

BEST BANK IN PAKISTAN

ANNUAL REPORT 2020



Meezan Bank
The Premier Islamic Bank

About this Report

The Annual Report has been prepared in accordance with the Integrated Reporting Framework to present the Bank's performance during year 2020. The adoption of the integrated framework is in its preliminary stages and the Bank will continue to improve on the information mentioned in this report.

This report provides an in-depth and transparent disclosure of the Bank's financial performance. In preparing this report, the Bank was guided by the local statutory and regulatory requirements and is also in compliance with the following:

- Banking Companies Ordinance, 1962
- Companies Act, 2017
- Listed Companies (Code of Corporate Governance) Regulations, 2019
- International Financial Reporting Standards (IFRS)
- Islamic Financial Accounting Standards (IFAS)
- Directives issued by the State Bank of Pakistan (SBP) and Securities & Exchange Commission of Pakistan (SECP)

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

Audience

The Annual Report and Financial Statements have been prepared to provide information to the Bank's stakeholders including investors (equity shareholders, Sukuk holders and prospective investors), employees, customers, regulators, research analysts, credit rating agencies and society at large. The annual financial statements were approved by the Board of Directors on February 18, 2021 and signed on its behalf by the Chairman, President & CEO, CFO and two Directors.

Reporting & Publication Period

This report covers the financial and non-financial performance of Meezan Bank from the period January 01, 2020 to December 31, 2020 and is published within three months of the date of the Statement of Financial Position.

External Assurance

The Bank's financial statements are audited by external auditors, EY Ford Rhodes, Chartered Accountants and provide an in-depth and transparent disclosure of its financial performance. As a regulatory requisite, the auditors are rotated every five years to ensure their independence and transparency.

Availability

This report is published for a limited audience and dispatched upon request. It is available in soft copy (PDF format) on the Bank's official website as well as in electronic Compact Disk (CD) form. All three formats may be considered the audited, legally leading document.



For further clarification and feedback on this report, please contact through the following email id: investor.relations@meezanbank.com



When you see this icon, you will find more information on another page of this report



When you see this icon, you will find more information on our website



From the First Islamic Bank in Pakistan to the Best Bank in Pakistan Once Again...



Mr. Irfan Siddiqui - Founding President & CEO, Meezan Bank and Mr. Ariful Islam - Deputy CEO, Meezan Bank receiving the 'Best Bank' award from Dr. Reza Baqir - Governor State Bank of Pakistan at Pakistan Banking Awards-2020.

“ This award aims to holistically assess a bank on all aspects and is awarded to the bank that has demonstrated:

- *The most significant contribution to national development, and*
- *The most effective management of its resources including employees, clients, franchise, community and finances. ”*

Alhamdulillah, once again, Meezan Bank has been awarded the industry's most prestigious recognition - **The Best Bank for 2020** Award by Pakistan Banking Awards. Two years ago, Meezan Bank had won this award for the first time. Through the following pages, we take a deeper look at some of the elements that we believe make us the Best Bank in the country and how we plan to Insha'Allah continue on this path of excellence.

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CONFERS ON MEEZAN BANK
TWO PRESTIGIOUS GLOBAL AWARDS

- BEST OVERALL ISLAMIC BANK
- MOST INNOVATIVE ISLAMIC BANK

IFN
Awards





The Best Bank for Customers

Meezan Bank's growth has been the fastest in the financial industry of Pakistan – rising from the 32nd to one of the largest banks in Pakistan in just 18 years! Our branch network of 815 branches in 248 cities makes Islamic banking available to Pakistanis across the country and our recognition by the Prime Minister, for being the leading bank in generating deposits in the Roshan Digital Account, reflects the confidence that overseas Pakistanis have in Meezan Bank.

Meezan Bank's Consumer financing products such as Home Finance and Car Finance continue to be among industry leaders. The Bank also has excellent rapport in the corporate sector of the country and is one of the leading Trade Finance banks in Pakistan. With an expansive nation-wide branch network, elaborate bouquet of products and services, coupled with exemplary branch banking services, Meezan Bank is truly the Best Bank for Customers.



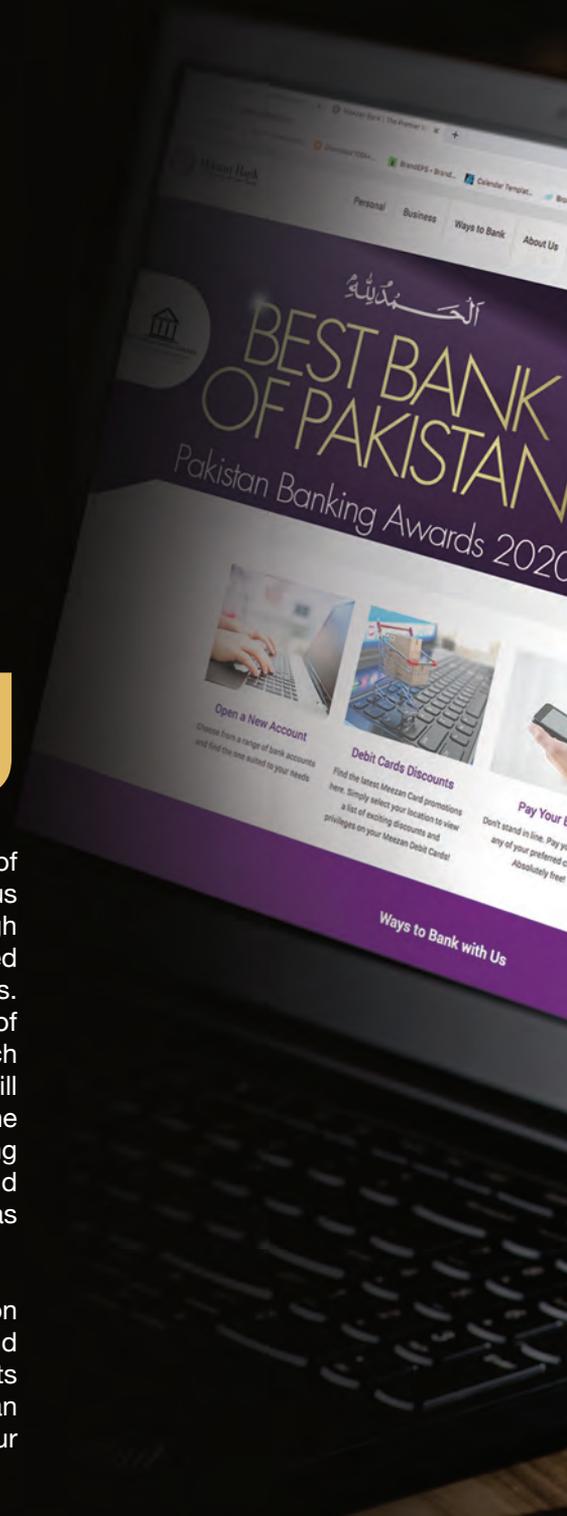

PAKISTAN BANKING AWARDS
THE INSTITUTE OF BANKERS PAKISTAN
DAWN | AF-PERGLUSINGCCU | 1997-2020

BEST BANK 2020

The Best in Digital Banking

Meezan Bank has always been at the forefront of digitizing its banking services. With our consistent focus on improving the banking experience delivered through our digital channels, Alhamdulillah, we have achieved market leadership in our various digital offerings. Meezan Bank is the largest bank in terms of number of transactions that pass through the country's main switch and the second largest in digital transfers and bill payments through this switch. We also process the largest volume of e-commerce transactions among Pakistani banks through our debit cards portfolio and our Mobile Banking App has been consistently rated as the No. 1 App in Pakistan.

At Meezan Bank, we maintain a continuous focus on broadening the gamut of our digital products and services by investing heavily in strengthening its technology platforms and acquiring the best of human resources to continue to be the Bank of choice for our customers.





PAKISTAN BANKING AWARDS
THE INSTITUTE OF BANKERS PAKISTAN
DBN - REFERRED SONARAH 2020
BEST BANK 2020

BEST BANK 2020



Username
Forgot username
Password
Forgot password
Login
Register
Login with TouchID

Avail Free Services
Bank with us to avail a range of free services

Internet Banking Lo
View Mezzan Bank's Webinar on Investment in Shariah-compliant




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DUBLIN • ABU DHABI • KARACHI
BEST BANK 2020





The Best_{in} Shariah Compliance

We, at Meezan Bank, understand that our customers trust us to ensure that we invest their money in a Shariah-compliant manner and give them Halal returns. This is why we ensure the highest levels of Shariah compliance in all our products, processes, services and management practices. With a dedicated and independent Shariah Audit Department to ensure Shariah compliance in our operations as prescribed by our Shariah Supervisory Board and State Bank of Pakistan and in-depth Shariah audit programs, manuals and checklists that have gained global recognition, we ensure that we fulfil the trust that our stakeholders place in us by ensuring the highest level of Shariah compliance in all that we do.



ANNUAL REPORT 2019

Bank with the Best

ANNUAL REPORT 2017

ANNUAL REPORT 2016



PAKISTAN BANKING AWARDS
THE INSTITUTE OF BANKERS PAKISTAN
1980 AFFILIATED TO IBAI

BEST BANK 2020

The Best Bank for Shareholders

Meezan Bank has one of the Highest Return on Equity in the banking industry for the past three years - averaging over 30%. The increase in our stock's Total Return Price has been 241% since 2015 with a Compounded Annual Growth Rate of 27.9%. Over the same period, our stock also outperformed the benchmark index of PSX-100 index as well as KMI 30-index, demonstrating the strength of the Bank and the confidence of its investors as well as the stock market in general.

We have also been ranked as the strongest bank in Pakistan by Balance Sheet Evaluation and the 36th strongest among 500 banks in the Asia Pacific region by The Asian Banker's 2020 rankings, another solid reflection of our performance. Meezan Bank is, Alhamdulillah, a strong entity that provides excellent returns to shareholders and is indeed an investment of choice for them.



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Vision

Establish Islamic banking as banking of first choice...

Mission

To be a premier Islamic bank, offering a one-stop shop for innovative value-added products and services to our customer within the bounds of Shariah...

Our Culture

Core Values:

■ Shariah compliance ■ Integrity ■ Service Excellence

Staff: Committed, motivated and professionally trained employees who are empathic to their customers' needs.

Brand Personality: A sober and established, strong, empathic, professional person; who is an extremely loyal and dependable friend and business partner, and is committed to offering comprehensive value-based Shariah-compliant financial solutions.

Relationships: Our relationships are long-term. We recognize and value our customers' needs above all and strive to ensure their fulfillment. All customers are treated with professionalism and in a friendly manner. It is our endeavour to ensure that they receive efficient and timely service. The Meezan Bank experience is a unique one.

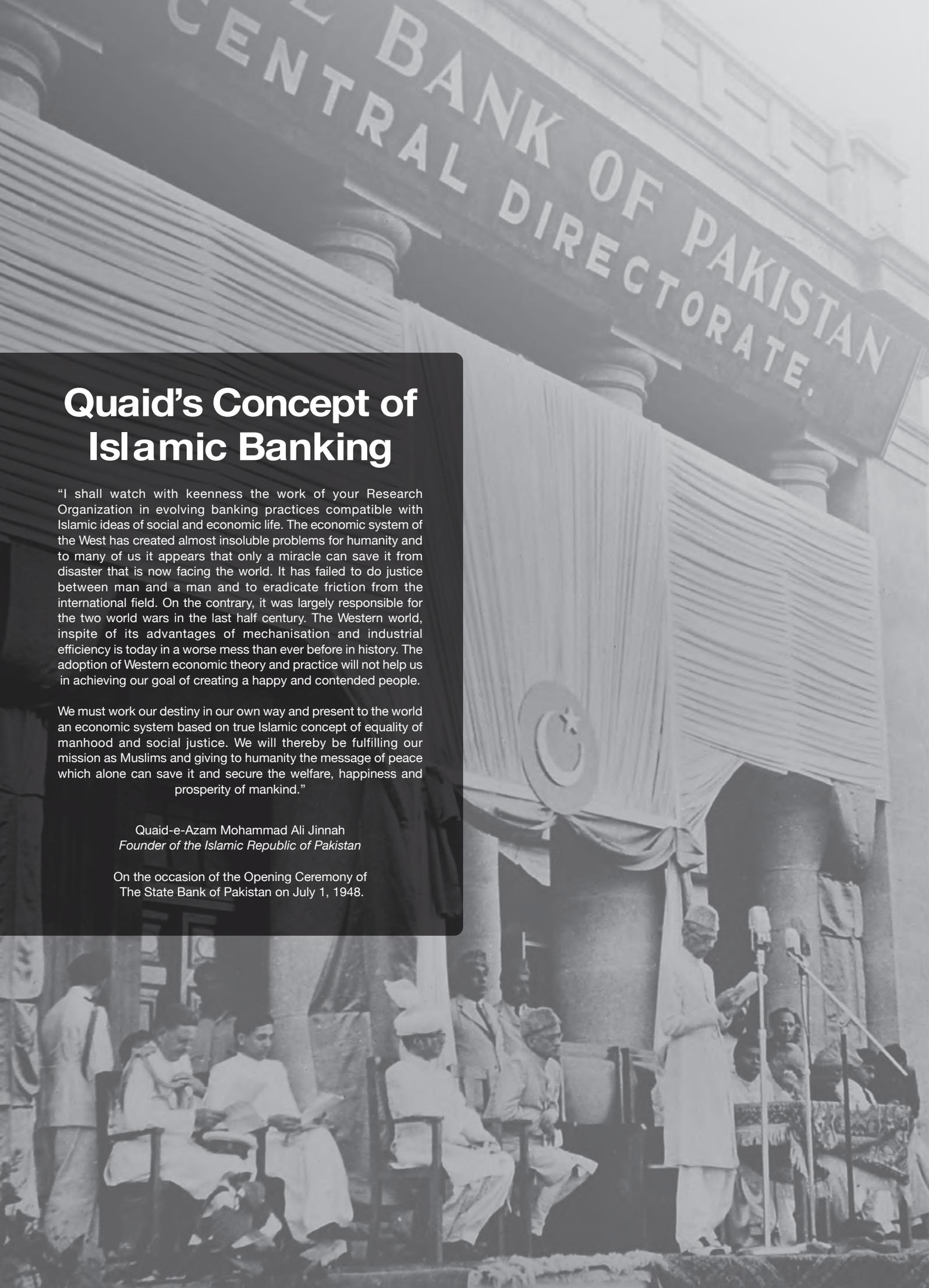
Quaid's Concept of Islamic Banking

"I shall watch with keenness the work of your Research Organization in evolving banking practices compatible with Islamic ideas of social and economic life. The economic system of the West has created almost insoluble problems for humanity and to many of us it appears that only a miracle can save it from disaster that is now facing the world. It has failed to do justice between man and a man and to eradicate friction from the international field. On the contrary, it was largely responsible for the two world wars in the last half century. The Western world, in spite of its advantages of mechanisation and industrial efficiency is today in a worse mess than ever before in history. The adoption of Western economic theory and practice will not help us in achieving our goal of creating a happy and contented people.

We must work our destiny in our own way and present to the world an economic system based on true Islamic concept of equality of manhood and social justice. We will thereby be fulfilling our mission as Muslims and giving to humanity the message of peace which alone can save it and secure the welfare, happiness and prosperity of mankind."

Quaid-e-Azam Mohammad Ali Jinnah
Founder of the Islamic Republic of Pakistan

On the occasion of the Opening Ceremony of
The State Bank of Pakistan on July 1, 1948.



