyapur & District Lodhran.	Ifkhtiar Ahmad Chaudhry Irshad Ali Haneefan Akram	36201-7883963-1 36201-5575550-1 36302-2544803-4	Talib Hussain Bashir Ahmed Muhammad Akram	-	483	60	543	-	483	60	543
49	<b>Nasurminallah &amp; Co</b> Sharji Colony Tehsil & District Vehari.	Nasurminallah Sethi Sanwat Sethi Arshad Mehmood	36603-5601082-9 36603-8645896-6 36603-3823301-1	Arshad Mehmood Sethi Arshad Mehmood Sethi Muhammad Younis	-	1,533	17	1,550	-	1,533	17	1,550
50	<b>Muhammad Salman Dogar</b> House # 113/114, west Wood Colony Thokar Niaz Baig, Lahore	Muhammad Salman	35202-7118282-5	Abdul Rehman	-	1,314	-	1,314	-	1,314	-	1,314
51	<b>Mian Oil Mills</b> Near Sanam Cinema (Novelty Cinema) Samanabad, House No.01, Street No 01 Aminabad Faisalabad	Mian Muhammad Younas	33100-2417394-1	Chaudhary Allah Dilta	-	590	-	590	-	590	-	590
52	<b>New Saleem Traders</b> Main Circular Road Opposite National cooling Centre near Malik Hashim & co Tehsil Samundari District Faisalabad	Muhammad Atif Abbas	33105-4166793-9	Askar Razi	-	1,217	45	1,262	-	1,217	45	1,262
53	<b>Javed Akhtar</b> Shop No.09, Mandar Gali No. 03 Al Fatah Market Rail Bazar Faisalabad	Javed Akhtar	33100-5446024-7	Abdul Majeed Shad	1,000	500	32	1,532	-	477	32	509
54	<b>Ali Traders</b> Sadar Bazar Rajana Toba Tek Singh	Aman Ullah Irfan Ullah	33303-0680732-7 33303-5639804-9	Ch Rehmat Ali Ch Rehmat Ali	-	543	33	576	-	543	33	576
55	<b>Shah Faisal Filling Station</b> Road Near Bypass Deh Mehrabpur Tappo Jani Dero, Taluka District Jacobabad	Allah Bux Khan	43102-2477184-3	Yar Muhammad Khan	-	489	22	511	-	489	22	511

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		Name	NIC No.		Principal	Interest / mark-up	Others	Total				
<b>Domestic</b>												
56	<b>Nadir Abbas</b> P/o Sher Shah Darbar, Sher Shah Tehsil & District Multan	Nadir Abbas	36303-2772531-1	Nazar Hussain	1,810	1,220	-	3,030	-	1,228	-	1,228
57	<b>Saleem Brother Zari Services</b> Choti Zarin Jampur Road D.G Khan.	Ghulam Fairid	32102-7393467-5	Kora Khan	-	969	37	1,006	-	969	37	1,006
58	<b>Rehman Motors</b> Mouza Jatoi Janubi Permat Road, Tehsil Jatoi & District Muzaffargarh	Aziz Ur Rehman Rao	32302-6727270-7	Abdul Rehman Rao	-	520	35	555	-	520	35	555
59	<b>Hassan Traders</b> Shop # 54/B, Iqbal Road Vehari.	Rana Shahid Sohail	31203-2986295-3	Rana Muhammad Jameel Khan	-	1,253	53	1,306	-	1,253	53	1,306
60	<b>EZI International</b> R/o House No. 75, street # 9th, Block V, new Multan.	Ehtasham-Ul-Haq Riaz Hussain	31104-1684471-7 37101-1788250-3	Muhammad Hussain Muhammad Hussain	-	1,204	107	1,311	-	1,204	107	1,311
61	<b>Jahanzeb Khan</b> 138-E-II Wapda Town Lahore	Jahanzeb Khan	35404-7522512-7	Mazhar Zaman Khan	-	877	-	877	-	877	-	877
62	<b>Muhammad Waseem</b> House # 86/D, Chudhary Colony, Zakeriya Park, Sarnabad Lahore	Muhammad Waseem	35202-0109218-7	Muhammad Ikram	-	635	73	708	-	635	73	708
63	<b>Majid Naeem</b> Mohalla Noor Bawaa, Gujranwala.	Majid Naeem	34101-2548245-7	Muhammad Hussain	6,000	1,629	70	7,699	-	1,688	70	1,758
64	<b>Haji Shabbir Traders</b> Ghalian Mandi Jalalpur Bhattian.	Shabbir Hussain	34301-1682234-1	Hassan Muhammad	149	709	17	875	-	659	17	676
65	<b>Malik Muhammad Mushtaq</b> Shaheenabad, G. T. Road, Gujranwala.	Malik Muhammad Mushtaq	34101-2342064-3	Malik Muhammad Siddique	-	563	40	603	-	563	40	603
66	<b>Mujahid Ibrar &amp; Co</b> Ghalla Mandi Jalalpur Bhattian, District Hafizabad	Mujahid Iqbal Ibrar Hussain	34302-1224405-7 34302-7666892-3	Zulfiqar Ali Bashir Hussain	-	7,001	117	7,118	-	7,001	117	7,118
67	<b>Warraich Traders</b> Ghalla Mandi Budha Goraya, District Gujranwala	Abdul Aziz	34103-0652461-3	Muhammad Mansha	-	8,678	87	8,765	-	8,678	87	8,765

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<b>Domestic</b>												
68	<b>Ghulam Muhammad</b> Bhoon Tehsil & Distt. Jhang	Ghulam Muhammad	33202-1271986-3	Ahmad Yar	-	627	32	659	-	627	32	659
69	<b>Muhammad Rafique</b> 396 A, Sabzazar, Lahore	Muhammad Rafique Veryan Jutt	35202-2906310-1	Meraj Din	787	588	17	1,392	-	566	17	583
70	<b>Muhammad Latif</b> House No. 20, Street No. 04, Near Qadeer Market, Gulzar-e-Quaid, Rawalpindi	Muhammad Latif	37405-4928955-1	Siraj Din	-	1,407	60	1,467	-	1,407	60	1,467
71	<b>Qamar Abbas</b> House No. 36-F, Mohalla Rah-e- Aman, New Lalazar Rawalpindi	Syed Qamar Abbas	37405-0371312-9	Ali Hussain	143	2,428	18	2,589	-	1,889	-	1,889
72	<b>Zahid Hussain</b> House No. 7-B, Lane No. 03, Quid-e-Azam Colony, Dharmyal Camp Road, Rawalpindi	Zahid Hussain	61101-1451061-7	Lai Hussain	270	1,039	47	1,356	-	857	-	857
73	<b>Haji Ghulam Rasool &amp; Sons</b> Thana Road Jalalpur Bhattian, Tehsil Pindi Bhattian, District Hafizabad	Ghulam Rasool	34301-9353459-7	Sher Muhammad	268	1,421	176	1,865	-	1,424	176	1,600
74	<b>Ali Traders</b> Subedar Plaza, Rehman Zafar Iqbal shaheed Road Gujrat	Ch. Shamshair Ahmad Zafar Iqbal	34201-4349963-1 37301-4910663-9	Ch. Abdul Malik Muhammad Din	5,610	3,844	17	9,471	-	3,866	17	3,883
75	<b>Ranjha Commission Shop</b> Village Chot Khurrad, P.O Bheero Distt Mandi Banauddin	Muhammad Welayat	34403-9150640-5	Muhammad Hayat	-	1,070	66	1,136	-	970	66	1,036
76	<b>Javed Iqbal &amp; Company</b> Ghala Mandi, Mandi Bahauddin.	Arshad Iqbal	34402-9106658-5	Khushi Muhammad	996	904	42	1,942	-	911	42	953
77	<b>Shafiq Autos</b> House # 9G, Latif Street Sharif Market Ichra Lahore	Mohammed Shafiq	35202-3019769-7	Muhammed Sharif	-	2,186	150	2,336	-	2,186	150	2,336
78	<b>Sheikh Jan Muhammad</b> Quaid-E-Azam Road Kehror Pacca.	Sheikh Jan Muhammad	36202-1532775-9	Noor Muhammad	-	823	115	938	-	823	115	938
79	<b>Amir &amp; Co</b> Quaid-E-Azam Road Kehror Pacca.	Bismillah Khatoon Sheikh Jan Muhammad	36202-9970057-8 36202-1532775-9	Sheikh Jan Muhammad Noor Muhammad	-	1,242	125	1,367	-	1,242	125	1,367
80	<b>Abdul Shakoor &amp; Co</b> Shop No.20, Grain Market Gaggio Mandi, Tehsil Burewala & District Vehari.	Abdul Shakoor Muhammad Nadeem Anwar Manzoor Ahmad Sardar Muhammad	36601-1611726-7 36601-9060820-7 36601-1564221-7 36601-2719937-7	Sadlar Ud Din Muhammad Anwer Nadim Sardar Muhammad Jan Muhammad	4,918	2,047	19	6,984	-	1,990	19	2,009



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		Name	NIC No.		Principal	Interest / mark-up	Others					Total
<b>Domestic</b>												
81	<b>Shehbaz Cloth House</b> Shop # 62/2-C, Block Old Post Office Bazar Vehari.	Attab Ahmed Riaz Ahmad Gulzar Ahmad Liaqat Ali Sheikh Basheer Ahmad Shehbaz Ahmad Mst. Najma Javeed Mst. Naghma Ahmad	36603-3763644-1 36603-8198353-1 36603-5817014-1 36603-3089674-9 36603-1471189-5 36603-2929995-9 32304-0290473-4 36603-6490305-0	Ahmad Baksh Ahmad Baksh Ahmad Baksh Ahmad Baksh Ahmad Baksh Javed Akhtar Ahmad Baksh	275	702	33	1,010	-	630	33	663
82	<b>AB Industry</b> Alam Chowk, Hafizabad Road, Gujranwala	Nadeem Butt	34101-1868384-9	Ghulam Muhammad Butt	8,900	27,927	17	36,844	8,900	27,927	17	36,844
83	<b>GM Industry</b> Alam Chowk Hafizabad Road, Gujranwala	Muhammad Shoalb Butt	34101-6087505-7	Ghulam Muhammad Butt	-	22,525	15	22,540	-	22,525	15	22,540
84	<b>Shahzad Industry</b> Ladahnwala Warrach, Hafizabad Road, Gujranwala	Zahid Mehmood Butt	34101-6403147-5	Ghulam Rasool Butt	-	1,653	-	1,653	-	1,653	-	1,653
85	<b>DS Industries</b> 20 K Gulberg II Lahore	Ali Pervez Ahmad Rukhsana Khalid Suleman Ahmad Rehana Pervez Ahmad M.Naeem Ilyas Hassan Ibrahim Ahmad Haider Ali	35202-8633784-5 35202-3388988-0 35202-7654837-5 35202-5904987-0 35202-5255145-7 35202-0104136-7 35202-4382312-3	Pervez Ahmed Muhammad Khalid Khan Pervez Ahmed Muhammad Ilyas Pervez Ahmed Qasim Ali	-	121,040	546	121,586	-	121,040	546	121,586
86	<b>Faisal Corporation</b> Shop # P 62, Grain Market Samundar Dist Faisalabad	Abdul Rasheed Farzand Ali	33105-4254166-3 33105-0177481-3	Ghulam Nabi Ghulam Nabi	993	604	68	1,665	-	601	68	669
87	<b>Shami Industries</b> 2nd floor Zia Commercial Katchery Bazar Faisalabad	Mian Abdul Akbar	37405-0382184-3	Mian Aboul Qudoos	3,478	8,346	17	11,841	-	7,826	17	7,843
88	<b>National Watch Company</b> P 4, Street # 1, Islam pura Faisalabad	Usman Jahangir	33100-2446931-3	Jahangir Iftikhar	-	477	28	505	-	477	28	505
89	<b>First Choice Mobile</b> P 4, Soneri Market Chiniot Bazar Faisalabad	Muhammad Jiaz	33100-5813940-3	Abdul Majeed	288	1,236	73	1,597	-	1,968	73	2,041
90	<b>Amir Ali &amp; Anwari Begum</b> Both Residents of House No. 13, Street No. 37, Pak Nagar, Near Police Station Misri Shah, Chah Miran, Lahore	Amir Ali Anwari Begum	35202-2668858-9 35202-2528748-8	Muhammad Sardar Muhammad Sardar	-	1,096	17	1,113	-	1,096	17	1,113
91	<b>Hafiz Shahid Kiryana Store</b> Sitara Colony # 12 Shahhi Park, Ismail Nagar Chungi Amar Sidhu, Lahore.	Hafiz Shahid Iqbal	35200-1421022-7	Din Muhammad	1,000	690	17	1,707	-	595	17	612

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		Name	NIC No.		Principal	Interest / mark-up	Others	Total				
<b>Domestic</b>												
92	<b>Ahmad Fabric</b> 11/A, Punjab Block Azam Cloth Market, Lahore	Ghulam Mustafa Butt	35201-2131557-9	Ghulam Ahmed Butt	-	2,757	68	-	2,757	68	2,825	
93	<b>Taj Muhammad &amp; Co</b> Kot-Kamboh, Main Bazar, Bakker Mandi, Bund Road, Lahore.	Taj Muhammad	35202-2699394-5	Saddar Din	-	657	65	-	657	65	722	
94	<b>Dhellun Brothers</b> Kalo kee, Dak Khana Khass Ferozabad, Distt. Shekhupura	Mushtaq Ahmed Dhellun	35404-5278199-3	Ch. Khushi Muhammad Dhellun	3,936	1,078	-	-	1,052	-	1,052	
95	<b>Makhdoom Printing Press</b> 22 Km Ferozpur Road Off Rohi Nala, Behind Zecotex, Lahore	Asher Hafeez	35202-2711662-1	Hafeez Malik	-	540	-	-	540	-	540	
96	<b>Makhdooms International Pvt Limited</b> 22 Km Ferozpur Road Off Rohi Nala, Behind Zecotex, Lahore	Asher Hafeez Syed Mobeen Akthar Hussani Uzma Mobien Saima Asher	35202-2711662-1 35201-4242558-9 35201-0959514-0 35202-2444138-8	Hafeez Malik Syed Ahmad Ali Hussani Syed Mobeen Akthar Hussani Asher Hafeez	-	619	-	-	619	-	619	
97	<b>Saleem Akhter Qureshi</b> S.O Corporation - Askari Villa # 14, Khayaban-e-Tauheed, DHA Phase V, Off Main Zamzama Boulevard Karachi	Saleem Akhter Qureshi	42301-0651344-9	Ata Muhammad Qureshi	-	62,748	-	-	62,748	-	62,748	
98	<b>Muhammad Nasim</b> Flat # B-18, KDA Flates Nawaz Court, Block-16 FB, Area, Karachi.	Muhammad Nasim	42401-2075028-3	Muhammad Yahya	-	1,062	-	-	1,062	-	1,062	
99	<b>Mujahid Zari House</b> Chek No. 217/RB Uchekara Naveed Park Ghulam Muhammad Abad, Faisalabad	Nadeem Javed	33100-8205467-7	Javed Naeem	1,094	740	120	-	628	120	748	
100	<b>Mudasar Iqbal</b> Rehmat Park Shadab Colony Street No.06 Faisalabad	Mudasar Iqbal	33100-4338774-7	Muhammad Anwar	-	652	-	-	652	-	652	
101	<b>Toor Flour Mills</b> Tandlianwala District Faisalabad	Nasir Khan Toor Muhammad Atzal Toor	33106-5175576-5 33106-5752428-3	Milan Sana Ullah Toor Milan Sana Ullah Toor	5,838	1,409	60	-	1,379	60	1,439	
102	<b>Ali Weaving Factory</b> Hassan Town Kariyala Road, Hafizabad	Arshad Iqbal	34301-5200729-7	Ch. Sardar Ali	999	824	45	-	687	45	732	
103	<b>Blessing Flour Mills</b> Plot No. 8/2 & 8/3, Sector No.12/C, Industrial Area North Karachi.	Arif Hafeez Qadir	42301-1003807-9	Bashir Ahmed	-	40,478	394	-	40,478	394	40,872	

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		Name	NIC No.		Principal	Interest / mark-up	Others	Total				
<b>Domestic</b>												
104	<b>Sheesha Ghar</b> Bridge ABC Cinema Rajbah road Liaquat Town Faisalabad	Asif Mehmood	33100-0180687-5	Muhammad Ibrahim	4,600	6,300	29	10,929	-	5,911	29	5,940
105	<b>Doaab Textile Industries Pvt Ltd</b> House No, P-3797 Street No. 11 Mansoorabad Faisalabad	Rana Ghulam Murtaza Rana Muhabat Khan Muzafar Hussain Khan Rana Ghulam Mustafa Khan (Director) Rana Mujtaba Khan Ishadian Bibi	33100-8783386-1 33100-4840568-1 33100-0845746-9 33100-8946344-1 33100-8783481-1 33100-8384011-0	Rana Muhammad Iqbal Rana Muhammad Iqbal Rana Muhammad Iqbal Rana Muhammad Iqbal Rana Muhammad Iqbal Rana Muhammad Iqbal	16,170	16,963	19	33,152	-	16,723	19	16,742
106	<b>Zaheer Ahmad</b> Resident of House # 196- B Street No. 03 Officer Colony #02 Madina Town Faisalabad.	Zaheer Ahmad	33102-1806229-9	Umar Din	520	2,059	70	2,649	-	1,982	70	2,052
107	<b>Touseef &amp; Co</b> Ghalla Mandi Rasoolpur Tarar, Tehsil Pindi Bhattian, District Hafizabad.	Touseef Ahmed	34302-8363210-5	Muhammad Hussain	2,999	595	48	3,642	-	666	48	714
108	<b>Usman Traders</b> Village Thatha Mona Salabat, Tehsil Pindi Bhattian, District Hafizabad.	Muhammad Mansha	34302-1264291-9	Nazir Ahmed	2,958	3,839	97	6,894	-	3,344	97	3,441
109	<b>Khalid Enterprises</b> Ghalla Mandi Hafizabad	Khalid Mehmood	34302-8659267-5	Ghulam Rasool	-	2,366	126	2,492	-	2,366	126	2,492
110	<b>Warraich Ceramics</b> Mohalla Chan Tarang, Gujrat.	Ch. Muhammad Safdar Warraich	34201-0572151-9	Choudhry Niaz Ahmed	699	743	53	1,495	-	753	53	806
111	<b>Safaruddin</b> Ward # 07, Mohalla Beghan Baba, Dera Allah Yar, Tehsil Jhat Pat, Distt: Jafarabad.	Safaruddin	53401-1549099-5	Din Muhammad	1,284	506	36	1,826	-	515	36	551
112	<b>Tariq Ali</b> Street # 1, Jimmah Town, Sadiqabad District Rahim Yar Khan	Tariq Ali Shaukat Ali Liaquat Ali Rafiqat Ali Muhammad Rafique	31304-4371261-7 31303-7027787-1 31304-6136599-5 31304-8676048-7 31304-2551975-9	Siraj Din Siraj Din Siraj Din Siraj Din Siraj Din	285	567	44	896	-	557	44	601
113	<b>Rosewood Enterprises</b> 4KM Bahawalpur road Multan.	Noor Ahmad Ramzan Ahmad Faman Ahmad Qurban Ahmad Ehsan Ahmad Shahzad Ahmad Zaib-Un-Nisa	36303-8021607-1 36303-7313192-1 36302-0477018-9 36302-0357991-7 36302-8463779-0 36502-8594177-1 31201-0693241-6	Chaudhry Allah Ditta Chaudhry Noor Ahmad Chaudhry Noor Ahmad Chaudhry Noor Ahmad Chaudhry Noor Ahmad Chaudhry Noor Ahmad Imtiaz Ahmad Chaudhry Noor Ahmad	299	1,244	19	1,562	-	1,246	19	1,265

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		Name	NIC No.		Principal	Interest / mark-up	Others	Total			
<b>Domestic</b>											
114	<b>Cheema Brothers Cotton Gimmers</b> By Pass Road, Rahim Yar Khan.	Aftab Ahmad Cheema	31303-8287602-5	Chaudhry Ghulam Qadir Cheema	349	1,379	110	1,838	1,383	110	1,493
		Sarfraz Ahmad Cheema	31303-4954048-7	Chaudhry Ghulam Qadir Cheema							
		Shahzad Ahmad Cheema	35202-3096411-1	Chaudhry Ghulam Qadir Cheema							
		Mehrab Ahmad Cheema	31303-4944643-7	Chaudhry Ghulam Qadir Cheema							
		Atiya Aftab	31303-4955111-0	Aftab Ahmed		1,161	-	1,161		-	1,161
115	<b>Ali Cycle Store</b> St Umar Siddiq Wali, Mohallah Habib Colony, Tehsil & Distt. Sheikhupura	Rasheed Ahmed	35404-3719049-5	Ghulam Muhammad							
116	<b>Morris Tailoring Shop</b> House # 805, Street # 03, Ward # 05 Sadar Bazar, Sialkot	Morris Gill	34603-2310253-3	Astian Charles Gill		1,417	60	1,477	1,417	60	1,477
117	<b>Seven Star Foundry Work Shop</b> House # 78, Met-II Street # 3, Railway Cooperative Housing Society, Mughal Pura, Lahore	Muhammad Sharif Naseem Akhter	35200-1456977-3 35200-1405529-2	Abdul Ghani Muhammad Sharif		1,426	30	1,456	1,426	30	1,456
118	<b>Ilyas &amp; Sons</b> House # 460, Shah Kamal Road, Lahore	Asif Ilyas Khalid Ilyas	35201-8847295-1 35201-1567094-1	Muhammad Ilyas Muhammad Ilyas		886	-	886	886	-	886
119	<b>Fine Screen Printing</b> 1 Km, Sheikhupura Road, Muridke	Malik Khalid Mehmood Malik Muhammad Tariq	35401-5294482-7 295-92-382380	Malik Muhammad Akbar Malik Muhammad Akbar		1,979	17	1,996	1,979	17	1,996
120	<b>Mazhar Hussain &amp; Nasira Mazhar</b> House No 5, Shershah Block, Garden Town, Lahore.	Mazhar Hussain Nasira Mazhar	35202-2997013-3 35202-2692430-0	Sheikh Muhammad Hussain Mazhar Hussain		1,173	50	1,223	1,173	50	1,223
121	<b>Muhammad Abid Khan</b> Inter City, Ballo Khel Road, Mianwali	Muhammad Abid Khan	38302-1068686-3	Khan Zaman Khan	1,998	1,788	37	3,823	1,524	37	1,561
122	<b>AB Textile Industries</b> 10-KM Saitana Road 226/RB Malkhawala Faisalabad	Bilal Dad Ahmad Dad	33100-8985692-1 33100-8414873-1	Allah Dad Allah Dad	4,000	2,841	68	6,909	2,540	68	2,608
123	<b>Haji Sher Muhammad &amp; Co</b> Shop No. 101, Grain Market Jaranwala	Farrukh Zia	33104-9678175-7	Fateh Ullah	2,461	732	69	3,262	474	69	543
124	<b>Sunrise Gas Company</b> House No. 959/4-B, Mohallah Abid Majeed Road, Azizabad, Rawalpindi Cantt	Muhammad Latif Awan	37405-8562219-3	Muhammad Sharif Awan	1,699	3,981	64	5,744	3,698	64	3,762

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		Name	NIC No.		Principal	Interest / mark-up	Others				
<b>Domestic</b>											
125	<b>Olympia Motors</b> 37-A Jail Road Lahore	Muhammad Arshad	35202-6636808-3	Ch Sardar Muhammad	26,892	10,460	21	37,373	8,965	21	8,986
126	<b>The Destination Mall (Pvt.) Ltd.</b> 18-KM, Multan Road, Lahore	Syed Saeed Ahmed Faqir Syed Aitzaaz Ud Din	35202-3942009-7 35202-4187906-1	Syed Bashir Ahmed Faqir Syed Moiz Ud Din	49,940	53,696	221	103,857	53,696	221	103,857
127	<b>Rai Commission Shop</b> Village udduki Tehsil Distt Hafizabad	Rai Akhtar Ali	34301-1722777-1	Haji Muhammad Hussain	-	2,134	62	2,196	2,134	62	2,196
128	<b>Rehman Ice Factory</b> Ward # 04, Mohalla Naimat Ullah Arain, Bhriya Road, Tehsil Bhriya, Distt: Naushahro Feroz	Atta-ur-Rehman	457-71-429870	Naimatullah Arain	769	2,779	33	3,581	2,522	33	2,555
129	<b>Syed Saliman Raza Kazmi</b> House # R-52, Block-16, KDA Scheme No.36, Gulistan-e-Jauhar, Karachi.	Syed Saliman Raza Kazmi	42201-0404498-7	Syed Muhammad Raza Kazmi	325	2,971	38	3,334	2,297	38	2,335
130	<b>Shahbaz Rasheed</b> No. 123, Jahanzab Block, Allama Iqbal Town, Lahore	Shahbaz Rasheed	35202-4770380-7	Rasheed Ahmad	-	3,693	18	3,711	3,693	18	3,711
131	<b>Shakeel Akhtar</b> House No 538, Block H/3, M. Ali Johar Town Lahore	Shakeel Akhtar	35200-1517395-9	Inyat Ullah	-	838	74	912	838	74	912
132	<b>Zubair Akbar Rana &amp; Fozia Zubair</b> Both residents of House # 17, Block-C, Phase - II, Goshia e Ahbab CHS, Lahore.	Muhammad Zubair Akbar Rana Fozia Zubair	35202-1476555-9 35202-0699259-2	Rana Abdul Ali Akbar Muhammad Zubair akbar	-	1,190	17	1,207	1,190	17	1,207
133	<b>Muhammad Imran Mughal, Muhammad Saleem Mughal &amp; Ameena Begum</b> All residents of House No. 52, C-II, Phase I, Punjab Government Employees Co-operative Housing Society, Limited, Lahore	Muhammad Imran Mughal Muhammad Saleem Mughal Ameena Begum	35202-7476534-7 35202-7652495-9 35202-0861026-4	Muhammad Aslam Muhammad Aslam Muhammad Aslam	9,359	7,770	464	17,593	7,845	464	8,309
134	<b>Muhammad Amir Sabir</b> House No. 710 - A, Gulshan Ravi, Lahore	Muhammad Amir Sabir	35202-2760456-5	Ghulam Sabir	14,995	9,929	1,025	25,949	10,241	1,025	11,266
135	<b>Rizwan Ali Liaqat</b> Shafi Town, Malik Munir Road Block Gulshan Ravi Lahore	Rizwan Ali Liaqat	35202-3829272-9	Liaqat Ali	836	651	32	1,519	607	32	639

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		Name	NIC No.		Principal	Interest / mark-up	Others			
<b>Domestic</b>										
136	<b>Muhammad Nawaz</b> S# 9, Moh Rasul Pura, Jinah Road, Gujranwala	Muhammad Nawaz	34101-6271543-1	Muhammad Iqbal	118	768	41	927	41	811
137	<b>Muhammad Maqbool Khan</b> House No. 3 Hifsa Garden Rana Street Gulgasht Colony Multan	Muhammad Maqbool Khan	36302-6513676-5	Shafi Muhammad Khan	3,521	900	129	4,550	129	1,029
138	<b>Fatima International Trading &amp; Weaving Factory</b> 7-KM Jhang Road Faisalabad	Malik Qamar Zafar Tiwana Muhammad Bilal	33100-0787571-3 33100-0719010-7	Malik Zafar Hussain Tiwana Arshad Ali	9,470	9,580	17	19,067	17	9,878
139	<b>Ghias Weaving Factory</b> Yousaf Chowk Sargodha Road Faisalabad.	Abdul Ghaffar	33100-2345133-3	Muhammad Hussain	-	8,451	78	8,529	78	8,529
140	<b>Muhammad Mustafa Industries (Pvt) Ltd</b> 06-KM Mochiwala Road Goira District Toba Tek Singh	Syed Farrukh Hussain Mubashara Farrukh Muhammad Sharif Khan	33301-2715840-7 35201-1442084-4 33100-3236997-5	Syed Mehboob Hussain Shah Syed Furrukh Hussain Shah Haji Faqir Muhammad Khan	2,210	3,208	52	5,470	52	2,034
141	<b>Khalid Mehmood</b> Dera Mohsin Ranjha, Mozzam, Abad Road, Chak # 12, Teshil Kotmomin, Distt: Sargodha.	Khalid Mehmood	38401-5840080-5	Muhammad Nawaz	4,000	1,081	69	5,150	69	1,058
142	<b>Asia Corporation</b> 146 - Shah Zaman Park, 17 KM, Sheekhupura Road, Lahore	Ch Muhammad Asghar Muhammad Imran Ch Muhammad Saifdar Arslan Asghar Ch Sulman Asghar	35202-2269196-5 35202-6409647-1 35202-4975902-9 35202-2837218-1 35202-7724490-3	Ch Muhammad Ramzan Ch Muhammad Ramzan Ch Muhammad Asghar Ch. Muhammad Asghar	1,707	49,002	290	50,999	290	48,909
143	<b>Syed Iqbal Hussain Shah</b> House # 486-B, Toheed Park Gulshan Ravi Lahore.	Syed Iqbal Hussain Shah	35202-2936623-1	Syed Ghaus Muhammad Shah	250	871	-	1,121	-	834
144	<b>Awam Business Concern (Pvt) Ltd</b> 1048-E, Canal View Housing Society, Lahore.	Shafiqat Javiad Salma Moin Mian Ansar Hayat	36502-6176833-7 35200-6349928-6 38201-4910253-9	Muhammad Shafi Moin - Ud-Din Riaz Quershi Mian Khuda Buksh Awan Muhammad Altaf Butt	4,968	20,849	33	25,850	33	20,882
145	<b>National Fastners</b> 45-Bhatti street, Ravi Colony, Lahore	Rehan Altaf Butt	35202-1817387-1	Muhammad Altaf Butt	9,999	5,681	75	15,755	75	6,049
146	<b>Muhammad Ilyas</b> House No 32 Street No 53 Mohalla Arneer Ali Shaair Road Gawwaimandi, Lahore	Muhammad Ilyas	35202-2569401-5	Zahid	382	542	-	924	-	548