Highlights 2020

Our Growth

- 97% increase in digitally enabled customers 
- One of the Largest Banks in terms of Branch Network and Deposits 

Our Competitive Edge

- Strongest Bank of Pakistan* in 2020 by The Asian Banker 500 Largest and Strongest Banks Ranking  *in terms of balance sheet
- Issuance of the largest Shariah-compliant instrument in Pakistan **Rs200 Billion Energy Sukuk 2**

- Highest-rated Mobile App on Google Playstore & Apple App Store 
- Winner of numerous global & local banking awards 

- Highest No. of transactions passing through 1Link grid in industry 
- Highest e-commerce spend on Debit cards in industry 


Profit after Tax
Rs **22.2** billion


Total Assets
Rs **1.5** trillion


Deposit Growth
35%

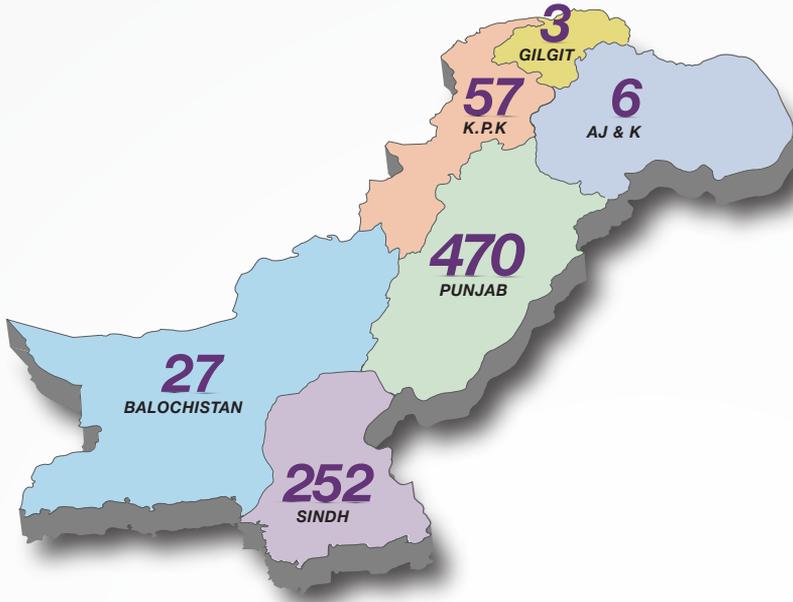
over **3** million
Customers


Deposits
Rs **1.25** trillion


Earnings per Share
Rs **15.7**


Employees
over **12,400**

Our Presence



	Branches	ATM
Bahawalpur	38	39
Balochistan	27	21
Faisalabad	80	86
Gujranwala	56	55
Hyderabad	54	56
Islamabad	95	98
Karachi East	64	73
Karachi North	37	44
Karachi South	41	50
Karachi West	56	61
KPK	60	64
Lahore East	80	88
Lahore West	59	75
Multan	68	69



For detailed branch locations, please visit our website: www.meezanbank.com



NUMBER OF BRANCHES

815

across Pakistan



NUMBER OF ATMS

880

nationwide



PREMIUM BANKING CENTRES

14

nationwide



CALL CENTRE

3

main centres in Karachi



CONSUMER FINANCE CENTRES

12

across Pakistan

DIGITAL CHANNELS



Mobile App and Internet Banking

SOCIAL MEDIA CHANNELS



LEARN MORE ABOUT MEEZAN BANK



On our website
www.meezanbank.com



In our financial reports:
<https://www.meezanbank.com/financial-information/>

Corporate Profile

Founded with the Vision to 'Establish Islamic banking as banking of first choice...', the Bank commenced operations in 1997 as Al Meezan Investment Bank Limited. It converted to Meezan Bank Limited, a full-fledged Islamic commercial bank in 2002, when the State Bank of Pakistan issued it Pakistan's first Islamic Commercial Banking license. Concurrently, the Bank acquired the Pakistan operations of Societe Generale, and started commercial banking with a small network of four branches, that has now grown to become one of the largest banking networks in the country with 815 branches in over 240 cities.

Meezan Bank is a publicly listed company sponsored by leading financial institutions from Pakistan and the Middle East. The Bank offers a complete range of Islamic banking products and services through an extensive retail banking network.

Meezan Bank has a strong Shariah compliance setup that comprises of a dedicated Shariah Compliance Department, a Resident Shariah Board Member and a Shariah Supervisory Board comprising of internationally renowned Shariah scholars. The Bank is well-recognized for its product development capability, Islamic banking research and advisory services, at both national and international levels.

Credit Rating

The VIS Credit Rating Company Limited, (Formerly JCR-VIS Credit Rating Company) has reaffirmed the Bank's long-term entity rating to AA+ (Double A Plus) and short-term rating at A1+ (A One Plus) with stable outlook. The short-term rating of A1+ is the highest standard in short-term rating. The rating indicates sound performance indicators of the Bank.

Meezan Bank is the only full-fledged Islamic bank with AA+ credit rating in the Islamic banking industry of Pakistan.

	2020	2019
Long Term	AA+	AA+
Short Term	A1+	A1+

Calendar of Major Events

2020

1st Quarter Results issued on
May 5, 2020

2nd Quarter Results issued on
August 17, 2020

3rd Quarter Results issued on
October 20, 2020

Annual Results issued on
February 18, 2021

25th Annual General Meeting
Scheduled on March 29, 2021



Corporate Information

Board of Directors

Riyadh S. A. A. Edrees	Chairman
Faisal A.A.A. Al-Nassar	Vice Chairman
Bader H.A.M.A. Al-Rabiah	
Mubashar Maqbool	
Naveed Iftikhar Sherwani*	
Saad Fazil Abbasi	
Mohamed Guerhazi	
Noorur Rahman Abid	
Nausheen Ahmad	
Atif Azim	
Irfan Siddiqui	President & CEO

Shariah Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani	Chairman
Dr. Muhammad Imran Ashraf Usmani	Vice Chairman
Sheikh Esam Mohamed Ishaq	
Mufti Muhammad Naveed Alam	Resident Shariah Board Member

Management

Irfan Siddiqui	President & CEO
Ariful Islam	Deputy CEO

Chief Financial Officer

Shabbir Hamza Khandwala

Company Secretary

Muhammad Sohail Khan

Auditors

EY Ford Rhodes, Chartered Accountants

Legal Adviser

Haidermota & Co., Advocates

Registered Office

Meezan House C-25, Estate Avenue,
SITE, Karachi-75730, Pakistan.

Contacts

PABX: (92-21) 38103500, 37133500, Fax: (92-21) 36406049

24/7 Call Centre: 111-331-331 & 111-331-332

Email: info@meezanbank.com

Website: www.meezanbank.com, www.meezanbank.pk

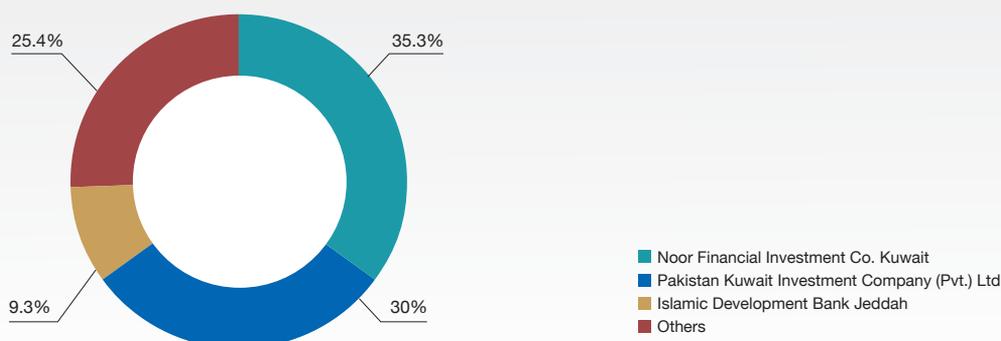
**The Bank has already submitted application for the Fit and Proper Test of the Director to the State Bank of Pakistan which is in process of reviewing the same.*

Meezan Bank Share Information

Company Name	Stock Name	Financial Year End	Listed on	Shares Registrar
 Meezan Bank Limited	 MEBL	 31 December	 PAKISTAN STOCK EXCHANGE	THK Associates (Pvt.) Ltd. Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi-75500, Pakistan. UAN (021-111-000-322) Fax: 021 - 35310191 Email: secretariat@thk.com.pk Website: www.thk.com.pk

Shareholders

Shareholding Structure



Noor Financial Investment Company



Noor Financial Investment Company is a Kuwaiti investment company engaged in investment and financial activities primarily in Kuwait, the Middle East, Asia and other emerging markets. The company was established as the financing arm of the National Industries Group (NIG), which is one of the largest private sector industrial groups in Kuwait.

Noor Investment provides a broad range of financial services through its investment banking department. These activities/services broadly include private equity, investment strategy & implementation, mergers & acquisition advisory, valuations, hedging & risk management, local / foreign listing, long-term financial planning and innovative structuring. The asset management department of the company also engages in managing proprietary and client portfolios of quoted and unquoted securities, real estate and funds in Kuwait, GCC and the MENA region.

Pakistan Kuwait Investment Company



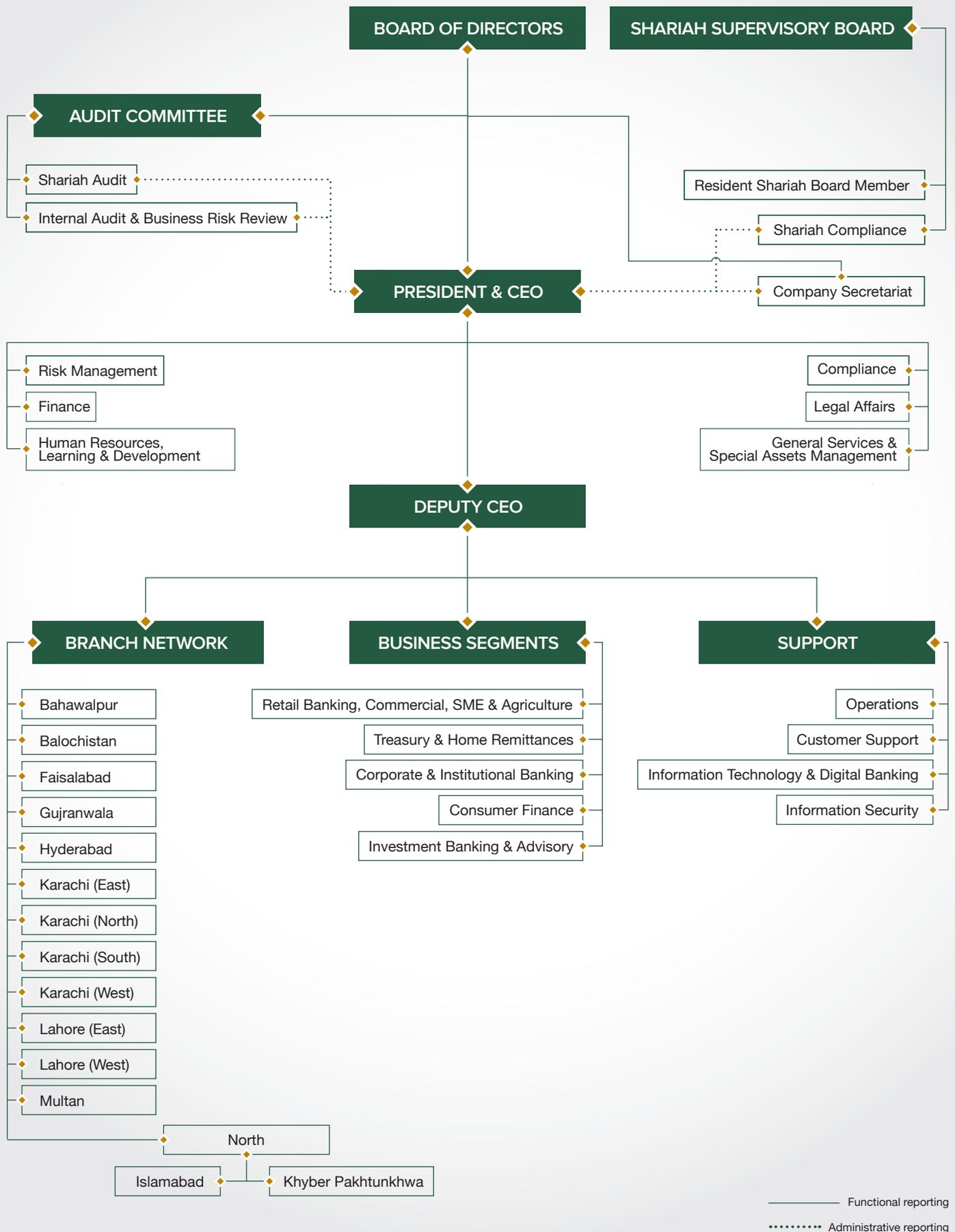
Pakistan Kuwait Investment Company (Private) Limited (PKIC), a joint venture between the Governments of Pakistan and Kuwait was established in 1979. PKIC is one of the most respected and profitable institutions in Pakistan. The company, operating for over 30 years in Pakistan, is engaged in investment and development banking activities in Pakistan. PKIC is the first financial institution in Pakistan that has been rated AAA (triple A) for the long-term by both PACRA and VIS Credit Rating Company, an affiliate of Japan Credit Rating Company.

Islamic Development Bank (IsDB)



Islamic Development Bank (IsDB) is located in Jeddah and is an International Financial Institution established in 1975 in pursuance of a declaration by the Conference of Finance Ministers of Muslim countries to foster economic development and social progress in member (Islamic) countries. IsDB has a subscribed capital of USD 70 Billion and enjoys presence in 57 member countries. The Bank participates in equity capital and grants loans for productive projects and enterprises besides providing financial assistance in other forms for economic and social development.

Organization Structure



Senior Management Team

Mr. Irfan Siddiqui	President & CEO
Mr. Ariful Islam	Deputy CEO
Mr. Arshad Majeed	Group Head Consumer Finance
Mr. Faiz Ur Rehman	Group Head Information Technology & Digital Banking
Mr. Ijaz Farooq	Group Head Retail Banking, Commercial, SME & Agriculture
Mr. Muhammad Abdullah Ahmed	Group Head Corporate & Institutional Banking
Mr. Shabbir Hamza Khandwala	Chief Financial Officer & Group Head Finance
Mr. Syed Tariq Hassan	Chief Risk Officer & Group Head Risk Management
Mr. Zia Ul Hassan	Group Head Operations
Mr. Ahmed Ali Siddiqui	Group Head Shariah Compliance
Mr. Khalid Zaman Khan	Group Head Human Resources, Learning & Development
Mr. Muhammad Raza	Group Head Customer Support
Mr. Muhammad Sohail Khan	Company Secretary
Mr. Munawar Rizvi	Group Head General Services & Special Assets Management
Mr. Ebrahim Yakoob	Head Internal Audit & Business Risk Review
Mr. Muhammad Ismail	Head Compliance
Mr. Shahzad Abdullah	Head Treasury & Home Remittances
Mr. Urooj ul Hasan Khan	Head Investment Banking & Advisory
Mr. Muhammad Farhan Ul Haq Usmani	Head Shariah Audit
Mr. Muhammad Umar Khan Fareedy	Head Legal Affairs

Regions

Mr. Muhammad Saleem Khan	General Manager - North
Mr. Anwar Ul Haq	General Manager - Lahore East
Mr. Kazi Muhammad Aamir	General Manager - Karachi West
Mr. Syed Salman Ahmed	General Manager - Lahore West
Mr. Khurram Behzad Memon	Regional Manager - Hyderabad
Mr. Mashkoor A.G. Khan	Regional Manager - Karachi East
Mr. Moazzam Saeed Khan	Regional Manager - Faisalabad
Mr. Muhammad Tufail	Regional Manager - Multan
Mr. Sohail Munir Bana	Regional Manager - Karachi North
Mr. Abid Hussain Abid	Regional Manager - Gujranwala
Mr. Amir Ali Durrani	Regional Manager - Balochistan
Mr. Arif Aslam Khan	Regional Manager - Khyber Pakhtunkhwa
Mr. Syed Mohammed Asad Alvi	Regional Manager - Karachi South
Mr. Muhammad Ejaz Nadeem	Regional Manager - Bahawalpur

History of Meezan Bank

1997



Establishment of Al Meezan Investment Bank

2002



Al Meezan Investment Bank acquires Pakistan operations of Societe Generale and is issued the



first Islamic Commercial Banking license by SBP. Now a full-fledged scheduled Islamic commercial bank, it is renamed as Meezan Bank