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<b>Domestic</b>												
147	<b>Salah Ud Din Chohan</b> Rasool Nagar Gate, Tehsil Wazirabad District Gujranwala.	Salah Ud Din Chohan	34104-7528693-3	Ch. Muhammad Murad Ali	135	1,616	87	1,838	-	1,618	87	1,705
148	<b>Muhammad Ameer &amp; Co</b> Kalake Mandi Hafizbabad	Ameer Khan	34301-1766725-1	Ahmad Ali	-	2,153	20	2,173	-	2,153	20	2,173
149	<b>Jamil Traders</b> New Model Town Ghallia Mandi, Kamoki	Muhammad Jamil	34102-0449114-1	Khursheed Ali	215	7,387	117	7,719	-	6,948	117	7,065
150	<b>Gujranwala Steel Industries</b> 37-38/A S.I.E. # 2, Khiali By-pass Road, Gujranwala	Muhammad Ikram Khokher Zafar Iqbal Khokher	34101-9556173-1 34101-9557123-1	Muhammad Ishaq Khokher Muhammad Ishaq Khokher	6,234	22,686	-	28,920	-	22,839	-	22,839
151	<b>L D Steel</b> G. T. Road, Lohiyanwala, Behind Shell Petrol Pump, Gujranwala	Muhammad Ikram Khokher Zafar Iqbal Khokher	34101-9556173-1 34101-9557123-1	Muhammad Ishaq Khokher Muhammad Ishaq Khokher	9,999	33,003	-	43,002	-	33,237	-	33,237
152	<b>H Karim Buksh</b> 83-84 Cavalry Ground, Lahore	Abdul Rehman Buksh Ibrahim Buksh Nayyar Ahmed Buksh Rana Rehman Buksh Rubina Ibrahim Buksh	35202-5291822-9 35202-5552014-9 35202-9330862-9 35202-7180884-8 35201-5944568-8	Peer Buksh Peer Buksh Abdul Rehman Buksh Abdul Rehman Buksh Ibrahim Buksh	4,052	21,163	72	25,287	-	12,933	72	12,405
153	<b>Ali Processing Works</b> Dost Street, Factory Area, Samundri Road, Faisalabad	Shaukat Ali Ghazala Asghar	33100-5219827-9 33100-0225124-2	Malik Nazar Muhammad Malik Asghar Shanzad	22,806	31,842	110	54,758	13,651	32,294	110	46,055
154	<b>Malik Fiaz Trader</b> Opposite Azeem Dawakhana, Karikhana Bazar, Faisalabad	Malik Fiaz Ahmed	33100-3925610-7	Malik Muhammad Fiaz	-	7,208	40	7,248	-	7,208	40	7,248
155	<b>Kamran &amp; Co</b> Shop # 09, New Sabzi Mandi, Rahim Yar Khan.	Muhammad Ramzan	31303-7314643-5	Karam Ud Din	218	628	17	863	-	608	17	625
156	<b>Muhammad Sohail</b> House # 03, Gulshan- E-Mehar, Bosan Road Multan.	Muhammad Sohail	36302-1486142-9	Aliyah Buksh	1,899	815	-	2,714	-	848	-	848
157	<b>Umar Steel Industries (Pvt) Ltd</b> Noor Road, Badami Bagh Lahore.	Malik Nadeem Siddique Farah Nadeem	35202-2633698-7 35202-7766300-8	Malik Muhammad Siddique Malik Nadeem Siddique	-	13,143	17	13,160	-	13,143	17	13,160
158	<b>Mehboob Hussain</b> 30-B Ghazal Colony Sanda Road Lahore	Mehboob Hussain	35200-1427227-3	Abdullah	-	2,252	125	2,377	-	2,252	125	2,377
159	<b>Haroon Mahmood</b> House No. 131, Street No.02, Block B, CBR Town, Phase-1, Islamabad	Haroon Mahmood	61101-3718379-9	Shahid Mahmood	3,446	2,212	-	5,658	-	2,276	-	2,276

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2022

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	Total					
							Others	Total				
<b>Domestic</b>												
160	<b>Mazhar Khan</b> House No. G-112, St No. 04, Mohallah Usmanpura, Liaquat Road, Rawalpindi	Mazhar Khan	81203-0991369-5	Karim Dad	-	782	5	787	-	782	5	787
161	<b>Fashion Star Hosiery</b> House No. P-06 Street No. 01 Mohallah Faterabad Faisalabad.	Nazakat Hussain	33100-4177802-7	Syed Makhdoom Hussain	2,149	1,386	70	3,605	-	1,449	70	1,519
162	<b>Mian Imtiaz Ahmed</b> House # 424, Block- G-3, Johar Town, Lahore	Mian Imtiaz Ahmed	35202-2619101-3	Mian Ali Asghar	2,490	8,491	17	10,998	-	8,523	17	8,540
163	<b>Jaddha Petroleum Services</b> Guimerg Road, Dari Sanghi, Rehim Yar Khan.	Ahmad Bilal Zafar Iqbal	31303-3999554-9 31303-9167317-9	Mian Zafar Iqbal Mian Ghulam Muhammad	463	513	17	993	-	494	17	511
164	<b>Asif Trading Company</b> Tensil Bazar Vehari.	Asif Aziz Abdul Sattar	36603-1396535-1 61101-3356902-3	Sheikh Aziz Ur Rehman Sher Muhammad	2,100	1,864	37	4,001	-	1,815	37	1,852
165	<b>Agri Farm Services</b> 77-E, Industrial Estate, Multan	Amir Aziz Malik Amina Mustafa Malik Imran Aziz Sitara Aziz Rena Ahmad Jaweria Aziz	36302-9139512-3 35301-1894332-0 36302-2890966-9 36302-8186362-0 36302-8186267-0 36302-8186465-0	Abdul Aziz Amir Aziz Malik Malik Aziz Ur Rehman Malik Aziz Ur Rehman Ahmad Mushaq Khan Malik Aziz Ur Rehman	1,179	10,782	-	11,961	-	10,778	-	10,778
166	<b>Touseef Rice Dealers</b> By-Pass, G.T. Road, Haryana, Gujrat	Chaudhry Touseef Liaqat	34201-0944285-5	Chaudhry Liaqat Hayat	-	8,907	154	9,061	-	8,907	154	9,061
167	<b>Ch.Brothers Commission Shop</b> Ghalla Mandi Tatlay Aali District Gujranwala.	Muhammad Javed	34103-0549885-5	Shabbir Muhammad	5,565	9,770	87	15,422	-	9,683	87	9,770
168	<b>Al Syed Commission Shop And Rice Dealer</b> Village Allah Ditta, Behraim Nosharan Virkah Ghalla Mandi Tatlay Aali Gujranwala	Syed Abdul Basit	34103-0539902-9	Syed Muhammad Ilyas	3,799	5,883	89	9,771	-	6,013	89	6,102
169	<b>Waqas &amp; Company</b> PO khas Kassoki Tehsil Distt Hafizabad	Muhammad Riaz Khan	34301-1748420-9	Abdul Ghafoor Khan	191	623	57	871	-	619	57	676
170	<b>M.Mohd Hayat Gunjial</b> House # 81/A, Gulshan-E-Bilal Sargodha.	M.Mohd Hayat Gunjial	38201-7537036-3	Muhammad Ali	692	3,582	-	4,274	-	3,281	-	3,281
171	<b>Norazi Dairy Farm</b> Bahian Wala Kalan Po Mirdke Tehsil Ferozwalla, Distt: Sheikhpura	Amjad Ali	35401-4173161-1	Younas Ali	500	1,136	-	1,636	-	1,146	-	1,146



## Annexure I

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2022

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				
<b>Domestic</b>											
172	<b>Mini Knitting</b> Plot # C. 1-54, Sector 16/B, North Karachi Industrial Area Karachi.	Muhammad Hussain	42201-8846935-1	Muhammad Ishaq	946	605	-	1,551	564	-	564
173	<b>Tariq Ahmed</b> House # A-18, Unit -03, Lattifabad, Hyderabad	Tariq Ahmed	41304-3567397-9	Mehrab Khan	1,038	1,377	-	2,415	1,379	-	1,379
174	<b>Mian &amp; Co</b> Jhang Road, Tehsil & District Chiniot	Muhammad Riaz Hussain	33201-7334344-9	Mian Ghulam Muhammad	2,499	1,188	59	3,746	782	59	841
175	<b>Imran Khan</b> Flat No. 10 Block 16, IBN E Sina Road, G-13, Islamabad	Imran Khan	17301-1617009-1	Saleem Khan	2,603	1,067	-	3,670	670	-	670
176	<b>Aslam Brothers</b> Shop No.22 & 23 Ground Floor, Aziz Jeham Apartments, Muhammad Shah Street, Jodia Bazar Karachi.	Muhammad Aslam	42301-6373104-1	Muhammad Zaki	1,577	7,438	33	9,048	7,438	33	9,048
177	<b>Saleem Ullah</b> Nasar Ullah Khan Dhurian,P.O Jelalpur Bhattian, Tehsil Pindi Bhattian District Hafizabad	Saleem Ullah	34302-1206530-5	Nasar Ullah Khan	370	443	80	893	454	80	534
178	<b>Khalid Javaid Rice Dealer</b> Shop # 39, Ghalla Mandi, Gujranwala.	Khalid Javaid	34101-6453904-1	Allah Baksh	6,996	2,656	17	9,669	2,851	17	2,868
179	<b>Lahore Spinning Mills (Pvt) Ltd</b> 47.5KM, Off Multan Road, Bhai Pheru, Distt: Kasur	Mustajab Hassan Abida Mustajab Hassan	42301-1856842-7 42301-1502887-8	Khawaja Ghulam Sadiq Mustajab Hassan	-	180,309	1,117	181,426	180,309	1,117	181,426
180	<b>Madina Plastic House</b> Basement Rafique Muhammad Market, Shah Alam Market, Lahore.	Muhammad Attique	35202-8039758-3	Sheikh Muhammad Rafique	-	4,325	17	4,342	4,325	17	4,342
181	<b>Zaheer Enterprises</b> 51-Circular Road, Babar Centre, Lahore	Zaheer Ahmed	35202-2055904-1	Nazir Ahmed	10,487	13,300	223	24,010	12,931	223	13,154
182	<b>Harum Textile Limited</b> Kotla Kohlwan, Sheikhpura Road, Dist. Sheikhpura	Ch. Naeem Gulzar Ch. Mazhar Shakeel Bhali Gulraiz Bhali Shakeela Naeem Rehana Abbas Seerat Zainab Bhali Sohail Gulzar	35202-3020481-3 34603-6324577-9 34603-3801110-1 35202-3263993-8 35202-2463452-8 34603-5410998-8 34501-2837420-9	Ch. Gulzar Muhammad Ch. Inayat Ullah Bhali Ch. Inayat Ullah Bhali Naeem Gulzar Ghulam Abbas Gondal Muhammad Haq Nawaz Bhali Ch. Gulzar Muhammad	54,261	149,246	21	203,528	147,365	21	147,386

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2022

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
<b>Domestic</b>												
183	<b>Muhammad Sharif</b> New Sabzi Mandi Multan.	Muhammad Sharif	36302-4098898-3	Naseer Ahmed	173	638	37	848	-	641	37	678
184	<b>Asad Of Sialkot</b> Puk-Aik, Pasrur Road, Sialkot.	Asad Mir Khudam Asad Mir Blial Asad Mir	34603-4829922-9 34603-2118271-9 34603-4802168-7	Sultan Mir Asad Mir Asad Mir	8,491	8,103	-	16,594	-	8,141	-	8,141
185	<b>Euromex Sports</b> Pakka Ghara, near Bethainia Hospital Kashmir Road, Sialkot.	Tanveer Javed	34603-2451813-3	Mohd. Hafeez Javed	3,497	3,039	-	6,536	-	3,135	-	3,135
186	<b>Beauton Craft</b> P.O Box Ghum Ke Sialkot.	Javed Haider	34601-1654924-9	Ghulam Haider	2,707	2,580	-	5,287	-	2,686	-	2,686
187	<b>Abdullah Asadullah Rice Mills</b> By-Pass Faisalabad Sargodha Road, Ferozabad, Sheikhpura.	Razaq Ali Imran Nadeem Ashraf Muhammad Nawaz Khan Malik Ishtiaq Ali Khokhar	35404-1504072-1 35404-1630147-1 35401-8147010-3 35404-3502683-5	Muhammad Abdullah Malik Muhammad Ashraf Asad Ullah Khan Malik Muhammad Abdullah Khokhar	2,000	4,419	68	6,487	-	4,163	68	4,231
188	<b>AA Filling Station</b> House # 618, Block-G, Gulshan-e-Ravi, Lahore	Ch. Abid Ali Suriya Banoo Ch. Ghulam Abbas	35202-9300328-1 35202-6021758-8 35202-7329677-3	Ch. Khair Ud Din Ch. Khair Ud Din Ch. Abid Ali	1,365	928	17	2,310	-	930	17	947
189	<b>Ch Abid Ali</b> House # 618, Block-G, Gulshan-e-Ravi, Lahore	Ch. Abid Ali	35202-9300328-1	Ch. Khair Ud Din	5,550	3,849	17	9,416	-	3,916	17	3,933
190	<b>Sh Muhammad Ishtiaq</b> House # 139, Mamdot Block, Mustafa Town, Lahore	Sh. Muhammad Ishtiaq	35202-8829414-7	Sh. Mushtaq Hussain	-	1,926	17	1,943	-	1,926	17	1,943
191	<b>A One Garments</b> 57/B, Gulistan Colony No.02 Faisalabad.	Ateeq Muhammad Khan Adeem Muhammad Khan Blial Reza	33100-0604605-3 33100-0604615-9 36501-3061573-3	Taheer Muhammad Khan Taheer Muhammad Khan Zulfqar Ali Khan	3,500	1,781	58	5,339	-	1,935	58	1,993
192	<b>M. Yasin Rice Mills</b> Chak # 31/2-L near Punjand Feed Mills 10-Km Deepalpur Road Okara	Bashir Ahmad Nazir Ahmad Abdul Rasheed Muhammad Ameer	35301-5645749-9 35301-1984230-3 35301-1984235-1 35301-1984239-5	Muhammad Yasin Muhammad Yasin Muhammad Yasin Muhammad Yasin	11,997	1,708	20	13,725	-	2,031	20	2,051
193	<b>United Super Store</b> Rehman Shaheed Road, Usman Plaza, Gujrat.	Muhammad Luqman Asif Nadeem	34201-5533544-7 34202-0813373-5	Abdul Hameed Talib Hussain	2,698	651	110	3,459	-	621	110	731
194	<b>Umar &amp; Co</b> Village Mian Rehma P/O Kaleke Mandi, District Hafizabad.	Muhammad Afzal	34301-1715386-9	Muhammad Hussain	-	1,824	17	1,841	-	1,364	17	1,381
195	<b>Gondal Rice Mills</b> Village & FO Khanawal Tehsil Mandi Bahauddin	Ch Umar Hayat Gondal	34402-5819172-7	Muhammad Hussain	971	742	17	1,730	-	778	17	795
196	<b>Muhammad Javid Khan</b> House # 64, Azizabad, Mirpurkhas.	Muhammad Javid Khan	44103-0303708-7	Mushtaque Ahmed	980	2,931	25	3,936	-	2,838	25	2,863

## Annexure I

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2022

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				
<b>Domestic</b>											
197	<b>Divine Developers (Pvt) Ltd</b> 3rd Floor, Divine Centre, Main Defence Road Lahore Cantt	Muhammad Amjad Aziz Muhammad Ajmal Majid Aziz	35201-7413466-7 35201-7309916-7 35201-8112729-9	Abdul Aziz Abdul Aziz Abdul Aziz	20,714	35,036	351	-	35,513	351	35,864
198	<b>Muhammad Amjad Aziz</b> 3rd Floor, Divine Centre, Main Defence Road Lahore Cantt	Muhammad Amjad Aziz	35201-7413466-7	Abdul Aziz	15,007	36,294	300	-	36,349	300	36,649
199	<b>Patley Garments</b> Ourlall Road, Taj Company Chowk, Imran Park, Bund Road, Lahore.	Muhammad Riaz Khan Shahida Riaz	35202-3682352-7 35202-5855772-0	Mumtaz Khan Muhammad Riaz Khan	4,294	425	-	4,719	566	-	566
200	<b>Prince Jewellery House</b> Shop No. 200, Ground Floor, Panorama Shopping Centre, The Mall, Lahore	Muhammad Qasim Ruby Qasim Anum Hamza Ayan Qasim Mahnoor Anshba Muhammad Bilal Muhammad Azam (Mortgagor)	35202-2363410-5 35202-2285416-2 35202-5065405-0 35202-0352661-3 35202-5075000-0 35202-7066132-0 35202-9031574-1 35202-9639398-7	Sana Ullah Sadq Muhammad Qasim Muhammad Qasim Muhammad Qasim Muhammad Qasim Muhammad Qasim Sana Ullah	4,352	4,909	68	-	4,536	68	4,604
201	<b>Attiya Sheraz</b> 74-A Phase-1 PCSR Housing Society Lahore	Attiya Naseer	35202-2185564-0	Sheraz Saeed Piracha	391	1,363	-	1,754	1,359	-	1,359
202	<b>Butt Traders</b> Ghous Street, Mohalla Iqbal Park, Sheikhpura.	Mubashir Hassan Butt	35404-0401034-7	Ata Muhammad Butt	-	930	145	-	930	145	1,075
203	<b>Azmat Ullah</b> House # 13, Green View Housing Society Near Shahi Lal Qila Marriage Hall, Lahore Road Sargodha.	Azmat Ullaha	38403-4902324-5	Hayat Muhammad	613	707	-	1,320	733	-	733
204	<b>ACE Enterprises</b> 466 - S Block, Phase II, D.H.A., Lahore	Amal Hafeez	91506-0113992-4	Muhammad Saleem Hafeez	2,240	765	-	3,005	810	-	810
205	<b>Syed Irtiza Haider Zaidi</b> House # 365, Revenue Employee Co Housing society Lahore	Syed Irtiza Haider Zaidi	35202-4712681-3	Syed Hameed Asghar Zaidi	-	6,644	37	-	6,644	37	6,681
206	<b>Sharif &amp; Sons</b> Shop No. 27-28 Makhdoom Road Khalid abad Faisalabad	Abdul Ghafoor	33102-1781884-9	Muhammad Sharif	328	3,361	67	-	3,366	67	3,433
207	<b>Hashmi Marketing Network</b> House No. 06 Syed street Kayaban Colony No. 03 Faisalabad.	Nejma Roohi	33100-1813252-4	Qamar Ali Baig	1,165	1,656	67	-	1,644	67	1,711

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2022

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		Name	NIC No.		Principal	Interest / mark-up	Others	Total				
<b>Domestic</b>												
208	<b>Muhammad Yaseen</b> House No. 318, Street No.06 Nisar Colony Faisalabad	Muhammad Yaseen	33100-1547696-5	Muhammad Boota	649	489	32	1,170	-	521	32	553
209	<b>K.S. Agency</b> 220 Business Arcade main University Road Karachi.	Muhammad Idrees Memon	42201-1195459-7	Haji Noor Muhammad	229	4,045	-	4,274	-	3,361	-	3,361
210	<b>Ahad Agency</b> 220 Business Arcade main University Road Karachi.	Muhammad Idrees Memon	42201-1195459-7	Haji Noor Muhammad	25	1,289	-	1,314	-	1,279	-	1,279
211	<b>Sana Steel</b> Plot # 85,86 & 88, Sector 33-D, Korangi Township Karachi.	Muhammad Aslam	42201-9883269-7	Ghulam Muhammad	1,050	2,794	-	3,844	-	2,542	-	2,542
212	<b>Elite Publishers Limited</b> D-118 SITE Karachi	Ahmed Miza Jamil Khalid Jamil Owais Mirza Jamil	42201-4027981-3 42301-8769791-9 42000-66524471-9	Mirza Noor Ahmed Ahmed Mirza Jamil Ahmed Mirza Jamil	31,710	30,081	36	61,827	-	30,063	36	30,099
213	<b>Court View Restaurant</b> Street No. 01 Mohalla Green Town, Defence Road Sialkot.	Raja Sajjad Hussain	34603-6356924-5	Raja Akbar Hussain	747	772	-	1,519	-	752	-	752
214	<b>Ali Rehman &amp; Co</b> Ghalian Mandi Jalalpur Bhattian, Hafizabad	Atta Ur Rehman	38403-1500669-5	Faqir Ullah	370	824	17	1,211	-	836	17	853
215	<b>Kamran Garments &amp; Dulha Shopping Centre</b> Mohallah Mian Bazar Hafizabad	Rais Ali	34301-5705624-9	Yousaf Akhtar Zaidi	413	631	20	1,064	-	637	20	657
216	<b>Shan Food Products</b> 24/2, Street # 69, Bastami Road, Inder Nagar Samnabad, Lahore	Muhammad Naveed Arshad	35202-9401629-7	Mian Muhammad Arshad	7,000	4,720	19	11,739	-	4,796	19	4,815
217	<b>Tariq Mehmood Butt</b> House # 8, Block N, Phase-1, DHA, Lahore	Tariq Mehmood Butt	35201-8127205-9	Muhammad Yaqoob	-	5,108	65	5,173	-	5,108	65	5,173
218	<b>Muhammad Naveed</b> Noor Gulistan Chowk, Moh New Multan Colony, Multan	Muhammad Naveed	36302-5924233-9	Haji Muhammad Ashraf	616	501	35	1,152	-	516	35	551
219	<b>Muhammad Nawaz</b> Gosiaabad, Millat Road, Noorpur, Faisalabad	Muhammad Nawaz	33100-9249296-3	Muhammad Abdullah	700	583	79	1,362	-	565	79	644
					514,632	1,483,606	14,362	2,012,600	74,068	1,465,028	14,297	1,553,393

## 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)							
<b>Computers</b>							
Laptop	75	75	-	15	As per Bank's policy	Fida Ali Mirza	Lahore
Laptop	409	409	-	41	As per Bank's policy	Hassan Nawaz Tarar	Lahore
Laptop	268	268	-	27	As per Bank's policy	Usman Hassan	Lahore
Laptop	236	236	-	47	As per Bank's policy	Zargham Khan Durrani	Lahore
Laptop	268	268	-	27	As per Bank's policy	Saiman Y.Zaidi	Lahore
Laptop	75	75	-	8	As per Bank's policy	Natasha Ahmed	Lahore
Laptop	116	116	-	12	As per Bank's policy	Arif Abrar	Lahore
	<b>1,447</b>	<b>1,447</b>	<b>-</b>	<b>177</b>			
<b>Vehicles</b>							
Honda Civic	2,990	1,674	1,316	1,395	As per Bank's policy	Imran Maqbool	Lahore
Toyota Fortuner	8,957	3,225	5,733	6,200	As per Bank's policy	Zargham Khan Durrani	Lahore
	<b>11,947</b>	<b>4,899</b>	<b>7,049</b>	<b>7,595</b>			
	<b>13,394</b>	<b>6,346</b>	<b>7,049</b>	<b>7,772</b>			





**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, and MCB Non-Banking Credit Organization Closed Joint Stock Company for the year ended December 31, 2022.

#### Profit and Appropriations

The profit before and after taxation for the year ended December 31, 2022 together with appropriations is as under:

	(Rs. in Million)
<b>Profit Before Taxation</b>	<b>75,340</b>
Taxation	(40,889)
<b>Profit After Taxation</b>	<b>34,451</b>
Profit attributable to non-controlling interest	(86)
Profit attributable to Equity shareholders of the Bank	<b>34,365</b>
Un-appropriated profit brought forward	64,697
Re-measurement loss on defined benefit obligations - net of tax	(302)
Surplus realized on disposal of revalued fixed assets - net of tax	43
Surplus realized on disposal of non-banking assets-net of tax	14
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to un-appropriated-net of tax	77
	64,529
<b>Profit Available for Appropriation</b>	<b>98,894</b>
<b>Appropriations:</b>	
Statutory Reserve	3,584
Final Cash Dividend at Rs. 5.0 per share - December 31, 2021	5,925
First Interim Cash Dividend at Rs. 5.0 per share - March 31, 2022	5,925
Second Interim Cash Dividend at Rs. 4.0 per share - June 30, 2022	4,740
Third Interim Cash Dividend at Rs. 5.0 per share – September 30, 2022	5,925
<b>Total Appropriations</b>	<b>26,099</b>
<b>Un-appropriated Profit Carried Forward</b>	<b>72,795</b>
<b>Earnings per Share (Rs)</b>	<b>29.00</b>

For and on behalf of the Board of Directors,



**Shoaib Mumtaz**  
President & CEO  
MCB Bank Limited

February 08, 2023



**Mian Umer Mansha**  
Director  
MCB Bank Limited



## ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز، ایم سی بی بینک لمیٹڈ اور اس کے ذیلی اداروں جن میں عارف جیب سیونگز اینڈ انوسٹمنٹ لمیٹڈ، ایم سی بی اسلامک بینک لمیٹڈ اور ایم سی بی ٹان بینک کریڈٹ آرگنائزیشن گورنرز جوینٹ اسٹاک کمپنی شامل ہیں، کی مجموعی مالیاتی اسٹیٹمنٹس برائے سال ختم 31 دسمبر 2022ء پر رپورٹ پیش کرتے ہیں۔

### منافع اور تفصیل

دسمبر 2022ء کو اختتام پذیر سال میں منافع قبیل و بعد از ٹیکس اور تفصیل، مندرجہ ہے

ملین روپے	
75,340	منافع از ٹیکس
(40,889)	ٹیکس
34,451	منافع بعد از ٹیکس
(86)	جان کنٹریولنگ انشورنس کے لیے تفویض شدہ منافع
34,365	حسام حصص یافتگان کے لیے تفویض شدہ منافع
64,697	اختتامی غیر تفصیل شدہ منافع
(302)	ڈیٹا سنڈیکیٹ ڈائجسٹ کا دوبارہ تعین شدہ نقصان، حناص از ٹیکس
43	ہائید ہاٹوں کے سرپلس پر فروخت سے حاصل آمدن حناص از ٹیکس
14	غیر بینکاری ہاٹوں کے سرپلس پر فروخت سے حاصل آمدن، حناص از ٹیکس
77	ہائید ہاٹوں کی تجزیہ نو سے انسانی آمدنی کی غیر تفصیل شدہ منافع کی
64,529	اگر بیمنٹل ڈیپریسیشن (قدر میں کمی) کی مد میں منتقلی
98,894	تفصیل کے لیے دستیاب منافع
	تفصیل
3,584	قانونی ریزرو
5,925	حتمی کیش ڈیویڈنڈ 5 روپے فی حصص 31 دسمبر 2021
5,925	پہلا جسوری کیش ڈیویڈنڈ 5 روپے فی حصص 31 مارچ 2022
4,740	دوسرا جسوری کیش ڈیویڈنڈ 4 روپے فی حصص 30 جون 2022
5,925	تیسرا جسوری کیش ڈیویڈنڈ 5 روپے فی حصص 30 ستمبر 2022
26,099	کل تفصیل
72,795	اختتامی غیر تفصیل شدہ منافع
29.00	فی حصص آمدنی (روپے)

مخبر و برائے بورڈ آف ڈائریکٹرز

میں محمد شہاد  
ڈائریکٹر ایم سی بی بینک لمیٹڈ

شعب ممتاز  
پریزیڈنٹ اور سی ای او  
ایم سی بی بینک لمیٹڈ

08 فروری 2023ء

# 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, 2022, 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, 2022 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	<b>Provision against advances</b>	
	<p>(Refer notes 3.4, 6.5 and 11.5 to the consolidated financial statements).</p> <p>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).</p> <p>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.</p> <p>The PRs also require the creation of general provision for certain categories of advances.</p> <p>Provision against advances of overseas branches is made as per the requirements of the respective regulatory regimes.</p>	<p>Our audit procedures to verify provision against advances included, amongst others, the following:</p> <p>We obtained an understanding of the design and tested the operating effectiveness of relevant controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing advances.</p> <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> <li>controls over correct classification of non-performing advances on time-based criteria;</li> <li>controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria;</li> <li>controls over accurate computation and recording of provisions; and</li> <li>controls over the governance and approval process related to provisions, including continuous reassessment by the management.</li> </ul>

S. No.	Key Audit Matter	How the matter was addressed in our audit
	<p>As at December 31, 2022, the Group holds a total provision of Rs. 44,761.202 million against advances in the consolidated financial statements of the Group.</p> <p>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</p>	<p>We selected a sample of loan accounts and performed the following substantive procedures:</p> <ul style="list-style-type: none"> <li>• checked repayments of loan / mark-up installments and tested classification of non-performing advances based on the number of days overdue; and</li> <li>• 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 and discussions with the management.</li> </ul> <p>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.</p> <p>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.</p>

### 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 the 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:

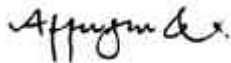
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

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 06, 2023

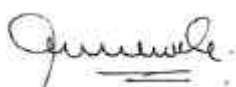
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# Consolidated Statement of Financial Position

As at December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>ASSETS</b>			
Cash and balances with treasury banks	7	110,275,163	175,922,469
Balances with other banks	8	26,162,849	22,554,329
Lendings to financial institutions	9	56,585,768	40,617,110
Investments	10	1,040,889,059	1,062,568,511
Advances	11	844,985,763	686,388,652
Fixed assets	12	85,021,165	62,351,545
Intangible assets	13	1,682,671	1,838,136
Deferred tax assets	14	5,439,278	–
Other assets	15	103,291,437	69,880,727
		2,274,333,153	2,122,121,479
<b>LIABILITIES</b>			
Bills payable	17	42,874,366	26,486,445
Borrowings	18	356,016,610	282,898,882
Deposits and other accounts	19	1,532,695,961	1,534,586,671
Liabilities against assets subject to finance lease		–	–
Subordinated debt		–	–
Deferred tax liabilities	14	–	1,578,782
Other liabilities	20	148,268,469	99,002,039
		2,079,855,406	1,944,552,819
<b>NET ASSETS</b>			
		194,477,747	177,568,660
<b>REPRESENTED BY</b>			
Share capital	21	11,850,600	11,850,600
Reserves	22	89,640,476	85,043,592
Surplus on revaluation of assets - net	23	19,458,482	15,225,689
Unappropriated profit		72,795,700	64,697,360
		193,745,258	176,817,241
Non-controlling interest		732,489	751,419
		194,477,747	177,568,660
<b>CONTINGENCIES AND COMMITMENTS</b>			
	24		

The annexed notes 1 to 48 and annexure I forms an integral part of these consolidated financial statements.