Deposit base stood at **Rs. 5.08 billion**



Pakistan's first Shariah-compliant Auto Finance product is launched

2003



Al Meezan Investment Management Ltd. becomes a subsidiary of Meezan Bank through acquisition of majority shares

Branch network reaches 10 branches nationwide while the deposit base grows to **Rs. 7.7 billion**



Pakistan's first Shariah-compliant **Housing finance** product is launched

2004

Meezan Bank acts as the **Shariah Structuring Advisor** for the historic transaction of international Sukuk offering for USD 600 million under a mandate awarded by the Government of Pakistan

Deposit base grows to **Rs.13.7 billion**

Number of branches reaches 16

Online Banking is launched across all branches

2005



Islamic Finance news Awards

Meezan Bank wins **Best Islamic Bank in Pakistan**

Deposit base grows to **Rs. 22 billion**
Number of branches reaches 28

2006

Deposit base grows to **Rs. 34 billion**

Number of branches reaches 62 in 21 cities

Internet Banking launched



2007



Branch network reaches the milestone number of 100 branches in 31 cities



Import/Export business reaches **Rs. 70 billion**
Deposit base grows to **Rs. 54 billion**

2008



Branch Network expands to 40 cities

Deposit base grows to **Rs. 70 billion**

Launch of first Government of Pakistan Ijarah Sukuk

2009



Deposit base crosses **Rs. 100 billion**
Bank handles more than **Rs. 100 billion** of Import/Export business



Meezan **VISA** Debit Cards launched

Launched of Meezan **Al Baraka**

2010



Total deposits reach **Rs. 131 billion** & Import/Export Business volume **Rs. 143 billion**

Meezan Bank stands among the top three auto-finance providers in the country

2011



9th largest bank in Pakistan in terms of branch network



Meezan House inaugurated

2012



Total deposits cross **Rs. 230 billion**

Launch of Meezan **Visa Platinum** Debit Card



Launch of Meezan **Premium Banking** & Premium Banking Centers

Launch of **Mock Branches** for staff training

Meezan **Kids Club** & **Teens Club** Account Launched

2013

Over 350 Branches Over 100 Cities

8th largest bank in Pakistan in terms of branch network

Total deposits reach Rs. 289 billion



Government of Pakistan nominates Mr. Irfan Siddiqui & Dr. Muhammad Imran Ashraf Usmani as members of Steering committee of Islamic banking

Launch of SMS Banking

2014

Over 428 Branches Over 117 Cities



Meezan Bank acquires HSBC Pakistan

Total deposits reach Rs. 380 billion



Mobile Banking App Launched

Launch of



Corporate Internet banking

Launched

Launch of



Meezan Titanium MasterCard Debit Card Launched

2015

Over 551 Branches Over 143 Cities

Meezan Bank acquires Pakistan operations of HSBC Oman



Agreement Signing with Karandaaz Pakistan

Total deposits reach Rs. 472 billion



Meezan Upaisa - World's First Islamic Branchless Banking Service



Centers of Excellence in Islamic Finance established at IBA, LUMS and IMSciences (Peshawar)

2016

Over 570 Branches Over 145 Cities

Best Islamic Bank in Pakistan



Pakistan Banking Awards

Launch of New Corporate Website



Official Page crosses 1 Million Fans

2017

Over 600 Branches Over 150 Cities

CELEBRATING 15 YEARS OF ISLAMIC BANKING IN PAKISTAN

Top 25 Companies of the Year, 2016



Most Innovative Solution Deployed for Cash Displacement



Launch of EMV Chip & NFC enabled Debit Card

PSHRM Pakistan Society of Human Resource Management

Top 10 Excellent Places to Work Best Place to Work in Financial Services Industry



Best HRM Practices Employer of the Year 2016



Launch of secure online shopping with 3D secure

2018

Over 660 Branches Over 180 Cities

8th Largest Bank in terms of Branch Network



Awarded Best 'Bank for 2018' by Pakistan Banking Awards



Launch of Visa Platinum & Supplementary Debit Cards



Launch of Meezan Express Account



Launch of New Internet Banking



Launch of Fastest Debit Cards Activation over ATM in Pakistan



Adopted Idara Al-Khair Welfare Society School to provide free education to underprivileged children

2019

Over 760 Branches Over 220 Cities

6th Largest Bank in terms of Branch Network & Deposits

President of Pakistan calls for adoption of Islamic banking system for Govt. departments and ministries



Launch of New Meezan Bank Mobile Banking App



Launch of SkimGuard protection on ATMs of other banks



2020

Over 815 Branches Over 248 Cities



Best Bank 2020 Pakistan Banking Awards



Best Bank of the Year (Large Size Banks Category) CFA Society of Pakistan

Best Overall Islamic Bank - Global Award Most Innovative Islamic Bank - Global Award **Islamic Finance news**



Strongest Islamic Bank in Asia - 2020 Strongest Bank in Pakistan - 2020 The Asian Banker 500 Largest and Strongest Banks Ranking

THE ASIAN BANKER



Launch of Continuous Improvement Program



Our Business Model

1 Key Resources



Institutional Capital

- Long-term credit rating AA+ & Short-term credit rating A1+
- Largest processor of bill payments by value on 1Link
 - World-renowned Shariah Supervisory Board



Social and Relationship Capital

- Largest following on ,  &  in Pakistan's banking industry
- 1st dedicated Islamic banking & financial literacy Youtube channel in Pakistan
 - Intranet portal to enable cross-functional knowledge sharing



Financial Capital

- Highest return on equity
- Rs 69,155 Million Total Equity
- Rs 1,254,431 Million Deposits



Intellectual Capital

- Our long-established expertise & track record in delivering, assessing & advising sustainable Islamic finance banking services
- Provision of index re-composition services to PSX for All Share Islamic Index & KSE Meezan Islamic (KMI) - 30 Index



Manufactured Capital

- Largest dedicated Islamic banking network in the country
- 880 biometric & cardless services enabled ATMs
- Biggest discounts/alliances program among banks issuing only debit cards
- Highest rated Mobile Banking App in Pakistan
 - 30% share of e-commerce spend on debit cards in industry
- Highest e-Commerce monthly spend on debit cards portfolio in Pakistan



Natural Capital

- Solar power at Head Office and 16 branches
- Annual solar power generation of 440,000 Units (Kwh)
 - LED based branch signage
 - Energy-efficient Head Office building structure



Human Capital

- Over 12,350 total strong workforce
 - 996 female employees
 - 98% workforce is Graduate
- Over 50% workforce below the age of 33
- Largest liability sales force in banking industry

2 Our Role



3 FY2020 Performance



Customers

- Approx. 17% increase in customers
- Approx. 21% increase in New to Bank customers
- Approx. 12% growth in Asaan Accounts
- 32% growth in total debit card portfolio
- 72% growth in e-commerce transactions
- 103% growth in bill payment transactions
 - 290% growth in IBFT transactions



Employees

- 4,730 training hours in 767 learning sessions
- 23,591 employees trained (6,089 unique) via 516 VILT* sessions
 - Rs 15,277 Million salaries & benefits
 - 91% return to work after maternity leave
- Rs 29 million invested in employee training
 - 1,533 employees added to workforce
 - 12% females among total new joiners
 - Approx. 3% reduction in attrition rate

* Virtual Instructor Led Training



Social and Environmental

- 310 kW shifted to green energy
- 220,000kgs (220 metric tons) of CO2 reduced



Financial

- 46% increase in profit after tax
- 35% Return on Average Equity
- 128% Non-performing Financing Coverage Ratio
- Rs 1.1 Trillion Trade Business Volume
 - 6% improvement in Income Efficiency Ratio

Awards and Recognition

2020

Pakistan Banking Awards

Best Bank - 2020

CFA Society Pakistan

Best Bank of the Year - Large Size Banks
Best Islamic Bank of the Year
Best Corporate Finance House of the Year - Fixed Income

State Bank of Pakistan

Highest amount of Deposits through Roshan Digital Account
Highest amount of Investment in Islamic Naya Pakistan Certificates

The Asian Banker

*Strongest Bank of Pakistan
*Fifth Strongest Islamic Bank in the World - 2020
in 500 Largest and Strongest Banks Ranking
**by balance sheet*

Islamic Finance News (IFN) – Malaysia

Best Overall Islamic Bank - Global Award
Most Innovative Islamic Bank - Global Award
2nd Position, Best Islamic Private Bank - Global Award
2nd Position, Best Islamic Retail Bank - Global Award
Best Islamic Bank in Pakistan

Global Finance – New York

Best Islamic Financial Institution - Pakistan
Best Trade Finance Provider - Pakistan

Asset Triple A – Hong Kong

Islamic Bank of the Year - Pakistan
Best Islamic Retail Bank - Pakistan
Best Islamic Trade Finance Bank - Pakistan
Best Islamic Investment Bank - Pakistan
Sukuk Adviser of the Year - Pakistan
Best Islamic Loan Adviser - Pakistan
Best Islamic Custodian - Pakistan
Best Green Financing - Pakistan, NASDA Green Energy transaction
Best Quasi-Sovereign Sukuk - Pakistan, Power Holding (Pvt) Limited
Best Structured Financing - Pakistan, Avari Hotels syndicated Islamic finance facility
Best Syndicated Loan - Pakistan, Pakistan Mobile Communications Limited syndicated term finance facility

Asset Triple A Asia Infrastructure Awards

Renewable Energy Deal of the Year - Pakistan
Telecom Deal of the Year - Pakistan

Global Islamic Finance Awards

Shariah Authenticity Award
Shariah Auditor of the Year
Sukuk House of the Year

Islamic Finance Forum of South Asia (IFFSA) Awards

Gold Award - Islamic Finance Entity of the Year (Large)
Gold Award - Islamic Finance Advisory Services Provider of the Year
Gold Award - Islamic Investment Bank of the Year
Gold Award - Islamic Bank of the Year - Large
Silver Award - Islamic Finance Deal of the Year

Asian Banking and Finance Corporate & Investment Banking Awards

Project Infrastructure Finance Deal of the Year - Pakistan

ICAP and ICMAP

3rd Position - Best Corporate Report Awards, banking sector



Mr. Irfan Siddiqui - Founding President & CEO, Meezan Bank and Mr. Ariful Islam - Deputy CEO, Meezan Bank receiving the 'Best Bank' award from Dr. Reza Baqir - Governor State Bank of Pakistan at Pakistan Banking Awards-2020.

2019

Islamic Finance News (IFN) – Malaysia

Structured Finance Deal of the Year - Avari Hotels transaction
Pakistan Deal of the Year - Nasda Green Energy transaction
Cross Border Deal of the Year - Nasda Green Energy transaction
Best Islamic Bank in Pakistan

Asset Triple A Country Awards

Best secondary offering, Pakistan - US\$100 million placement

Asset Triple A Asia Infrastructure Awards

Utility Deal of the Year, Pakistan - K-Electric Limited
Rs 25 billion syndicated term finance facility in which Meezan Bank acted as a lead arranger and adviser, lead (Conventional facility) and lender (Islamic facility)

Global Finance – New York

Best Islamic Financial Institution in Pakistan
Best Bank in Pakistan
Best Trade Finance Provider in Pakistan
World's Best Banks - Asia Pacific
Best Bank In Asia Pacific

Islamic Finance Forum of South Asia (IFFSA) Awards

Honorary Award in Recognition of Contribution to the IBF Industry
Gold Award - Entity of the Year
Gold Award - Bank of the Year
Gold Award - Investment Bank of the Year
Gold Award - Capital Markets Service Provider of the Year
Gold Award - Advisory Services Provider of the Year
Silver Award - Deal of the Year
Bronze Award - Education Provider of the Year

The Banker

Bank of the Year, Pakistan

Global Islamic Finance Awards

Shariah Authenticity Award
Shariah Auditor of the Year
GIFA Special Award (Shariah Advisory Role)
Asian Banking and Finance Corporate & Investment Banking Awards
Islamic Corporate & Investment Bank of the Year, Pakistan

CFA Society Pakistan

Islamic Bank of the Year (Runner-up)

International Finance Award

Most Innovative Islamic Bank, Pakistan

PakWheels.com – People's Choice Awards

Most Popular Bank in Pakistan's Islamic Auto Financing sector

Employers Federation of Pakistan (EFP)

3rd Position - Employer of the Year

J. P. Morgan

Straight Through Processing Award



Mr. Irfan Siddiqui - Founding President & CEO, Meezan Bank receiving the award from Dr. Reza Baqir - Governor State Bank of Pakistan at 17th Annual Excellence Awards.

2018

Pakistan Banking Awards

Best Bank - 2018

Islamic Finance News (IFN) – Malaysia

Best Islamic Bank in Pakistan
Best Islamic Bank for Treasury Management - Global Award

Mastercard 2018 MEA Acquirer Forum

Spearheading Acceptance Location Growth

Asset Triple A – Hong Kong

Best Islamic Bank in Pakistan
Best Islamic Trade Finance Bank in Pakistan
Best Islamic Retail Bank in Pakistan
Best Islamic Investment Bank in Pakistan
Sukuk Adviser of the Year - Pakistan

Asset Triple A Asia Infrastructure Awards

Renewable Energy Deal of the Year, Hydropower - Pakistan
Oil and Gas Deal of the Year - Pakistan

Global Finance – New York

Best Islamic Financial Institution in Pakistan
The Innovators - 'The Innovator 2018' for Masterpass QR Payments through FonePay

Islamic Finance Forum of South Asia (IFFSA) Awards

Gold Award for Islamic Finance Education Provider of the Year
Gold Award for Islamic Finance Advisory Services Provider of the Year
Gold Award for Islamic Finance Deal of the Year
Gold Award for Islamic Investment Bank of the Year
Silver Award for Bank of the Year

The Banker

Islamic Bank of the Year, Pakistan
Global Islamic Finance Awards
Shariah Authenticity Award
Shariah Auditor of the Year

Asian Banking and Finance Corporate & Investment Banking Awards

Syndicated Loan of the Year, Pakistan

ICAP and ICMAP

3rd Position - Best Corporate Reports Awards - Banking sector

CFA Society Pakistan

Islamic Bank of the Year

International Finance Award

Most Innovative Islamic Bank, Pakistan

PakWheels.com – People's Choice Awards

Most Popular Bank in Pakistan's Islamic Auto Financing sector

Employers Federation of Pakistan (EFP)

Recognition Award - Best HRM Practices
Recognition Award - Employer of the Year



Detailed information on our awards and recognition is available on our website: www.meezanbank.com

Products and Services

Meezan Bank offers a diverse range of Shariah-compliant banking products and services to cater customer requirements. All products of the Bank are approved by the Shariah Supervisory Board and are completely Riba-free.

Detailed information on our product or service is available on our website: www.meezanbank.com

Meezan Roshan Digital Account
Roshan Digital Account (RDA) is a momentous initiative led by the State Bank of Pakistan (SBP) for the convenience of millions of Non-Resident Pakistanis (NRPs) residing across the world. Meezan Bank is pleased to be the only full-fledged Islamic Bank in Pakistan offering Roshan Digital Account to its valued NRPs.

Meezan RDA can be opened online from anywhere outside Pakistan without any physical signature, biometric verification or attestation requirements from embassies situated abroad. The account is offered in multiple currencies like PKR, USD, GBP & EUR in both savings and current category. Valued Meezan RDA customers can invest in Shariah-compliant shares and Sukuks listed on Pakistan Stock Exchange (PSX), Islamic Naya Pakistan Certificates and PKR & USD term deposits offered by the Bank.

with Federal Board of Revenue (FBR). Account is only offered in USD currency on the basis of 'Qard' and 'Mudarabah.' It enables accountholders to invest in SBP led Islamic Naya Pakistan Certificate (INPC) and Bank's term deposit.

Account Opening Facility for Freelancers

Meezan Bank now offers account opening facility to freelancers, who rather than working on fixed salary for one employer, often sell work or services by the hour, day, job, etc. to multiple clients. Now freelancers can open an account with Meezan Bank and receive their remittances from abroad.