**Shoaib Mumtaz**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Shahzad Hussain**  
Director



**Muhammad Ali Zeb**  
Director

## Consolidated Profit and Loss Account

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
Mark-up / return / interest earned	26	219,422,758	132,609,303
Mark-up / return / interest expensed	27	123,454,752	64,231,302
Net mark-up / interest income		95,968,006	68,378,001
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	28	15,573,910	13,691,432
Dividend income		2,130,363	1,955,213
Foreign exchange income		9,588,551	3,847,755
Income from derivatives		33,148	14,035
(Loss) / gain on securities	29	(1,708,860)	262,835
Other income	30	295,837	883,253
Total non-markup / interest income		25,912,949	20,654,523
Total income		121,880,955	89,032,524
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	31	48,075,386	40,589,732
Workers welfare fund		1,509,781	1,058,419
Other charges	32	267,536	525,339
Total non-markup / interest expenses		49,852,703	42,173,490
Share of profit of associates		671,231	943,587
<b>Profit before provisions</b>		72,699,483	47,802,621
(Reversals) / provisions and write offs - net	33	(2,641,001)	(5,472,779)
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		75,340,484	53,275,400
Taxation	34	40,889,320	21,947,646
<b>PROFIT AFTER TAXATION</b>		34,451,164	31,327,754
<b>Attributable to:</b>			
Equity shareholders of the Bank		34,365,061	31,179,708
Non-controlling interest		86,103	148,046
		34,451,164	31,327,754
<b>(Rupees)</b>			
<b>Basic and diluted earnings per share attributable to ordinary shareholders</b>	35	29.00	26.31

The annexed notes 1 to 48 and annexure I forms an integral part of these consolidated financial statements.



**Shoaib Mumtaz**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Shahzad Hussain**  
Director



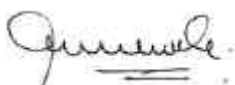
**Muhammad Ali Zeb**  
Director

# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	2022	2021
	(Rupees in '000)	
<b>Profit after taxation for the year</b>	34,451,164	31,327,754
<b>Other comprehensive income / (loss)</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Effect of translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	862,163	874,022
- Non-controlling interest	96	29
	862,259	874,051
Share of exchange translation reserve of associate	151,001	8,328
Movement in (deficit) / surplus on revaluation of investments - net of tax		
- Equity shareholders of the Bank	(14,366,272)	(13,196,825)
Movement in surplus on associated undertaking - net of tax	(288,807)	96,189
	(14,655,079)	(13,100,636)
	(13,641,819)	(12,218,257)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(301,720)	37,922
Movement in surplus on revaluation of operating fixed assets - net of tax	18,939,852	(152,202)
Movement in surplus on revaluation of non-banking assets - net of tax	82,879	124,017
	18,721,011	9,737
<b>Total comprehensive income</b>	39,530,356	19,119,234
<b>Attributable to:</b>		
- Equity shareholders of the Bank	39,444,157	18,971,159
- Non-controlling interest	86,199	148,075
	39,530,356	19,119,234

The annexed notes 1 to 48 and annexure I forms an integral part of these consolidated financial statements.



**Shoaib Mumtaz**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Shahzad Hussain**  
Director



**Muhammad Ali Zeb**  
Director



# Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Capital reserve			Revenue reserve		Surplus/(deficit) on revaluation of			Unappropriated profit	Sub Total	Non controlling interest	Grand Total	
	Share capital	Share premium	Non-distributable capital reserve	Exchange transition reserve	Statutory reserve	General reserve	Investments	Associate					Fixed / non-banking assets
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	319,839	20,082,619	70,498,820	192,212,822	778,561	192,991,383
<b>Total comprehensive income for the year ended December 31, 2021</b>	-	-	-	-	-	-	-	-	-	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	-	-	-
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	-	(84,366,740)	(84,366,740)	-	(84,366,740)
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
<b>Total comprehensive income for the year ended December 31, 2022</b>	-	-	-	-	-	-	-	-	-	34,365,061	34,365,061	86,103	34,451,164
Profit after taxation for the year ended December 31, 2022	-	-	-	1,013,164	-	-	(14,366,272)	(288,807)	19,022,731	(301,720)	5,079,096	96	5,079,192
Other comprehensive income - net of tax	-	-	-	-	-	-	(14,366,272)	(288,807)	19,022,731	34,083,341	39,444,157	86,199	39,530,356
Transfer to statutory reserve	-	-	-	-	3,583,720	-	-	-	(3,583,720)	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(77,423)	77,423	-	-	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	(43,480)	43,480	-	-	-
Surplus realized on disposal of non-banking assets - net of tax	-	-	-	-	-	-	-	-	(13,956)	13,956	-	-	-
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)	-	(5,925,300)
Final cash dividend at Rs. 5.0 per share - December 31, 2021	-	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)	-	(5,925,300)
Interim cash dividend at Rs. 5.0 per share - March 31, 2022	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)	-	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - June 30, 2022	-	-	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)	-	(5,925,300)
Interim cash dividend at Rs. 5.0 per share - Sep 30, 2022	-	-	-	-	-	-	-	-	-	(22,516,140)	(22,516,140)	-	(22,516,140)
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(105,129)	(105,129)
Balance as at December 31, 2022	11,850,600	23,973,024	908,317	4,845,697	41,313,438	18,600,000	(19,162,304)	127,321	38,493,465	72,795,700	193,745,258	732,489	194,477,747

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 annexure I forms an integral part of these consolidated financial statements.

  
**Shoaib Mumtaz**  
 President/Chief Executive

  
**Hammad Khalid**  
 Chief Financial Officer

  
**Mian Umer Mansha**  
 Director

  
**Shahzad Hussain**  
 Director


  
**Muhammad Ali Zeb**  
 Director

# Consolidated Cash Flow Statement

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		75,340,484	53,275,400
Less: Dividend income and share of profit of associates		(2,801,594)	(2,898,800)
		72,538,890	50,376,600
Adjustments:			
Depreciation on fixed assets	12.2	2,781,591	2,587,352
Depreciation on right-of-use assets	31	1,834,736	1,709,613
Depreciation on non-banking assets acquired in satisfaction of claims	31	23,389	35,544
Amortization	13	566,633	480,826
(Reversals) / provisions and write offs - net	33	(2,641,001)	(5,472,779)
Workers welfare fund		1,509,781	1,058,419
Gain on sale of non-banking assets acquired in satisfaction of claims	30	(6,817)	(571,449)
Gain on conversion of Ijarah agreements	30	(18,878)	(20,761)
Charge for defined benefit plan	31.1	209,051	289,144
Gain on sale of fixed assets	30	(138,376)	(107,783)
Gain on termination of lease liability against right-of-use assets	30	(62,670)	(149,129)
Unrealized (gain) / loss on revaluation of investments classified as held for trading	29	(20,063)	7,026
Interest expensed on lease liability against right-of-use assets	27	1,474,249	1,257,256
		5,511,625	1,103,279
		78,050,515	51,479,879
<b>Decrease / (increase) in operating assets</b>			
Lendings to financial institutions		(15,968,658)	(22,648,867)
Held-for-trading securities		169,652	1,316,226
Advances		(156,476,863)	(133,965,474)
Others assets (excluding advance taxation)		(31,526,863)	(5,854,958)
		(203,802,732)	(161,153,073)
<b>Increase / (decrease) in operating liabilities</b>			
Bills Payable		16,387,921	34,932
Borrowings from financial institutions		73,992,926	97,007,799
Deposits		(1,890,710)	145,848,710
Other liabilities (excluding current taxation)		34,222,005	6,448,651
		122,712,142	249,340,092
Defined benefits paid		(292,346)	(250,977)
Income tax paid		(28,409,347)	(21,722,469)
Net cash flow (used in) / from operating activities		(31,741,768)	117,693,452
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net divestment / (investment) in available-for-sale securities		12,249,839	(41,999,823)
Net investment in held-to-maturity securities		(15,737,320)	(4,886,763)
Dividends received		2,335,990	2,177,615
Investments in fixed assets		(4,930,232)	(3,205,076)
Investments in Intangible assets		(416,497)	(451,086)
Proceeds from sale of fixed assets		405,748	405,766
Proceeds from sale of non-banking assets acquired in satisfaction of claims		153,500	2,052,928
Effect of translation of net investment in foreign branches & subsidiaries		1,013,164	882,350
Net cash flow used in investing activities		(4,925,808)	(45,024,089)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid	36.1	(21,912,342)	(34,211,540)
Payment of lease liability against right-of-use-assets	36.1	(2,583,670)	(2,359,330)
Net cash flow used in financing activities		(24,496,012)	(36,570,870)
Effects of exchange rate changes on cash and cash equivalents		9,600,163	5,341,973
Increase in cash and cash equivalents		(51,563,425)	41,440,466
Cash and cash equivalents at beginning of the year		187,193,972	155,353,669
Cash and cash equivalents at end of the year	36	135,630,547	196,794,135

The annexed notes 1 to 48 and annexure I forms an integral part of these consolidated financial statements.



**Shoab Mumtaz**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Shahzad Hussain**  
Director



**Muhammad Ali Zeb**  
Director

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 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 1,439 branches (2021: 1,426 branches) within Pakistan and 9 branches (2021: 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 Limited 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 October 16, 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 prior 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 the Bank

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 198 branches including one sub branch in Pakistan (December 31, 2021: 177 branches including one sub branch). 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, 2022

## 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 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.
- 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 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.
- 2.4 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.

## 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 and International Accounting Standard 39 ‘Financial Instruments: Recognition and Measurement’ (IAS 39) through BSD Circular Letter 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 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

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

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, 2022. 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, 2023:

	Effective date (annual periods beginning on or after)
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	January 01, 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
Amendment to IFRS 16 – Leases on sale and leaseback	January 01, 2024
Amendment to IAS 1 – Non current liabilities with covenants	January 01, 2024

### IFRS 9 - Financial Instruments

As directed by SBP via BPRD Circular No 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after January 01, 2023 for Bank's having asset base of more than Rs. 500 billion as at December 31, 2021. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the Banks.

During 2022, the management of the Group has performed an impact assessment of IFRS 9 for holding company and one of the subsidiaries taking into account the SBP's IFRS 9 application instructions whereas the requirements of this standard are incorporated for remaining subsidiaries and overseas jurisdictions where IFRS 9 has been adopted. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group at the time of finalizing the impact for initial application of IFRS 9. In addition, the Group will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

#### Governance, ownership and responsibilities

The Group has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

#### Classification and measurement

The classification and measurement of financial assets will base on the business model within which they are held and their contractual cash flow characteristics. Financial assets that do not meet the

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

solely payments of principal and interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Group's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL').

The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows ('hold to collect'), and where those contractual cash flows are solely payments of principal and interest (SPPI). Assets may be sold out of 'hold to collect' portfolios where there is an increase in credit risk. Disposals for other reasons are permitted but such sales should be insignificant in value or infrequent in nature.

Debt instruments where the business model objectives are achieved by collecting the contractual cash flows and by selling the assets ('hold to collect and sell') and that have SPPI cash flows are held at FVOCI, with unrealised gains or losses deferred in reserves until the asset is derecognised.

The classification of equity instruments is generally measured at FVTPL unless the Group, at initial recognition, irrevocably designates as FVOCI but both unrealized and realised gains or losses are recognised in reserves and no amounts other than dividends received are recognised in the income statement.

All other financial assets will mandatorily be held at FVTPL. Financial assets may be designated at FVTPL only if doing so eliminates or reduces an accounting mismatch.

The Group has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

## Equity Securities

The Group expects to continue measuring at fair value all financial assets currently held at fair value.

For equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI, the Group will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on adoption. However, in accordance with IFRS 9 requirements, fair value gain or losses recognized in OCI will not be recycled to profit and loss account on derecognition of these securities. Expected credit losses are not recognised for equity instruments designated at FVOCI.

Unquoted equity securities are required to be measured at fair value under IFRS 9, however, SBP has allowed relaxation to the banks till one year to carry these investments under the current PR regime.

## Debt securities and Loans and advances

Debt securities currently classified as AFS and those passing the SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Group's business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those passing the SPPI test are expected to be measured at amortised cost under IFRS 9 as the Group's business model is to hold the assets to collect contractual cash flows.

## Impairment of financial assets not held at FVTPL

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for Expected Credit Losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are categorized in 'stage 1'; financial assets that are considered to have experienced

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

a SICR are categorized in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are categorized in 'stage 3'.

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Group has performed an ECL assessment taking into account the key elements such as assessment of SICR, Probability of Default, Loss Given Default and Exposure at Default. These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Group expects to receive, including any form of collateral.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For calculating ECL, the Group shall classify its financial assets under three following categories:

- a) Stage 1: Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Group shall recognize an allowance based on the 12-month ECL.
- b) Stage 2: Under-Performing Assets: Financial assets where there has been a SICR since initial recognition, but they are not credit impaired, the Group shall recognize an allowance for the lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.
- c) Stage 3: Non-Performing Assets: Financial assets which have objective evidence of impairment at the reporting date. The Group shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential regulations.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply. An exposure cannot be upgraded from Stage 3 to 1 directly and should be upgraded to Stage 2 initially.

## Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Group uses a number of qualitative and quantitative measures in assessing SICR.

Based on the level of increase in credit risk, the Group shall calculate 12 month ECL for assets which did not have a SICR i.e., stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., stage 2.

At every reporting date, the Group shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (stage 2 or 3).

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, stage 1 and stage 2 provisions would be made as per IFRS 9 ECL framework and stage 3 provision would be higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

## Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Group's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

The State Bank of Pakistan is yet to issue a revised format for financial statements of the banks for the accounting periods starting from January 01, 2023, which shall include the presentation and disclosures of adoption of IFRS 9 as applicable in Pakistan.

## Impact of adoption of IFRS 9

The Group will adopt IFRS 9 in its entirety effective January 01, 2023 with modified retrospective approach for restatement. As permitted by IFRS-9, the Group will not be restating comparatives on initial application. The cumulative impact of initial application will be recorded as an adjustment to equity at the beginning of the accounting period.

The actual impact of adopting IFRS 9 on the Group's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Group would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

## Impact on Equity of the Group

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at January 01, 2023 is reduction in equity of approximately Rs. 3,022.452 million, representing corresponding impact of:

- An increase of approximately Rs. 3,394.605 million (net of tax) related to impairment requirements; and
- Adjustment of approximately Rs. 372.153 million related to classification and measurement requirements, other than impairment.

The Group continues to refine its expected credit loss model and embed its operational processes which may change the actual impact on adoption.

## Impact on regulatory capital

The Group is allowed to include provisions for stage 1 and stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the Group to absorb the impact on regulatory capital. Accordingly, banks, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP's Guideline for absorption of ECL for CAR Purposes as mentioned in Annexure-C of BPRD Circular No. 3 of 2022.



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

The estimated impact of initial adoption of IFRS 9 on the Group's capital ratios, without accounting for the allowed transitional arrangement, is as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	15.61%	15.40%
Tier 1 Capital Adequacy Ratio	15.61%	15.40%
Total Capital Adequacy Ratio	18.18%	17.98%
CET1 available to meet buffers (as a percentage of risk weighted assets)	8.11%	7.90%

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, 2023 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

### 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 11.5.4.

#### 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

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

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.

**f) Depreciation, amortisation, 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.

**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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 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:

### 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, 2022 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. 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 Group enters into leasing arrangements of buildings for its branches and offices. Rental contracts are typically for a fixed period and may have extension options. At inception of a contract, the Group 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 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

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

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.

## 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 consolidated 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 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 consolidated 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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## Investments 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 the consolidated 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 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 associates is assessed as per the requirements of IAS 36.

## 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 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.

## 6.5 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 SBP and charged to the consolidated 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 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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

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.

## 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 consolidated 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 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.

# Notes To The Consolidated Financial Statements

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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.

## 6.7 Intangible assets

Intangible assets are stated at cost less accumulated amortisation 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.

## 6.8 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.

## 6.9 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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

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 statement of 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 the 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 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.

## 6.10 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 Group 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, 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.

## 6.11 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



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

## 6.12 Foreign currencies

### 6.12.1 Foreign currency transactions

Transactions in foreign currencies other than the results of foreign operations discussed in note 6.12.2 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.

### 6.12.2 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.

### 6.12.3 Translation gains and losses

Translation gains and losses are included in the consolidated profit and loss account, except those arising on the translation of the Group'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 consolidated profit and loss account.

### 6.12.4 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.

## 6.13 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.

## 6.14 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 consolidated 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 recognized 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 consolidated 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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

- 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.

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 subsidiary.

## 6.15 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 consolidated charged to profit and loss account and not capitalized.

## 6.16 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.

## 6.17 Financial instruments

### 6.17.1 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.

### 6.17.2 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

# Notes To The Consolidated Financial Statements

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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.

## 6.17.3 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.

## 6.18 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.

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.

## 6.19 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.

### 6.19.1 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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 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.

### 6.19.2 Geographical segments

The Group operates in three geographic regions being:

- Pakistan
- South Asia
- Middle East
- Eurasia

### 6.20 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.

### 6.21 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.

### 6.22 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.

### 6.23 Pool Management

The Islamic Banking Subsidiary of the Group (MCBIBL) 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 MCBIBL accepts funds on Mudaraba basis from depositors (Rabb-ul-Maal) where MCBIBL acts as Manager (Mudarib) and invests the funds in the Shari'ah Compliant modes of financings, investments and placements. When utilising investing funds, MCBIBL prioritizes the funds received from depositors over the funds generated from own sources.

# Notes To The Consolidated Financial Statements

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Specific pools may be operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to MCBIBL customers and liquidity management respectively under the Musharaka / Mudaraba modes. MCBIBL also maintains an Equity Pool which consists of MCBIBL 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.

MCBIBL is maintaining the following types of pools for profit declaration and distribution:

## General Pool

MCBIBL 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 average rate of profit earned on the earning assets was 13.22% (2021: 8.58%) and rate of profit paid was 7.49% (2021: 5.03%). Profit rate and weightage announcement period is monthly.

## Treasury Musharaka / Mudaraba Pools

MCBIBL 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.

The average rate of profit earned on the earning assets was 13.03% (2021: 8.29%) and rate of profit paid was 12.88% (2021: 7.57%).

## Special Musharaka Pool

MCBIBL 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.

The average rate of profit earned on the earning assets was 13.21% (2021: 8.02%) and rate of profit paid was 12.52% (2021: 7.27%).

# Notes To The Consolidated Financial Statements

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## Equity Pool

The Equity Pool consists of MCBIBL 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.

The average rate of profit earned was 7.81% (2021: -1.63%).

## 6.24 Funds due to / from financial institutions

### Bai Mu'ajjal

In Bai Mu'ajjal, the Group sells sukuk on deferred basis to other financial institutions. The deferred price is agreed at the time of sale and such proceeds are received at the end of the deferral period. Bai Muajjal with the Federal Government is classified as investment.

### 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	2022 (Rupees in '000)	2021
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		33,233,850	24,962,316
Foreign currencies		8,010,501	6,622,320
		41,244,351	31,584,636
With State Bank of Pakistan in			
Local currency current accounts	7.1	60,486,793	88,832,014
Local currency special deposit account	7.2	–	979,736
Foreign currency current accounts	7.3	2,963,386	2,937,151
Foreign currency deposit account	7.4	–	10,550,168
		63,450,179	103,299,069
With other central banks in			
Foreign currency current accounts	7.5	5,208,116	6,728,135
With National Bank of Pakistan in			
Local currency current accounts		207,220	34,016,028
Prize bonds		165,297	294,601
		110,275,163	175,922,469

**7.1** This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

**7.2** This represents amount placed in a special account with SBP against shortfall in meeting monthly disbursement targets advised by SBP under Mera Pakistan Mera Ghar (MPMG).

**7.3** This includes foreign currencies settlement accounts maintained with SBP along with Rs. 631.968 million (2021: Rs. 554.429 million) maintained to comply with the cash reserve and special cash reserve requirements by a subsidiary.

**7.4** This represents account maintained with the SBP by Holding Company to comply with the Cash Reserves in US\$ equivalent of their total FE-25 deposits on daily basis. The Holding Company is maintaining Nil balance as of December 31, 2022 as allowed by SBP for a short term.

## Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

- 7.5** Foreign currency current accounts with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Group.

	Note	2022 (Rupees in '000)	2021
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
In current account		29,428	27,123
In deposit account	8.1	7,383	71,563
		36,811	98,686
Outside Pakistan			
In current account		18,954,730	12,119,471
In deposit account	8.2	7,171,308	10,336,172
		26,126,038	22,455,643
		26,162,849	22,554,329

- 8.1** This represents saving accounts carrying profit at expected rates ranging from 3.60% to 12.00% per annum (2021: 2.35% to 6.00% per annum).

- 8.2** Balances with other banks outside Pakistan in deposit accounts carry interest rate of 3.00% to 24.00% (2021: 0.40% to 6.00%) per annum.

	Note	2022 (Rupees in '000)	2021
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lendings	9.1	23,736,012	24,071,021
Repurchase agreement lendings (Reverse Repo)	9.2	26,679,756	14,896,089
Musharaka arrangements	9.3	6,170,000	1,650,000
		56,585,768	40,617,110

- 9.1** Call money lending carries mark-up rate ranging from 4.40% to 14.50% (2021: 0.15% to 10.45%) per annum and is due to mature in January 2023.

- 9.2** Repurchase agreement lendings carry mark-up rate ranging from 16.00% to 16.55% (2021: 10.50% to 10.70%) per annum and is due to mature in January 2023.

- 9.3** This represents Musharaka placements with various financial institutions carrying average profit rate of 16.05% per annum (2021: 10.35% per annum) and having maturity till January 04, 2023.

		2022 (Rupees in '000)	2021
<b>9.4 Particulars of lending</b>			
In local currency		32,849,756	16,546,089
In foreign currencies		23,736,012	24,071,021
		56,585,768	40,617,110

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

		2022			2021		
		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	26,679,756	–	26,679,756	14,896,089	–	14,896,089

## 10. INVESTMENTS

### 10.1 Investments by type:

		2022				2021			
Note		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
(Rupees in '000)									
<b>Held-for-trading securities</b>									
	Federal Government Securities	–	–	–	–	12,467	–	(12)	12,455
	Shares and units	1,085,433	–	20,063	1,105,496	1,249,644	–	(7,014)	1,242,630
		1,085,433	–	20,063	1,105,496	1,262,111	–	(7,026)	1,255,085
<b>Available-for-sale securities</b>									
	Federal Government Securities	1,001,440,422	(134,427)	(32,886,502)	968,419,493	1,008,297,650	(22,288)	(9,216,775)	999,058,587
	Shares and units	28,327,743	(9,618,325)	(721,393)	17,988,025	31,651,347	(10,358,683)	1,342,018	22,634,682
	Non Government Debt Securities	3,723,840	–	5,782	3,729,622	2,342,840	–	17,833	2,360,673
	Foreign Securities	4,134,882	(1,232)	(15,965)	4,117,685	7,557,240	(1,748)	(5,424)	7,550,068
		1,037,626,887	(9,753,984)	(33,618,078)	994,254,825	1,049,849,077	(10,382,719)	(7,862,348)	1,031,604,010
<b>Held-to-maturity securities</b>									
	Federal Government Securities	32,670,061	(98,464)	–	32,571,597	15,901,861	(52,637)	–	15,849,224
	Provincial Government Securities	118	(118)	–	–	118	(118)	–	–
	Non Government Debt Securities	8,032,203	(477,541)	–	7,554,662	8,270,476	(477,541)	–	7,792,935
	Foreign Securities	–	–	–	–	792,607	(8,632)	–	783,975
		40,702,382	(576,123)	–	40,126,259	24,965,062	(538,928)	–	24,426,134
<b>Associates</b>									
10.9 & 10.10		5,402,479	–	–	5,402,479	5,283,282	–	–	5,283,282
	<b>Total Investments</b>	<b>1,084,817,181</b>	<b>(10,330,107)</b>	<b>(33,598,015)</b>	<b>1,040,889,059</b>	<b>1,081,359,532</b>	<b>(10,921,647)</b>	<b>(7,869,374)</b>	<b>1,062,568,511</b>



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 10.2 Investments by segments:

Note	2022				2021				
	Cost/ Amortised cost	Provision for diminution	Surplus/ (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	
(Rupees in '000)									
<b>Federal Government Securities:</b>									
Market Treasury Bills	131,583,990	-	(698,933)	130,885,057	325,536,276	-	(478,211)	325,058,065	
Pakistan Investment Bonds	817,629,996	-	(29,326,723)	788,303,273	660,197,527	-	(8,648,559)	651,548,968	
Sukuks bonds	71,981,530	-	(142,464)	71,839,066	31,071,895	(1,410)	(89,694)	30,980,791	
Naya Pakistan Certificates	4,801,864	-	-	4,801,864	925,513	-	-	925,513	
Euro Bonds	8,113,103	(232,891)	(2,718,382)	5,161,830	4,939,876	(73,515)	-	4,866,361	
Bai Mu'ajjal	-	-	-	-	1,540,891	-	(323)	1,540,568	
	1,034,110,483	(232,891)	(32,886,502)	1,000,991,090	1,024,211,978	(74,925)	(9,216,787)	1,014,920,266	
<b>Provincial Government Securities</b>									
	118	(118)	-	-	118	(118)	-	-	
<b>Shares and units:</b>									
Listed Companies	27,784,105	(9,431,098)	(701,330)	17,651,677	31,271,920	(10,186,092)	1,335,004	22,420,832	
Unlisted Companies	1,629,071	(187,227)	-	1,441,844	1,629,071	(172,591)	-	1,456,480	
	29,413,176	(9,618,325)	(701,330)	19,093,521	32,900,991	(10,358,683)	1,335,004	23,877,312	
<b>Non Government Debt Securities</b>									
Listed	4,570,731	-	5,782	4,576,513	4,478,441	(3,469)	10,222	4,485,194	
Unlisted	7,185,312	(477,541)	-	6,707,771	6,134,875	(474,072)	7,611	5,668,414	
	11,756,043	(477,541)	5,782	11,284,284	10,613,316	(477,541)	17,833	10,153,608	
<b>Foreign Securities</b>									
Government securities	4,128,352	-	(15,965)	4,112,387	8,342,536	(8,634)	(5,424)	8,328,478	
Unlisted equity securities	6,530	(1,232)	-	5,298	7,311	(1,746)	-	5,565	
	4,134,882	(1,232)	(15,965)	4,117,685	8,349,847	(10,380)	(5,424)	8,334,043	
<b>Associates</b>									
- Adamjee Insurance Company Limited	10.9	5,393,123	-	-	5,393,123	5,240,911	-	-	5,240,911
- Euronet Pakistan (Private) Limited	10.10	9,356	-	-	9,356	42,371	-	-	42,371
		5,402,479	-	-	5,402,479	5,283,282	-	-	5,283,282
<b>Total Investments</b>		1,084,817,181	(10,330,107)	(33,598,015)	1,040,889,059	1,081,359,532	(10,921,647)	(7,869,374)	1,062,568,511

**2022**                      **2021**  
(Rupees in '000)

### 10.2.1 Investments given as collateral

- Market Treasury Bills	32,722,107	107,136,184
- Pakistan Investment Bonds	191,811,500	53,303,403
	224,533,607	160,439,587

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 10.3 Provision for diminution in value of investments

	Note	2022 (Rupees in '000)	2021
<b>10.3.1 Opening balance</b>		10,921,647	11,691,434
Exchange and other adjustments		27,649	570
Charge / (reversals)			
Charge for the year		2,483,239	985,236
Reversals for the year		–	(18,390)
Reversal on disposals		(3,102,428)	(1,737,203)
		(619,189)	(770,357)
Closing balance	10.3.3	10,330,107	10,921,647

## 10.3.2 Particulars of provision against debt securities

### Category of classification

	2022		2021	
	Non Performing Investments	Provision	Non Performing Investments	Provision
	(Rupees in '000)			
<b>Domestic</b>				
Loss	477,659	477,659	477,659	477,659
	477,659	477,659	477,659	477,659

**10.3.3** This includes a general provision of Rs. 232.891 million (December 31, 2021: Rs. 83.557 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;

	2022	2021
	Cost	
	(Rupees in '000)	
<b>Federal Government Securities - Government guaranteed</b>		
Market Treasury Bills	131,583,990	325,523,809
Pakistan Investment Bonds	804,899,596	647,475,027
Euro Bonds	5,365,822	3,301,407
Sukuk Bonds	54,789,150	31,071,895
Islamic Naya Pakistan Certificates	4,801,864	925,512
	1,001,440,422	1,008,297,650

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	Cost	
	(Rupees in '000)	
<b>Listed Companies and mutual funds</b>		
Automobile Assembler	1,456,200	1,607,719
Automobile Parts and Accessories	211,460	413,930
Cable and Electrical Goods	13,412	573,042
Cement	1,832,837	2,333,482
Chemical	508,654	634,587
Close end Mutual Fund	1,186,851	1,186,851
Commercial Banks	4,539,180	3,897,895
Engineering	1,186,104	1,550,301
Fertilizer	2,305,197	2,957,126
Food and Personal Care Products	1,417,443	1,122,096
Glass and Ceramics	-	89,048
Insurance	775,120	753,786
Investment Banks / Investment Companies / Securities Companies	585,624	585,624
NIT Units	5,253	5,253
Oil and Gas Exploration Companies	3,552,340	4,084,865
Oil and Gas Marketing Companies	294,292	886,817
Open End Mutual Fund	96,361	96,361
Paper and Board	562,738	543,706
Pharmaceuticals	1,020,578	1,048,524
Power Generation and Distribution	3,191,306	3,525,290
Refinery	-	684,113
Technology and Communication	1,737,566	1,296,309
Textile composite	203,987	129,382
Textile spinning	16,169	16,169
	26,698,672	30,022,276

2022

2021

	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			

<b>Unlisted Companies</b>				
Central Depository Company Limited	184,426	929,121	184,426	819,324
First Capital Investment Private Limited	2,500	2,633	2,500	2,831
First Women Bank Limited	63,300	215,838	63,300	215,838
ISE Towers REIT Management Company Limited	30,346	105,977	30,346	101,804
National Investment Trust Limited	1,027,651	1,820,462	1,027,651	2,006,567
National Institutional Facilitation Technologies	1,527	44,622	1,527	35,899
Pak Agro Storage And Service Corporation	2,500	1,614,513	2,500	1,567,552
1 Link Private Limited	50,000	428,290	50,000	267,895
Naymat Collateral Management Company	29,286	13,824	29,286	21,021
Pakistan Corporate Restructuring Company	51,396	40,771	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	-	30,177	-
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	-
Pak Elektron Limited - Preference shares	25,000	25,000	25,000	25,000
	1,629,071	5,241,051	1,629,071	5,111,941

\*These investments are fully provided.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	Cost	
	(Rupees in '000)	
<b>Non Government Debt Securities</b>		
<b>Listed</b>		
- AA+, AA, AA-	1,333,840	1,322,840
- A+, A, A-	200,000	-
	1,533,840	1,322,840
<b>Unlisted</b>		
AAA - AA+, AA, AA-	2,090,000	920,000
- A+, A, A-	100,000	100,000
	2,190,000	1,020,000

	2022		2021	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
<b>Foreign Securities</b>				
<b>Government Securities</b>				
- Sri Lanka	4,128,352	D	7,549,929	Caa2

	2022	2021
	Cost	
	(Rupees in '000)	
<b>Equity Securities</b>		
<b>Unlisted Equity Securities</b>		
Lanka Clear (Private) Limited	616	874
Credit Information Bureau of Sri Lanka	19	26
Lanka Financial Services Bureau Limited	1,232	1,748
Society for Worldwide Inter Fund Transfer (SWIFT)	4,663	4,663
	6,530	7,311
<b>10.5 Particulars relating to Held to Maturity securities are as follows:</b>		
<b>Federal Government Securities - Government guaranteed</b>		
Pakistan Investment Bonds	12,730,400	12,722,500
Euro Bonds	2,747,281	1,638,470
Ijarah Sukuks	17,192,380	
Bai Mu'ajjal	-	1,540,891
	32,670,061	15,901,861
<b>Provincial Government Securities - Government guaranteed</b>	118	118

## Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	Cost	
	(Rupees in '000)	
<b>Non Government Debt Securities</b>		
<b>Listed</b>		
- AA+, AA, AA-	2,387,040	2,502,280
- Unrated	49,851	49,851
	2,436,891	2,552,131
<b>Unlisted</b>		
- AAA	1,799,700	-
- AA+, AA, AA-	2,300,705	4,800,967
- A+, A, A-	667,366	439,837
- BB+, BB, BB-	350,000	-
- Unrated	477,541	477,541
	5,595,312	5,718,345

	2022		2021	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
<b>Foreign Securities</b>				
<b>Government Securities</b>				
- Sri Lanka	-	-	792,607	Caa2

**10.5.1** The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. 36,974.244 million (December 31, 2021: Rs. 22,233.571 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 (2021: 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 (2021: 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. 200 million (2021: 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, 2022 amounted to Rs. 1,971.900 million. (2021: Rs. 2,800.000 million).

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

Investment in Adamjee Insurance Company Limited under equity method - holding 20.00% (2021: 20%)

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>Opening balance</b>		5,240,911	4,435,075
Share of profit for the year before tax		700,164	934,170
Dividend from associate		(210,000)	(192,500)
Share of tax		(163,131)	(155,337)
		327,033	586,333
Share of other comprehensive (loss) / income	10.9.1	(174,821)	219,503
Closing balance		5,393,123	5,240,911
<b>10.9.1 Share of other comprehensive income</b>			
Share of unrealized (deficit) / surplus on assets - net of tax		(325,822)	211,175
<b>10.10</b> Share of exchange translation reserve of associate		151,001	8,328
		(174,821)	219,503

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% (2021: 30.00%)

	2022 (Rupees in '000)	2021 (Rupees in '000)
Opening balance	42,371	44,285
Share of (loss) / profit for the year before tax	(28,933)	9,417
Share of tax	(4,082)	(11,331)
Closing balance	(33,015)	(1,914)
	9,356	42,371

## 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)							
<b>2022</b>							
<b>Associates</b>							
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2022)	Pakistan	30%	898,423	(123,247)	(123,247)	989,942	958,753
Adamjee Insurance Company Limited (unaudited based on September 30, 2022)	Pakistan	20%	26,802,182	1,330,355	649,050	137,855,092	111,961,733
<b>2021</b>							
<b>Associates</b>							
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

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 11. ADVANCES

	Note	Performing		Non Performing		Total	
		2022	2021	2022	2021	2022	2021
(Rupees in '000)							
Loans, cash credits, running finances, etc.	11.1	736,691,310	565,602,060	50,204,881	49,404,885	786,896,191	615,006,945
Islamic financing and related assets	11.2	89,208,021	95,793,392	1,678,791	701,770	90,886,812	96,495,162
Bills discounted and purchased		10,908,660	19,852,814	1,055,302	1,085,920	11,963,962	20,938,734
Advances - gross		836,807,991	681,248,266	52,938,974	51,192,575	889,746,965	732,440,841
Provision against advances							
- Specific		-	-	(42,122,972)	(44,281,189)	(42,122,972)	(44,281,189)
- General	11.5.4	(2,638,230)	(1,771,000)	-	-	(2,638,230)	(1,771,000)
		(2,638,230)	(1,771,000)	(42,122,972)	(44,281,189)	(44,761,202)	(46,052,189)
Advances - net of provision		834,169,761	679,477,266	10,816,002	6,911,386	844,985,763	686,388,652

### 11.1 Includes net investment in finance lease as disclosed below:

	2022				2021			
	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	2,578,128	4,263,753	676,596	7,518,477	2,047,805	1,935,215	853,040	4,836,060
Residual value	35,800	833,077	50,333	919,210	12,535	340,969	28,726	382,230
Minimum lease payments	2,613,928	5,096,830	726,929	8,437,687	2,060,340	2,276,184	881,766	5,218,290
Financial charges for future periods	(332,027)	(996,285)	(410,737)	(1,739,049)	(111,377)	(351,445)	(397,000)	(859,822)
Present value of minimum lease payments	2,281,901	4,100,545	316,192	6,698,638	1,948,963	1,924,739	484,766	4,358,468

### 11.2 Islamic Financing And Related Assets - Net

	Performing		Non Performing		Total	
	2022	2021	2022	2021	2022	2021
(Rupees in '000)						
Murabaha	10,019,296	13,668,585	1,283	5,604	10,020,579	13,674,189
Musawamah	-	-	-	-	-	-
Istisna	3,669,842	4,764,233	-	-	3,669,842	4,764,233
Salam	-	19,927	-	-	-	19,927
Ijarah	1,764,790	2,094,689	1,676	1,963	1,766,466	2,096,652
Running Musharaka	44,824,547	47,811,823	-	-	44,824,547	47,811,823
Diminishing Musharaka	27,436,009	26,123,577	1,675,832	694,203	29,111,841	26,817,780
Staff finance	1,493,537	1,310,558	-	-	1,493,537	1,310,558
	89,208,021	95,793,392	1,678,791	701,770	90,886,812	96,495,162
Less: Provision against non-performing Islamic financing and related assets						
- Specific	-	-	(175,194)	(124,718)	(175,194)	(124,718)
- General	(409,909)	(61,882)	-	-	(409,909)	(61,882)
	(409,909)	(61,882)	(175,194)	(124,718)	(585,103)	(186,600)
Islamic financing and related assets - net of provisions	88,798,112	95,731,510	1,503,597	577,052	90,301,709	96,308,562

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		(Rupees in '000)	
<b>11.3</b>	<b>Particulars of advances (Gross)</b>		
	In local currency	844,651,460	683,535,698
	In foreign currencies	45,095,505	48,905,143
		889,746,965	732,440,841

**11.4** Advances include Rs. 52,938.974 million (2021: Rs. 51,192.575 million) which have been placed under the non-performing status as detailed below:

		2022		2021	
Note	Category of Classification	Non performing	Provision	Non performing	Provision
		Loans		Loans	
(Rupees in '000)					
	<b>Domestic</b>				
	Other Assets Especially Mentioned	1,465,104	1,535	49,911	1,340
	Substandard	1,326,934	172,053	279,422	67,795
	Doubtful	139,735	69,867	750,097	169,179
	Loss	38,151,508	37,281,168	40,720,274	40,215,099
		41,083,281	37,524,623	41,799,704	40,453,413
	<b>Overseas</b>				
	Not past due but impaired	-	-	-	-
	Overdue by:				
	Upto 90 days	434,904	218,623	38,999	14,993
	91 to 180 days	16,035	4,573	12,212	5,750
	181 to 365 days	134	67	109,551	54,776
	> 365 days	11,404,620	4,375,086	9,232,109	3,752,257
		11,855,693	4,598,349	9,392,871	3,827,776
	<b>Total</b>	52,938,974	42,122,972	51,192,575	44,281,189

**11.4.1** This includes non-performing portfolio of agricultural financing, small enterprise financing and infrastructure project financing classified as "Other Assets Especially Mentioned" as per the requirements of respective Prudential Regulations issued by the State Bank of Pakistan.

**11.4.2** Exposure amounting to Rs. 1,769 million relating to Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan has not been classified as non performing, in accordance with a relaxation given by the SBP. However, unrealized markup has been kept in memorandum account.

## 11.5 Particulars of provision against advances

		2022			2021		
Note		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
	Opening balance	44,281,189	1,771,000	46,052,189	45,168,351	5,511,716	50,680,067
	Exchange adjustments	711,262	144	711,406	319,945	18,951	338,896
	Charge for the year	1,108,144	928,004	2,036,148	2,457,017	230,979	2,687,996
	Reversals	(3,898,555)	(60,918)	(3,959,473)	(3,258,052)	(3,990,646)	(7,248,698)
		(2,790,411)	867,086	(1,923,325)	(801,035)	(3,759,667)	(4,560,702)
	Amounts written off	(79,068)	-	(79,068)	(406,072)	-	(406,072)
	<b>Closing balance</b>	42,122,972	2,638,230	44,761,202	44,281,189	1,771,000	46,052,189



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 11.5.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	37,130,950	1,947,552	39,078,502	40,105,891	1,389,045	41,494,936
In foreign currencies	4,992,022	690,678	5,682,700	4,175,298	381,955	4,557,253
	42,122,972	2,638,230	44,761,202	44,281,189	1,771,000	46,052,189

**11.5.2** 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. The Bank (holding company) has not taken the FSV benefit in calculation of specific provision. However, one of the subsidiary of the Bank has availed benefit of forced sale values amounting to Rs. 555.936 million (December 31, 2021: Rs. 249.750 million) in determining the provisioning against non-performing Islamic financing and related assets as at December 31, 2022. The additional benefit arising from availing the FSV benefit - net of tax amounts to Rs. 283.527 million as at December 31, 2022 (December 31, 2021: Rs. 152.378 million) is not available for payment of cash or stock dividends to shareholders.

**11.5.3** This includes reversal of provisions and reduction of non-performing loans amounting to Rs. Nil (2021: Nil) as a result of settlement on debt asset swap arrangement with customers.

**11.5.4** 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 Group also maintains a general provision against gross advances on a prudent basis.

	Note	2022	2021
		(Rupees in '000)	
<b>11.6 Particulars of write offs:</b>			
<b>11.6.1</b> Against Provisions	11.5	79,068	406,072
Directly charged to Profit & Loss account	33	680	–
		79,748	406,072
<b>11.6.2</b> Write Offs of Rs. 500,000 and above			
- Domestic	11.7	74,068	384,417
- Overseas	11.7	–	10,108
Write Offs of below Rs. 500,000		5,680	11,547
	11.5	79,748	406,072

## 11.7 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, 2022 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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>12. FIXED ASSETS</b>			
Capital work-in-progress	12.1	1,296,860	928,545
Property and equipment	12.2	75,935,987	53,472,833
Right-of-use assets	12.3	7,788,318	7,950,167
		<b>85,021,165</b>	<b>62,351,545</b>
<b>12.1 Capital work-in-progress</b>			
Civil works		929,384	483,986
Equipment		152,024	15,180
Advances to suppliers		212,007	422,256
Others		3,445	7,123
		<b>1,296,860</b>	<b>928,545</b>

## 12.2 Property and Equipment

	2022								
	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)								
<b>At January 01, 2022</b>									
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
<b>Year ended December 31, 2022</b>									
Opening 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
Additions	363,018	-	603,638	2,415	246,656	2,749,547	223,294	373,349	4,561,917
Movement in surplus on assets revalued during the year	15,318,328	1,270,897	4,124,524	253,682	-	-	-	-	20,967,431
Disposals	(179,307)	-	(59,687)	-	(3,591)	(9,141)	(15,618)	(28)	(267,372)
Write offs	-	-	-	-	(134)	(1,041)	(568)	-	(1,743)
Depreciation charge	-	-	(551,838)	(36,212)	(184,245)	(1,583,571)	(117,349)	(308,376)	(2,781,591)
Exchange rate adjustments	-	-	(34,931)	6,404	3,791	(1,907)	(584)	11,739	(15,488)
Transfers	-	-	-	-	(1,152)	1,152	-	-	-
Closing net book value	42,683,420	4,173,285	18,891,493	996,555	1,016,181	6,244,010	596,010	1,335,033	75,935,987
<b>At December 31, 2022</b>									
Cost / Revalued amount	42,683,420	4,173,285	18,891,493	996,555	2,526,658	19,854,494	1,408,796	2,469,324	93,004,025
Accumulated depreciation	-	-	-	-	(1,509,751)	(13,610,484)	(812,786)	(1,127,732)	(17,060,753)
Accumulated Impairment	-	-	-	-	(726)	-	-	(6,559)	(7,285)
Net book value	42,683,420	4,173,285	18,891,493	996,555	1,016,181	6,244,010	596,010	1,335,033	75,935,987
Rate of depreciation / estimated useful life	-	-	2.50%-5.0%	2.50%-5.0%	10%	10%-25%	20%	Lease term	-

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	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)								
<b>At January 01, 2021</b>									
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
<b>Year ended December 31, 2021</b>									
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
Disposal	(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
<b>At December 31, 2021</b>									
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	-

**12.2.1** Leasehold land include a plot of land measuring 3,120.46 square yards having book value of Rs. 1,716.250 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, 2022 by independent valuers (Pee Dee & Associates, J&M Associates, Tristar International Consultant (Pvt) Limited, Design Crafts, Ahmad Associates, Materials & Designs Services (Pvt) Limited and Dharmaratne Holdings (Pvt) Limited, Medallion Services Private Limited) valuation and engineering consultants, on the basis of market value. The total surplus against revaluation of fixed assets as at December 31, 2022 amounts to Rs. 41,372.828 million (2021: Rs. 20,589.804 million).

## Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

**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:

	2022	2021
	(Rupees in '000)	
Freehold land	11,296,400	11,075,965
Leasehold land	2,331,440	2,331,440
Building on Freehold land	11,366,180	11,314,717
Building on Leasehold land	667,585	688,597

**12.2.4** The gross carrying amount (cost) of fully depreciated assets that are still in use are as follows:

	2022	2021
	(Rupees in '000)	
Furniture and fixtures	659,449	651,496
Electrical, office and computer equipment	8,164,529	8,146,030
Vehicles	677,698	460,238
Leasehold Improvements	220,564	92,635

**12.2.5** Carrying amount of temporarily idle property of the Group is Rs. 564.469 million (2021: Rs. 44.479 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	2022	2021
		(Rupees in '000)	
Opening balance		7,950,167	9,617,270
Additions / adjustments	12.3.1	1,819,310	723,039
Derecognition		(146,423)	(680,529)
Depreciation charge	31	(1,834,736)	(1,709,613)
Closing Net Book Value		7,788,318	7,950,167

**12.3.1** This includes impact of lease modifications pertaining to change in consideration of the lease(s), increase in scope of the lease(s) due to an extension in contractual lease terms and termination of existing lease(s) due to relocation of branches to new premises.

	Note	2022	2021
		(Rupees in '000)	
<b>13. INTANGIBLE ASSETS</b>			
Capital work-in-progress		276,070	468,679
Goodwill		82,127	82,127
Management rights		192,000	192,000
Computer software	13.1	1,132,474	1,095,330
		1,682,671	1,838,136

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		(Rupees in '000)	
		Computer software	
<b>13.1</b>	<b>At January 01</b>		
	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
	<b>Year ended December 31</b>		
	Opening net book value	1,095,330	1,157,787
	Additions	609,106	417,737
	Amortisation charge	(566,633)	(480,826)
	Exchange rate adjustments	(5,329)	632
	Closing Net Book Value	1,132,474	1,095,330
	<b>At December 31</b>		
	Cost	6,250,026	5,687,650
	Accumulated amortisation and impairment	(5,117,552)	(4,592,320)
	Net Book Value	1,132,474	1,095,330
	Rate of amortisation	14.29% to 33.33%	14.29% 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. 3,769.790 million (2021: Rs. 3,260.094 million).

## 14. DEFERRED TAX ASSET / (LIABILITY) - NET

		2022			
		As January 01, 2022	Recognized in P&L A/C	Recognized in OCI	At December 31, 2022
		(Rupees in '000)			
	<b>Taxable Temporary differences on</b>				
	- Surplus on revaluation of fixed assets	(1,413,266)	63,504	(2,027,579)	(3,377,341)
	- Surplus on revaluation of Non-banking assets	(274,315)	10,532	(111,886)	(375,669)
	- Accelerated tax depreciation	(2,297,390)	(498,471)	-	(2,795,861)
	- Receivable from pension fund	(1,255,185)	(427,287)	492,172	(1,190,300)
	- Business combination	(705,218)	-	-	(705,218)
	- Investments in associated undertaking	(1,791,281)	(286,187)	37,015	(2,040,453)
		(7,736,655)	(1,137,909)	(1,610,278)	(10,484,842)
	<b>Deductible Temporary differences on</b>				
	- Tax losses carried forward	594,182	(594,182)	-	-
	- Provision against advances	2,008,135	(581,734)	-	1,426,401
	- Deficit on revaluation of investments	3,066,316	-	11,389,458	14,455,774
	- Minimum Tax and WWF	489,240	(447,295)	-	41,945
		6,157,873	(1,623,211)	11,389,458	15,924,120
		(1,578,782)	(2,761,120)	9,779,180	5,439,278

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

		2021			
		As January 01, 2021	Recognized in P&L A/C	Recognized in OCI	At December 31, 2021
Note		(Rupees in '000)			
<b>Taxable Temporary Differences on</b>					
- 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)
<b>Deductible Temporary Differences on</b>					
- 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		(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)
		<b>2022</b>			
Note		(Rupees in '000)			
<b>15. OTHER ASSETS</b>					
Income/ mark-up accrued in local currency			46,063,081		24,316,843
Income/ mark-up accrued in foreign currencies			322,475		313,062
Advances, deposits, advance rent and other prepayments			4,596,339		2,253,754
Compensation for delayed income tax refunds			133,809		133,809
Non-banking assets acquired in satisfaction of claims	15.1		2,025,354		2,170,938
Branch adjustment account			114,461		-
Mark to market gain on forward foreign exchange contracts			1,639,308		4,335,561
Unrealized gain on derivative financial instruments	25		778,441		304,893
Acceptances	20		27,938,800		25,430,129
Receivable from the pension fund	38.4		2,768,142		3,218,426
Clearing and settlement accounts			14,417,909		5,553,219
Claims receivable against fraud and forgeries			1,225,857		1,117,067
Others			3,460,089		2,738,937
			105,484,065		71,886,638
Less: Provision held against other assets	15.2		3,066,275		2,709,281
Other Assets (net of provision)			102,417,790		69,177,357
Surplus on revaluation of non-banking assets acquired in satisfaction of claims			873,647		703,370
Other Assets - total			103,291,437		69,880,727
<b>15.1</b>	Market value of Non-banking assets acquired in satisfaction of claims		2,804,844		2,785,535

Non-banking assets acquired in satisfaction of claims of the Group are revalued as at December 31, 2022 by independent valuers (Pee Dee & Associates, Tristar International Consultant (Pvt) Limited, Ahmad Associates and Materials & Designs Services (Pvt) Limited) on the basis of market value.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>15.1.1 Non-banking assets acquired in satisfaction of claims</b>			
Opening balance		2,785,535	4,036,914
Additions		–	–
Revaluation		194,765	259,321
Disposals		(146,683)	(1,481,479)
Depreciation	31	(23,389)	(35,544)
(Charge) / reversal of impairment		(5,384)	6,323
Closing balance		2,804,844	2,785,535
<b>15.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims</b>			
Disposal proceeds		153,500	2,052,928
Less			
- Revalued amounts		146,888	1,493,844
- Accumulated depreciation		(205)	(12,365)
		146,683	1,481,479
Gain	30	6,817	571,449
<b>15.2 Provision held against other assets</b>			
Non-banking assets acquired in satisfaction of claims		94,157	88,773
Claims receivable against fraud and forgeries		587,468	486,976
Others		2,384,650	2,133,532
		3,066,275	2,709,281
<b>15.2.1 Movement in provision held against other assets</b>			
Opening balance		2,709,281	2,582,686
Charge for the year		109,887	56,128
Reversals		(1,755)	(25,036)
	33	108,132	31,092
Amount written off		(1,193)	(991)
Exchange and other adjustments		250,055	96,494
Closing balance		3,066,275	2,709,281

## 16. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2022 (2021: Nil).

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>17. BILLS PAYABLE</b>			
In Pakistan		42,816,529	26,437,824
Outside Pakistan		57,837	48,621
		<b>42,874,366</b>	<b>26,486,445</b>
<b>18. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.1	49,551,963	47,986,546
Under Long Term Financing Facility	18.2	25,102,717	23,577,802
Under Renewable Energy Performance Platform	18.3	2,568,874	1,536,207
Under Refinance Scheme for Payment of Wages & Salaries	18.4	790,403	6,660,043
Under Temporary Economic Refinance Facility	18.5	44,107,566	28,773,614
Under Refinance Facility for combating COVID-19	18.6	32,540	42,817
Under Financing Facility for Storage of Agricultural Produce	18.7	111,862	147,260
Under Refinance and Credit Guarantee Scheme for Women Entrepreneurs	18.8	4,082	–
		<b>122,270,007</b>	<b>108,724,289</b>
Bai Muajjal		–	44,809,236
Repurchase agreement borrowings	18.9	227,700,898	116,920,102
<b>Total secured</b>		<b>349,970,905</b>	<b>270,453,627</b>
<b>Unsecured</b>			
Borrowings from other financial institution		1,114,808	464,272
Call borrowings		–	2,767,152
Overdrawn nostro accounts		807,465	1,682,663
Musharaka Arrangements	18.10	3,961,146	7,368,882
Others		162,286	162,286
<b>Total unsecured</b>		<b>6,045,705</b>	<b>12,445,255</b>
	18.11	<b>356,016,610</b>	<b>282,898,882</b>

**18.1** 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 10.0% per annum (2021: 1.0% to 2.0% per annum).

**18.2** 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 Group with SBP. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.0% to 8.0% per annum (2021: 2.0% to 3.5% per annum).

**18.3** 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



## Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

within a maximum period of twelve years with two years of maximum grace period from date of disbursement. These carry mark up rate of 2.0% per annum (2021: 2.0% per annum).

- 18.4** 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 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 2.0% per annum (2021: 0% to 2.0% per annum).
- 18.5** 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 Group 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 1.0% per annum (2021: 1.0% per annum).
- 18.6** 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 Group at the date of maturity of the finance by directly debiting the current account maintained with SBP. These carry mark-up at 0% per annum and are due to mature latest by August 2025.
- 18.7** 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 Bank with SBP. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.5% to 3.5% per annum (2021: 2.5% to 3.5% per annum).
- 18.8** These borrowings have been obtained from SBP under "Refinance and Credit Guarantee Scheme for Women Entrepreneurs" to finance women entrepreneurs for setting up of new business enterprises and for expansion of existing ones. 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 with SBP. These borrowings are repayable within a period of 5 years. These carry mark-up ranging from 0% to 2.0% per annum.
- 18.9** These carry mark-up rates ranging from 15.23% to 16.50% per annum (2021: 5.10% to 10.70% per annum) and are secured against government securities of carrying value of Rs. 224,533.607 million (2021: Rs. 116,508.613 million). These are repayable latest by March 2023.
- 18.10** This includes Musharaka arrangements with banks carrying profit at expected rates ranging from 9.25% to 16.35% per annum (2021: 9.80% to 10.45% per annum) and having maturity till January 27, 2023.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	(Rupees in '000)	
<b>18.11 Particulars of borrowings with respect to currencies</b>		
In local currency	354,088,115	279,404,217
In foreign currencies	1,928,495	3,494,665
	356,016,610	282,898,882

## 19. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
<b>Customers</b>						
Current deposits	589,526,117	73,439,252	662,965,369	489,666,685	71,126,591	560,793,276
Savings deposits	647,540,901	40,288,897	687,829,798	738,874,979	46,969,241	785,844,220
Term deposits	78,969,210	13,097,592	92,066,802	109,600,671	12,107,066	121,707,737
Others	38,584,482	5,827,480	44,411,962	30,673,250	3,062,911	33,736,161
	1,354,620,710	132,653,221	1,487,273,931	1,368,815,585	133,265,809	1,502,081,394
<b>Financial Institutions</b>						
Current deposits	19,798,048	1,036,279	20,834,327	9,317,311	1,472,847	10,790,158
Savings deposits	16,052,784	94,549	16,147,333	11,808,667	117,895	11,926,562
Term deposits	4,197,968	2,299,049	6,497,017	3,066,268	6,319,339	9,385,607
Others	-	1,943,353	1,943,353	-	402,950	402,950
	40,048,800	5,373,230	45,422,030	24,192,246	8,313,031	32,505,277
	1,394,669,510	138,026,451	1,532,695,961	1,393,007,831	141,578,840	1,534,586,671

	2022	2021
	(Rupees in '000)	
<b>19.1 Composition of deposits</b>		
- Individuals	1,055,530,159	958,717,425
- Government (Federal and Provincial)	71,832,810	81,069,556
- Public Sector Entities	30,932,498	96,652,947
- Banking Companies	7,003,251	4,996,116
- Non-Banking Financial Institutions	38,418,779	27,509,161
- Private Sector	328,978,464	365,641,466
	1,532,695,961	1,534,586,671

**19.2** Deposits and other accounts include deposits eligible to be covered under the Deposits Protection insurance / takaful arrangements amounting to Rs. 1,142,439.427 million (2021: Rs. 1,054,566.518 million).

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>20. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		34,829,337	6,100,587
Mark-up/ return/ interest payable in foreign currencies		214,329	178,437
Unearned commission and income on bills discounted		1,313,520	862,173
Accrued expenses		7,840,303	6,905,279
Provision for taxation (provisions less payments)		18,155,030	8,627,030
Workers' Welfare Fund	20.1	11,365,617	9,931,139
Acceptances	15	27,938,800	25,430,129
Unclaimed/dividend payable		2,736,752	2,027,825
Mark to market loss on forward foreign exchange contracts		1,047,154	4,397,120
Unrealized loss on derivative financial instruments	25	778,137	302,365
Staff welfare fund		1,275	4,755
Branch adjustment account	15	–	238,420
Provision for employees' compensated absences	38.4	1,179,992	1,100,865
Provision for post retirement medical benefits	38.4	2,219,281	1,982,169
Provision for employees' contributory benevolent scheme	38.4	165,426	197,712
Retention money		12,473	12,473
Insurance payable against consumer assets		828,882	736,768
Unclaimed balances		642,169	755,141
Duties and taxes payable		1,939,694	4,344,738
Charity fund balance		12,119	8,823
Provision against off-balance sheet obligations		48,403	46,319
Security deposits against lease		2,104,713	1,506,241
Lease liability against right of use assets		10,560,611	10,059,815
Clearing and settlement accounts		15,210,786	6,234,150
Others		7,123,666	7,011,566
		148,268,469	99,002,039

**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

	2022 (Number of shares)	2021		2022 (Rupees in '000)	2021
	1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	15,000,000	15,000,000

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 21.2 Issued, subscribed and paid up

2022 (Number of shares)		2021 (Number of shares)		2022 (Rupees in '000)		2021 (Rupees in '000)	
<b>Ordinary shares</b>							
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		
<b>1,185,060,006</b>	<b>1,185,060,006</b>			<b>11,850,600</b>	<b>11,850,600</b>		

## 21.3 The movement in the issued, subscribed and paid-up capital during the year is as follows:

2022 (Number of shares)		2021 (Number of shares)		2022 (Rupees in '000)		2021 (Rupees in '000)	
1,185,060,006	1,185,060,006	Opening balance at January 01		11,850,600	11,850,600		
<b>1,185,060,006</b>	<b>1,185,060,006</b>	Closing balance at December 31		<b>11,850,600</b>	<b>11,850,600</b>		

## 21.4 Number of shares held by the associated undertakings as at December 31, are as follows:

	2022 (Number of shares)	2021 (Number of shares)
Adamjee Insurance Company Limited	59,225,639	55,196,435
Nishat Mills Limited	95,125,651	88,015,291
Siddiqsons Limited	12,016,543	11,271,920
Nishat (Aziz Avenue) Hotels and Properties Limited	654,376	434,176
Nishat Real Estates Development Company (Private) Limited	194,000	68,900
Adamjee Life Assurance Company Limited	1,200,000	1,200,000
	<b>168,416,209</b>	<b>156,186,722</b>

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>22. RESERVES</b>			
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		4,845,697	3,832,533
Statutory reserve	22.2	41,313,438	37,729,718
General reserve		18,600,000	18,600,000
		<b>89,640,476</b>	<b>85,043,592</b>

**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, 2022

	Note	2022 (Rupees in '000)	2021
<b>23. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	(33,618,078)	(7,862,348)
- Fixed Assets	23.1	41,372,828	20,589,804
- Non-banking assets acquired in satisfaction of claims	23.2	873,647	703,370
- Associated undertaking		462,352	788,174
		9,090,749	14,219,000
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities	14	14,455,774	3,066,316
- Fixed Assets	23.1	(3,377,341)	(1,413,266)
- Non-banking assets acquired in satisfaction of claims	23.2	(375,669)	(274,315)
- Associated undertaking		(335,031)	(372,046)
		10,367,733	1,006,689
		19,458,482	15,225,689
<b>23.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 01		20,589,804	20,856,881
Recognised during the year		20,967,431	-
Realised on disposal during the year - net of deferred tax		(43,480)	(115,260)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(77,423)	(83,370)
Related deferred tax liability on incremental depreciation charged during the year		(58,408)	(53,728)
Related deferred tax liability on surplus realised on disposal		(5,096)	(14,719)
Surplus on revaluation of fixed assets as at December 31		41,372,828	20,589,804
Less: Related deferred tax liability on:			
- revaluation as at January 01		1,413,266	1,329,511
- opening liability remeasurement		144,951	152,202
- recognised during the year		1,882,628	-
- surplus realised on disposal during the year		(5,096)	(14,719)
- incremental depreciation charged during the year		(58,408)	(53,728)
	14	3,377,341	1,413,266
		37,995,487	19,176,538
<b>23.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 01		703,370	854,231
Recognised during the year		194,765	259,321
Realised on disposal during the year - net of deferred tax		(13,956)	(250,211)
Related deferred tax liability on surplus realised on disposal		(10,532)	(159,971)
Surplus on revaluation as at December 31		873,647	703,370
Less: Related deferred tax liability on:			
- revaluation as at January 01		274,315	298,982
- opening liability remeasurement		28,137	34,169
- revaluation recognised during the year		83,749	101,135
- surplus realised on disposal during the year		(10,532)	(159,971)
	14	375,669	274,315
		497,978	429,055

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>24. CONTINGENCIES AND COMMITMENTS</b>			
- Guarantees	24.1	284,145,632	194,370,616
- Commitments	24.2	393,253,385	422,956,200
- Other contingent liabilities	24.3	29,051,044	26,189,566
		<b>706,450,061</b>	<b>643,516,382</b>
<b>24.1 Guarantees:</b>			
Financial guarantees		224,156,073	158,777,702
Performance guarantees		49,704,896	29,097,931
Other guarantees		10,284,663	6,494,983
		<b>284,145,632</b>	<b>194,370,616</b>
<b>24.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		219,119,699	192,773,466
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	138,880,321	218,878,371
- forward government securities transactions	24.2.2	13,797,435	5,098,200
- derivatives (notional)	24.2.3	18,241,918	4,434,780
- commitments to extent credit	24.2.4	921,578	708,954
Commitments for acquisition of:			
- operating fixed assets		1,976,122	836,635
- intangible assets		316,312	225,794
		<b>393,253,385</b>	<b>422,956,200</b>
<b>24.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		80,282,447	120,320,899
Sale		58,597,874	98,557,472
		<b>138,880,321</b>	<b>218,878,371</b>
<b>24.2.2 Commitments in respect of forward government securities transactions</b>			
Purchase		12,328,130	5,098,200
Sale		1,469,305	-
		<b>13,797,435</b>	<b>5,098,200</b>
<b>24.2.3 Commitments in respect of derivatives</b>			
FX options (notional)			
Purchase		8,817,006	1,432,779
Sale		8,817,006	1,432,779
		<b>17,634,012</b>	<b>2,865,558</b>
Cross Currency Swaps (notional)			
Purchase		303,953	784,611
Sale		303,953	784,611
		<b>607,906</b>	<b>1,569,222</b>
		<b>18,241,918</b>	<b>4,434,780</b>

## Notes To The Consolidated Financial Statements

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**24.2.4** These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Group without the risk of incurring significant penalty or expense.