Meezan Rupee Current & Savings Accounts

Meezan Rupee Current and Savings Accounts are checking accounts. Current account works on the basis of 'Qard' and provides the convenience of conducting

fed through home remittances, no other credits are allowed. Account can be opened on the basis of CNIC* only & there is no Withholding Tax on cash withdrawals through cheque or ATM.
**Terms and conditions apply*

Foreign Currency Current & Savings Accounts

Meezan Foreign Currency Current and Savings Accounts are excellent business tools for both individuals and corporate clients. These accounts can be opened with just 100 USD/Pound/Euro. There is no deduction of service charges if the account balance is low.

Meezan Bachat Account

Meezan Bachat Account is a premium savings account that offers a higher expected profit. The minimum investment required for opening an account is Rs 50,000.



Islamic Naya Pakistan Certificate (INPC)

Islamic Naya Pakistan Certificate (INPC) is a high yielding investment instrument offered by State Bank of Pakistan (SBP) to all RDA accountholders. INPC is the most lucrative Shariah-compliant investment option dedicatedly offered to NRPs on the basis of Mudarabah where INPC Company Limited is Mudarib and accountholder is Rab ul Maal. Meezan Bank is pleased to be the only full-fledged Islamic Bank in Pakistan offering INPC to its valued accountholders. SBP is the sole custodian of INPC while Meezan Bank is acting as an agent to the same. Investment in INPC can be made in both PKR & USD with nominal amount of Rs 100,000 & USD 5,000 respectively.

Meezan Roshan Resident Account

Meezan Roshan Resident Account has been specifically designed to facilitate Resident Pakistanis who have declared assets held outside Pakistan as per wealth statement in the latest tax returns

day-to-day transactions with ease and comfort; while Savings account is based on 'Mudarabah' that provides profit on monthly basis. It is ideal for savings, investments and transactional needs.

Meezan Asaan Current & Savings Accounts

Meezan Asaan Current and Savings Accounts are specifically designed for low income, unbanked and under-banked population that provides swift and hassle-free account opening process. These accounts can be opened with a minimum deposit of Rs 100 without any proof of income and a valid CNIC. Maximum credit balance and withdrawal limit is Rs 500,000 per month.

Meezan Express Current & Savings Accounts

Meezan Express Current and Savings Accounts have been designed to facilitate the beneficiaries of home remittance and encourage use of formal banking channels. Meezan Express Current and Savings account can only be

Karobari Munafa Account

Karobari Munafa Account is specifically tailored for large corporates or GoP-controlled entities where profit is calculated on daily balance and credited into the account on a monthly basis. The minimum investment required for opening an account is Rs 1 million.

Meezan Kids Club Account

Meezan Kids Club Account has been designed for children under the age of 12 years to cultivate the habit of saving in the early years. The account can be opened with Rs 500 only on monthly profit basis.

Meezan Teens Club Account

Meezan Teens Club Account is designed to cater the requirements of the age group from 12 to 18 years. Teens Club Account can be opened with Rs 1,000 on monthly profit basis.

Meezan Kafalah

Meezan Kafalah is a savings plan with Takaful coverage up to Rs 15 million through which customers can save for

their future plans such as education or wedding of their child, going for Hajj, planning for old age, etc. Meezan Kafalah is a Shariah-compliant alternative to bancassurance with easy exit option at any time.

Meezan Labbaik

Meezan Labbaik facilitates customers who wish to perform Hajj & Umrah via renowned agents on Bank's panel. Customers have multiple Travel Asaan payment options allowing them to decide when and how they want to pay off the plan. Alternatively, customers can also avail Labbaik Savings Asaan Account in which they can save for Hajj & Umrah of their family members on some future date. Customers can also apply for the Govt. Hajj Scheme through our branches.

Monthly Mudarabah Certificate

Monthly Mudarabah Certificate is a short-term deposit product for an investment period of one month only. Profit is paid on maturity with re-investment option available on a continuous basis. Minimum investment required is Rs 50,000. Premature withdrawal can be made as per the approved schedule.

the special segment of our society who are in need of a regular stream of monthly income. Only elderly individuals (60+ years of age), widows and disabled persons can avail this product. Minimum investment required is Rs 50,000. However, the maximum limit to invest in this product is Rs 5,000,000.

Dollar Mudarabah Certificate

Dollar Mudarabah Certificate is a foreign currency term deposit certificate through which the customer can invest US Dollars for defined period ranging from 3 months to 3 years and earn profit six-monthly or at maturity.

Mobile Banking App

Meezan Mobile App provides a wide range of digital services to Meezan Bank customers through a very simple, safe and quick interface. Customers can easily pay their bills, transfer funds, make donations, and even view their bank statements. Bio-metric login allows a speedy and secure login so all transactions can be completed in less than a minute. Customers can also block or unblock their debit cards and view latest deals and discounts on their debit cards. Moreover, customers can also find

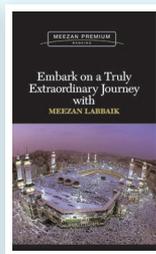
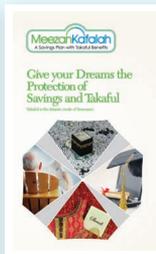
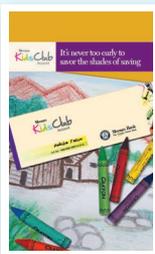
information regarding the financial transactions in their accounts enabling them to keep track of their financial activity along with latest account balance. SMS Alerts are also available for Foreign Currency accounts. Moreover, for corporate clients, the Bank provides tailor-made SMS Alert service to meet their unique requirements.

SMS Banking

Meezan SMS Banking is an interactive service that allows customers to access their account anytime, anywhere by using the SMS channel. It is particularly useful for customers who have limited access to smartphones or internet.

Meezan Bank Platinum Debit Card

Meezan Bank Platinum Debit Card is designed to meet the needs of high net-worth customers. It offers the highest usage limits coupled with exclusive discounts at partnered brands nationwide. In addition, the Meezan Platinum Card offers complimentary access to CIP lounges at airports in Pakistan and over 20 airport lounges worldwide. The card is NFC enabled and secured with CHIP & PIN for POS transactions and 3-D Secure for



Certificates of Islamic Investment

Certificates of Islamic Investment are Term Deposit Certificates for investment periods ranging from 3 months to 5 years with profit payment on monthly and maturity basis. Minimum investment required is Rs 50,000.

Meezan Amdan Certificate

Meezan Amdan Certificate is a long-term investment product that offers a higher expected monthly profit to investors for periods of 5 1/2 & 7 years. It is ideal for those individuals and organizations that need a regular stream of monthly income. Minimum investment required is Rs 100,000. For senior citizens, widows and disabled, minimum investment required is Rs 50,000.

Meezan Amdan Certificate for Senior Citizens, Widows & Disabled Persons

Meezan Amdan Certificate Senior is a long-term investment product that offers a higher expected monthly profit to investors for periods of 5 1/2 & 7 years. It is solely structured to cater the needs of

details about all the nearest branches. The Meezan Mobile App is available on all major platforms such as Google Play Store, Apple Store and Huawei App Gallery.

Internet Banking

Meezan Internet Banking provides a safe and efficient way to bank for customers with a range of advanced features including mobile top-up, bill payments, funds transfers, making donations, viewing account statements, changing their contact and personal information, and much more. Additionally, internet banking now allows customers to download their tax certificates and receipts of their previous transactions. Customers can also request for chequebook, pay orders and invest in Al-Meezan Funds online using internet banking.

SMS Alerts

Meezan Bank's SMS Alerts service provides customers with real-time

e-commerce transactions locally & globally.

Meezan Bank Titanium Debit Card

Meezan Bank Titanium Debit Card comes with higher limits for shopping and withdrawals. It offers amazing deals and discounts at hundreds of retail brands as well as e-commerce merchants across Pakistan. For the international traveler, Meezan Bank Titanium Debit Card customers can access selected international lounges as well. The card is NFC enabled and secured with CHIP & PIN for POS transactions and 3-D Secure for e-commerce transactions.

Meezan Bank Gold Debit Card

Meezan Bank Gold Debit Card is designed to meet the needs of customers in pursuit of higher value. Thus, Gold Card customers can avail hundreds of discounts nationwide. The card is NFC enabled for quick checkouts at NFC enabled merchants and is secured with CHIP & PIN for POS transactions and 3-D Secure for e-commerce transactions.

Meezan Bank Classic Debit Card

Meezan Bank Classic Debit Card is designed to be an accessible, secure & convenient card that meets the day-to-day needs of our customers. Cardholders are eligible to avail discounts at partner merchants nationwide. These cards are NFC enabled and secured with CHIP & PIN for POS transactions and 3-D Secure for e-commerce transactions.

Meezan PayPak Debit Card

Meezan Bank PayPak Debit Card is designed to meet the needs of customers who are looking for seamless ATM withdrawals and POS purchases within Pakistan. This Card is also secured with CHIP & PIN.

Supplementary Debit Cards

Meezan Bank Supplementary Debit Cards allow our customers to offer the convenience of a debit card to their family members so that they become financially independent. Supplementary Debit Card offers the same features and benefits as a primary card. For easy tracking, all transactions on Supplementary Cards are shown in the account statement of the primary cardholder.

lounge facility at various International Airports.

Meezan ATM Network

Meezan Bank offers a nationwide network of over 880 ATMs across the country both with branches and at prominent off-site locations. All Meezan Bank ATMs are EMV compliant and are equipped with biometric functionality to allow cardless access for withdrawal and other ATM based services. In addition to conventional services, Meezan Bank ATMs offer various value-added services like Debit Card Activation, ATM PIN Change and Biometric Account Verification, etc.

Online Branches

Meezan Bank offers free online banking facility on all Pak Rupee accounts to online banking customers. This enables the Bank's customers to access their accounts and conduct transactions from any of Meezan Bank's 815 branches nationwide, regardless of which branch or city they have their account in.

Smart Remittance Wallet

Smart Remittance Wallet is a unique wallet account with a saving facility that

special privileges such as:

- Access to International Airport lounges at selected Airports in major cities of Pakistan and abroad during international flights.
- Dedicated Premium Banking Centres at Karachi, Lahore, Islamabad, Rawalpindi, Faisalabad and Sialkot.
- Fee waivers on selected basic banking transactions and ADC services.

Car Ijarah

Meezan Car Ijarah is an auto financing facility for new, used and imported cars. It works as a rental agreement, through which Bank purchases the car and rents it out to the customer for 1 to 7 years. Car Ijarah rental amount is inclusive of comprehensive Takaful and tracker facility which is applicable after delivery of the vehicle.

Easy Home

Easy Home is a Shariah-compliant home financing facility, in which a customer can buy or build a house, renovate an existing house or replace the conventional house loan with Islamic house finance.

Working towards the cause of promoting



Contactless Payments – NFC Tap & Go

Meezan Bank was the first bank to introduce Near Field Communication (NFC) Cards in Pakistan. All Meezan Bank Debit Cards are NFC enabled, providing customers with the convenience to make contactless payments seamlessly across the globe and in Pakistan at merchants accepting contactless payments. Customers can now experience faster payments on NFC powered terminals showing [NFC] by simply tapping the card instead of dipping or swiping.

Discounts & Privileges

Meezan Bank offers its customers best in-class deals and discounts at over 200 brands & merchants nationwide. The Bank also offers attractive discounts at leading e-commerce websites throughout the year. Meezan Bank Platinum Debit cardholders can avail airport CIP lounge facility in major cities of Pakistan. Additionally, Meezan Bank Titanium Debit Card customers can also enjoy the

allows customers to receive remittances directly in their account and get free airtime of Rs 2 against each dollar credited. The Smart Remittance Wallet holder can maintain balance up to Rs 1.5 million. The account also gives good profit rates on savings, with the flexibility to use the money at any time.

Smart Payroll Solution

Smart Payroll Solution enables companies to manage payments (salary, pension, staff reimbursements and bonus) in a cost effective, secure and efficient manner. It not only allows cash withdrawals through ATMs, but also allows customers to pay bills, top-up mobile credits and transfer funds to any 1Link member bank through Meezan Bank ATMs, Mobile Application and Internet Banking.

Meezan Premium Banking

Meezan Premium Banking is the Bank's Shariah-compliant priority banking service developed to cater the banking needs of high-net worth customers. Premium Banking customers enjoy

low cost housing in Pakistan, Meezan Bank offers the home finance facility 'Mera Pakistan Mera Ghar', under the guidance of the State Bank of Pakistan and Government of Pakistan, through a Shariah-compliant home financing scheme at affordable monthly payments.

Meezan Consumer Ease Durable Goods

Meezan Consumer Ease – Durable Goods Financing allows customers to purchase laptops, generators and various consumer durable items such as LED TVs, air conditioners, washing machines, mobile phones, solar system, furniture etc. on easy and affordable monthly instalments. A one-time limit approval makes the process simple and hassle-free for the customer. Meezan Bank has also introduced an Application - MeezanSouq to simplify the way customers use their active approved limit acquired through Meezan Consumer Ease.

Commercial Vehicle Financing

Meezan Commercial Vehicle offers financing facility under Ijarah module to SME and Corporate segments. This facility ranges from rigid trucks, vans, coasters, buses to heavy duty trucks, Prime movers, etc.

Bike Ijarah

Meezan Bike Ijarah is a Shariah-compliant motorcycle financing solution for a period of 1 to 3 years. Rental payments start after delivery of vehicle to the customer. The facility includes full comprehensive Takaful cover as well.

Retail Supply Chain Financing

Meezan Retail Supply Chain Financing provides small-scale retailers access to liquidity and a solution to improve working capital. It aims to improve financial efficiency of the supply chain and to reduce the working capital requirement. This initiative will have a positive social impact on individuals and communities as it creates a true win-win proposition for all the involved parties. Kiryana store financing model relies not only on its scalability but also on its pan-Pakistan potential that even extends to hard-to-reach locations.

the Bank does not disclose the cost and profit to the customer.

Istisna

Meezan Bank offers an Istisna based solution to finance complete working capital requirements of its customers. Istisna is a type of sale transaction where the buyer places an order with the seller to manufacture certain asset and the sale is completed upon delivery of the asset to the buyer. Under this facility, Meezan Bank provides funds to customers for manufacturing certain assets for the Bank and then, upon delivery, sells the assets in the market.

Commodity Salam

This is a working capital financing solution whereby the Bank and customer enter into a sale contract in which sale price is paid by the Bank in advance and customer delivers the commodity / goods on deferred basis. Upon delivery, the Bank sells the goods in the market.

Tijarah

This is a working capital solution especially for those customers who sell their inventory on credit and require funds

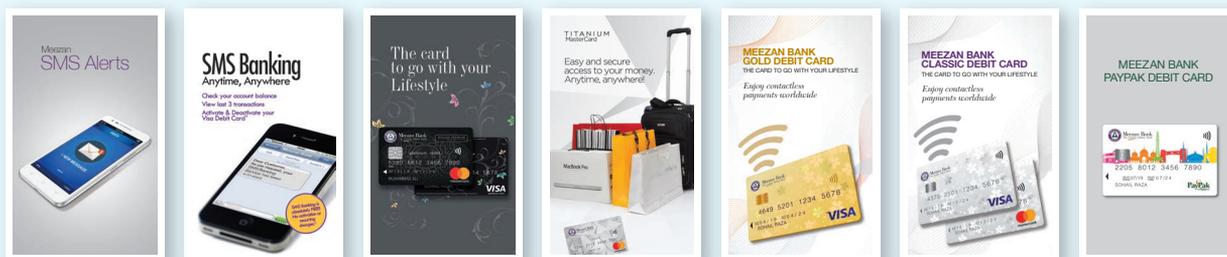
profit and loss as per the actual performance of the business. This product is also used as a viable financing solution for the service industry and travel agents whose financing needs are generally not addressed by other asset backed products. This product is used to meet the working capital requirements of the customer.

Diminishing Musharakah

This is a medium and long-term financing product, where the Bank and the customer jointly purchase an asset and create joint ownership in the asset. The Bank then leases its share in the asset to the customer while the customer purchases units of ownership in the asset from the Bank at periodic intervals. Upon purchase of all the units, the customer becomes the owner of the asset. This mode is used for financing of fixed assets such as land, factory, building, machinery, equipment, vehicles, etc.