**24.2.5** Other than those stated above, 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	2022 (Rupees in '000)	2021	
<b>24.3</b>	<b>Other contingent liabilities</b>			
	Claims against the Group not acknowledged as debts	24.3.1	29,051,044	26,189,566

**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's 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 2021, the tax department disputed Group's treatment on certain issues, where the Group appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 844 million (2021: Rs. 1,497 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 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, 2022

## 25. DERIVATIVE INSTRUMENTS

### 25.1 Product Analysis

Counterparties	2022					
	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)					
<b>With Banks for</b>						
Hedging	303,953	185,139	-	-	8,817,006	593,302
Market Making	-	-	-	-	-	-
<b>With other entities for</b>						
Hedging	-	-	-	-	-	-
Market Making	303,953	(184,835)	-	-	8,817,006	(593,302)
<b>Total</b>						
Hedging	303,953	185,139	-	-	8,817,006	593,302
Market Making	303,953	(184,835)	-	-	8,817,006	(593,302)
	2021					
Counterparties	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)					
<b>With Banks for</b>						
Hedging	784,611	298,956	-	-	1,432,779	5,937
Market Making	-	-	-	-	-	-
<b>With other entities for</b>						
Hedging	-	-	-	-	-	-
Market Making	784,611	(296,428)	-	-	1,432,779	(5,937)
<b>Total</b>						
Hedging	784,611	298,956	-	-	1,432,779	5,937
Market Making	784,611	(296,428)	-	-	1,432,779	(5,937)



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 25.2 Maturity Analysis

	2022				
	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
	(Rupees in '000)				
<b>Remaining Maturity</b>					
Upto 1 month	40	2,229,963	(18,637)	18,637	-
1 to 3 months	114	6,301,417	(203,092)	203,092	-
3 to 6 months	160	8,701,844	(353,887)	353,887	-
6 months to 1 Year	8	400,788	(17,686)	17,686	-
2 to 3 Years	2	607,906	(184,835)	185,139	304
<b>Total</b>	<b>324</b>	<b>18,241,918</b>	<b>(778,137)</b>	<b>778,441</b>	<b>304</b>
	2021				
	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
	(Rupees in '000)				
<b>Remaining Maturity</b>					
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
<b>Total</b>	<b>68</b>	<b>4,434,780</b>	<b>(302,365)</b>	<b>304,893</b>	<b>2,528</b>

25.3 Risk management related to derivatives is discussed in note 45.5.

	2022	2021
	(Rupees in '000)	
<b>26. MARK-UP/RETURN/INTEREST EARNED</b>		
Loans and advances	78,181,479	40,072,099
Investments	136,586,428	91,855,343
Lendings to financial institutions	3,918,598	553,052
Balances with banks	736,253	128,809
	<b>219,422,758</b>	<b>132,609,303</b>
<b>27. MARK-UP/RETURN/INTEREST EXPENSED</b>		
Deposits	102,515,123	50,999,880
Borrowings	17,267,776	10,364,392
Cost of foreign currency swaps against foreign currency deposits / borrowings	2,197,604	1,609,774
Unwinding cost of lease liability against right-of-use assets	1,474,249	1,257,256
	<b>123,454,752</b>	<b>64,231,302</b>

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		(Rupees in '000)	
<b>28.</b>	<b>FEE &amp; COMMISSION INCOME</b>		
	Branch banking customer fees	3,142,643	2,864,064
	Consumer finance related fees	612,043	524,893
	Card related fees (debit and credit cards)	4,185,885	3,051,196
	Credit related fees	278,872	279,009
	Investment banking fee	194,775	206,755
	Commission on trade	1,745,007	1,477,332
	Commission on guarantees	648,910	650,657
	Commission on cash management	845,884	726,239
	Commission on remittances including home remittances	1,327,640	999,448
	Commission on utility bills	87,736	80,763
	Commission on Bancassurance	1,098,819	1,532,115
	Rent on lockers	247,488	248,475
	Commission on investments services	833,622	806,981
	Other commission	324,586	243,505
		<b>15,573,910</b>	<b>13,691,432</b>
<b>29.</b>	<b>(LOSS) / GAIN ON SECURITIES - NET</b>		
	Realised	29.1	(1,728,923)
	Unrealised - Held For Trading	10.1	20,063
			<b>(1,708,860)</b>
<b>29.1</b>	Realised (loss) / gain on:		
	Federal Government Securities	140,141	383,592
	Non Government Debt Securities	-	40
	Shares and units	(1,869,064)	(113,771)
		<b>(1,728,923)</b>	<b>269,861</b>
<b>30.</b>	<b>OTHER INCOME</b>		
	Rent on property	69,096	34,131
	Gain on sale of fixed assets - net	138,376	107,783
	Gain on termination of lease liability against right-of-use assets	62,670	149,129
	Gain on conversion of Ijarah agreements	18,878	20,761
	Gain on sale of non-banking assets - net	15.1.2	6,817
		<b>295,837</b>	<b>883,253</b>

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>31. OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	31.1	22,136,078	19,367,589
<b>Property expense</b>			
Rent and taxes		227,821	214,326
Insurance		55,036	57,399
Utilities cost		2,177,430	1,723,672
Fuel expense generators		1,097,326	439,089
Security (including guards)		1,982,210	1,724,713
Repair and maintenance (including janitorial charges)		1,108,163	822,431
Depreciation on right-of-use assets	12.3	1,834,736	1,709,613
Depreciation	12.2	1,021,805	946,628
		9,504,527	7,637,871
<b>Information technology expenses</b>			
Software maintenance		1,540,763	1,349,334
Hardware maintenance		364,921	215,094
Depreciation	12.2	762,728	759,076
Amortisation	13.1	566,633	480,826
Network charges		715,732	628,853
Insurance		6,202	5,728
		3,956,979	3,438,911
<b>Other operating expenses</b>			
Directors' fees and allowances	40.2	45,800	46,300
Fees and allowances to Shariah Board members		11,645	10,433
Legal and professional charges		501,345	310,962
Outsourced services costs	37.1	992,271	902,214
Travelling and conveyance		424,838	319,875
NIFT clearing charges		217,526	172,508
Depreciation	12.2	997,058	881,648
Depreciation on non-banking assets acquired in satisfaction of claims	15.1.1	23,389	35,544
Training and development		74,100	41,787
Postage and courier charges		336,953	278,075
Communication		553,730	399,504
Stationery and printing		885,414	656,178
Marketing, advertisement & publicity		841,877	804,122
Donations	31.2	1,352	8,165
Auditors' remuneration	31.3	76,533	72,449
Cash transportation charges		921,828	860,210
Repair and maintenance		625,816	447,841
Subscription		57,501	36,862
Entertainment		346,926	251,200
Remittance charges		223,262	209,080
Brokerage expenses		90,637	77,053
Card related expenses		1,472,699	992,445
CNIC verification charges		387,431	262,250
Insurance/ Takaful		1,929,784	1,773,782
Others		438,087	294,874
		12,477,802	10,145,361
		48,075,386	40,589,732

Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 165.336 million (2021: Rs. 217.816 million). Out of this cost Rs. 162.333 million pertains to companies incorporated in Pakistan and Rs. 3.003 pertains to companies incorporated outside Pakistan. Total cost includes the payment made to "Euronet Pakistan Private Limited" (a related party) amounting to Rs. 138.651 million (2021: Rs. 196.446 million) for hosting of POS acquiring & e-commerce gateway services. Outsourcing shall have the same meaning as specified in BPRD Circular No. 06 of 2019.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>31.1</b>	<b>Total compensation expense</b>		
	Fees and allowances	664,656	543,744
	Managerial remuneration		
	i) Fixed	15,869,856	13,763,999
	ii) Variable - cash bonus / awards / incentives	3,268,982	2,891,575
	Charge for defined benefit plan	209,051	289,144
	Contribution to defined contribution plan	540,377	491,210
	Staff group insurance	539,638	436,506
	Rent and house maintenance	492,008	428,386
	Medical	75,023	70,096
	Conveyance	444,005	339,928
	Others	230	–
		22,103,826	19,254,588
	Sign-on bonus	8,153	2,501
	Severance allowance	24,099	110,500
		22,136,078	19,367,589

**31.1.1** During the year sign on bonus was paid to 15 employees (2021: 5).

**31.1.2** Severance allowance pertains to 4 employees (2021: 6).

**31.2** Detail of donations made during the year is as follows:

	2022 (Rupees in '000)	2021
M/s Bestway Foundation	1,352	–
Murshid Hospital & Health Care Centre	–	100
Jahandad Society For Community Development	–	1,500
Nigahban Welfare Association	–	5,000
Ambulance donation to Sadiq Public School	–	1,565
	1,352	8,165

**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.

	2022 (Rupees in '000)	2021
<b>31.3</b>	<b>Auditors' remuneration</b>	
	Audit fee	17,738
	Fee for audit of foreign branches	21,891
	Fee and other charges for audit of subsidiaries	15,424
	Special certifications and sundry advisory services	1,000
	Tax services	17,820
	Sales tax on audit fee	887
	Out-of-pocket expenses	1,773
		76,533
		16,500
		11,514
		15,725
		–
		26,235
		825
		1,650
		72,449

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)	2021
<b>32. OTHER CHARGES</b>			
Penalties imposed of State Bank of Pakistan		52,783	451,496
VAT & National Building tax & Crop Insurance Levy		179,910	49,907
Education cess		34,843	23,936
		<u>267,536</u>	<u>525,339</u>
<b>33. PROVISIONS / (REVERSALS) &amp; WRITE OFFS - NET</b>			
(Reversals) / provisions against balance with Banks		(14,673)	6,599
(Reversals) / provisions for diminution in value of investments	10.3.1	(619,189)	(770,357)
(Reversals) / provisions against loans & advances	11.5	(1,923,325)	(4,560,702)
Provisions / (reversals) against off balance sheet items		4,297	(2,643)
Provisions against other assets	15.2.1	108,132	31,092
Bad debts written off directly	11.6.1	680	–
Recovery of written off / charged off bad debts		(196,923)	(176,768)
		<u>(2,641,001)</u>	<u>(5,472,779)</u>
<b>34. TAXATION</b>			
Current		34,490,481	20,202,269
Prior years		3,470,506	(6,822)
Deferred	14	2,761,120	1,585,531
Share of tax of associates		167,213	166,668
		<u>40,889,320</u>	<u>21,947,646</u>
<b>34.1 Relationship between tax expense and accounting profit</b>			
Accounting profit for the year		75,340,484	53,275,400
Tax on income @ 39% (2021: 35%)		29,382,789	18,646,390
Super tax @ 10% (2021: 4%)		7,534,048	2,131,016
Additional tax charge under sub rule 6A		–	754,458
Tax effect of permanent differences		25,864	176,083
Tax effect of prior years charge / (reversals)		3,470,506	(6,822)
Others		476,113	246,521
Tax charge for the year		<u>40,889,320</u>	<u>21,947,646</u>
			(Rupees in '000)
<b>35. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit for the year after tax attributable to ordinary shareholders		34,365,061	31,179,708
			(Number)
Weighted average number of ordinary shares		1,185,060,006	1,185,060,006
			(Rupees)
Basic and diluted Earnings Per Share		29.00	26.31

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

For the year ended December 31, 2022

	Note	2022 (Rupees in '000)		2021 (Rupees in '000)	
		2022	2021	2022	2021
<b>36. CASH AND CASH EQUIVALENTS</b>					
Cash and balances with treasury banks	7	110,275,163	175,922,469		
Balances with other banks	8	26,162,849	22,554,329		
Overdrawn nostro accounts	18	(807,466)	(1,682,663)		
		135,630,547	196,794,135		
<b>36.1 Reconciliation of movement of liabilities to cash flows arising from financing activities</b>					
		(Rupees in '000)			
		2022		2021	
		Liabilities		Equity	
		Other Liabilities	Share Capital	Reserves	Unappropriated profit
				Non-controlling interest	Total
<b>Opening Balance</b>		99,002,039	11,850,600	85,043,592	64,697,360
Changes from Financing cash flows				751,419	261,345,010
Payment of lease liability against right-of-use-assets		(2,583,670)	-	-	-
Dividend paid		-	-	(21,807,213)	(105,129)
Total changes from financing cash flows		(2,583,670)	-	(21,807,213)	(105,129)
<b>Liability related</b>					
<b>Changes in Other liabilities</b>					
- Cash based		33,929,659	-	-	-
- Dividend payable		708,927	-	(708,927)	-
- Non cash based		17,211,514	-	-	17,211,514
Total liability related other changes		51,850,100	-	(708,927)	51,141,173
Total equity related other changes		-	-	4,596,884	30,614,480
<b>Closing Balance</b>		148,268,469	11,850,600	89,640,476	72,795,700
				732,489	323,287,734
				86,199	35,297,563
				-	-
				3,983,541	28,565,280
				-	148,075
				85,043,592	64,697,360
				751,419	261,345,010

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	(Number)	
<b>37. STAFF STRENGTH</b>		
Permanent	16,174	15,529
On Bank contract	497	432
Bank's own staff strength at end of the year	16,671	15,961

**37.1** In addition to the above, 370 (2021: 363) 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 362 (2021: 356) working domestically and 8 (2021: 7) working abroad.

	2022	2021
	(Number)	
<b>37.2 Staff Strength Bifurcation</b>		
Domestic	16,526	15,813
Overseas	145	148
	16,671	15,961

## 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:

	2022	2021
	(Number)	
- Pension fund - funded	5,688	5,731
- Benevolent scheme - unfunded	930	1,002
- Post retirement medical benefits - unfunded	14,067	13,612
- Employees compensated absence - unfunded	14,068	13,612

### 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, 2022. The principal actuarial assumptions used are as follows:

	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2022	2021	2022	2021	2022	2021	2022	2021
	(%)							
Discount rate	14.50	11.75	14.50	11.75	14.50	11.75	14.50	11.75
Expected rate of return on plan assets	14.50	11.75	-	-	-	-	-	-
Expected rate of salary increase	12.50	9.75	12.50	9.75	-	-	12.50	9.75
Expected rate of increase in pension	0-5	0-5	-	-	-	-	-	-
Expected rate of increase in medical benefit	-	-	-	-	12.50	9.75	-	-

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 38.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Present value of obligations	38.5	4,319,946	5,031,961	166,426	197,712	2,219,281	1,982,169	1,179,992	1,100,865
Fair value of plan assets	38.6	(7,088,088)	(8,250,387)	-	-	-	-	-	-
(Receivable) / payable	38.7	(2,768,142)	(3,218,426)	166,426	197,712	2,219,281	1,982,169	1,179,992	1,100,865

## 38.5 Movement in defined benefit obligations

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Obligations at the beginning of the year		5,031,961	5,097,744	197,712	222,084	1,982,169	2,004,122	1,100,865	919,407
Current service cost	38.8.1	65,893	62,653	15,470	21,449	62,068	61,978	37,574	24,653
Interest cost		567,009	477,989	21,437	20,249	224,498	188,540	122,248	85,558
Benefits paid		(412,708)	(390,586)	(30,531)	(28,812)	(143,092)	(140,756)	(120,915)	(83,768)
Re-measurement loss / (gain)	38.8.1 & 38.8.2	(932,209)	(215,839)	(38,662)	(37,258)	93,638	(131,715)	40,220	155,015
Obligations at end of the year	38.4	4,319,946	5,031,961	166,426	197,712	2,219,281	1,982,169	1,179,992	1,100,865

## 38.6 Movement in fair value of plan assets

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Fair value at the beginning of the year		8,250,387	8,467,923	-	-	-	-	-	-
Interest income on plan assets		945,174	806,581	-	-	-	-	-	-
Benefits paid		(412,708)	(390,586)	-	-	-	-	-	-
Re-measurement loss: Net return on plan assets over interest income gain / (loss)	38.8.2	(1,694,765)	(633,531)	-	-	-	-	-	-
Fair value at end of the year	38.4	7,088,088	8,250,387	-	-	-	-	-	-

## 38.7 Movement in (receivable) / payable under defined benefit schemes

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Opening balance		(3,218,426)	(3,370,179)	197,712	222,084	1,982,169	2,004,122	1,100,865	919,407
Charge / (reversal) for the year	38.8.1	(312,272)	(265,939)	34,715	39,339	286,566	250,518	200,042	265,226
Employees' contribution		-	-	2,192	2,359	-	-	-	-
Re-measurement loss / (gain) recognised in OCI during the year	38.8.2	762,556	417,692	(38,662)	(37,258)	93,638	(131,715)	-	-
Benefits paid		-	-	(30,531)	(28,812)	(143,092)	(140,756)	(120,915)	(83,768)
Closing balance	38.4	(2,768,142)	(3,218,426)	166,426	197,712	2,219,281	1,982,169	1,179,992	1,100,865



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 38.8 Charge for defined benefit plans

### 38.8.1 Cost recognised in profit and loss

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Current service cost	38.5	65,893	62,653	15,470	21,449	62,068	61,978	37,574	24,653
Net interest on defined benefit asset / liability		(378,165)	(328,592)	21,437	20,249	224,498	188,540	122,248	85,558
Employees' contribution		-	-	(2,192)	(2,359)	-	-	-	-
Actuarial gain	38.5	-	-	-	-	-	-	40,220	155,015
	38.7	(312,272)	(265,939)	34,715	39,339	286,566	250,518	200,042	265,226

### 38.8.2 Re-measurements recognised in OCI during the year

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Loss / (gain) on obligation	38.5								
Financial assumptions		(140,403)	(542,097)	(20,092)	(18,272)	211,953	(100,133)	-	-
Experience adjustments		(791,806)	326,258	(18,570)	(18,986)	(118,315)	(31,582)	-	-
Actual return on plan assets over expected interest income	38.6	1,694,765	633,531	-	-	-	-	-	-
Re-measurement loss / (gain) recognised in OCI	38.7	762,556	417,692	(38,662)	(37,258)	93,638	(131,715)	-	-

## 38.9 Components of plan assets

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2022	2021	2022	2021	2022	2021	2022	2021
		(Rupees in '000)							
Cash and cash equivalents - net		209,899	133,780	-	-	-	-	-	-
Shares		6,669,075	7,929,453	-	-	-	-	-	-
Open ended mutual funds units		209,114	187,154	-	-	-	-	-	-
	38.4	7,088,088	8,250,387	-	-	-	-	-	-

### 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 Consolidated Financial Statements

For the year ended December 31, 2022

## 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	(220,925)	(9,763)	(262,320)	(68,422)
1% decrease in discount rate	245,014	10,892	329,646	76,177
1 % increase in expected rate of salary increase	60,768	–	–	76,886
1 % decrease in expected rate of salary increase	(57,591)	–	–	(70,166)
1% increase in expected rate of pension increase	174,914	–	–	–
1% decrease in expected rate of pension increase	(159,767)	–	–	–
1% increase in expected rate of medical benefit increase	–	–	291,618	–
1% decrease in expected rate of medical benefit increase	–	–	(232,584)	–

## 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, 2023 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	(341,375)	33,441	396,567	207,647
<b>38.13 Maturity profile</b>				
The weighted average duration of the obligation (in years)	7.76	7.76	7.76	7.76

## 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.



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2021						
	Directors			Members shariah board	President / CEO*	Key management personnel	Other material risk takers / controllers
	Chairman	Executive (other than CEO)	Non executive				
	(Rupees in '000)						
Fee and allowances	5,500	-	40,800	-	-	1,099	10,668
Managerial Remuneration							
i) Fixed	-	-	-	6,321	75,073	350,420	942,308
ii) Cash Bonus / Awards / Incentives	-	-	-	950	55,000	178,197	387,904
Contribution to defined contribution plan	-	-	-	194	-	10,616	38,183
Rent & house maintenance	-	-	-	1,047	240	30,256	90,592
Medical	-	-	-	-	2,267	2,979	15,461
Severance allowance	-	-	-	-	100,000	3,500	-
Overseas allowance	-	-	-	-	-	29,979	598
Security	-	-	-	-	833	-	-
Utilities	-	-	-	233	-	3,002	18,268
Special Pay	-	-	-	241	-	-	11,640
Conveyance	-	-	-	1,129	-	-	44,703
Charge allowance	-	-	-	-	-	-	2,017
Fuel Allowance	-	-	-	318	-	-	10,624
Leave fare assistance	-	-	-	-	-	1,213	7,583
Club membership	-	-	-	-	106	-	1,900
Others	-	-	-	-	-	8,438	56,312
<b>Total</b>	<b>5,500</b>	<b>-</b>	<b>40,800</b>	<b>10,433</b>	<b>233,519</b>	<b>619,699</b>	<b>1,638,761</b>
Number of Persons	1	-	11	3	1	34	208

\*Paid to the retiring President / Chief Executive Officer whose term completed on December 20, 2021.

**40.1.1** During the year 2022, Rs. 84.718 million bonus has been deferred (2021: Rs. 39.138 million).

**40.2** Remuneration paid to Directors for participation in Board and Committee meetings

	2022									
	For Board Committee									
	Board meeting	Board's Audit Committee	BS & DC	RM & PRC	HR & RC	ITC	PP & CA	CR & MC	Wo & WC	Total
	(Rupees in '000)									
Mian Mohammad Mansha	4,800	-	400	-	400	-	300	-	-	5,900
Mr. S. M. Muneer	1,200	-	-	-	-	-	-	400	-	1,600
Mr. Tariq Rafi	2,000	-	-	-	-	-	-	-	-	2,000
Mian Umer Mansha	2,000	500	500	400	-	500	400	-	-	4,300
Mrs. Iqraa Hassan Mansha	1,600	-	-	-	200	-	200	-	-	2,000
Mr. Muhammad Ali Zeb	2,000	500	-	400	400	-	400	400	-	4,100
Mr. Mohd Suhail Amar Suresh	3,200	-	400	300	-	400	-	-	-	4,300
Mr. Yahya Saleem	4,000	-	-	-	-	-	-	-	-	4,000
Mr. Salman Khalid Butt	4,000	-	500	400	400	500	-	300	-	6,100
Mr. Masood Ahmed Puri	4,000	-	500	-	-	-	-	-	-	4,500
Mr. Shahzad Hussain	2,000	500	-	-	-	-	-	-	-	2,500
Mr. Shariffuddin Bin Khalid	4,000	500	-	-	-	-	-	-	-	4,500
<b>Total</b>	<b>34,800</b>	<b>2,000</b>	<b>2,300</b>	<b>1,500</b>	<b>1,400</b>	<b>1,400</b>	<b>1,300</b>	<b>1,100</b>	<b>-</b>	<b>45,800</b>

## Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2021									Total
	For Board Committee									
	Board meeting	Board's Audit Committee	BS & DC	RM & PRC	HR & RC	ITC	PP & CA	CR & MC	Wo & WC	
(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

**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 Bank's maintained cars and household equipment in accordance with the terms of their employment.

**40.4** Remuneration paid to Shariah Board Members

	2022			
	Chairman	Resident member	Non-Resident member(s)	Total
	(Rupees in '000)			
Meeting Fees and Allowances	-	-	-	-
Other Heads				
Basic salary	2,626	2,477	2,220	7,323
House rent	-	1,115	-	1,115
Utilities	-	248	-	248
Conveyance	-	1,164	-	1,164
Fuel	-	347	-	347
Special pay	-	241	-	241
Bonus	-	1,000	-	1,000
PF Employer	-	207	-	207
Total Amount	2,626	6,799	2,220	11,645
Total Number of Persons	1	1	1	3

# Notes To The Consolidated Financial Statements

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	2021			Total
	Chairman	Resident member	Non-Resident member(s)	
(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
PF Employer	-	194	-	194
Total Amount	2,476	6,439	1,518	10,433
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 audited 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's accounting policy as stated in note 6.4 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).

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 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 Certificates 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 mark-to-market currency 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 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 and non-banking assets acquired in satisfaction of claims.

	2022				Total
	Carrying value / Notional value	Level 1	Level 2	Level 3	
(Rupees in '000)					
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
Investments					
Federal Government Securities	968,419,493	-	968,419,493	-	968,419,493
Shares and units	17,651,677	16,482,650	1,169,027	-	17,651,677
Non-Government Debt Securities	3,729,622	-	3,729,622	-	3,729,622
Foreign Securities	4,112,387	-	4,112,387	-	4,112,387
<b>Financial assets - disclosed but not measured at fair value</b>					
Investments (HTM, unlisted ordinary shares and associates)	46,975,880	-	-	-	-
<b>Non - Financial Assets measured at fair value</b>					
Operating fixed assets (land and buildings)	66,744,753	-	66,744,753	-	66,744,753
Non-banking assets	2,804,844	-	2,804,844	-	2,804,844
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Forward purchase of foreign exchange	80,282,447	-	5,036,921	-	5,036,921
Forward sale of foreign exchange	58,597,874	-	2,971,339	-	2,971,339
Derivatives purchase	9,120,959	-	778,441	-	778,441
Derivatives sale	9,120,959	-	778,137	-	778,137

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2021				Total
	Carrying value / Notional value	Level 1	Level 2	Level 3	
(Rupees in '000)					
<b>On balance sheet financial instruments</b>					
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	21,111,025	1,309,807	-	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
<b>Financial assets - disclosed but not measured at fair value</b>					
Investments (HTM, unlisted ordinary shares and associates)					
	31,171,461	-	-	-	-
<b>Non - Financial Assets measured at fair value</b>					
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
<b>Off-balance sheet financial instruments - measured at fair value</b>					
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

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.

**(b) Financial instruments in level 2**

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Mutual Fund units, 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 Consolidated Financial Statements

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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:

	2022										
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Islamic Banking	Assets Management	Others	Sub-total	Elimination	Total
	(Rupees in '000)										
<b>Profit &amp; Loss</b>											
Net mark-up/return/profit	(77,715,625)	4,209,753	41,976,296	115,352,325	3,333,085	8,616,182	(2,304)	198,294	95,968,006	-	95,968,006
Inter segment revenue - net	154,640,563	(2,013,974)	(35,995,220)	(126,734,396)	(200,333)	-	-	10,303,360	-	-	-
Non mark-up / return / interest income	9,224,705	2,304,862	5,892,310	5,105,548	1,344,354	773,722	864,183	1,074,496	26,584,180	-	26,584,180
Total Income	86,149,643	4,500,641	11,873,386	(6,276,523)	4,477,106	9,389,904	861,879	11,576,150	122,552,186	-	122,552,186
Segment direct expenses	26,854,472	1,821,733	776,159	453,334	1,570,911	6,046,215	551,162	11,778,717	49,852,703	-	49,852,703
Total expenses	26,854,472	1,821,733	776,159	453,334	1,570,911	6,046,215	551,162	11,778,717	49,852,703	-	49,852,703
Provisions / (reversals)	(191)	38,696	(333,869)	(478,163)	483,367	141,149	-	(2,491,990)	(2,641,001)	-	(2,641,001)
Profit before tax	59,295,362	2,640,212	11,431,096	(6,251,694)	2,422,828	3,202,540	310,717	2,289,423	75,340,484	-	75,340,484
<b>Balance Sheet</b>											
Cash and Bank balances	34,485,076	622,340	242,694	60,644,247	23,563,344	15,144,558	57,106	1,678,647	136,438,012	-	136,438,012
Investments	-	-	10,517,351	942,409,392	9,276,084	72,668,657	1,105,497	4,912,078	1,040,889,059	-	1,040,889,059
Net inter segment lending	1,114,563,059	-	-	-	-	-	-	192,410,586	1,306,973,645	(1,306,973,645)	-
Lendings to financial institutions	-	-	-	26,679,756	23,736,012	6,170,000	-	-	56,585,768	-	56,585,768
Advances - performing	96,972,626	41,235,105	588,583,737	-	16,255,805	88,798,112	7,619	2,316,757	834,169,761	-	834,169,761
- non performing - net	156,088	87,709	1,380,470	-	7,257,344	1,503,597	-	430,794	10,816,002	-	10,816,002
Others	50,005,640	2,399,035	38,820,555	26,778,287	1,667,282	14,754,649	1,060,250	59,948,853	195,434,551	-	195,434,551
<b>Total Assets</b>	1,296,182,489	44,344,189	639,544,807	1,056,511,682	81,755,871	199,039,573	2,230,472	261,697,715	3,581,306,798	(1,306,973,645)	2,274,333,153
Borrowings	13,558,449	-	98,051,501	227,354,544	813,687	14,670,759	-	1,567,670	356,016,610	-	356,016,610
Deposits and other accounts	1,209,525,713	20,379,488	87,712,328	-	61,067,142	154,001,460	-	9,830	1,532,695,961	-	1,532,695,961
Net inter segment borrowing	-	18,909,590	428,068,745	825,795,278	16,359,144	16,346,882	1,504,006	-	1,306,973,645	(1,306,973,645)	-
Others	73,098,327	5,055,111	25,722,233	3,361,860	3,515,898	14,020,472	726,466	65,642,468	191,142,835	-	191,142,835
<b>Total liabilities</b>	1,296,182,489	44,344,189	639,544,807	1,056,511,682	81,755,871	199,039,573	2,230,472	67,219,968	3,386,829,051	(1,306,973,645)	2,079,855,406
Equity	-	-	-	-	-	-	-	194,477,747	194,477,747	-	194,477,747
<b>Total Equity &amp; liabilities</b>	1,296,182,489	44,344,189	639,544,807	1,056,511,682	81,755,871	199,039,573	2,230,472	261,697,715	3,581,306,798	(1,306,973,645)	2,274,333,153
<b>Contingencies &amp; Commitments</b>	76,591,298	-	376,393,133	163,418,191	18,749,788	40,951,720	-	30,345,931	706,450,061	-	706,450,061
	2021										
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Islamic Banking	Assets Management	Others	Sub-total	Elimination	Total
	(Rupees in '000)										
<b>Profit &amp; Loss</b>											
Net mark-up/return/profit	(38,104,662)	2,780,007	19,317,165	78,719,818	1,274,573	4,263,861	(4,956)	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
<b>Balance Sheet</b>											
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	1,062,568,511	-	1,062,568,511
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
<b>Total Assets</b>	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
<b>Total liabilities</b>	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
<b>Total Equity &amp; liabilities</b>	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
<b>Contingencies &amp; Commitments</b>	64,622,665	-	298,150,190	226,887,638	2,506,084	24,353,828	-	26,995,977	643,516,382	-	643,516,382

# Notes To The Consolidated Financial Statements

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## 42.2 Segment details with respect to geographical locations GEOGRAPHICAL SEGMENT ANALYSIS

2022

	Pakistan	South Asia	Middle East	Eurasia	Sub-total	Eliminations	Total
(Rupees in '000)							
<b>Profit &amp; Loss</b>							
Net mark-up/return/profit	92,448,927	1,368,679	1,952,106	198,294	95,968,006	-	95,968,006
Inter segment revenue - net	139,184	(41,425)	(97,759)	-	-	-	-
Non mark-up / return / interest income	25,213,562	287,478	1,051,508	31,632	26,584,180	-	26,584,180
Total Income	117,801,673	1,614,732	2,905,855	229,926	122,552,186	-	122,552,186
Segment direct expenses	48,170,910	681,088	882,794	117,911	49,852,703	-	49,852,703
Total expenses	48,170,910	681,088	882,794	117,911	49,852,703	-	49,852,703
Provisions / (reversals)	(3,060,315)	255,412	163,589	313	(2,641,001)	-	(2,641,001)
Profit before tax	72,691,078	678,232	1,859,472	111,702	75,340,484	-	75,340,484
<b>Balance Sheet</b>							
Cash and Bank balances	113,313,067	3,500,658	19,600,178	24,109	136,438,012	-	136,438,012
Investments	1,031,612,975	4,114,254	5,161,830	-	1,040,889,059	-	1,040,889,059
Net inter segment lendings	14,071,055	-	-	-	14,071,055	(14,071,055)	-
Lendings to financial institutions	32,849,756	308,100	23,427,912	-	56,585,768	-	56,585,768
Advances - performing	815,658,267	6,087,539	10,107,197	2,316,758	834,169,761	-	834,169,761
- non performing - net	10,588,192	227,810	-	-	10,816,002	-	10,816,002
Others	193,647,578	674,845	953,730	158,398	195,434,551	-	195,434,551
<b>Total Assets</b>	2,211,740,890	14,913,206	59,250,847	2,499,265	2,288,404,208	(14,071,055)	2,274,333,153
Borrowings	352,970,468	-	1,478,472	1,567,670	356,016,610	-	356,016,610
Deposits and other accounts	1,475,650,615	9,577,139	47,468,207	-	1,532,695,961	-	1,532,695,961
Net inter segment borrowing	-	4,598,248	9,472,807	-	14,071,055	(14,071,055)	-
Others	189,428,530	737,819	831,361	145,125	191,142,835	-	191,142,835
<b>Total liabilities</b>	2,018,049,613	14,913,206	59,250,847	1,712,795	2,093,926,461	(14,071,055)	2,079,855,406
Equity	193,691,277	-	-	786,470	194,477,747	-	194,477,747
<b>Total Equity &amp; liabilities</b>	2,211,740,890	14,913,206	59,250,847	2,499,265	2,288,404,208	(14,071,055)	2,274,333,153
<b>Contingencies &amp; Commitments</b>	687,700,373	342,976	18,406,712	-	706,450,061	-	706,450,061

2021

	Pakistan	South Asia	Middle East	Eurasia	Sub-total	Eliminations	Total
(Rupees in '000)							
<b>Profit &amp; Loss</b>							
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
<b>Balance Sheet</b>							
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
<b>Total Assets</b>	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
<b>Total liabilities</b>	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
<b>Total Equity &amp; liabilities</b>	2,051,904,666	22,992,475	58,361,831	1,404,614	2,134,663,586	(12,542,107)	2,122,121,479
<b>Contingencies &amp; Commitments</b>	641,010,298	604,010	1,902,074	-	643,516,382	-	643,516,382

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 2022 or 2021.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

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## 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:

	2022				2021			
	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)							
<b>Investments</b>								
Opening balance	-	-	5,283,282	1,372,493	-	-	4,479,360	1,377,198
Equity method adjustments	-	-	119,197	-	-	-	803,922	-
Investment made during the year	-	-	-	11,101,050	-	-	-	10,161,717
Investment disposed off during the year	-	-	-	(11,274,425)	-	-	-	(10,166,421)
Closing balance	-	-	5,402,479	1,199,118	-	-	5,283,282	1,372,493
<b>Provision for diminution in value of investments</b>	-	-	-	-	-	-	-	5,000
<b>Advances</b>								
Opening balance	109	239,706	1,018,449	5,395,022	1,042	275,118	356,898	1,262,995
Addition / exchange adjustment during the year	23,615	93,306	-	18,501,526	16,460	56,891	1,390,000	8,800,185
Repaid during the year	(22,181)	(70,567)	(1,018,449)	(17,565,416)	(16,576)	(63,324)	(728,449)	(5,379,508)
Transfer in / (out)	-	104,791	-	(3,053)	(817)	(28,979)	-	711,350
Closing balance	1,543	367,236	-	6,328,079	109	239,706	1,018,449	5,395,022
<b>Fixed Assets</b>								
Purchase of fixed assets	-	-	6,157	62,667	-	-	18,782	38,253
<b>Other Assets</b>								
Markup receivable	-	3,208	-	108,054	-	2,684	17,154	46,093
Advances, deposits, advance rent and other prepayments	-	1,880	288,433	246,992	-	506	182,467	207,681
Receivable from Pension Fund	-	-	-	2,768,142	-	-	-	3,218,426
	-	5,088	288,433	3,123,188	-	3,190	199,620	3,472,200

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2022				2021			
	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)							
<b>Borrowings</b>								
Opening balance	-	-	-	103,120	-	-	-	77,139
Borrowings / exchange adjustment during the year	-	-	-	-	-	-	-	25,981
Settled during the year	-	-	-	(103,120)	-	-	-	-
Closing balance	-	-	-	-	-	-	-	103,120
<b>Deposits and other accounts</b>								
Opening balance	700,547	750,185	4,184,153	9,507,140	302,130	743,120	5,172,087	6,061,671
Received during the year	7,966,971	10,414,454	59,131,008	140,067,607	2,874,441	4,962,387	49,364,225	121,100,115
Withdrawn during the year	(8,473,340)	(10,860,021)	(57,334,957)	(143,277,844)	(2,468,887)	(4,953,673)	(50,352,159)	(117,685,670)
Transfer in / (out) - net	(631)	7,748	-	(18,325)	(7,137)	(1,649)	-	31,024
Closing balance	193,547	312,366	5,980,204	6,278,578	700,547	750,185	4,184,153	9,507,140
<b>Other Liabilities</b>								
Markup payable	4,804	5,281	59,052	56,573	1,475	2,867	18,219	22,508
Accrued expenses and other payable	-	3,470	81,476	394,812	100,100	3,870	66,889	414,834
Payable to MCB Employee Security Services	-	-	-	14,314	-	-	-	55,567
	4,804	8,751	140,528	465,699	101,575	6,737	85,108	492,909
<b>Contingencies and Commitments</b>								
Letter of Credit	-	-	-	6,638,499	-	-	-	5,565,496
Bank guarantee	-	-	7,102,828	2,259,629	-	-	10,739	1,610,524
	-	-	7,102,828	8,898,128	-	-	10,739	7,176,020
<b>Related Party Transactions</b>								
Income								
Markup / return / interest earned	86	17,378	26,956	469,880	23	15,956	35,654	134,927
Fee and commission income	-	-	733,936	64,525	-	-	968,003	72,630
Dividend Income	-	-	210,000	102,141	-	-	192,500	127,978
Gain / loss on forward foreign exchange contracts matured during the year	-	-	-	(8,179)	-	-	-	44,830
Net gain / loss on sale of securities	-	39	1,432	42,301	(13)	-	(62)	(837)
Gain on sale of fixed assets	-	716	-	-	-	77	-	-
Rent income and reimbursement of other expenses	-	4	12,220	100,806	-	-	12,662	60,713
Management fee and Advisory income	-	-	-	1,097,092	-	-	-	658,536
Expense	-	-	-	-	-	-	-	-
Markup / return / interest expensed	52,364	92,667	305,345	1,954,662	22,885	45,334	142,524	718,756

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2022					2021				
	Directors	Key management personnel and shariah advisors	Associates	Other related parties		Directors	Key management personnel and shariah advisors	Associates	Other related parties	
<b>Other Operating expenses</b>										
Clearing expenses paid to NIFT	-	-	-	189,640	-	-	-	-	154,329	-
Contribution to provident fund	-	-	-	606,417	-	-	-	-	491,210	-
Rent expenses	-	-	72,185	85,240	-	-	-	55,945	69,605	-
Cash sorting expenses	-	-	-	117,167	-	-	-	-	99,821	-
Stationery expenses	-	-	-	380,041	-	-	-	-	259,775	-
Security guards expenses	-	-	-	285,527	-	-	-	-	405,507	-
Remuneration to directors, key management personnel and shariah advisors	150,798	875,996	-	107,709	-	279,819	630,132	-	161,458	-
Outsourcing service expenses	-	-	138,651	-	-	-	-	196,446	-	-
E-dividend processing fee and CDC charges	-	-	-	6,047	-	-	-	-	6,209	-
Travelling Expenses	-	-	-	30,378	-	-	-	-	51,534	-
Hotel stay expenses	-	-	-	6,121	-	-	-	-	146	-
Repair & Maintenance Charges	-	-	-	3,184	-	-	-	-	2,148	-
Advertisement Expenses	-	-	-	3,132	-	-	-	-	3,132	-
Miscellaneous expenses and payments	-	-	-	4,605	-	-	730	-	3,252	-
Selling & Marketing	-	-	-	350,628	-	-	-	-	259,866	-
Sharia Fee Paid	-	-	-	9,910	-	-	-	-	8,857	-
Insurance premium-net of refund	-	-	904,527	139,138	-	-	-	495,818	96,452	-
Insurance claim settled	-	-	40,380	-	-	-	-	40,991	-	-
<b>Other Transactions</b>										
Proceeds from sale of fixed assets	-	-	-	-	-	-	77	-	9	-
Sale of government securities	50,060	8,320	-	2,685	-	903,221	33,431	10,113,189	19,669,035	-
Purchase of government securities	-	154,836	23,153,428	35,215,242	-	26,076	-	19,077,222	5,096,819	-
Forward exchange contracts matured during the year	-	13,741	22,187,916	15,254,061	-	-	-	-	5,527,242	-
Others	-	-	-	1,772,994	-	-	-	-	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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		(Rupees in '000)	
44	<b>CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
	<b>44.1 Capital Adequacy</b>		
	<b>Minimum Capital Requirement (MCR):</b>		
	Paid-up capital (net of losses)	11,850,600	11,850,600
	<b>Capital Adequacy Ratio (CAR):</b>		
	Eligible Common Equity Tier 1 (CET 1) Capital	158,467,590	146,487,908
	Eligible Additional Tier 1 (ADT 1) Capital	–	–
	<b>Total Eligible Tier 1 Capital</b>	158,467,590	146,487,908
	Eligible Tier 2 Capital	26,444,431	20,400,167
	<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	184,912,021	166,888,075
	<b>Risk Weighted Assets (RWAs):</b>		
	Credit Risk	763,368,141	743,393,585
	Market Risk	75,115,355	137,136,055
	Operational Risk	190,227,624	163,273,225
	<b>Total</b>	1,028,711,120	1,043,802,865
	<b>Common Equity Tier 1 Capital Adequacy ratio</b>	15.40%	14.03%
	<b>Tier 1 Capital Adequacy Ratio</b>	15.40%	14.03%
	<b>Total Capital Adequacy Ratio</b>	17.98%	15.99%

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, 2022 stood at Rs. 11.851 billion (2021: 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.

		2022	2021
		(Rupees in '000)	
	<b>44.2 Leverage Ratio (LR):</b>		
	Eligible Tier-1 Capital	158,467,590	146,487,908
	Total Exposures	2,846,612,866	2,625,918,532
	<b>Leverage Ratio</b>	5.57%	5.58%

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	(Rupees in '000)	
<b>44.3 Liquidity Requirements</b>		
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	803,179,881	1,143,437,748
Total Net Cash Outflow	404,125,964	480,179,056
Liquidity Coverage Ratio	198.74%	238.13%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	1,375,022,084	1,312,628,842
Total Required Stable Funding	987,602,872	862,352,888
Net Stable Funding Ratio	139.23%	152.21%

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, the 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 Group. The framework combines core policies, procedures and process designs with broad oversight and is supported by an efficient monitoring mechanism across the group 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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

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
- 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.



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

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 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 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.

During 2022, Pakistan witnessed significant economic headwinds. Rising inflation, increasing fuel prices, depleting foreign exchange reserves, massive devaluation of the Pakistani rupee, political instability, increasing interest rates, and high budget deficit made the year more challenging. In this backdrop, Fitch, Moody's and S&P Global lowered the country's sovereign credit rating. In June 2022, Pakistan was hit with a natural catastrophe in the shape of worst ever floods in the history of the country. The floods resulted in millions of people being displaced and severe damage to both crops and livestock. Additionally, international commodity prices also remained elevated through the year. The headline inflation increased significantly touching a multi-year high of 27.32% in August. During the year, SBP increased the benchmark interest rate by a cumulative 625 bps to 16%. This steep increase was aimed at reducing aggregate demand in the economy and also to counter high inflation. This led to a steep uptick in domestic food prices.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

The Group is regularly conducting assessments of the credit portfolio, with robust post disbursement credit review mechanism to identify borrowers most likely to be affected in the challenging business and economic environment. Group is confident that it has more than sufficient risk bearing capacity to with stand these difficult times.

## 45.1.1 Lendings to financial institutions

### Credit risk by public / private sector

Note	Gross lendings		Non - performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Public / Government	30,869,383	24,071,021	-	-	-	-
Private	25,716,385	16,546,089	-	-	-	-
9	56,585,768	40,617,110	-	-	-	-

## 45.1.2 Investment in debt securities

### Credit risk by industry sector

	Gross Investments		Non - performing Investments		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Chemical and pharmaceuticals	-	1,750,000	-	-	-	-
Electricity, gas, steam and air conditioning supply	-	115,000	-	-	-	-
Financials including government securities	1,049,517,455	1,040,825,407	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	40,732	40,732	40,732	40,732	40,732
Telecommunications	-	-	-	-	-	-
Others	6,153	6,153	6,153	6,153	6,153	6,153
	1,049,994,996	1,043,167,948	477,659	477,659	477,659	477,659

Credit risk by industry sector	Gross Investments		Non - performing Investments		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Public / Government	1,039,029,542	1,032,448,925	-	-	-	-
Private	10,965,454	10,719,023	477,659	477,659	477,659	477,659
	1,049,994,996	1,043,167,948	477,659	477,659	477,659	477,659

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 45.1.3 Advances

### Credit risk by industry sector

Note	Gross Advances		Non - performing Advances		Provision held		
	2022	2021	2022	2021	2022	2021	
	(Rupees in '000)						
	Agriculture, forestry and fishing	7,090,675	7,102,391	749,020	575,837	334,664	358,691
	Construction	13,323,624	16,806,556	273,095	393,250	231,071	296,478
	Electricity, gas, steam and air conditioning supply	48,759,571	35,453,270	1,757,187	376,717	376,717	376,717
	Electronics and electrical appliances	11,990,882	9,509,640	89,980	92,104	89,980	92,104
	Financials	51,254,271	32,779,500	716,076	301,280	716,076	301,280
	Footwear and Leather garments	5,292,962	5,617,274	154,403	163,781	154,403	163,781
	Human health and social work activities	1,014,702	548,329	44,452	45,081	44,452	45,081
	Individuals	67,235,788	59,793,229	3,568,456	3,862,897	3,419,376	3,736,472
	Manufacture of basic metals and metal products	18,626,433	22,777,758	3,539,992	3,980,254	3,332,419	3,881,891
	Manufacture of cement	49,530,533	20,336,468	392,862	392,862	392,862	392,862
	Manufacture of chemicals and pharmaceutical products	64,337,486	61,821,940	191,248	232,324	187,478	232,324
	Manufacture of coke and refined petroleum products	1,595,977	4,431,606	755,125	855,984	578,891	855,984
	Manufacture of food & beverages products	70,131,148	57,548,236	2,773,137	3,304,245	2,524,123	2,851,306
	Manufacture of machinery, equipment and transport Equipment	21,490,594	7,573,933	363,386	373,053	363,386	373,053
	Manufacture of rubber and plastics products	10,841,530	6,798,847	538,155	606,722	538,155	606,722
	Manufacture of sugar	45,151,989	43,226,078	4,238,251	4,419,576	4,238,251	4,419,576
	Manufacture of textiles	139,950,147	123,677,939	12,183,374	12,733,639	11,968,607	12,497,961
	Mining and quarrying	3,804,693	4,359,943	1,877	3,714	1,877	3,714
	Manufacturing of Pulp, Paper, Paperboard	12,052,576	7,810,334	174,634	174,634	174,634	174,634
	Ship Breaking	4,811,458	5,010,446	4,804,857	3,988,794	3,931,259	3,988,794
	Services	17,070,822	18,742,855	429,490	435,104	386,448	418,032
	Telecommunications	39,616,332	23,855,551	42,798	42,798	42,798	42,798
	Transportation and storage	121,762,742	102,353,603	57,759	287,994	57,759	165,970
	Wholesale and retail traders	55,439,643	46,655,658	14,778,915	13,042,336	7,716,841	7,500,978
	Others	7,570,387	7,849,457	320,445	507,595	320,445	503,986
11		889,746,965	732,440,841	52,938,974	51,192,575	42,122,972	44,281,189
	<b>Credit risk by public / private sector</b>						
	Public / Government	153,700,141	130,672,215	564,853	639,825	564,853	639,825
	Private	736,046,824	601,768,626	52,374,121	50,552,750	41,558,119	43,641,364
11		889,746,965	732,440,841	52,938,974	51,192,575	42,122,972	44,281,189

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

Note	2022 (Rupees in '000)	2021
<b>45.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, forestry and fishing	923,612	3,164,773
Construction	28,038,340	20,086,561
Electricity, gas, steam and air conditioning supply	10,393,451	21,056,984
Electronics and electrical appliances	5,488,380	7,833,104
Financials	281,882,328	293,031,681
Footwear and Leather garments	2,589,787	2,177,403
Human health and social work activities	919,212	336,876
Individuals	1,262,717	2,457,649
Manufacture of basic metals and metal products	10,354,318	10,547,856
Manufacture of cement	4,755,329	16,164,335
Manufacture of chemicals and pharmaceutical products	31,173,463	26,655,833
Manufacture of coke and refined petroleum products	18,960,447	1,671,507
Manufacture of food & beverages products	55,389,456	24,248,574
Manufacture of machinery, equipment and transport Equipment	25,088,455	14,893,316
Manufacture of rubber and plastics products	9,151,357	5,144,805
Manufacture of sugar	6,843,596	15,340,817
Manufacture of textiles	45,426,766	40,773,357
Mining and quarrying	118,562	887,679
Manufacturing of Pulp, Paper, Paperboard	3,878,219	4,531,008
Ship Breaking	1,650,419	1,738,857
Services	60,017,717	63,792,489
Telecommunications	26,666,124	19,642,288
Transportation and storage	347,352	8,840,716
Wholesale and retail traders	47,129,960	13,599,970
Others	28,000,694	24,897,944
24	706,450,061	643,516,382
<b>Credit risk by public / private sector</b>		
Public / Government	164,558,353	168,313,358
Private	541,891,708	475,203,024
24	706,450,061	643,516,382

## 45.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 340,909.143 million (2021: Rs. 250,579.571 million) are as following:

	2022 (Rupees in '000)	2021
Funded	170,034,940	95,079,790
Non Funded	170,874,203	155,499,781
Total Exposure	340,909,143	250,579,571

The sanctioned limits against these top 10 exposures aggregated to Rs. 470,959.712 million (2021: 296,220.092 million). There is no provision against these top 10 exposures.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 45.1.6 Advances - Province/Region-wise Disbursement & Utilization

		2022					
		Disbursements		Utilization			
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Province/Region							
Punjab	1,205,219,677	1,161,626,482	31,275,617	10,918,553	374,463	1,021,994	2,568
Sindh	795,243,822	42,071,609	703,121,834	30,102,633	19,940,753	6,813	180
KPK including FATA	19,315,117	347,574	18,331	18,882,880	-	57,300	9,032
Balochistan	3,917,219	12,940	16,771	-	3,880,767	2,201	4,540
Islamabad	111,515,307	21,579,876	462	2,304,967	-	87,630,002	-
AJK including Gilgit-Baltistan	3,971,452	28,825	-	1,008	-	18,295	3,923,324
	2,139,182,594	1,225,667,306	734,433,015	62,210,041	24,195,983	88,736,605	3,939,644

		2021					
		Disbursements		Utilization			
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Province/Region							
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
	1,493,141,696	921,633,802	474,999,438	29,607,633	21,120,061	45,459,103	321,659

## 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 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 bank 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, the 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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

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, Price Value of a Basis Point (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

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	110,275,163	-	110,275,163	175,922,469	-	175,922,469
Balances with other banks	26,162,849	-	26,162,849	22,554,329	-	22,554,329
Lendings to financial institutions	56,585,768	-	56,585,768	40,617,110	-	40,617,110
Investments	45,528,738	995,360,321	1,040,889,059	29,709,416	1,032,859,095	1,062,568,511
Advances	844,985,763	-	844,985,763	686,388,652	-	686,388,652
Fixed assets	85,021,165	-	85,021,165	62,351,545	-	62,351,545
Intangible assets	1,682,671	-	1,682,671	1,838,136	-	1,838,136
Deferred tax assets	5,439,278	-	5,439,278	-	-	-
Other assets	103,291,437	-	103,291,437	69,880,727	-	69,880,727
	1,278,972,832	995,360,321	2,274,333,153	1,089,262,384	1,032,859,095	2,122,121,479

## 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.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

	2022				2021			
	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	30,105,775	59,890,176	14,910,406	(14,873,995)	37,366,203	59,553,342	14,729,917	(7,457,222)
Sri Lankan Rupees	-	1,063,792	-	(1,063,792)	676,927	-	-	676,927
Arab Emirates Dirham	180,113	51,301	(43,157)	85,655	197,995	97,575	-	100,420
Euro	4,441,552	9,122,353	4,706,796	25,995	3,658,013	7,827,669	4,160,827	(8,829)
Great Britain Pound Sterling	4,759,438	8,324,327	3,567,730	2,841	4,645,917	7,451,659	2,716,087	(89,655)
Japanese Yen	24,742	168	-	24,574	-	829,527	885,473	55,946
Chinese Yuan	915,242	5	(786,512)	128,725	1,143,423	98	(811,293)	332,032
Other currencies	542,740	347,457	55,794	251,077	325,479	271,634	8,859	62,704
	40,969,602	78,799,579	22,411,057	(15,418,920)	48,013,957	76,031,504	21,689,870	(6,327,677)

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account		(154,189)	-	(63,277)
- Other comprehensive income		128,034	-	117,543

#### 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.

	2022		2021	
	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
- Other comprehensive income	-	882,584	-	1,051,784

#### 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:

	2022		2021	
	Banking Book	Trading Book	Banking Book	Trading Book
	(Rupees in '000)			
Impact of 1% increase in interest rates on				
- Profit and loss account	(1,320,523)	175,698	(3,592,767)	85,568
- Other comprehensive income	-	(947,571)	-	(7,457,483)

The Group has classified Available for Sale investments as Trading in Basel-II.







# Notes To The Consolidated Financial Statements

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	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>Reconciliation to total assets</b>		
<b>Balance as per balance sheet</b>	2,274,333,153	2,122,121,479
<b>Less: Non financial assets</b>		
Islamic financing and related assets	11,520,220	15,887,081
Fixed assets	85,021,165	62,351,545
Intangible assets	1,682,671	1,838,136
Deferred tax assets	5,439,278	-
Other assets	9,591,228	8,818,645
Total financial assets	113,254,562	88,895,407
	2,161,078,591	2,033,226,072
<b>Reconciliation to total liabilities</b>		
<b>Balance as per balance sheet</b>	2,079,855,406	1,944,552,819
<b>Less: Non financial liabilities</b>		
Other liabilities	32,563,617	22,568,748
Deferred tax liability	-	1,578,782
	32,563,617	24,147,530
Total financial liabilities	2,047,291,789	1,920,405,289

### 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'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 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 initiatives with respect to operational risk management like using Key Risk Indicators (KRIs), loss events database and Risk & Control Self Assessments (RCSA) 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.

### 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. The Group recognizes that liquidity risk can arise from the Group's activities and can be grouped into three categories:

# Notes To The Consolidated Financial Statements

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- 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 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 Group's 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.

The Group's 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 preempt unforeseen liquidity crises. The 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. MCB 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. The 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. The Group'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 Group. 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. 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 the 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 the Group maintains borrowing relationships to ensure the continued access to diverse market of funding sources. The Group's sound credit rating together with excellent market reputation has enabled the Group to secure ample call lines with local and foreign banks. The level of liquidity reserves as per regulatory requirements also mitigates risks. The Group's investment in marketable securities is much higher than the Statutory Liquidity Requirements.