Structured Finance Solutions

In order to provide solutions for unique financing requirements of the customers such as project financing, CAPEX and BMR requirements, short-term retail



Financing Products

Meezan Bank offers a wide range of products to its Corporate, Commercial and SME Customers to meet their financial needs. Following is a list of generic products that are used to offer financing solutions:

Murabaha

Meezan Bank offers a convenient and easy-to-use solution for financing raw material and inventory requirements of the customer through Islamic mode of Murabaha. Murabaha is a sale transaction where the seller discloses the cost and profit to the buyer at the time of execution of sale. Murabaha is a short-term Islamic facility for meeting asset-based working capital requirement of customers where instead of providing a loan, Meezan Bank sells the required asset to the customer on spot or deferred basis.

Musawamah

Musawamah is a bargain sale in which

for operations during the credit period. In Tijarah, the Bank purchases the finished goods from the customer and after taking the delivery, sells the goods in the market.

Ijarah

Meezan Bank provides Ijarah based products to provide flexible solution for meeting long term financing requirements of the customers. Ijarah technically means to give something on rent. The Bank uses this product for medium and long-term financing purposes where the Bank acquires the asset required by the customer and then leases it to the customer for a fixed period. This product is used for the financing of fixed assets such as plant, machinery, generators, equipment, vehicles, etc.

Running Musharakah

This is a Shirkatul-aqd based financing facility offered to the customers where the Bank participates in the operating activities of the customer and shares

Sukuks etc, Meezan Bank offers specialized hybrid solutions that are specifically developed as per the special financing requirement of the customer.

Shariah-compliant range of Trade Financing Solutions Import Financing

Meezan Bank offers a comprehensive solution for all the import related financing requirement of its customers. Some of the major import financing products are as follows:

Letter of Credit Services

In order to facilitate imports of customers, Meezan Bank offers letter of credit establishment services on Wakalah basis at competitive rates and unmatched service quality.

Short-term Import Financing

Meezan Bank offers flexible and convenient import financing facility on the basis of Musawamah / Murabaha. If the customer wants to finance its letter of credit, the Bank

appoints the customer as its agent to import the goods and customer establishes the LC as an agent of the Bank. Upon receiving possession of the goods, the Bank sells the goods to the customer on a deferred payment basis.

Finance against Imported Merchandize

Meezan Bank also offers finance against imported merchandize facilities to its customers on the basis of Musawamah / Murabaha. Under this facility, the Bank appoints the customer as its agent to import the goods and the customer establishes the LC as an agent of the Bank. Upon receiving possession of the goods, the Bank sells the goods to the customer on deferred payment basis and then keeps the same goods under its pledge for securing the payment obligations of the customer.

Hedging Facilities

In order to hedge the risk of foreign currency price fluctuations, Meezan Bank offers a Shariah-compliant hedging facility on the basis of Wa'ad.

Long-term Import Financing

Meezan Bank offers long-term import finance facilities on the basis of Ijarah or Diminishing Musharakah where the customer imports the asset either as the Bank's agent (in case of Ijarah) or as the Bank's partner (in case of Diminishing Musharakah). Upon receipt of the asset, the asset is leased to the customer for a specified period as per the rules of Ijarah.

Export Financing

Meezan Bank also offers a full range product menu for exporters where all the requirements of the exporters can be fulfilled under one roof in a convenient manner. Some of the major facilities for exporters are as follows:

Hedging Facilities

In order to hedge the risk of foreign currency price fluctuations, Meezan Bank offers Shariah-compliant hedging facility on the basis of Wa'ad.

Salam & Murabaha as alternative to Export Bill Discounting

In order to provide financing for the immediate financing needs of the exporters, Meezan Bank offers a Shariah-compliant alternative to export bill discounting where instead of providing loan against the export order, Meezan Bank keeps the export

bill as security and extends a fresh Murabaha financing facility to the customer or purchases FCY against Pak rupees from the customer on Salam basis at spot rates to cater to the financing requirements of the customer.

Islamic Export Refinance Scheme

Meezan Bank, in collaboration with the State Bank of Pakistan offers subsidized rate financing solutions through modes of Murabaha, Istisna, Tijarah and Running Musharakah under Islamic Export Refinance Scheme.

Islamic Long-term Finance Facility

Meezan Bank, in collaboration with the State Bank of Pakistan provides subsidized rate long term financing facilities through modes of Ijarah and Diminishing Musharakah under Islamic Long Term Finance Facility.

Guarantee Services

In order to facilitate trade, Meezan Bank offers Shariah-compliant guarantee facility to its customers where the Bank provides different types of payment and performance guarantees on behalf of the customer.

Meezan eBiz

Meezan eBiz allows customers to execute critical banking transactions in real time over the internet while maintaining the security of information exchanged over this channel. With the help of Meezan eBiz, customers can view their account balances, account details, account statements as well as efficiently conduct their day-to-day transactions such as fund transfers, IBFT, salary payments, bill payments, payment orders, etc. via an automated, secure and versatile electronic processing platform.



Meezan eBiz+

Meezan eBiz+ is a comprehensive customized Cash Management solution which allows Corporate, Commercial and SME customers to not only electronically manage their banking relationship, but also reduce operational burden by outsourcing the management of country wide collection, payment and trade related needs. Each implementation is tailor-made to meet customers' specific requirements including MIS, reconciliation and Host to Host integrations with customer ERP system.



Meezan eBiz+ LITE

Meezan eBiz+ LITE is a payments solution, a new version of Meezan Bank's online internet banking portal, ideal for



small businesses offered under eBiz+ online banking portal.

Advantages:

- Single or bulk processing of transactions
- Implementation of complex board resolutions to ensure payments are authorised after approvals from necessary authorities
- Complete log of transactions history, real time transactions status (processed/rejected/on hold)

Available Payment Options:

- Utility Bill Payments
- Tax Payments
- IBFT (Internet Bank Funds Transfer)
- IFT (Internal Funds Transfer)
- Pay Order Issuance
- Account Statement Viewing

Chairman's Review

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Alhamdulillah, it gives me immense pleasure to present the Annual Report of Meezan Bank for the year 2020.

It is indeed gratifying to note that over the last eighteen years, Meezan Bank has not only established itself as the leading Islamic Bank in Pakistan but has also earned the recognition of being the best bank in the country twice from Pakistan Banking Awards, the most prestigious awards of the country's banking sector. This year, the CFA Society of Pakistan also included Meezan Bank in the 'Large Size Banks' category for the first time and recognized it as the 'Best Bank of the Year 2019'. I would like to extend my heartiest congratulations to each and every member of the Meezan Team who have worked with unwavering commitment despite the present-day challenges to achieve these impressive recognitions.

2020 will undoubtedly go down in the annals of history as the year in which the way of life changed for the entire world, and it is unlikely that we will ever return to things the way they were prior to the onset of the terrible pandemic – COVID-19. Pakistan went into a complete 'lock-down' in March 2020. Fortunately, by the Grace of Allah (SWT), timely actions by the Government yielded very positive results and things began to open up by the end of May. Since then the economy has bounced back strongly and although the 'second wave' hit the country in December 2020 companies continue to perform well and report good results. Meezan has also fared extremely well and reported very strong growth in deposits and profitability. We are thankful to Allah (SWT) for these extraordinary achievements and for His countless blessings upon us and reiterate our commitment towards our Vision of establishing 'Islamic banking as banking of first choice...', Insha'Allah. I would also like to commend the management for their excellent performance and the frontline workers who put themselves at risk as bank branches remained open throughout the period of the 'lock-down'.

One of the outcomes of this pandemic has also been the exponential increase in transactions conducted by customers using digital channels – Internet banking, Mobile-App, ATMs, etc. Fortunately, the Bank's focus on technology came to bear and the Meezan Mobile App consistently remained the top-rated banking App on both the Android and IOS platforms during the year. Meezan Bank's user base on digital channels also doubled during the year and this bodes well for the Bank since digital channels not only enhance customer experience but are also an extremely cost efficient way of doing business for the Bank.

Meezan Bank was also the only full-fledged Islamic bank that was selected by the State Bank of Pakistan to participate in the newly launched Roshan Digital Account – a completely end-to-end digital process account for Non-Resident Pakistanis (NRPs). This account allowed NRPs to invest in attractive investment products and various other asset classes in Pakistan. Meezan Bank performed extremely well and generated the highest deposit in foreign currency from NRPs and was accordingly recognized by the Honourable Prime Minister of Pakistan at an award ceremony in Islamabad.

Although the use of digital channels will continue to grow in the coming years, we believe that the 'brick & mortar' branches will continue to play a very important role in the Banks future growth. As a result we have taken the decision to continue to aggressively grow our branch network Insha'Allah.

I would like to take this opportunity to congratulate the State Bank of Pakistan on being recognized as the 'Best Central Bank in Promoting Islamic Finance' by Islamic Finance News – Malaysia. This award clearly reflects on the commitment of State Bank towards the implementation of Islamic Banking in Pakistan.

My deepest gratitude to the State Bank of Pakistan, Ministry of Finance and the Securities & Exchange Commission of Pakistan for their continuous commitment to establish a viable Islamic financial system in the country.

I would also like to express my gratitude to our shareholders, members of the Shariah Supervisory Board and my fellow Board members as well as all Meezan Bank staff; and most importantly, our customers who have reposed their trust in us and supported the cause of Islamic banking.

“ Meezan Bank's user base on digital channels also doubled during the year and this bodes well for the Bank since digital channels not only enhance customer experience but are also an extremely cost efficient way of doing business for the Bank. ”



Riyadh S. A. A. Edrees
Chairman

February 18, 2021



Directors' Report to the Members

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

On behalf of the Board of Directors, we are pleased to present the twenty-fourth Annual Report of Meezan Bank Limited, setting out the detailed financial results of the Bank for the year ended December 31, 2020.

Corporate Awards and Recognitions

Meezan Bank won several prestigious awards during the year at both national and international levels that recognize the degree of success enjoyed by Pakistan's first and largest dedicated Islamic Bank and one of the fastest growing banking institutions in the country. Some of the key awards won during the year were:



Best Bank in Pakistan – 2020

Alhamdulillah, Meezan Bank has been recognized as the Best Bank for year 2020 at Pakistan Banking Awards for the second time since the Award's inception in 2016. This is the most prestigious award of the country's banking sector. The Bank had previously been recognized as the Best Bank in Pakistan in 2018.

The Pakistan Banking Award is organized by the Institute of Bankers Pakistan in collaboration with DAWN Media Group and A. F. Ferguson & Co., Chartered Accountants, a member firm of the PwC network, under the patronage of the State Bank of Pakistan and adjudicated through an eminent jury of highly respectable luminaries with substantial experience in the financial sector. This award aims to holistically assess a bank on all aspects and is awarded to the bank that has demonstrated the most significant contribution to national development and the most effective management of its resources including employees, clients, franchise, community and finances.

Best Bank of the Year – Large Size Banks by the CFA Society of Pakistan

This year, the CFA Society of Pakistan included Meezan Bank in the 'Large Size Banks' category for the first time and recognized it as the 'Best Bank of the Year 2019' at its 17th Annual Excellence Awards ceremony. Meezan Bank was also the recipient of 'Best Islamic Bank of the Year 2019' and 'Best Corporate Finance House of the Year 2019 (Fixed Income)' awards.

Most Innovative Islamic bank – Global Award

Islamic Finance News (IFN) of REDmoney Group, Malaysia has recognized Meezan Bank as the Most Innovative Islamic Bank in the world in the recently announced IFN Awards. IFN has also recognized Meezan Bank as the second best Islamic Retail Bank in the world. The *Islamic Finance news* Awards honor the best in the Islamic financial industry and are one of the most prestigious awards highly recognized by the global Islamic capital markets.

Details of major awards won during the year are given in the Annual Report. 

We thank Almighty Allah for His blessings and all the stakeholders, especially our valued customers, for their patronage and continued trust, that has helped Meezan Bank to achieve the above-mentioned recognitions and milestones while growing by leaps and bounds and establish a mark for Islamic Banking in Pakistan.

2020 has, Alhamdulillah, been a very good year for Meezan Bank despite the pandemic that has wrecked so much havoc around the globe. The Bank's deposits crossed the trillion Rupee mark and closed at Rs 1.25 trillion, up by 35%. This now ranks Meezan Bank amongst the top banks in the country in terms of deposits and catapults the Bank into the league of big banks in Pakistan in a short span of only eighteen years.

Economic Overview

The year 2020 witnessed the outbreak of COVID-19 which has had a lasting impact on global economies and ways of doing business. The full brunt of the COVID-19 was felt during the second quarter of 2020 when business activities came to a virtual standstill due to a series of country-wide lock-downs which were imposed in March 2020. As a result of the pandemic, Pakistan witnessed a contraction of 0.4% in GDP in the fiscal year 2020.

To combat the economic effects of COVID-19, the Government of Pakistan stepped forward and introduced a fiscal stimulus package of Rs 1.2 trillion to support businesses, particularly the export sector and lower income groups, along with an incentive package for the construction industry to generate employment and support housing and related industries.

The State Bank of Pakistan (SBP) also took a number of concrete steps to help businesses survive the cashflow crisis that was a direct result of COVID-19 'lock-down'. Such steps included giving all businesses the option to defer the repayment of principal up to one-year as well as new concessional finance schemes for:

- salary payments
- funding to hospitals
- funding for renewable energy installations
- funding for setting up new industrial units

Another bold and timely measure was the major reduction in the benchmark interest rate (also referred to as the Policy Rate) that was reduced from 13.25% at the start of 2020 to 7% in June 2020.

These fiscal measures along with strict measures to contain the spread of the virus – Pakistan has been widely applauded for its low infection and death rates relative to many other countries – helped in a sharp recovery of economic activity during the second half of the year. Large Scale Manufacturing (LSM) increased by 7.41% YoY during the 5 months of the current fiscal year 2020-21. To boost the inflows of foreign remittance, the Central Bank introduced a completely end-to-end digital account for non-resident Pakistanis – the ‘Roshan Digital Account’, which also contributed to the up-tick in inward home remittances that totaled US dollar 26 billion for the year 2020, an increase of 17% over the previous year. Exports also witnessed a steady increase of 5% YoY during the second half of the year, resulting in five successive monthly Current Account surplus balances between July to November 2020. The improvement in Current Account and deferment of debt repayments under Debt Service Suspension Initiative (DSSI) helped the Rupee to remain stable. Pakistan climbed 28 places in the global Ease of Doing Business rankings in 2020. The PSX has made a strong come-back and closed the year at 43,755 points as compared to 40,735 points at the end of 2019, reflecting a gain of 7.4%.

COVID-19 and measures taken by the Bank

By the Grace of Allah (SWT), even when almost the entire world came to a halt due to the COVID-19 outbreak, the Bank focused on ensuring uninterrupted, best-in-class service delivery to its customers, through traditional as well as digital channels. The Bank’s investment in infrastructure, technology (hardware and software) and training paid off during these challenging times as the Bank successfully deployed almost 70% of its Head Office and support units staff to work from alternate sites or from the safety of their homes, so as to minimize the risk of exposure to the disease and also to ensure proper ‘social distancing’, while the entire branch network stayed fully operational with proper SOPs

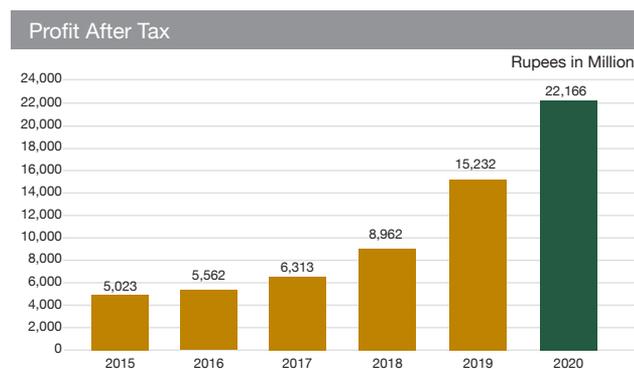
to ensure uninterrupted delivery of banking services to our customers.