# Notes To The Consolidated Financial Statements

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## 45.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2022

Total	2022												
	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)													
<b>Assets</b>													
Cash and balances with treasury banks	99,845,486	3,476,559	3,476,559	3,476,559	-	-	-	-	-	-	-	-	-
Balances with other banks	18,062,809	309,580	2,573,764	4,723,736	308,100	184,880	-	-	-	-	-	-	-
Lending to financial institutions	56,585,768	56,585,768	-	-	-	-	-	-	-	-	-	-	-
Investments	1,040,889,059	5,135,011	1,371,349	21,924,917	22,178,150	51,824,002	11,809,643	127,659,640	155,449,803	99,834,041	138,218,318	170,199,642	214,339,964
Advances	844,985,763	132,151,642	73,103,305	99,090,375	37,233,563	66,840,256	50,838,293	32,146,614	37,534,012	54,682,446	44,573,726	64,558,141	110,682,696
Fixed assets	85,021,165	10,913	65,463	309,474	456,613	457,443	1,363,579	1,353,449	1,336,067	4,475,982	4,178,448	5,031,803	65,905,515
Intangible assets	1,682,671	1,873	11,638	41,871	65,151	65,378	195,990	196,017	195,652	439,720	-	101,078	388,927
Deferred tax assets - net	5,439,278	5,044	17,359	45,904	107,915	279,359	244,361	1,370,941	425,311	2,459,137	1,628,063	(3,445,640)	2,280,088
Other assets	103,291,437	1,650,147	20,895,531	13,690,335	20,064,926	13,179,592	9,797,079	4,452,076	1,604,452	6,089,483	-	5,572,987	-
	2,274,333,153	256,862,925	153,834,910	80,767,905	143,303,171	132,830,890	74,248,945	167,390,737	186,545,297	161,980,809	188,598,545	242,018,011	393,546,590
<b>Liabilities</b>													
Bills payable	42,874,366	1,429,145	8,574,873	10,004,019	-	-	-	-	-	-	-	-	-
Borrowings	356,016,610	35,691,287	1,509,320	81,854,673	68,159,026	69,502,793	8,088,611	755,780	919,647	4,903,878	3,857,151	7,533,865	38,445,246
Deposits and other accounts	1,532,895,961	1,438,023,470	6,061,760	6,970,585	8,449,377	14,678,136	16,698,510	15,172,180	8,277,320	2,176,667	4,666,303	155,354	271,654
Other liabilities*	148,269,469	22,474,702	9,084,889	10,576,870	9,806,489	7,128,696	7,776,553	24,230,248	3,838,100	7,442,423	1,529,411	14,041,810	6,212,276
	2,079,655,406	1,497,618,604	58,516,875	29,060,794	86,414,892	91,309,625	32,563,674	40,158,188	13,035,067	14,522,968	10,052,865	21,731,029	44,929,176
<b>Net assets</b>	194,477,747	(1,240,755,679)	97,318,035	51,707,111	(6,000,474)	41,521,265	41,685,271	127,222,549	183,510,230	147,457,841	178,545,680	220,286,982	348,617,414
Share capital	11,850,600												
Reserves	89,640,476												
Surplus on revaluation of assets - net	19,458,482												
Unappropriated profit	72,795,700												
Non-controlling interest	732,489												
	194,477,747												

\* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

2022

Total	2022												
	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)													
<b>Lease liability against right of use assets</b>													
	1,113	7,824	9,128	95,773	102,645	123,498	319,454	317,723	348,827	1,732,725	1,234,873	2,146,961	4,120,267
	10,560,611												

# Notes To The Consolidated Financial Statements

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		2021												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
		(Rupees in '000)												
<b>Assets</b>														
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	2,859,091	-	1,939,826	352,182	-	-	-	-	-	-	-
Lending to financial institutions	40,617,110	-	40,617,110	-	-	-	-	-	-	-	-	-	-	-
Investments	1,062,568,511	1,519,706	1,993,519	161,525,386	21,160,497	93,727,521	56,802,009	59,928,230	59,900,908	100,689,851	243,369,263	110,776,104	202,427,082	
Advances	686,388,652	96,210,425	30,147,047	56,631,045	44,331,478	73,725,767	69,041,666	22,236,046	49,966,412	33,063,220	58,092,897	60,499,800	72,816,418	
Fixed assets	62,351,545	9,705	58,222	286,894	418,521	419,288	1,233,252	12,13,367	4,006,192	1,201,393	4,229,340	4,126,466	45,080,979	
Intangible assets	1,638,136	2,074	12,441	46,982	76,027	76,319	228,534	226,669	-	226,516	520,952	-	92,533	
Other assets	69,880,727	739,446	2,285,047	8,652,768	14,406,813	10,544,541	2,702,396	3,107,088	5,055,750	1,478,602	8,205,417	6,003,361	314,575	
	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	181,498,984	320,639,054
<b>Liabilities</b>														
Bills payable	26,486,445	882,881	5,297,289	14,126,104	-	-	-	-	-	-	-	-	-	-
Borrowings	282,898,882	17,870,450	75,178,410	671,705	17,150,248	62,619,382	54,771,536	564,632	564,632	4,080,110	6,121,131	2,886,685	5,656,568	34,191,366
Deposits and other accounts	1,534,566,671	1,404,457,663	6,812,357	17,554,855	14,442,113	23,935,882	26,672,382	17,275,488	1,507,536	14,874,339	255,433	1,507,536	706,320	212,000
Deferred tax liabilities - net	1,578,782	1,550	(16,873)	(196,125)	(129,820)	(170,225)	(384,312)	(388,214)	(379,989)	(379,989)	(709,013)	(222,864)	1,631,205	2,569,104
Other liabilities*	99,002,039	13,849,202	3,671,351	8,476,540	6,884,488	5,196,413	3,153,795	14,079,344	6,463,047	3,621,063	9,942,304	12,415,954	12,415,954	6,244,550
	1,944,552,819	1,437,061,746	90,942,534	18,170,529	38,347,029	91,584,432	84,213,401	31,531,230	10,636,404	22,195,513	15,609,855	20,410,047	43,217,020	
<b>Net assets</b>	177,568,660	(1,158,936,249)	(9,383,788)	15,895,432	42,046,307	88,648,810	46,146,638	1,180,170	107,092,858	115,163,189	298,808,014	161,098,837	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													
Non-controlling interest	751,419													
	177,568,660													
<b>Lease liability against right of use assets</b>														
	10,059,815	1,119	6,712	7,831	84,499	85,033	99,170	259,204	266,469	278,345	1,555,133	1,155,005	2,030,811	4,230,484

\* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

		2021												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
		(Rupees in '000)												
<b>Lease liability against right of use assets</b>														
	10,059,815	1,119	6,712	7,831	84,499	85,033	99,170	259,204	266,469	278,345	1,555,133	1,155,005	2,030,811	4,230,484

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 45.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

2022

	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)									
<b>Assets</b>									
Cash and balances with treasury banks	110,275,163	-	-	-	-	-	-	-	-
Balances with other banks	25,669,889	492,960	-	-	-	-	-	-	-
Lending to financial institutions	56,585,768	-	-	-	-	-	-	-	-
Investments	55,107,214	73,998,280	11,781,189	283,293,715	93,813,621	138,061,846	170,183,732	207,022,361	7,627,101
Advances	226,549,520	85,788,080	40,020,267	57,814,537	103,523,693	92,660,119	114,020,245	105,184,702	19,424,600
Fixed assets	462,266	914,055	1,363,579	2,689,517	4,475,982	4,178,448	4,993,557	9,073,375	56,870,386
Intangible assets	65,357	130,530	195,990	391,670	364,432	75,288	405,668	53,736	-
Deferred tax assets- net	89,752	387,275	244,361	1,796,252	2,459,137	1,628,052	(3,445,639)	480,034	1,800,054
Other assets	28,372,821	47,402,539	9,797,079	6,056,529	6,089,482	-	5,572,987	-	-
	503,177,750	209,113,719	63,402,465	352,042,220	210,726,347	236,603,753	291,730,550	321,814,208	85,722,141
<b>Liabilities</b>									
Bills payable	42,874,366	-	-	-	-	-	-	-	-
Borrowings	356,016,610	137,661,819	8,088,611	1,675,408	4,903,878	3,857,151	7,533,865	38,445,246	-
Deposits and other accounts	1,532,695,961	83,017,982	92,722,155	93,268,904	344,919,400	347,409,036	342,898,087	129,915,243	-
Other liabilities*	148,268,469	16,935,183	7,776,553	28,068,348	7,442,423	1,529,411	14,041,810	5,099,970	1,112,307
	2,079,855,406	237,614,984	108,587,319	123,012,660	357,265,701	352,795,598	364,473,762	173,460,459	1,112,307
<b>Net assets</b>	194,477,747	(28,501,266)	(45,184,854)	229,029,560	(146,539,354)	(116,191,845)	(72,743,212)	148,353,749	84,609,834
Share capital	11,850,600								
Reserves	89,640,476								
Surplus on revaluation of assets - net	19,458,482								
Unappropriated profit	72,795,700								
Non-controlling interest	732,489								
	194,477,747								

\* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

Lease liability against right of use assets	10,560,611	114,029	226,143	319,454	666,350	1,732,534	1,234,873	2,146,961	3,118,766	1,001,501
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# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

2021

	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
<b>Total</b>									
(Rupees in '000)									
<b>Assets</b>									
Cash and balances with treasury banks	175,922,469	-	-	-	-	-	-	-	-
Balances with other banks	19,563,201	1,939,826	352,182	699,120	-	-	-	-	-
Lending to financial institutions	40,617,110	-	-	-	-	-	-	-	-
Investments	168,020,357	114,924,645	56,824,655	106,653,927	243,386,951	59,318,596	110,309,267	195,100,809	8,029,404
Advances	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	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	228,534	453,186	388,270	132,681	92,533	314,575	-
Other assets	69,880,727	24,334,042	2,702,396	4,585,693	8,205,417	5,673,061	6,003,961	-	-
	2,122,121,479	222,020,536	111,654,168	165,802,291	357,594,940	163,639,098	226,954,821	274,900,199	61,840,814
<b>Liabilities</b>									
Bills payable	26,486,445	-	-	-	-	-	-	-	-
Borrowings	282,898,882	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	98,254,512	119,632,972	41,959,926	345,407,820	346,659,923	345,658,708	118,347,993	9,255,594
Deferred tax liabilities	1,578,782	(237,090)	(384,312)	(768,203)	(709,013)	(222,864)	1,631,205	1,356,452	1,212,652
Other liabilities*	99,002,039	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	189,716,180	177,173,991	63,536,362	360,762,242	355,880,588	365,562,435	159,157,458	11,451,149
<b>Net assets</b>	177,568,660	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								
Non-controlling interest	751,419								
	177,568,660								

\* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years
Lease liability against right of use assets	100,161	184,203	259,204	544,814
	30%	30%	30%	10%

## 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	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years
	30%	30%	30%	10%

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2022

## 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 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), the 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 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, 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 Bank 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, 2022

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 08, 2023 has announced a final cash dividend in respect of the year ended December 31, 2022 of Rs. 6.00 per share (2021: Rs. 5.00 per share). These consolidated financial statements for the year ended December 31, 2022 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

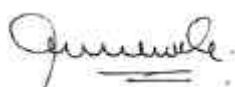
## 47 GENERAL

Comparative information has been reclassified, rearranged or additionally incorporated 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 consolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 08, 2023.



**Shoaib Mumtaz**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Shahzad Hussain**  
Director



**Muhammad Ali Zeb**  
Director

## Disposal of fixed assets (refer note 12.2.6)

Description	Cost/ revalued amount	Accu- mulated depre- ciation  (Rupees in '000)	Book value	Sales pro- ceeds	Mode of disposal	Particulars of buyers	Location
<b>Computers</b>							
Laptop	75	75	–	15	As per Bank's policy	Fida Ali Mirza	Lahore
Laptop	409	408	–	41	As per Bank's policy	Hassan Nawaz Tarar	Lahore
Laptop	268	268	–	27	As per Bank's policy	Usman Hassan	Lahore
Laptop	236	236	–	47	As per Bank's policy	Zargham Khan Durrani	Lahore
Laptop	268	268	–	27	As per Bank's policy	Salman Y.Zaidi	Lahore
Laptop	75	75	–	8	As per Bank's policy	Natasha Ahmed	Lahore
Laptop	116	116	–	12	As per Bank's policy	Arif Abrar	Lahore
Laptop	171	85	85	89	As per Bank's policy	Azfar Alam Nomani	Lahore
Laptop	259	210	49	59	As per Bank's policy	Syed Salman Ali	Lahore
Laptop	99	76	23	25	As per Bank's policy	Adamjee Insurance Company Limited	Lahore
Laptop	159	159	–	24	As per Bank's policy	Kashif Ahmad	Lahore
Laptop	109	109	–	11	As per Bank's policy	Syed Salman Qutb	Lahore
Laptop	112	112	–	11	As per Bank's policy	Muhammad Tariq Gondal	Lahore
Laptop	98	98	–	2	As per Bank's policy	Adamjee Insurance Company Limited	Lahore
	<b>2,454</b>	<b>2,295</b>	<b>157</b>	<b>398</b>			
<b>Vehicles</b>							
Honda Civic	2,990	1,674	1,316	1,395	As per Bank's policy	Imran Maqbool	Lahore
Toyota Fortuner	8,957	3,225	5,733	6,200	As per Bank's policy	Zargham Khan Durrani	Lahore
Toyota Corolla GLL	2,220	1,421	799	2,092	As per Bank's policy	Adamjee Insurance Company Limited	Lahore
Audi A6	8,442	6,753	1,688	1,688	As per Bank's policy	Azfar Alam Nomani	Lahore
	<b>22,609</b>	<b>13,073</b>	<b>9,536</b>	<b>11,375</b>			
<b>Furniture &amp; fixture, electrical and office equipment</b>							
Electrical Equipment	162	162	–	2	As per Bank's policy	Adamjee Insurance Company Limited	Lahore
Furniture and Fixtures	3	3	–	2	As per Bank's policy	Adamjee Insurance Company Limited	Lahore
Furniture and Fixtures	46	46	–	2	As per Bank's policy	Adamjee Insurance Company Limited	Lahore
Furniture and Fixtures	39	39	–	2	As per Bank's policy	Adamjee Insurance Company Limited	Lahore
Signage	280	184	96	442	As per Bank's policy	Adamjee Insurance Company Limited	Lahore
	<b>530</b>	<b>434</b>	<b>96</b>	<b>450</b>			
	<b>25,593</b>	<b>15,802</b>	<b>9,789</b>	<b>12,223</b>			

## Branch Network 2022

As of December 31, 2022

Retail Banking Central			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
BAHAWALPUR - 78	Bahawalnagar	19	–
	Bahawalpur	27	–
	Rahim Yar Khan	32	–
FAISALABAD - 86	Faisalabad	30	–
	Faisalabad City	28	1
	Toba Tek Singh	28	–
GUJRANWALA - 79	Gujranwala	28	–
	Mandi Bahauddin	28	–
	Sheikhupura	23	–
LAHORE EAST - 69	Lahore Defence	24	–
	Lahore Gulberg	22	–
	Lahore Johar Town	23	–
LAHORE WEST - 66	Lahore City	25	–
	Lahore Mlutan Road	20	–
	Lahore The Mall	21	–
MULTAN - 72	Dera Ghazi Khan	20	–
	Multan	31	–
	Muzaffargarh	21	–
SAHIWAL - 74	Okara	22	1
	Sahiwal	25	–
	Vehari	27	–
SIALKOT - 73	Gujrat	28	–
	Narowal	19	–
	Sialkot	26	–
<b>Total - Retail Banking Central</b>		<b>597</b>	<b>2</b>

Retail Banking North			
Circle / No. of Branches	Region	No. of Branches	No. of Sub-Branches
ABBOTTABAD - 95	Abbottabad	27	–
	Attock	20	–
	Muzaffarabad A.K.	23	–
	Swat	25	1
ISLAMABAD - 91	Fateh Jang	21	–
	Islamabad	25	–
	Rawalpindi Cantt	24	–
	Rawalpindi City	21	–
JHELUM - 89	Chakwal	27	–
	Jhelum	33	–
	Mirpur A.K.	29	–
PESHAWAR - 98	Kohat	28	–
	Mardan	24	–
	Peshawar East	23	1
	Peshawar West	23	–
SARGODHA - 94	Jhang	28	1

## Branch Network 2022

As of December 31, 2022

	Mianwali	31	–
	Sargodha	35	2
<b>Total - Retail Banking North</b>		<b>467</b>	<b>5</b>

<b>Retail Banking South</b>			
Circle / No. of Branches	Region	No. of Branches	No. of Sub-Branches
HYDERABAD - 76	Badin	16	–
	Hyderabad	23	–
	Mirpurkhas	18	1
	Nawabshah	19	–
KARACHI CITY - 56	Karachi City	30	1
	Karachi North	26	–
KARACHI EAST - 53	Karachi East	26	–
	Karachi South	27	–
KARACHI WEST - 48	Karachi Central	25	–
	Karachi West	23	–
QUETTA - 53	Khuzdar	16	–
	Makran	10	1
	Quetta	27	2
SUKKUR - 71	Larkana	22	–
	Naushero Feroze	22	–
	Sukkur	27	–
<b>Total - Retail Banking South</b>		<b>357</b>	<b>5</b>

<b>Wholesales Banking Group (WBG)</b>		
Corporate Banking North	7	–
Corporate Banking South	1	–
Inv. & Global Transaction Banking	2	–
<b>Total - WBG</b>	<b>10</b>	<b>–</b>
<b>Wealth Management &amp; Privilege Banking</b>		
Privilege Banking	8	–

Overseas Branches / International Banking	No. of Branches
<b>Sri Lanka</b>	
Colombo	1
Kandy	1
Kollupitiya	1
Maradana	1
Pettah	1
Wellawatte	1
<b>Bahrain</b>	
MCB Offshore Banking Unit (OBU) Bahrain	1
<b>UAE</b>	
MCB Dubai Wholesale Branch (UAE)	1
<b>Pakistan</b>	
EPZ	1
<b>Total</b>	<b>9</b>

## Branch Network 2022

As of December 31, 2022

Group-Wise				
Group	Circles	Regions	No. of Branches	No. of Sub-Branches
Retail Banking Central	8	24	597	2
Retail Banking North	5	18	467	5
Retail Banking South	6	16	357	5
Wholesale Banking Group	4	6	10	–
Wealth Management & Privilege Banking	1	1	8	–
<b>Total</b>	<b>24</b>	<b>65</b>	<b>1,439</b>	<b>12</b>
Overseas Branches / International Banking	–	–	8	–
EPZ	–	–	1	–
<b>Grand Total</b>	<b>24</b>	<b>65</b>	<b>1,448</b>	<b>12</b>

Province-Wise			
Provinces / Territories / AJK	Branches	Sub-Branches	Total
Azad Jammu & Kashmir	43	–	43
Balochistan	55	3	58
Federal Capital Territory	34	–	34
Gilgit-Baltistan	5	–	5
Khyber Pakhtunkhwa	154	2	156
Punjab	842	5	847
Sindh	306	2	308
<b>Domestic Total</b>	<b>1,439</b>	<b>12</b>	<b>1,451</b>
Overseas Branches / International Banking	8	–	8
EPZ	1	–	1
<b>Grand Total</b>	<b>1,448</b>	<b>12</b>	<b>1,460</b>

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, 2022

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
27,249	1	100	878,555
13,769	101	500	3,400,162
5,920	501	1,000	4,421,667
7,876	1,001	5,000	14,125,681
589	5,001	10,000	4,378,027
675	10,001	50,000	15,466,122
153	50,001	100,000	10,781,901
134	100,001	500,000	30,128,873
36	500,001	1,000,000	26,521,567
54	1,000,001	5,000,000	104,063,142
9	5,000,001	10,000,000	62,963,715
4	10,000,001	15,000,000	44,184,830
4	15,000,001	25,000,000	80,653,339
12	25,000,001	Above	783,092,425
<b>56,484</b>			<b>1,185,060,006</b>

## Categories of Shareholders

As of December 31, 2022

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouses and Minor Children	157,097,235	13.2565%
Associated Companies, Undertakings and Related Parties	240,466,794	20.2915%
NIT and ICP	912	0.0001%
Banks, Development Financial Institutions, Non Banking Financial Institutions	34,188,876	2.8850%
Insurance Companies	102,826,395	8.6769%
Modarabas and Mutual Funds	6,645,118	0.5607%
Shareholders Holding 10%	222,606,147	18.7844%
General Public Local	179,422,180	15.1403%
General Public Foreign	8,567,603	0.7230%
Others	233,238,746	19.6816%
<b>Total</b>	<b>1,185,060,006</b>	<b>100.0000%</b>

## Categories of Shareholders

As of December 31, 2022

Categories of Shareholders	Shares Held	Percentage
<b>Directors, Chief Executive Officer, their Spouses and Minor Children</b>		
Mian Mohammad Mansha	7,834	0.0007%
Naz Mansha	28,680,944	2.4202%
Muhammad Tariq Rafi	34,876,772	2.9430%
Mrs. Nighat Tariq	5,715,093	0.4823%
Mian Umer Mansha	44,216,616	3.7312%
Iqraa Hassan Mansha	8,000	0.0007%
Mian Hassan Mansha	43,539,042	3.6740%
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%
	<b>157,097,235</b>	<b>13.2565%</b>
<b>Associated Companies, Undertakings and Related Parties</b>		
Nishat Mills Limited	95,125,651	8.0271%
Adamjee Insurance Company Limited	59,225,639	4.9977%
Siddiqsons Limited	12,016,543	1.0140%
Adamjee Life Assurance Company Limited	1,200,000	0.1013%
Adamjee Life Assurance Company Ltd-IMF	5,076,506	0.4284%
Adamjee Life Assurance Co. Ltd-DGF	29,500	0.0025%
Nishat (Aziz Avenue) Hotels and Properties Limited	654,376	0.0552%
Nishat Real Estates Development Company (Private) Limited	194,000	0.0164%
Trustee - MCB Provident Fund Pak Staff	34,166,060	2.8831%
Trustee - MCB Employees Pension Fund	24,312,991	2.0516%
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	16,000	0.0014%
CDC - Trustee MCB Pakistan Dividend Yield Plan	99,000	0.0084%
	<b>240,466,794</b>	<b>20.2915%</b>
<b>NIT and ICP</b>		
Investment Corporation of Pakistan	912	0.0001%
	<b>912</b>	<b>0.0001%</b>
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>		
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	1,192,992	0.1007%
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.	2,511,710	0.2119%
Allied Bank Limited	10,372,224	0.8752%
Habib Bank Limited	2,165,795	0.1828%
Faysal Bank Limited	965,570	0.0815%
Habib Metropolitan Bank Limited	1,735,286	0.1464%
Bank Al Habib Limited	700,000	0.0591%
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%

Categories of Shareholders	Shares Held	Percentage
Askari Bank Limited	2,055,000	0.1734%
House Building Finance Company Limited	41,951	0.0035%
Pair Investment Company Limited	505,000	0.0426%
Sindh Bank Limited	1,141,000	0.0963%
Samba Bank Limited	7,372	0.0006%
United Bank Limited	4,250,000	0.3586%
Invest Capital Investment Bank Limited	29,000	0.0024%
	<b>34,188,876</b>	<b>2.8850%</b>
<b>Insurance Companies</b>		
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	1,349,513	0.1139%
State Life Insurance Corp. of Pakistan	23,059,087	1.9458%
EFU Life Assurance Ltd.	6,418,695	0.5416%
Pakistan Reinsurance Company Limited	700,000	0.0591%
Allianz EFU Health Insurance Limited	12,626	0.0011%
The Crescent Star Insurance Co.Ltd.	3	0.0000%
Jubilee Life Insurance Company Limited	11,109,702	0.9375%
East West Insurance Co.Ltd	25,000	0.0021%
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 General Insurance Limited	20,715	0.0017%
Alfalsh Insurance Company Limited	136,000	0.0115%
Askari General Insurance Company	677,149	0.0571%
	<b>102,826,395</b>	<b>8.6769%</b>
<b>Modarabas and Mutual Funds</b>		
First Hajveri Modaraba	60	0.0000%
Crescent Modaraba Management 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 HBL Investment Fund	59,230	0.0050%
CDC - Trustee Atlas Stock Market Fund	903,409	0.0762%
CDC - Trustee Faysal Stock Fund	399,866	0.0337%
CDC - Trustee Alfalah GHP Value Fund	61,023	0.0051%
CDC - Trustee AKD Index Tracker Fund	112,908	0.0095%
Tri-Star Mutual Fund Limited	754	0.0001%
Crescent Standard Business Management (Pvt) Limited	1	0.0000%
CDC - Trustee NBP Stock Fund	6,461	0.0005%
CDC - Trustee NBP Balanced Fund	22,500	0.0019%
CDC - Trustee APF-Equity Sub Fund	44,409	0.0037%
CDC - Trustee HBL - Stock Fund	56,389	0.0048%
CDC - Trustee Alfalah GHP Stock Fund	256,806	0.0217%



Categories of Shareholders	Shares Held	Percentage
CDC - Trustee Alfalah GHP Alpha Fund	102,486	0.0086%
CDC - Trustee NIT-Equity Market Opportunity Fund	1,180,676	0.0996%
CDC - Trustee ABL Stock Fund	126	0.0000%
CDC - Trustee AL Habib Stock Fund	18,000	0.0015%
CDC - Trustee Lakson Equity Fund	756,722	0.0639%
CDC - Trustee NBP Sarmaya Izafa Fund	42,700	0.0036%
CDC - Trustee Atlas Income Fund - MT	142,000	0.0120%
CDC - Trustee First Capital Mutual Fund	30,000	0.0025%
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	80	0.0000%
CDC - Trustee National Investment (Unit) Trust	1,055,735	0.0891%
CDC - Trustee AWT Stock Fund	13,600	0.0011%
CDC - Trustee NITPF Equity Sub-Fund	26,000	0.0022%
CDC - Trustee NBP Savings Fund - MT	46,000	0.0039%
CDC - Trustee Faysal MTS Fund - MT	288,908	0.0244%
CDC - Trustee Lakson Tactical Fund	59,056	0.0050%
CDC - Trustee Al Habib Asset Allocation Fund	14,000	0.0012%
CDC - Trustee NBP Financial Sector Fund	59,700	0.0050%
CDC - Trustee UBL Financial Sector Fund	65	0.0000%
CDC - Trustee Allied Finergy Fund	939	0.0001%
CDC - Trustee NIT Asset Allocation Fund	62,627	0.0053%
CDC - Trustee NIT Pakistan Gateway Exchange Traded Fund	19,604	0.0017%
CDC - Trustee UBL Pakistan Enterprise Exchange Traded Fund	19,532	0.0016%
CDC - Trustee NBP Financial Sector Income Fund - MT	654,126	0.0552%
CDC - Trustee Alfalah GHP Dedicated Equity Fund	9,774	0.0008%
CDC - Trustee HBL Financial Sector Income Fund Plan I - MT	112,302	0.0095%
	<b>6,645,118</b>	<b>0.5607%</b>
<b>Share Holders Holding 10%</b>		
Maybank International Trust (Labuan) Berhad	222,606,147	18.7844%
	<b>222,606,147</b>	<b>18.7844%</b>
<b>General Public</b>		
- Local	179,422,180	15.1403%
- Foreign	8,567,603	0.7230%
<b>Others</b>	<b>233,238,746</b>	<b>19.6816%</b>
- Foreign Companies	45,799,973	3.8648%
- Local Companies	85,161,213	7.1862%
- D.G. Khan Cement Company Limited	102,277,232	8.6306%
- Nishat Mills Limited (as disclosed in Associated Companies, Undertakings and Related Parties)	-	-
- Executives (as per the threshold determined by Board of Directors)	328	0.0000%
<b>Total</b>	<b>1,185,060,006</b>	<b>100.0000%</b>

All the trades in shares carried out by Directors, CEO, CFO, Secretary, Executives, their Spouses and Minor Children during the year 2022 are given below:

Name	Status	No. of Shares	Purchase/Sale/Transfer
Mrs. Naz Mansha	Spouse of Chairman	22,256,887	Purchase
Mian Umer Mansha	Director	12,200,238	Purchase
Mian Hassan Mansha	Spouse of Director	145,371	Purchase

## Notice of 75<sup>th</sup> Annual General Meeting

Notice is hereby given that 75<sup>th</sup> Annual General Meeting of **MCB Bank Limited** (the “**Bank**”) will be held on **Monday, March 27, 2023 at 11:00 AM (PST)** at Grand Ball Room-A, 4<sup>th</sup> Floor, The Nishat Hotel adjacent to Emporium Mall, 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 29, 2022.
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, 2022.
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 @ 60% i.e., PKR 6.00 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 200% i.e., PKR 20.00 per share for the year ended December 31, 2022.

### Special Business:

5. To consider and if deemed fit, to pass the resolutions as Special Resolutions, with or without amendments to approve the alterations/amendments in the Articles of Association of the Bank in accordance with the requirements of Section 38 of the Companies Act, 2017, as proposed in the Statement of Material Facts annexed to this Notice.
6. To consider and if deemed fit, to pass the resolutions as Special Resolutions, with or without amendments, to approve and authorize an equity investment by way of purchase of Ordinary Shares of MCB-Arif Habib Savings and Investments Limited, a subsidiary company of the Bank, in accordance with the requirements of Section 199 of the Companies Act, 2017, as proposed in the Statement of Material Facts annexed to this Notice.

Statement of Material Facts under Section 134(3) of the Companies Act, 2017 (“Act”) along with draft Special Resolutions 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 06, 2023**  
**Lahore.**

### Notes:

1. Minutes of the Annual General Meeting (the “Meeting” or “AGM”) held on March 29, 2022 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 16, 2023 to March 27, 2023** (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 15, 2023** 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 Investor Account Services.
7. As per Member's Register, some of the shareholders are maintaining more than one folio under the same particulars. Carrying two or more different folios may be hassle for the shareholders to reconcile and receiving different benefits in the shape of dividends/ bonus etc. In order to provide better services and convenience such shareholders are requested to send requests to the Bank's Share Registrar to merge their folios into one folio.
8. Central Depository Company of Pakistan ("CDC") Account holders 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-account holder 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-account holder 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.
9. A Proxy Form, both in English and Urdu language, is being sent to the Members, along with Notice of AGM. The form of proxy is also available on website of the Bank i.e., [www.mcb.com.pk](http://www.mcb.com.pk).
  10. 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 obtained and/or 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.
  11. Annual Report 2022 including Notice of AGM, and the annual audited financial statements, reports and other material has also been placed on website of the Bank i.e., [www.mcb.com.pk](http://www.mcb.com.pk).

**Requirements to attend the AGM through Video-Link**

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. 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: [corporate.affairs@mcb.com.pk](mailto:corporate.affairs@mcb.com.pk) of the Bank on or before March 23, 2023.

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 addresses. The Login facility shall remain open from the start of the AGM till its proceedings are concluded.

**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/alterations in Articles of Association of the Bank:**

The existing Articles of Association (the “Articles”) of MCB Bank Limited (the “Bank”) are required to be amended to align the Articles with the applicable laws, rules and regulations. Therefore, the existing Articles have been proposed to be amended/alter accordingly and the same will be laid before the members in Annual General Meeting (“AGM”) of the Bank scheduled to be held on March 27, 2023 in accordance with the requirements of Section 38 read with Section 134(3) of the Companies Act, 2017.

The Board of Directors of the Bank has approved the amendments in the Articles of the Bank and recommended the same to the shareholders for approval. A draft of the amended Articles of Association identifying the changes proposed therein is enclosed herewith.

For the purpose aforesaid, it is proposed to consider and, if thought fit, to pass the following resolutions as Special Resolutions, with or without modifications, to amend the Articles of Association of the Bank:

***“RESOLVED THAT the proposed amendments in the Articles of Association of MCB Bank Limited (the ‘Bank’), as laid before the Members of the Bank, be and are hereby approved and adopted.”***

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

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

***“RESOLVED FURTHER THAT the aforesaid alteration in the Articles of Association of the Bank shall be subject to any amendment, modification, addition or deletion as may be directed by the Securities & Exchange Commission of Pakistan (‘SECP’), which amendment, modification, addition or deletion shall be deemed part of this special resolution without the need for passing a fresh special resolution.”***

The Directors / the Chief Executive Officer (‘CEO’) of the Bank have no interest, directly or indirectly, in this Special Business and/or Special Resolutions except in their capacities as Directors/CEO/ shareholders as has been detailed in the Pattern of Shareholding annexed to the Directors’ Report and the entitlements to the remunerations.

**Comparative Analysis:**

In order to enable the members to compare the existing Articles of Association with the proposed Articles of Association, a blackline draft identifying the proposed changes in the documents along with reasons and justifications for the proposed changes, is being provided in the DVD, as an integral part of this Notice of AGM.

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

The existing Articles of Association of the Bank have been redrafted to align the same with the provisions of the Companies Act, 2017 and applicable laws, rules & regulations. The reasons of each change in the Articles of Association are mentioned in the attached comparative analysis.

**Availability of Relevant Documents and Inspection:**

A copy of the existing and proposed Articles of Association of the Bank indicating the proposed amendments are available for inspection at the Registered Office of the Bank from 9:00 AM to 5:00 PM on any working day, upto the last working day before the date of the Annual General Meeting. The same shall also be available for inspection by the members in the Annual General Meeting.

**Statement of the Board of Directors:**

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

**Chairman****Board of Directors****Agenda Item No. 6****Equity Investment in MCB Arif-Habib Savings and Investments Limited:**

MCB-Arif Habib Savings and Investments Limited (“MCBAH” or the “Company”) is a Public Limited Company listed on Pakistan Stock Exchange Limited. The principal activities of the Company are floating and managing Collective Investment Schemes, Voluntary Pension Schemes and providing investment advisory services. MCBAH is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (“NBFC Rules 2003”). MCBAH is a member of the Mutual Funds Association of Pakistan (MUFAP).

Arif Habib Investment Management Limited was incorporated in the year 2000 and merged with MCB Asset Management Limited, in 2011 and became a subsidiary company of MCB Bank Limited (“MCB” or the “Bank”). As a result of this merger, the name of merged entity changed to MCB-Arif Habib Savings and Investments Limited (“MCBAH”).

MCB is holding 36,956,768 Ordinary Shares constituting 51.33% of the issued and paid up share capital of MCBAH. Similarly, Arif Habib Corporation Limited (“AHC”) is an original sponsor and promoter of MCBAH and is holding 21,664,167 Ordinary Shares constituting 30.09% of the issued and paid up share capital of MCBAH.

**Share Purchase Agreement:**

AHC is desirous to divest its entire shareholding in MCBAH and MCB has first right to buy the shares of MCBAH as per their earlier agreement of 2011. AHC has entered into Share Purchase Agreement (“SPA”) dated February 24, 2023 with MCB to sell 21,664,167 ordinary shares constituting 30.09% of issued and paid up share capital of MCBAH at a price of PKR 30/- per share, with total cash consideration amounting to PKR 649,925,010/- subject to the approval of the shareholders through special resolution in terms of Section 199 of the Act.

After acquiring the above shareholding, MCB would become a major shareholder of MCBAH with the shareholding of 58,620,935 ordinary shares constituting 81.42% of the issued and paid up share capital of MCBAH.

The State Bank of Pakistan (“SBP”) has granted its approval to the Bank to make an equity investment in MCBAH and to execute the above transaction; however, AHC (the Seller) has applied for the approval of the Securities & Exchange Commission of Pakistan (“SECP”) under the NBFC Rules 2003, which is in process.

The Board of Directors of the Bank has approved the above mentioned equity investment in MCBAH and recommended the same to the shareholders for approval.

**Due Diligence Report:**

As required by the Regulation 3(4) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 (the “Regulations”), the Board of Directors of the Bank have carried out the required due diligence for the proposed additional equity investment before making recommendation for approval of members and the duly signed recommendation of the Due Diligence Report shall be made available for inspection of the members at the AGM.

**Annual Audited Financial Statements of MCB Bank Limited and MCB Arif-Habib Savings and Investments Limited:**

As required by the Regulations, the annual Audited Financial Statements of MCB and MCBAH for the year ended December 31, 2022 and June 30, 2022, respectively, along with latest interim financial statements shall be made available to the members for inspection at the AGM.

**Interest of Investee Company, its Sponsors and Directors in the Bank:**

MCB Arif-Habib Savings and Investments Limited holds no shares in MCB Bank Limited.

The interest of the Directors of the Bank and associated company is as follows:

**Shareholding of Directors of MCB Bank Limited and MCB Arif-Habib Savings and Investments Limited, as at December 31, 2022:**

Sr. No.	Name of the Company	Name of Director	Designation	Shareholding in MCB Bank Limited	Shareholding in MCB Arif-Habib Savings and Investments Limited
1	MCB Bank Limited	Mian Mohammad Mansha	Chairman	7,834	500
2		Mr. Muhammad Tariq Rafi	Director	34,876,772	-
3		Mian Umer Mansha	Director	44,216,616	1,200
4		Mrs. Iqraa Hassan Mansha	Director	8,000	-
5		Mr. Muhammad Ali Zeb	Director	550	-
6		Mr. Mohd Suhail Amar Suresh bin Abdullah	Director	884	-
7		Mr. Yahya Saleem	Director	500	-
8		Mr. Salman Khalid Butt	Director	49,000	-
9		Mr. Masood Ahmed Puri	Director	1,000	-
10		Mr. Shahzad Hussain	Director	500	-
11		Mr. Shariffuddin Bin Khalid	Director	500	-
12		Mr. Shoaib Mumtaz	President & CEO	-	-
1	MCB Arif-Habib Savings and Investments Limited	Mr. Haroon Rashid	Chairman	500	500
2		Mr. Nasim Beg	Director	-	29,822
3		Mr. Ahmed Jahangir	Director	-	500
4		Mr. Kashif A. Habib	Director	-	4
5		Mirza Qamar Beg	Director	7	500
6		Syed Savail Meekal Hussain	Director	-	500
7		Ms. Mavra Adil Khan	Director	-	100
8		Mr. Muhammad Saqib Saleem	CEO	-	500

The following resolutions are proposed to be adopted as Special Resolutions, to approve the equity investment in MCB Arif-Habib Savings and Investments Limited:

***“RESOLVED THAT pursuant to the requirements of Section 199 of the Companies Act, 2017, approval of the members be and is hereby accorded and MCB Bank Limited (the ‘Bank’) be and is hereby authorized to acquire 21,664,167 ordinary shares (constituting 30.09% of the issued and paid up share capital) of MCB-Arif Habib Savings and Investments Limited (the ‘Company’), an existing subsidiary of the Bank, in addition to the 36,956,768 ordinary shares (constituting 51.33% of the issued and paid up share capital) of the Company already owned by the Bank, at a price of PKR 30/- per share, with the total consideration amounting to PKR 649,925,010/- and as per other terms disclosed to the shareholders.”***

***“FURTHER RESOLVED THAT the President & CEO, the Chief Financial Officer and the Head International Banking of the Bank, either individually or jointly, be and are hereby authorized and empowered to do all acts, matters, deeds and things and take any or all necessary steps and actions to complete legal formalities which may be required for the above-mentioned equity investment including signing of agreement and other documents as may be necessary or incidental for the purpose of implementing the aforesaid resolution.”***

***“FURTHER RESOLVED THAT the Acting Company Secretary be and is hereby authorized and empowered to complete all financial, legal and corporate formalities including filing of all requisite statutory returns/forms, as may be required to be filed with the Securities & Exchange Commission of Pakistan, the Pakistan Stock Exchange Limited and also complying with all other regulatory requirements so as to effectuate the above resolution.”***

The Directors of the Bank have no interest, directly or indirectly, in the above Special business, save to the extent of their shareholding of the Bank and MCBAH.

**Information under Regulation 3 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017**

**Further equity investment in MCB Arif-Habib Savings and Investments Limited:**

Ref. No.	Requirement	Information																		
<b>(a) Disclosures for all types of investments</b>																				
<b>(A) Regarding Associated Company or Associated Undertaking:-</b>																				
i	Name of the associated company or associated undertaking;	MCB – Arif Habib Savings and Investments Limited (“MCBAH”).																		
ii	Basis of relationship;	MCBAH is a subsidiary of MCB Bank Limited (“MCB”).																		
iii	Earnings per share for the last three years;	PKR 3.6 (2020) PKR 5.2 (2021) PKR 2.4 (2022) Source: Audited Financial Statements 2022																		
iv	Break-up value per share, based on latest audited financial statements;	PKR 19.92 Source: MCBAH																		
v	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and	<table border="1"> <thead> <tr> <th colspan="2">Financial Position - June 30, 2022</th> </tr> <tr> <th></th> <th>PKR in Millions</th> </tr> </thead> <tbody> <tr> <td>Total Assets</td> <td>2,233</td> </tr> <tr> <td>Total Liabilities</td> <td>798</td> </tr> <tr> <td>Total Equity</td> <td>1,434</td> </tr> <tr> <td>Total Revenue</td> <td>882</td> </tr> <tr> <td>Net Income</td> <td>173</td> </tr> <tr> <td>Ending Cash Balance</td> <td>52</td> </tr> <tr> <td colspan="2">Source: Audited Financial Statements 2022</td> </tr> </tbody> </table>	Financial Position - June 30, 2022			PKR in Millions	Total Assets	2,233	Total Liabilities	798	Total Equity	1,434	Total Revenue	882	Net Income	173	Ending Cash Balance	52	Source: Audited Financial Statements 2022	
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Total Revenue	882																			
Net Income	173																			
Ending Cash Balance	52																			
Source: Audited Financial Statements 2022																				
vi	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,-	N/A																		
I)	Description of the project and its history since conceptualization;																			
II)	Starting date and expected date of completion of work;																			
III)	Time by which such project shall become commercially operational;																			
IV)	Expected time by which the project shall start paying return on investment; and																			
V)	Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;																			

Ref. No.	Requirement	Information
<b>B) General disclosures:-</b>		
i	Maximum amount of investment to be made;	PKR 649,925,010/-.
ii	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;	<p>The acquisition of additional MCBAH shares will be earnings-accretive to MCB. Although MCB is already the majority shareholder of MCBAH, after acquiring additional MCBAH shares, MCB will be in a better position to make strategic decisions regarding MCBAH.</p> <p>Furthermore, MCB Live has the potential to significantly increase the reach and distribution of MCBAH's mutual funds, resulting in increased profitability. In terms of account numbers, online sales are the fastest-growing channel.</p> <p>Moreover, investment in MCBAH would provide MCB with diversification benefits. Fee income on the AMC business is a function of assets under management, which are largely uncorrelated with the banking sector due to distinct business dynamics. Asset management businesses offer a lucrative fee-based revenue stream to complement the banking model. Along with business dynamics, both are regulated and governed by distinct tax and regulatory frameworks and thus offer significant diversification.</p>
iii	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, - <ol style="list-style-type: none"> <li>Justification for investment through borrowings;</li> <li>Detail of collateral, guarantees provided and assets pledged for obtaining such funds; and</li> <li>Cost benefit analysis;</li> </ol>	The investment will be made using the Bank's own funds.
iv	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	Under the proposed share purchase agreement, MCB shall purchase 21,664,167 ordinary shares of MCBAH from AHC for a price of PKR 30/- per share subject to applicable corporate and regulatory approvals.
v	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Directors of MCB have no direct or indirect interest in MCBAH except to the extent of their respective shareholding, as given above, in the MCBAH.
vi	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	Presently, MCB holds 51.33% ordinary shares of MCBAH. MCBAH is the 3rd largest AMC in terms of total AUM, with a market share of about 12%. MCBAH is a listed company which is paying persistent dividends. No impairment and/or write off has been recorded so far.
vii	Any other important details necessary for the members to understand the transaction;	N/A



In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-														
i	Maximum price at which securities will be acquired;	PKR 30/- per ordinary share												
ii	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;	<p>The Shares are being acquired at a premium relative to the market traded share price. This is justified on the basis of the following factors:</p> <ul style="list-style-type: none"> <li>The financial model's numbers show that the fair value range of MCBAH is much higher than the currently traded share price of PKR 20/- (MCBAH's traded price exceeded PKR 30/- in FY 2022).</li> <li>Furthermore, MCBAH has a history of paying out attractive dividends, as shown in the table below:</li> </ul> <table border="1"> <thead> <tr> <th>Historical Dividends</th> <th>FY 20</th> <th>FY 21</th> <th>FY 22</th> </tr> </thead> <tbody> <tr> <td>Dividend per share (PKR)</td> <td>3.3</td> <td>5.0</td> <td>3.0</td> </tr> <tr> <td>Payout Ratio</td> <td>91%</td> <td>96%</td> <td>125%</td> </tr> </tbody> </table>	Historical Dividends	FY 20	FY 21	FY 22	Dividend per share (PKR)	3.3	5.0	3.0	Payout Ratio	91%	96%	125%
Historical Dividends	FY 20	FY 21	FY 22											
Dividend per share (PKR)	3.3	5.0	3.0											
Payout Ratio	91%	96%	125%											
iii	Maximum number of securities to be acquired;	The number of MCBAH shares to be acquired by MCB is 21,664,167 (currently owned by AHC).												
iv	Number of securities and percentage thereof held before and after the proposed investment;	<p>Before the proposed investment MCB held 36,956,768 (51.33%) ordinary shares of MCBAH. After the proposed investment, MCB will hold 58,620,935 (81.42%) ordinary shares of MCBAH as illustrated in the table given below:</p> <table border="1"> <thead> <tr> <th>Categories of Shareholders</th> <th>Shares Currently Held</th> <th>Current Percentage</th> <th>Shares After Investment</th> <th>Percentage After Investment</th> </tr> </thead> <tbody> <tr> <td>MCB Bank Limited</td> <td>36,956,768</td> <td>51.33%</td> <td>58,620,935</td> <td>81.42%</td> </tr> </tbody> </table>	Categories of Shareholders	Shares Currently Held	Current Percentage	Shares After Investment	Percentage After Investment	MCB Bank Limited	36,956,768	51.33%	58,620,935	81.42%		
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MCB Bank Limited	36,956,768	51.33%	58,620,935	81.42%										
v	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	<table border="1"> <tbody> <tr> <td>3 Months VWAP</td> <td>PKR 21.93</td> </tr> <tr> <td>Share price as of 16th Feb 2023</td> <td>PKR 22.00</td> </tr> </tbody> </table>	3 Months VWAP	PKR 21.93	Share price as of 16th Feb 2023	PKR 22.00								
3 Months VWAP	PKR 21.93													
Share price as of 16th Feb 2023	PKR 22.00													
vi	Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;	This is not applicable, as MCBAH is a listed entity.												

### **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 ("SECP"), 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. Payment of Cash Dividend through electronic mode:**

In accordance with the regulatory requirements of the SECP, shareholders are requested to submit signed "IBAN Form" available on Bank's website along with copy of CNIC to the Share Registrar and Transfer Agent of the Bank at the below mentioned address, in case of physical shares. In case shares are held in CDC then IBAN Form must be submitted directly to shareholder's broker/participant/CDC Investor account services.

**3. Requirement of FBR's Approval or Valid Tax Exemption Certificate for Claim of Exemption under Section 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, a 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.

**4. 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' and the higher tax rate will be applied, accordingly. 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.

CDC Account No./ Folio No.	Name of Principal Shareholder/Joint Holders	Shareholding Proportion	CNIC No. (copy attached)	Signature

**5. 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](http://www.mcb.com.pk).

**6. 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 nationwide circulation requesting them to submit their claims. In the absence of such claims, the Bank will proceed to comply with regulatory requirements.

**7. Zakat Declaration (CZ-50):**

That pursuant to the Zakat and Ushr Ordinance, 1980 read with the Zakat (Collection and Refund) Rules, 1981, MCB Bank Limited (the "Bank") is under a legal obligation and duty to deduct zakat from dividend(s) of a shareholder and to thereafter deposit the said zakat amount with the relevant Authority. To avail an exemption from the deduction of such zakat amount, a shareholder is required to provide the Bank with a duly executed declaration form i.e. CZ-50, with respect to faith and fiqh, at least 30 days prior to the first day of Ramadhan.

The Bank has recently screened, updated and secured its record and has identified those shareholders whose CZ-50 Forms/ Declarations are not available with it. Therefore, the Bank has been continuously reaching out and requesting all such shareholders to file their CZ-50 Forms/Declarations with the Bank in order to claim exemption, if applicable, from the compulsory deduction of zakat from their dividends.

In this regard, for the period starting from the first day of Ramadhan 1444 AH (2023) and ending on the 30th day of Sha'ban 1445 AH (2024), the CZ-50 forms in respect of which were required to have been submitted at least 30 days prior to the first day of Ramadhan, 1444 AH (2023), several notices have already been issued to all such shareholders through post/ courier as well as by way of publication in English and Urdu dailies having nationwide circulation. At the same time, the Bank has also formally requested the Central Depository Company of Pakistan Limited ("CDC") and the concerned Stock Brokers to immediately provide the Bank with CZ-50 Declarations/ Form of such shareholders, if available with them.

As things stand at the moment, and all other things being equal, accordingly, on the basis of the available information, details and documentation, the Bank is legally compelled to now deduct zakat from the dividends, in respect of those shareholders whose CZ-50 Forms the Bank is still not in receipt of, despite all the aforesaid attempts made to be provided with the same.

In view of the above, it is hereby submitted that the Bank, in performance of its legal obligations, has made all reasonable attempts to inform and put to notice all its shareholders regarding deduction of zakat from their dividends, in the absence of a duly executed CZ-50 Form with the Bank. Therefore, on the first day of Ramadhan 1444 AH (2023), having no alternative but to perform its legal obligation, any zakat deducted from the dividends will be deposited by the Bank with the concerned/ relevant Authority against the name of such shareholders who have not, till date, submitted their CZ-50 Form with the Bank. In case any person is aggrieved of the deduction of zakat from his/her dividends, he/she may seek to claim a refund from the concerned Authority of the amount so deducted. The Bank, in any case, bears no legal responsibility/ obligation or any financial liability whatsoever in this regard.

#### **8. Conversion of Physical Shares into Book-Entry Form:**

SECP through its letter No. CSD/ED/Misc/2016-639-640, dated March 26, 2021 has advised the listed companies to adhere with the provisions of the Section 72 of the Companies Act, 2017 requiring all the existing companies to replace shares issued by them in Physical Form with shares issued in the Book-Entry Form in a manner as may be specified by the SECP. Therefore, the shareholders having physical shareholding are requested to open Investor Account directly with CDC or CDC sub-account with any of CDS Participant to replace their physical shares into book-entry form. Such conversion of shares will facilitate the shareholders in many ways including safe custody of shares; no loss, damage or theft of shares; avoidance of formalities required for the issuance of duplicate shares/transmission of shares to legal heirs; no stamp duty required for issuance of duplicate shares and transfer of shares; swift credit of bonus and right issue in electronic form and readily available for sale, purchase or transfer in open market. Therefore, it is in the best interest of the shareholders that they may contact the Share Registrar and Transfer Agent of the Bank, at the below mentioned address, for the conversion of Physical shares into Book-Entry Form.

**M/s THK Associates (Pvt) Limited.,**  
**Share Registrar and Transfer Agent-MCB Bank Limited**  
 Plot No. 32-C, Jami Commercial Street 2  
 D.H.A., Phase VII, Karachi-75500. Pakistan.  
 UAN: +92 (21) 111-000-322,  
 Fax: +92 (21) 35310190.

**Email:** [sfc@thk.com.pk](mailto:sfc@thk.com.pk)

**Website:** [www.thk.com.pk](http://www.thk.com.pk)

## BCR Criteria Mapping

S. No	BCR criteria	Page No.
<b>1</b>	<b>ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT</b>	
1.01	Principal business activities and markets (local and international) including key brands, products and services.	26-47,162-172
1.02	Geographical location and address of all business units including sales units and plants.	48,465-467
1.03	Mission, vision, code of conduct, culture, ethics and values.	8,200-203
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.	71,125,468-471
1.05	Organization chart indicating functional and administrative reporting, presented with legends	63
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).	138-139
1.07	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain.	137
1.08	Significant factors effecting the external environment and the associated organization's response. Also describe the effect of seasonality on business in terms of production and sales.	148-152
1.09	The legitimate needs, interests of key stakeholders and industry trends.	248-249
1.10	SWOT Analysis of the company.	142
1.11	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).	140-141
1.12	The legislative and regulatory environment in which the organization operates	135
1.13	The political environment where the organization operates and other countries that may affect the ability of the organization to implement its strategy.	135
1.14	Significant changes from prior years (regarding the information disclosed in this section).	194
1.15	History of major events.	127
1.16	Details of significant events occurred during the year and after the reporting period.	126
<b>2</b>	<b>STRATEGY AND RESOURCE ALLOCATION</b>	
2.01	Short, medium and long term strategic objectives.	128
2.02	Strategies in place or intended to be implemented to achieve the strategic objectives.	129
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).	131-135
2.04	Key resources and capabilities of the company which provide sustainable competitive advantage.	131-135
2.05	Value created by the business, and for whom, using these resources and capabilities.	138-139
2.06	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.	134-135
2.07	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.	136
2.08	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.	130-131
2.09	Board's statement on the following: a) significant plans and decisions such as corporate restructuring, business expansion, or discontinuance of operations; b) business rationale of major capital expenditure or projects started during the year and those planned for next year etc.	136 81, 83, 118
2.10	Significant changes in objectives and strategies from prior years	136

S. No	BCR criteria	Page No.
<b>3</b>	<b>RISKS AND OPPORTUNITIES</b>	
<b>3.01</b>	Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term.	146-152
<b>3.02</b>	Risk Management Framework including risk management methodology and principal risk and uncertainties facing the company.	143-145
<b>3.03</b>	Sources of risks and opportunities (internal and external).	146-152
<b>3.04</b>	The initiatives taken by the company in promoting and enabling innovation.	135
<b>3.05</b>	Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does.	146-152
<b>3.06</b>	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.	147-152
<b>3.07</b>	Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.	143-145
<b>3.08</b>	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.	143-152
<b>3.09</b>	Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses	136
<b>3.10</b>	Inadequacy in the capital structure and plans to address such inadequacy.	153-156
<b>4</b>	<b>SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY</b>	
<b>4.01</b>	Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility as per best business practices including: a) environment related obligation applicable on the company; b) company progress towards environmental, social and & governance initiatives during the year; and c) company's responsibility towards the staff, health & safety.	220-243
<b>4.02</b>	Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.	222
<b>4.03</b>	Certifications acquired and international standards adopted for best sustainability and CSR practices.	233
<b>5</b>	<b>GOVERNANCE</b>	
<b>5.01</b>	Board composition: a) Leadership structure of those charged with governance. b) Name of independent directors indicating justification for their independence c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience. d) Profile of each director including education, experience and involvement/engagement of in other entities as CEO, Director, CFO or Trustee etc. e) No. of companies in which the executive director of the reporting organization is serving as non-executive director.	50-62,175
<b>5.02</b>	Chairman's Review Report on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	73
<b>5.03</b>	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	186-188
<b>5.04</b>	Annual evaluation of performance, along with description of criteria used for the members of the board including CEO, Chairman and board's committees.	183-185
<b>5.05</b>	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	183-185
<b>5.06</b>	Details of formal orientation courses for directors.	185-186
<b>5.07</b>	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.	186
<b>5.08</b>	Description of external oversight of various functions like systems audit or internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	188-189

S. No	BCR criteria	Page No.
5.09	a) Approved policy for related party transactions. b) Details of all related parties transactions, along with the basis of relationship describing common directorship and percentage of shareholding. c) 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. d) Disclosure of director's interest in related party transactions e) In case of conflict, disclosure that how such a conflict is managed and monitored by the board.	190-191,321-323
5.10	Disclosure of Board's Policy on the following significant matters: a) Governance of risk and internal controls. 189 b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. 189 c) Disclosure of director's interest in significant contracts and arrangements. 190 d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings. 313-314 e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies. 186 f) Security clearance of foreign directors. 189 g) Board meetings held outside Pakistan. 173 h) Human resource management including preparation of succession plan. 191-192 i) Social and environmental responsibility. 193 j) Communication with stakeholders. 189 k) Investors' relationship and grievances. 191 l) Employee health, safety and protection. 189 m) Whistle blowing policy including mechanism to receive and handle complains in a fair and transparent manner and providing protection to the complainant against victimization and reporting in Audit Committee's report. 194 n) Safety of records of the company. 192 o) Providing reasonable opportunity to the shareholder for participation in the AGM. 189	
5.11	Board review statement of the organization's business continuity plan or disaster recovery plan	193,198
5.12	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	71,125
5.13	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	205-207
5.14	A brief description about role of the Chairman and the CEO.	187-188
5.15	Shares held by Sponsors / Directors / Executives.	468-471
5.16	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	174-175,177-181
5.17	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).	Communication of Results: February 08, 2023

S. No	BCR criteria	Page No.
5.18	<p>Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <p>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.</p> <p>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.</p> <p>c) Committee’s overall approach to risk management and internal control, and its processes, outcomes and disclosure</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported.</p> <p>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.</p> <p>i) Results of the self-evaluation of the Audit Committee carried out of its own performance.</p> <p>j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year.</p>	209-210
5.19	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.	194
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7.04	Disclosure that at least one board-level committee is charged with oversight of IT governance and cybersecurity matters and how the board administers its IT risk oversight function related to these risks.	
7.05	Disclosure about Company's controls and procedures about an "early warning system" that enables the company to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents.	
7.06	Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out.	
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18	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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## 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.

### 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 / NBFs 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.

#### **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
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\*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

## 75<sup>th</sup> Annual General Meeting

I/We \_\_\_\_\_ S/o/D/o/W/o \_\_\_\_\_  
 resident of \_\_\_\_\_ being a member of **MCB Bank Limited**, holder of  
 \_\_\_\_\_ Ordinary Share(s) as per Folio No. /CDC Account No. \_\_\_\_\_  
 \_\_\_\_\_ do hereby appoint Mr./Mrs./Miss \_\_\_\_\_  
 Folio No. /CDC Account No. \_\_\_\_\_ having CNIC No. \_\_\_\_\_  
 resident of \_\_\_\_\_ as my/our proxy to attend, speak and vote for me/us on my/our  
 behalf at the **75<sup>th</sup> Annual General Meeting (“AGM”)** of the Bank to be held on **Monday**, the **27<sup>th</sup>** day of **March, 2023** at  
**11:00 AM (PST)** at Grand Ball Room-A, 4<sup>th</sup> Floor, The Nishat Hotel adjacent to Emporium Mall, Abdul Haq Road, Johar  
 Town, Lahore, and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

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	: _____
Date	: _____	Date	: _____

### 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 (no account shall be taken of any part of the day that is not a working day) 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.

## پراکسی فارم

75واں سالانہ عام اجلاس

میں اہم \_\_\_\_\_ ولدیت ازوجیت \_\_\_\_\_  
 کے رہائشی \_\_\_\_\_ بحیثیت ممبر ایم سی بی بینک لمیٹڈ اور \_\_\_\_\_ عام حصص کا مالک \_\_\_\_\_ فوئیو ای سی ڈی ای اکاؤنٹ نمبر کے تحت  
 مستحق اسماء \_\_\_\_\_ کو جو کارڈ نمبر \_\_\_\_\_ جس کا شناختی کارڈ نمبر \_\_\_\_\_  
 کے رہائشی \_\_\_\_\_ کو بطور پراکسی مقرر کرتا ہوں اگر تئی ہوں کرتے ہیں تاکہ وہ میری اہماری غیر موجودگی میں میری اہماری طرف  
 سے بینک کے 75 ویں سالانہ عام اجلاس جو بروز پیر، مورخہ 27 مارچ 2023، بوقت 11:00 بجے صبح، بمقام گرینڈ بال روم۔ اے، چوتھی منزل،  
 دی نشاۃ ہوٹل ملحقہ ایمپوریم مال، عبدالحمق روڈ، جوہر ٹاؤن، لاہور میں منعقد ہو رہا ہے اس میں اور اس کے کسی ملتی شدہ اجلاس میں، شرکت کرے، بات کرے اور  
 ووٹ ڈالے۔

دستخط بتاریخ \_\_\_\_\_ 2023ء

پانچ روپیہ کے ریونیو سٹامپ پر دستخط  
 دستخط بینک میں رجسٹر نمونے سے  
 مطابقت رکھتے ہوں

سی ڈی ای اکاؤنٹ نمبر		فوئیو نمبر
پارٹیشن ID	اکاؤنٹ نمبر	

مکالمات:

(1) نام: \_\_\_\_\_  
 پتہ: \_\_\_\_\_  
 شناختی کارڈ نمبر: \_\_\_\_\_  
 دستخط: \_\_\_\_\_  
 تاریخ: \_\_\_\_\_

(2) نام: \_\_\_\_\_  
 پتہ: \_\_\_\_\_  
 شناختی کارڈ نمبر: \_\_\_\_\_  
 دستخط: \_\_\_\_\_  
 تاریخ: \_\_\_\_\_

نوٹ:

- 1- اسے جی ایم میں شرکت کرنے، بولنے اور ووٹ دینے کا اہل رکن کسی دوسرے رکن کو اپنا اپنی پراکسی مقرر کر سکتا ہے جس کو وہ تمام حقوق حاصل ہونگے جیسا کہ کنویژن ایکٹ 2017ء کے سیکشن 137 میں بیان کئے گئے ہیں۔
- 2- یہ مکمل پر کردہ اور دستخط شدہ پراکسی فارم بینک کے شیئرز رجسٹرار اور ٹرانسفر ایجنٹ میسرز ایچ کے ایس ایٹس (پرائیویٹ) لمیٹڈ، بمقام پلاٹ نمبر C-32، جانی کٹرل اسٹریٹ 2، ڈی ایچ اے، فیئر VII، کراچی۔ 75400 کے دفتر میں اجلاس کے انعقاد سے 48 گھنٹے پہلے (جس میں صرف کاروباری دنوں کے اوقات شامل ہونگے) جمع کرانا ہوگا۔
- 3- اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور بینک کے شیئرز رجسٹرار اور 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 ای اکاؤنٹ رکھنے والوں کا پورے اواروں کے لیے:
  - مستفید مالکان اور پراکسی کے سی این آئی سی این آئی سی او پی یا اسپورٹ کی تصدیق شدہ کاپیوں 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 اسپورٹ مہیا کرے گا۔
  - کارپوریٹ ادارہ ہونے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد اختیار نامہ نمونے کے مطابق دستخط کے ساتھ بینک کے رجسٹرار اور ٹرانسفر ایجنٹ کے پاس پراکسی فارم کے ساتھ جمع کرانا ہوگا۔

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