The Bank also actively supported the measures taken by the Government and the SBP to address the economic effect of COVID-19. In fact, the Bank went a step further and in the case of one relief package announced by SBP for concessional financing to hospitals to help them procure equipment to cope with COVID-19, the Bank provided financing to hospitals without charging any profit, even though the SBP Relief Scheme allows the Bank to charge up to 3%.

Our Performance

Meezan Bank continued its growth trajectory and recorded excellent results for the year 2020 - with all round growth in profitability, deposits, branches, asset size, and equity.

- Profit After Tax of the Bank increased to Rs 22.17 billion as compared to Rs 15.23 billion in 2019; an impressive growth of 46%. Profitability of the Bank has registered more than a fourfold increase in the last five years that demonstrates sound management and efficient utilization of resources.
- Earning per Share – on enhanced share capital of Rs 14.15 billion increased to Rs 15.67 from Rs 10.77 per share.
- Total assets of the Bank grew by 36% to cross Rs 1.5 trillion.
- Deposits grew by a robust 35% to Rs 1.25 trillion, the highest growth since 2008, taking the Bank in the league of big banks in Pakistan as compared to banking industry average growth of 22%.
- Equity of the Bank grew to Rs 69 billion as compared to Rs 59 billion a year ago - an increase of Rs 10 billion or 17%.
- Geographical network of the Bank expanded to 815 branches covering 248 cities of the country after opening of 55 new branches in 2020 despite lockdowns and overall halt in economic activity due to COVID-19.



Key Business Results

	2020	2019	Growth
Profit After Tax	Rs 22.17 Billion	Rs 15.23 Billion	46% ▲
Investments			
Sovereign	Rs 414 Billion	Rs 206 Billion	101% ▲
Others	Rs 20 Billion	Rs 20 Billion	-
	Rs 434 Billion	Rs 226 Billion	92% ▲
Financing	Rs 513 Billion	Rs 494 Billion	4% ▲
Deposits	Rs 1.25 Trillion	Rs 933 Billion	35% ▲
Total Assets	Rs 1.5 Trillion	Rs 1.1 Trillion	36% ▲
Equity	Rs 69.2 Billion	Rs 59 Billion	17% ▲
Capital Adequacy ratio	17.82%	16.58%	7% ▲
Dividend per share:			
Cash Dividend - Rs	6.00	5.00	20% ▲
Bonus Issue	10%	10%	-
Branch Network	815 Branches	760 Branches	7% ▲
Presence	248 Cities	223 Cities	11% ▲
Trade Business (Imports and Exports)	Rs 1.13 Trillion	Rs 1.08 Trillion	4% ▲

Financial Results

Rs in Million

PROFIT AND LOSS ACCOUNT	2020	2019
Profit / return earned on financing, investments and placements	106,589	94,270
Return on deposits and other dues expensed	(41,740)	(47,731)
Net spread earned	64,849	46,539
Fee, commission and other income	6,611	6,713
Foreign exchange income	2,154	2,684
Dividend income and gain / (loss) on securities - net	1,307	(77)
Non-funded and other income	10,072	9,320
Total Income	74,921	55,859
Operating and other expenses	(29,775)	(25,522)
Profit before provisions	45,146	30,337
Provisions and write offs - net	(8,210)	(4,186)
Profit before taxation	36,936	26,151
Taxation	(14,770)	(10,919)
Profit after taxation	22,166	15,232
Earnings per share - on enhanced capital - Rs	15.67	10.77

Assets Growth

Total assets of the Bank crossed the Rs 1.5 trillion benchmark from Rs 1.1 trillion in 2019, recording a growth of more than Rs 400 billion.

Growth in Investments

Investments portfolio of the Bank grew by 92% to Rs 434 billion as compared to Rs 226 billion in 2019 mainly due to investments in Federal Government Securities – GoP Ijarah Sukuk and GoP Bai Muajjal. The issuance of GoP Ijarah Sukuk at regular intervals has addressed the chronic liquidity management challenges historically faced by the Islamic Banking industry and we express our gratitude to the Government of Pakistan and the SBP for their support.

The Bank also invested Rs 34 billion in the second tranche of Pakistan Energy Sukuk (PES II). The Bank played a leading role in the successful issuance of PES II of Rs 200 billion, by Power Holding Limited, a company fully owned by Ministry of Energy and Government of Pakistan. The issue helped the Government partly address the chronic matter of the burgeoning circular debt of the power sector. Liquidity not invested in government securities was deployed with Financial Institutions under short-term placements ranging from one month to one year and the amount so deployed increased to Rs 342 billion from Rs 224 billion in 2019. These placements are secured against Federal Government securities received as collateral.

Financing Portfolio of over Rs 500 billion

The Bank's financing portfolio closed at Rs 513 billion, 4% up from December 2019. The Bank remained cautious in its financing approach due to overall slowdown in economic activity post the COVID-19 outbreak. However, to support SBP's measures for economic revival, the Bank extended financing under a number of refinance schemes including refinance for payments of salaries and wages, renewable energy, refinance for combating COVID-19 and temporary economic refinance facility for setting up of new industrial units. The Bank's total exposure under various SBP refinance schemes has increased to Rs 78 billion as compared to Rs 44 billion in 2019 – a growth of 79%. It is also interesting to note that the concession granted by SBP that allowed customers to defer the payment of their financing obligations up to 12 months was availed by only 6% of the total financing portfolio and this reflects the strong financial standing of customers in the Bank's financing portfolio. The strategy remains to maintain a well-diversified portfolio spread across its Corporate, Commercial & SME and the Consumer segments comprising good quality credit.

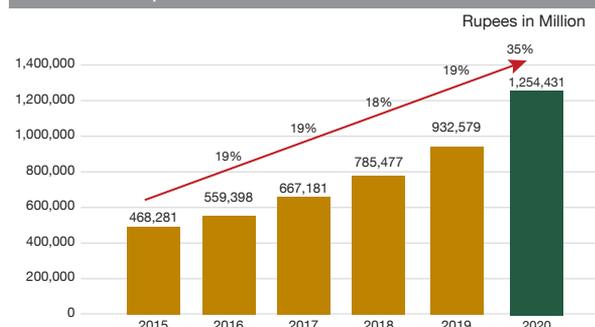
However, recognizing the challenges that COVID-19 may bring in the wake of the virulent second wave of the pandemic, the Bank increased the level of provisioning required against weaker accounts in the portfolio that may be susceptible to greater credit risk. As a result the Bank's non-performing financing ratio (NPL ratio) increased to 2.8% as compared to 1.8% in 2019. However, this NPL ratio is still relatively very low compared to the banking industry average of 10%. The total Specific Provision charge for the year amounted to Rs 7.3 billion. Additionally, the Bank has made a General Provision of Rs 1 billion against any other possible non-performing financings, bringing the total provision charge for the year to Rs 8.3 billion with a coverage ratio of 128% - well above the banking industry average of 85%.

35% Growth in Deposits

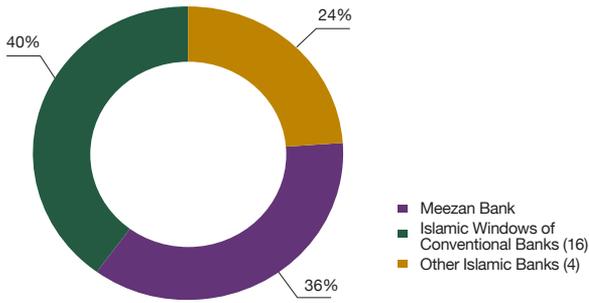
Deposits of the Bank grew by 35% closing at Rs 1.25 trillion, higher than the banking industry average growth rate of 22%, taking the Bank into a trillion Rupee deposit category for the very first time in its history.

Even more impressive is the fact that the major part of this growth stemmed from an increase in Current Accounts that increased by 49% to Rs 504 billion. Current Account deposits now comprise 40% of the total deposits as compared to 36% in 2019 while the Bank's CASA ratio has improved to 76% as compared to 74% in 2019. This unprecedented growth has only been made possible by the Bank's relentless focus on delivering un-interrupted and absolute best in class customer service across all channels.

Growth in Deposits



Share of Meezan Bank in Islamic Banking Industry - Based on deposits



Islamic Banking Industry

Islamic Banking continues to strengthen its roots in Pakistan with Meezan Bank as the market leader offering a complete range of Islamic Banking products and services. The share of Islamic Banking Industry deposits is 17% of the total Banking industry deposits. Meezan Bank's share of deposits amongst dedicated Islamic Banks operating in Pakistan is approximately 60% while its share of the Islamic Banking industry as a whole, including Islamic Banking windows of conventional banks in Pakistan, is 36%.

Profitability

Net Spread

The Bank's return on financings, investments and placements increased from Rs 94.3 billion in 2019 to Rs 106.6 billion in 2020, an increase of 13% due to strong balance sheet growth, while its return on deposits and other dues decreased from Rs 47.7 billion in 2019 to Rs 41.7 billion in 2020 due to increase in current account balances, that on average grew by 33% from last year and immediate re-pricing of deposits pursuant to decrease in SBP Policy Rate. Accordingly, net spread of the Bank rose by 39% to Rs 64.8 billion from Rs 46.5 billion in 2019.

Fee, Commission and other income

The Bank's fee, commission and other income remained slightly lower than last year due to lower transaction volume and waiver of fee on certain digital transactions. However, capital gain and dividend income of the Bank increased to Rs 1.3 billion as compared to a net loss of Rs 77 million last year. Accordingly, on an overall basis, the Bank's non-funded income recorded a growth of 8% closing at Rs 10.1 billion as compared to Rs 9.3 billion in the 2019.

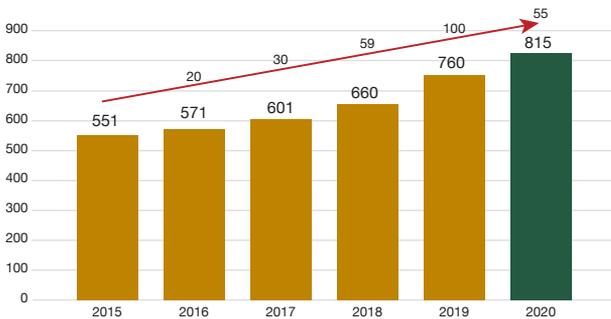
Improvement in Income Efficiency Ratio

The Bank's operating and other expenses increased to Rs 29.8 billion from Rs 25.5 billion, primarily due to increase in cost associated with opening of new branches, full year impact of 100 new branches opened in 2019 and partial impact of 55 new branches opened in 2020 - an investment in future. However, this rise in expenses is sufficiently absorbed by the growth in the Bank's funded and non-funded income, resulting in improvement in income efficiency ratio. The Bank's income efficiency ratio now stands at 40% as compared to 46% in 2019.

Contribution to the National Exchequer

The Bank continued to contribute to the national exchequer and paid Rs 12.2 billion in the form of direct taxes to the Government of Pakistan during the year. In addition to this, the Bank also collected, withheld and deposited Rs 14.3 billion on account of Federal Excise Duty/Provincial Sales Tax on Services and as withholding tax agent on behalf of Federal Board of Revenue and Provincial Tax Authorities.

Branch Network



Growth in Branch Network

In line with the Bank's Vision of establishing 'Islamic banking as banking of first choice...', the Bank further expanded its footprint and added another fifty-five new branches in twenty-five new cities. The Bank's network now stands at 815 branches in 248 cities (2019: 760 Branches in 223 cities). The Bank is focused on increasing its market share in Pakistan's growing banking industry by expanding its geographical outreach as well as investing in technology.

Digital Banking Initiatives:

A positive outcome of the pandemic has been the strong shift in customer transaction behavior, with digital transactions growing significantly faster than in previous years. Transaction volume for digital transfers to other banks has grown by almost 4 times - 15.6 million transactions in 2020 as compared to 4 million transactions in 2019. Similarly, bill payment transactions have also doubled, growing to 13.5 million from 6.6 million while e-commerce transactions rose by 72%. Meezan Bank's Mobile Banking App has been consistently ranked as the No.1 Mobile Banking App in Pakistan by both Apple Store and Google Play Store. The Bank's investment in technology has paid off well and despite an exponential increase in digital banking transactions, the Bank's technological infrastructure exceeded expectations and handled transactions seamlessly.

You would be happy to learn that Meezan Bank is one of the eight banks, and the only full-fledged Islamic bank, that worked closely with the SBP to launch the 'Roshan Digital Account (RDA)' - an end-to-end digital account for Non-Resident Pakistanis (NRPs). This innovative initiative, designed to attract investment into the country, has been well received by NRPs and the response has been very good. Alhamdulillah, to date Meezan Bank has opened over 10,000 accounts in a short span of four months since launch of the product.

As a part of its digital transformation program, the Bank has increased its investment in a number of very significant technology projects out of which two major projects, a new digital banking platform and a data analytics solution, are in their implementation phase. The Bank has also partnered with a leading technology service provider to provide frictionless digital banking and payments experience to its customers through a state-of-the-art issuing and acquiring service solution. Once implemented, these platforms will provide a solid technological foundation to fully support the aggressive growth plans of the Bank for a medium to long term including venturing into new businesses such as Islamic Credit Cards, Merchant Acquiring and e-Commerce Payment Gateway.

Human Resources

Despite the economic effects of COVID-19, the Bank continued to contribute towards the economic development of the country by creating employment opportunities for 774 new employees as a result of growth in the branch network and the overall growth of the Bank. The Bank's human capital comprises 12,000 plus staff and the Bank nurtures them by providing a variety of trainings, ranging from Islamic Banking and role-based trainings to soft skills development, thus enabling them to provide a superior banking experience to its customers. Keeping in view the well-being of its employees, the Bank has partnered with a digital health platform to provide free of cost online medical consultations to employees and their families. We continue to pray that Allah (SWT) may keep all of us safe from this calamity and disease.

Capital Adequacy Ratio

The Bank is a well-capitalized institution with Capital Adequacy Ratio (CAR) of 17.82%, well above the minimum regulatory requirement of 11.50%, as under:

Capital Adequacy Ratio (CAR)	Dec 31, 2020	Dec 31, 2019	Minimum Requirement
Common Equity Tier I – (CET I)	12.25%	11.30%	7.50%
Tier I	13.63%	12.92%	9.00%
CAR	17.82%	16.58%	11.50%

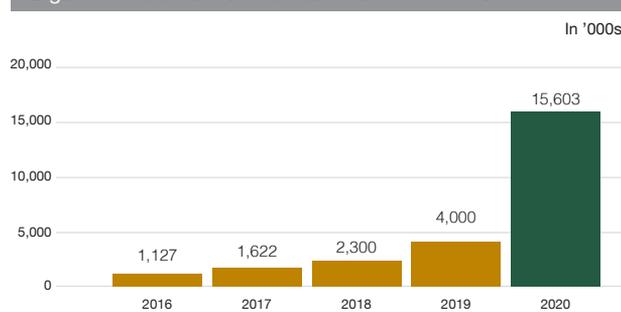
Dividend per share

We are pleased to inform you that the Board has approved 20% final cash dividend of Rs 2 per share for the year 2020, bringing the total payout for the year to 60% i.e. Rs 6 per share; as 40% interim cash dividend i.e. Rs 4 per share was already paid. This is in addition to issuance of 10% Bonus Shares during the year. The Bank has maintained its unbroken payout record since its date of listing on the Stock Exchange.

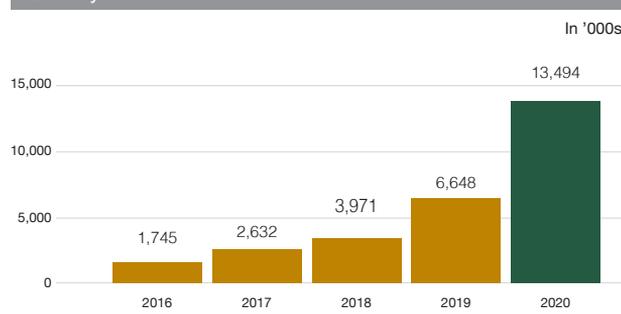
Credit Rating

The VIS Credit Rating Company Limited has reaffirmed the Bank's Entity Rating of 'AA+' (Double A Plus) for the Long Term and 'A1+' (A-One Plus) for the Short Term with stable outlook. The VIS Credit Rating Company Limited has also reaffirmed the rating of Subordinated Tier II Sukuk and Additional Tier I Sukuk of the Bank at 'AA' (Double A) and 'AA-' (Double A Minus) respectively. These ratings were assigned in 2020 and represent sound performance indicators of the Bank.

Digital Transfers to other banks - No of Transactions



Bill Payments - No of Transactions



Endorsements

The Board of Directors is pleased to endorse the following statements in the Annual Report:

- Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019;
- Profit amounting to Rs 2.2 billion has been transferred to Statutory Reserves for the year 2020 as required under Banking Companies Ordinance, 1962;
- Risk management framework of the Bank;
- Statement made by the Management relating to internal controls over financial reporting along with overall internal controls;
- The pattern of Shareholding as at December 31, 2020; and
- Corporate Social Responsibility.

Directors

The Board consists of eleven directors including the CEO as a deemed director. During the year, four meetings of the Board of Directors were held. The record of meetings attended by the directors, along with composition of the Board is as follows:

Name of Directors	Category	No. of meetings held in tenure	No. of meetings attended
Mr Riyadh S.A.A. Edrees – Chairman	Non-Executive Director	4	4
Mr Faisal A.A.A. Al-Nassar - Vice Chairman	Non-Executive Director	4	4
Mr Bader H.A.M.A. Al Rabiah	Non-Executive Director	4	4
Mr Mubashar Maqbool	Non-Executive Director	4	4
Mr Saad Fazil Abbasi	Non-Executive Director	4	4
Mr Mohamed Guerhazi	Non-Executive Director	4	4
Mr Basil Y.A.Y.R. AlBader*	Non-Executive Director	1	1
Mr Naveed Iftikhar Sherwani**	Non-Executive Director	-	-
Mr Noorur Rahman Abid	Independent Director	4	4
Ms Nausheen Ahmad	Independent / Female Director	4	4
Mr Atif Azim	Independent Director	4	4
Mr Irfan Siddiqui - President & CEO	Executive Director	4	4

* Passed away during the year

** Appointed during the year and awaiting clearance from SBP

The Board welcomes the new director Mr. Naveed Iftikhar Sherwani and wishes to place on record its sincere appreciation for the valuable services rendered by Mr. Basil Y.A.Y.R. AlBader who passed away during the year. We pray to Allah SWT to grant him maghfirat and the highest place in Jannah.

The Board has constituted the following five Committees with defined Terms of Reference (ToRs):

1. Human Resources and Remuneration Committee
2. Risk Management Committee
3. Audit Committee
4. Information Technology Committee
5. IFRS 9 Implementation Oversight Committee

The names of members and their attendance in Board Committees Meetings held during the year are included in the Annual Report. 

Remuneration of Board members is recommended by the Board and approved by shareholders in the General Meeting. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his/her own remuneration. The Bank does not pay any remuneration to non-executive directors except fee for attending the meetings. In order to retain the best talent, the Bank's remuneration policies are structured in line with the SBP regulations, prevailing industry trends and business practices. For information on remuneration of Directors and CEO in 2020, please refer notes to the Financial Statements. 

The Bank has a policy in place for dealing with conflicts of interest relating to members of the Board. Under this policy, any Director who has a business interest in a matter being presented at a Board meeting does not participate in either the discussion or the decision on that matter. This policy is applied consistently and there was no breach of this policy during the year.

Performance evaluation Mechanism for the Board

The Board of Directors and its sub-committees are competent and experienced, representing diversified educational and vocational backgrounds which are invaluable in determining the overall direction of the organization. The Board of Directors is keen to ensure that it reviews the effectiveness of its performance periodically. To that end, all individual Board members answer a comprehensive questionnaire focused on evaluating, from various angles, whether the Board has discharged its duties diligently and with foresight. A committee of Directors is designated to manage the Board's self-evaluation exercise and present its findings to the Board for deliberation and discussion.

During the self-evaluation exercise, the Board evaluates itself from the following perspectives:

- Evaluation of the overall Board
- Evaluation of the Chairperson
- Evaluation of Individual Directors
- Evaluation of Independent Directors
- Evaluation of Board Committees
- Evaluation of the CEO

This exercise in critical self-assessment allows the Board to evaluate its performance and overall effectiveness in setting strategies, devising control processes, reading market trends by monitoring micro and macroeconomic factors and responding to adverse unforeseen situations to further the cause of a learning organization. This process also ensures that the Board is constantly growing intellectually and the responsibility of steering the Bank to new heights of success is discharged effectively and efficiently.

The SBP Guidelines require that at least once in every three years, the evaluation should be conducted by an external independent evaluator. The Bank engaged Pakistan Institute of Corporate Governance (PICG) as an independent evaluator to conduct this evaluation for the year 2019. This year, this exercise was conducted by adopting in-house approach with quantitative technique, as per SBP guidelines.

Auditors

The present auditors, EY Ford Rhodes, Chartered Accountants retire and being eligible, offer themselves for reappointment. As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 the Board and the Audit Committee have recommended the appointment and remuneration of EY Ford Rhodes, Chartered Accountants as auditors of the Bank for the year ending December 31, 2021.

Al Meezan Investment Management Limited – Subsidiary

Al Meezan Investment Management Limited (Al Meezan) has a track record of over 26 years in fund management operations and has the distinction of having an exclusive mandate of providing Shariah-compliant investments solutions to its investors. With a healthy investor base of over 130,000 customers, Al Meezan is now the largest asset management company of the country with Assets under Management (AUMs) crossing Rs 163 Billion mark as at December 31, 2020. It also manages Separately Managed Accounts (SMAs) for Corporate and high net worth individuals. These AUMs represent around 17% of the total mutual funds industry and over 43% of the Shariah compliant mutual funds industry.

Al Meezan is also continuously enhancing its presence and now has 27 branches across Pakistan offering a comprehensive product suite of 18 mutual funds and multiple investment plans, managing a range of basic equity and income funds to commodity funds, dedicated equity fund and aggressive asset allocation funds. It has recently launched the country's first Shariah-compliant Exchange Traded Fund, namely Meezan Pakistan Exchange Traded Fund and is amongst the pioneers in launching this innovative product. Al Meezan also manages the largest Voluntary Pension Fund in Pakistan.

Future Outlook and strategy

We are optimistic that Pakistan's economy will continue its strong revival as COVID-19 cases drop to lower levels and the expected procurement of the COVID-19 vaccine. As markets have opened up, most sectors of the economy are performing very well. The SBP has estimated GDP growth of around 2% for the fiscal year 2021. The recent rise in exports along with strong growth in remittance resulted in a cumulative surplus for the Current Account for the first time in many years. The Rupee / USD exchange rate has also stabilized at current levels. Also, the re-entry into IMF program has further strengthened the country's exchange reserves and will further augment fiscal reforms. The SBP, in its latest monetary policy statement, has kept the policy rate unchanged at 7% in view of stabilized inflation and overall improved business confidence. All these positive indicators provide the foundation for future economic growth of Pakistan.

The Bank has implemented strict SOPs to counter the spread of COVID-19 and has maintained a relatively low infection ratio amongst staff. The well-being of its employees has been the paramount concern while ensuring continuous delivery of all banking needs of our customers through both physical and alternate delivery channels.

Maintaining asset quality will remain a key area of focus for the Bank. The objective is to increase financing in different sectors of the economy while keeping all the risk acceptance parameters in check. Changes in the regulatory and legal framework have also made financing to the real estate and housing sector more viable and the Bank remains committed to the Prime Minister's vision of providing low-cost housing to the masses.

The Bank will continue with its branch expansion strategy in 2021 and plans to add more branches to its network, Insha'Allah, which will expand its geographical presence across Pakistan and help provide Islamic Banking solutions to the unbanked population of the country.

At the same time, we expect the strong shift in customer transaction behavior towards digital transactions to continue in future and accordingly the Bank will increase its investment in technology to keep pace with this change. With the implementation of Smart Visa Payment Switch, a major strategic initiative, the Bank will be able to position itself as a key player in the digital payment transformation space.

The Bank has also partnered with Finja, Pakistan's first dual-regulated fintech to support Micro, Small and Medium Enterprises through Shariah-compliant digital financing. The financing to these small sized entities, which play a pivotal role in a country's economy, will be managed digitally to deliver Islamic financing to customers swiftly in a seamless manner. The Bank has strengthened its foothold in digital enablement by fully automating and digitizing its Consumer Financing proposition.

The Bank plans to further deepen its Transaction Banking offering by enabling businesses including Corporates and small and medium enterprises to establish and manage their employee accounts through Meezan Bank's Online Banking Portal. In 2020, the Bank added more than 350 customers in its transaction banking network and plans to further expand the same in 2021 as well.

Pursuant to its Vision, that is to 'establish Islamic banking as banking of first choice...', the Bank has been participating in a series of webinars and awareness sessions for its customers, staff and general public at large to bring Shariah-compliant offerings at the doorstep of every individual. The Board is confident that the Bank will Insha'Allah continue to play its leadership role in evolving the Islamic Banking Industry of Pakistan.

Islamic banking has a promising future in Pakistan and its share in the country's banking Industry is continuously rising. We believe that a robust and viable Islamic Banking industry will play a critical role in increasing the savings rate in the country. The measures of the GoP and the SBP to address the liquidity management challenge faced by the Islamic Banking industry through regular issuance of Ijarah Sukuk are indicative of their commitment towards Islamic Finance and will foster the growth of Islamic Banking industry in Pakistan. We wish to continue to play our pioneering role in assisting the Government to shift towards Shariah-compliant finance.

Acknowledgement

The landmark achievements of Meezan Bank would not have been possible without the proactive support of our diversified customer base, for which we remain indebted to them. We sincerely thank each one of our team members for their hard work and commitment. May Allah Almighty bestow His blessings on our entire team and their families.

The Board would like to express its sincere thanks and gratitude to the State Bank of Pakistan, the Ministry of Finance, the Securities and Exchange Commission of Pakistan for their continuous commitment to establish a viable Islamic financial system in the country. We would also like to congratulate the State Bank of Pakistan for being recognized for the fourth time by Islamic Finance News of REDmoney Group, Malaysia, as the best Central Bank in Promoting Islamic

Finance globally, and as the Best Central Bank of the Year by Global Islamic Finance Awards.

We would also like to thank our Board members, Members of the Shariah Supervisory Board, shareholders, holders of Additional Tier I Sukuk and Sub-ordinated Sukuk (Tier II) for their continued support and unrelenting efforts towards establishing Meezan Bank as the Premier Islamic Bank. Most importantly, we are thankful to Allah Almighty for His continued blessings on our Bank which has enabled us to achieve this incredible performance in a very short span of time and we pray that He gives us more strength and wisdom to further expand our Vision of 'establishing Islamic banking as banking of first choice...'

On behalf of the Board



Riyadh S.A.A. Edrees
Chairman



Irfan Siddiqui
President & CEO

Karachi:
February 18, 2021

انشاء اللہ بینک نے 2021 میں بھی اپنی برانچوں میں توسیع کی حکمت عملی کو جاری رکھنے کا فیصلہ کیا ہے اور اپنے نیٹ ورک میں مزید برائیاں شامل کرنے کا منصوبہ بنایا ہے، جس سے اس کی جغرافیائی پہنچ پورے پاکستان تک وسیع ہو جائے گی اور ملک کی بینکاری کی سہولیات سے استفادہ نہ کرنے والی آبادی کو اسلامی بینکاری کی خدمات فراہم کرنے میں مددگار ہوگی۔

اسی کے ساتھ ہم توقع کرتے ہیں کہ ڈیجیٹل ٹرانزیکشنز کے حوالے سے صارفین کے طرز عمل اور رجحانات میں پیدا ہونے والی واضح تبدیلی مستقبل میں بھی جاری رہے گی اور بینک اس تبدیلی سے ہم آہنگ رہنے کے لئے ٹیکنالوجی کے شعبہ میں اپنی سرمایہ کاریوں میں اضافہ کرے گا۔ ایک اہم ترین تزویراتی اقدام، اسمارٹ ویز ایٹمنٹ سوئیچ کے نفاذ کے ساتھ بینک کو ڈیجیٹل سہولت فراہم کرنے میں ایک اہم مقام حاصل ہو سکے گا۔

بینک نے پاکستان کی پہلی Dual-regulated فنانشل ٹیکنالوجی کمپنی Finja سے بھی اشتراک کیا ہے تاکہ شریعہ کیپٹل فنڈنگ کی فراہمی کے ذریعے اسٹارٹ اپوں اور میڈیم انٹرپرائزز کو مالی معاونت فراہم کی جاسکے۔ ملکی معیشت میں اہم کردار ادا کرنے والے ان چھوٹے اداروں کو فنڈنگ کی فراہمی کے لئے ڈیجیٹل ذرائع کا استعمال کیا جائے گا اور صارفین کو فوری، تیز اور بلا رکاوٹ فنڈنگ فراہم کی جائے گی۔ بینک نے اپنی کنزیومر فنڈنگ کی پیشکش کو مکمل طور پر خود کار اور ڈیجیٹل بنانے کے ذریعے استعداد کے حوالے سے اپنے قدم مضبوط کر لئے ہیں۔

بینک نے اپنی ٹرانزیکشن بینکنگ کی پیشکش کو مزید مستحکم کرنے کا ارادہ کیا ہے اور اس مقصد کے لئے بینک نے کارپوریٹ، اسمال اور میڈیم انٹرپرائزز سمیت مختلف کاروباری اداروں کو اپنے ملازمین کے اکاؤنٹس میزبان بینک کے آن لائن بینکنگ پورٹل کے ذریعے منظم کرنے کی سہولت فراہم کی ہے۔ 2020 میں بینک نے اپنے ٹرانزیکشن بینکنگ نیٹ ورک میں 350 سے زائد صارفین کو شامل کیا اور 2021 میں اس نیٹ ورک کو مزید وسعت دینے کا ارادہ رکھتا ہے۔

بینک "اسلامی بینکاری کو بینکاری کا پہلا انتخاب" بنانے کے اپنے مقصد کی تکمیل کے لئے اپنے صارفین، عملہ اور بحیثیت مجموعی عوام کے لئے تسلسل کے ساتھ ویبنارز (Webinars) اور آگاہی نشستوں (Awareness Sessions) میں حصہ لیتا رہا ہے تاکہ شریعہ کیپٹل فنڈنگ کی سہولیات ہر فرد تک پہنچائی جاسکیں۔ بورڈ کو یقین ہے کہ انشاء اللہ بینک پاکستان میں اسلامی بینکاری کی صنعت میں قائدانہ کردار ادا کرنے کا سلسلہ جاری رکھے گا۔

پاکستان میں اسلامی بینکاری کا مستقبل روشن ہے اور پاکستان کی بینکاری کی صنعت میں اسلامی بینکاری کا حصہ مسلسل بڑھ رہا ہے۔ ہمیں یقین ہے کہ ایک تیز رفتار اور متحرک اسلامی بینکاری صنعت ملک میں سٹیبلٹی کی شرح میں اضافے میں اہم کردار ادا کرے گی۔ اجارہ سلوک کے باقاعدگی سے اجراء کے ذریعے حکومت پاکستان اور اسٹیٹ بینک آف پاکستان کی جانب سے اسلامی بینکاری کی صنعت کو درپیش کوئی بھی پیچیدگی کے مسائل کے حل کے لئے اٹھائے جانے والے اقدامات، اسلامی فنڈنگ کے حوالے سے ان کی وابستگی کا ثبوت ہیں اور یہ اقدامات پاکستان میں اسلامی بینکاری کی صنعت کے فروغ کا باعث بنیں گے۔ ہم اس بات کے خواہشمند ہیں کہ شریعہ کیپٹل فنڈنگ فنڈز پر منتقلی کے لئے حکومت کی مدد میں قائدانہ کردار ادا کرنے کا سلسلہ جاری رکھیں۔

اظہار تشکر

میزان بینک کی امتیازی کامیابیاں ہمارے متنوع صارفین کے فعال تعاون کے بغیر ممکن نہیں ہو سکتی تھیں، جس کے لئے ہم ان کے ممنون احسان رہیں گے۔ ہم اپنی ٹیم کے ہر رکن کا ان کی محنت اور وابستگی کے لئے تہنہ دل سے شکر ادا کرتے ہیں۔ اللہ ﷻ ہماری پوری ٹیم اور ان کے اہل خانہ پر اپنی رحمت کا سایہ قائم رکھے۔ آمین

بورڈ، اسٹیٹ بینک آف پاکستان (SBP)، وزارت خزانہ اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کو ملک میں ایک قابل عمل اسلامی مالیاتی نظام کے قیام کے لئے کی گئی ان کی مسلسل کوششوں اور وابستگی کے لئے خراج تحسین پیش کرتا ہے۔ ہم اسٹیٹ بینک آف پاکستان کو اسلاک فنڈز نیوز، ریڈیو نیوز، ملائیشیا کی جانب سے چوتھی بار عالمی سطح پر اسلامی فنڈز کو فروغ دینے والا بہترین مرکزی بینک (Best Central Bank in Promoting Islamic Finance) Globally اور گلوبل اسلاک فنڈز ایوارڈز کی جانب سے سال کا بہترین مرکزی بینک (Best Central Bank of the Year) قرار دینے پر مبارکباد پیش کرتے ہیں۔ ہم اپنے بورڈ ممبران، حصص یافتگان، اضافی Tier I صلوک اور ثانوی صلوک (Tier II) یافتگان کا ان کی معاونت اور شریعہ سپروائزرز اور بورڈ کا ان کی انتہک کوششوں کے لئے شکر ادا کرنا چاہتے ہیں جنہوں نے میزان بینک کو اولین اسلامی بینک بنانے کے لئے مسلسل محنت کی ہے۔ سب سے بڑھ کر ہم اللہ ﷻ کے شکر گزار ہیں کہ اس کی مسلسل رحمت کے باعث ہم اس قابل عرصے میں اتنی شاندار کامیابیوں کے حصول کے قابل ہو سکے ہیں اور ہم دعا گو ہیں کہ اللہ ﷻ ہمیں حوصلہ اور دانائی عطا کرے کہ ہم اسلامی بینکاری کو بینکاری کا پہلا انتخاب بنانے کے اپنے خواب کو تعبیر کی بلندیوں تک پہنچا سکیں۔ آمین

میزان بینک کی امتیازی کامیابیاں ہمارے متنوع صارفین کے فعال تعاون کے بغیر ممکن نہیں ہو سکتی تھیں، جس کے لئے ہم ان کے ممنون احسان رہیں گے۔ ہم اپنی ٹیم کے ہر رکن کا ان کی محنت اور وابستگی کے لئے تہنہ دل سے شکر ادا کرتے ہیں۔ اللہ ﷻ ہماری پوری ٹیم اور ان کے اہل خانہ پر اپنی رحمت کا سایہ قائم رکھے۔ آمین

مجناب بورڈ



عرفان صدیقی
صدر اداری اور



ریاض اہسن - اے۔ اے۔ اور لیس
چیئرمین

کراچی: 18 فروری، 2021

بورڈ کی کارکردگی کی جانچ کا طریقہ کار

بورڈ آف ڈائریکٹرز اور اس کی ذیلی کمیٹیاں متنوع تعلیمی اور پیشہ ورانہ پس منظر کے حامل اہل اور تجربہ کار افراد پر مشتمل ہیں جو ادارے کی مجموعی سمت کے تعین میں انتہائی مفید کردار ادا کرتے ہیں۔ بورڈ آف ڈائریکٹرز اس بات کو یقینی بنانے کے لئے ہمیشہ مستعد رہتے ہیں کہ وہ اپنی کارکردگی کا معیاری جائزہ لیں۔ اس وجہ سے تمام بورڈ ممبران انفرادی طور پر ایک جامع سوالنامہ کا جواب دیتے ہیں جو مختلف زاویوں سے اس بات کی جانچ کرتا ہے کہ آیا بورڈ نے اپنے فرائض کی ادائیگی جانفشانی سے اور دوراندیشی کے ساتھ کی ہے۔ ڈائریکٹرز پر مشتمل ایک کمیٹی انفرادی جوابات کو جمع کر کے اپنے نتائج بورڈ کو فوراً وکھرا اور بحث و مباحثہ کے لئے پیش کرتی ہے۔ خود جائزہ کاری کے عمل کے دوران بورڈ مندرجہ ذیل نقطہ ہائے نظر سے اپنی جانچ کرتا ہے:

■ بورڈ کی مجموعی جانچ

■ چیئر پرسن کی جانچ

■ انفرادی سطح پر ڈائریکٹرز کی جانچ

■ آزاد ڈائریکٹرز کی جانچ

■ بورڈ کی کمیٹیوں کی جانچ

■ CEO کی جانچ

خود جائزہ کاری کا یہ سخت عمل بورڈ کو اپنی کارکردگی کا جائزہ لینے اور حکمت عملیاں مرتب کرنے، کنٹرول کا طریقہ عمل وضع کرنے، مانیٹرنگ اور میکر و اکنامک عناصر کی نگرانی کے ذریعے مارکیٹ کے رجحانات سے واقفیت اور بدترین ناگہانی صورتحال کے مناسب رد عمل کے قابل بناتا ہے۔ یہ عمل اس بات کو بھی یقینی بناتا ہے کہ بورڈ تعمیری انداز میں اور ذاتی کے ساتھ مسلسل آگے بڑھ رہا ہے اور بینک کو کامیابی کی نئی بلندیوں تک لے جانے کی اپنی ذمہ داری سے مؤثر اور فعال انداز سے عہدہ برآ ہو رہا ہے۔

اسٹیٹ بینک کی ہدایات کا تقاضہ ہے کہ ہر تین سال کے دوران کم از کم ایک مرتبہ جائزہ کاری کسی بیرونی آزاد جائزہ کار سے کروائی جائے۔ سال 2019 میں بینک نے بطور آزاد جائزہ کار پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (PICG) کی خدمات حاصل کیں۔ زیر جائزہ سال میں اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق اس عمل کو مقدماتی تکنیک کے ساتھ اپنے اندرونی کٹنگ نظر اختیار کر کے انجام دیا گیا۔

آڈیٹرز

موجودہ آڈیٹرز، EY Ford Rhodes، چارٹرڈ اکاؤنٹینٹس ریٹائر ہو گئے ہیں اور اہل ہونے کی وجہ سے خود کو دوبارہ تقرری کے لئے پیش کر رہے ہیں۔ اسٹیٹ بینک (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے تحت آڈٹ کمیٹی اور بورڈ نے EY Ford Rhodes، چارٹرڈ اکاؤنٹینٹس کی 31 دسمبر، 2021 کو ختم ہونے والے سال کے لئے بطور بینک کے قانونی آڈیٹرز کے تقرری اور معاوضے کی تجویز دی ہے۔

المیزان انویسٹمنٹ منجمنٹ لمیٹڈ ذیلی کمیٹی

المیزان انویسٹمنٹ منجمنٹ لمیٹڈ (المیزان) فنڈ منجمنٹ آپریٹنگز کا 26 سالہ ٹریڈ ریکارڈ رکھنے والی اور اپنے سرمایہ کاران کو اسلامی شریعہ کے مطابق انویسٹمنٹ سولوشنز فراہم کرنے کے خصوصی اختیار کا امتیاز رکھنے والی پاکستان کی سب سے بڑی ایسٹ منجمنٹ کمپنی ہے۔ 130,000 سے زائد صارفین کے مضبوط انویسٹمنٹ کے ساتھ المیزان اس وقت ملک کی سب سے بڑی ایسٹ منجمنٹ کمپنی ہے اور 31 دسمبر 2020 تک اس کے زیر انتظام اثاثوں (AUMs) نے 163 ارب روپے کا سبگ میل عبور کر لیا تھا۔ المیزان کارپوریٹ اداروں اور ہائی نیٹ ورثہ کے حامل افراد کے لئے Separately Managed Accounts (SMAs) بھی منظم کرتی ہے۔ المیزان کے زیر انتظام اثاثے (AUMs) میویٹل فنڈز کی مجموعی صنعت کا تقریباً 17 فیصد اور شریعہ کیپٹال منجمنٹ میویٹل فنڈز کی صنعت کا 43 فیصد سے زائد حصہ بنتے ہیں۔

المیزان اپنی موجودگی اور وسعت میں بھی مسلسل اضافہ کر رہی ہے اور اس وقت ملک بھر میں اس کی 27 برانچیں ہیں جو 18 میویٹل فنڈز پر مشتمل پروڈکٹس کا مکمل مجموعہ میں کثیر بنیادی ایکویٹی اور انکم فنڈز سے لے کر کوڈڈ فنڈز کا انتظام اور مخصوص ایکویٹی فنڈز شامل ہیں ایسٹ ایلیکشن فنڈز جن میں المیزان نے حال ہی میں میزبان پاکستان انویسٹمنٹ ٹریڈ فنڈ کے نام سے ملک کے پہلے شریعہ کیپٹال منجمنٹ انویسٹمنٹ ٹریڈ فنڈ کا اجرا کیا ہے اور المیزان یہ فنڈ متعارف کروانے والی اولین کمیٹیوں میں سے ایک ہے۔ المیزان ملک کے سب سے بڑے رضا کارانہ پنشن فنڈ کا بھی انتظام کرتی ہے۔

مستقبل کے آثار اور حکمت عملی

COVID-19 کے کیسز میں کمی آ جانے اور اس کی ویکسین کے متوقع حصول کے ساتھ ہمیں امید ہے کہ پاکستانی معیشت کی تیز رفتار بحالی کا سلسلہ جاری رہے گا۔ مارکیٹس کے کھلنے کے بعد معیشت کے زیادہ تر شعبہ جات بہتر کارکردگی کا مظاہرہ کر رہے ہیں۔ اسٹیٹ بینک آف پاکستان نے سال 2021 کے لئے پاکستان کی مجموعی ترقیاتی پیداوار (GDP) کی شرح لگ بھگ 2 فیصد رہنے کا اندازہ لگایا ہے۔ برآمدات میں حالیہ تیزی اور ترسیلات زر میں اضافے کے نتیجے میں نئی سالوں میں پہلی بار کرنٹ اکاؤنٹ میں مجموعی سرپلس حاصل ہوا۔ پاکستانی روپے امریکی ڈالر کے تبادلے کی شرح بھی حالیہ سطح پر مستحکم ہے۔ اسی طرح آئی ایم ایف پروگرام میں دوبارہ شمولیت سے ملکی زرمبادلہ کے ذخائر کو مزید استحکام ملے گا اور مزید مالی اصلاحات سامنے آئیں گی۔ اسٹیٹ بینک آف پاکستان نے متوازن افراط زر اور مجموعی طور پر بہتر کاروباری اعتماد کے پیش نظر اپنے حالیہ مالیاتی پالیسی بیان میں پالیسی شرح بدستور 7 فیصد پر برقرار رکھی ہے۔ یہ تمام مثبت اشارے مستقبل میں پاکستان کی معاشی ترقی کے لئے مضبوط بنیاد فراہم کریں گے۔

بینک نے COVID-19 کے پھیلاؤ کو روکنے کے لئے سخت ترین حفاظتی اقدامات (SOPs) اختیار کئے ہیں اور اسی لئے اس کے عملہ میں انفیکشن کی شرح نسبتاً کم رہی ہے۔ انفرادی اور متبادل ترسیلی ذرائع، دونوں کے استعمال کے ذریعے اپنے صارفین کو بینکاری کی تمام بنیادی سہولیات کی فراہمی کو یقینی بناتے ہوئے ان کی بہتری اور صحت بینک کی اولین ترجیح رہی ہے۔

اثاثوں کا معیار برقرار رکھنا اور اہم ترین شعبہ ہے جس پر بینک بھر پور توجہ مرکوز رکھے گا۔ اس کا مقصد یہ ہے کہ Risk Acceptance Parameters کو پیش نظر رکھتے ہوئے معیشت کے مختلف شعبوں میں فنڈنگ میں اضافہ کیا جائے۔ ریگولیشنز اور قانونی فریم ورک میں تبدیلیوں نے رینٹل اسٹیٹ اور ہاؤسنگ کے شعبہ میں فنڈنگ کو مزید قابل عمل بنا دیا ہے اور بینک کو کم قیمت گھروں کی فراہمی کے وزیر عظیم کے وٹن پر کاربند ہے۔

تصدیق

بورڈ آف ڈائریکٹرز مسرت کے ساتھ سالانہ رپورٹ میں شامل درج ذیل بیانات کی تصدیق کرتے ہیں:

- لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 سے مطابقت کا بیان،
- بینکنگ کمپنیز آرڈیننس 1962 کے تقاضوں کے تحت سال 2020 میں 2.2 ارب روپے منافع کی Statutory Reserves میں منتقلی،
- بینک کارسک مینجمنٹ فریم ورک،
- انتظامیہ کا فنانشل رپورٹنگ سے متعلق اندرونی کنٹرول مع مجموعی اندرونی کنٹرول سے متعلق بیان،
- 31 دسمبر 2020 تک حصص یافتگی کا پتہ،
- کارپوریٹ سماجی ذمہ داری

ڈائریکٹرز

بورڈ گیارہ ڈائریکٹرز پر مشتمل ہے جن میں ایک سی ای او (جنہیں ڈائریکٹر سمجھا جائے گا) بھی شامل ہیں۔ دوران سال بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ دوران سال بورڈ کے اجلاسوں میں شرکت کرنے والے ڈائریکٹرز کی تفصیل اور بورڈ کی ترتیب درج ذیل کے مطابق ہے:

ڈائریکٹرز کے نام	درجہ	دوران مدت منعقدہ اجلاس	اجلاس میں شرکت کی تعداد
جناب ریاض ایس اے اے اور ایس۔ جیبر مین	نان ایگزیکٹو ڈائریکٹر	4	4
جناب فیصل اے اے اے النصر۔ وائس چیئرمین	نان ایگزیکٹو ڈائریکٹر	4	4
جناب بدرالرحمان اے اے ایم اے الربیعہ	نان ایگزیکٹو ڈائریکٹر	4	4
جناب مبشر مقبول	نان ایگزیکٹو ڈائریکٹر	4	4
جناب سعد فاضل عباسی	نان ایگزیکٹو ڈائریکٹر	4	4
جناب محمد گرامزی	نان ایگزیکٹو ڈائریکٹر	4	4
جناب باسل وائے اے وائے آر الہدیر*	نان ایگزیکٹو ڈائریکٹر	1	1
جناب نوید اختر شیروانی**	نان ایگزیکٹو ڈائریکٹر	-	-
جناب نور الرحمن عابد	انڈیپنڈنٹ ڈائریکٹر	4	4
محترمہ نوشین احمد	انڈیپنڈنٹ / خاتون ڈائریکٹر	4	4
جناب عاطف عظیم	انڈیپنڈنٹ ڈائریکٹر	4	4
جناب عرفان صدیقی۔ پریزیڈنٹ اور سی ای او	ایگزیکٹو ڈائریکٹر	4	4

* دوران سال انتقال کر گئے

** دوران سال تقرری عمل میں آئی اور انٹرنل بینک پاکستان سے منظوری کا انتظار ہے۔

بورڈ نے ڈائریکٹرز جناب نوید اختر شیروانی کو خوش آمدید کہتا ہے اور جناب باسل وائے اے وائے آر الہدیر کی گراں قدر خدمات کو صدق دل سے خراج تحسین پیش کرتا ہے جو دوران سال انتقال کر گئے تھے۔ ہم دعا گو ہیں کہ اللہ ﷻ ان کی مغفرت فرمائے اور انہیں جنت الفردوس میں اعلیٰ مقام عطا فرمائے۔

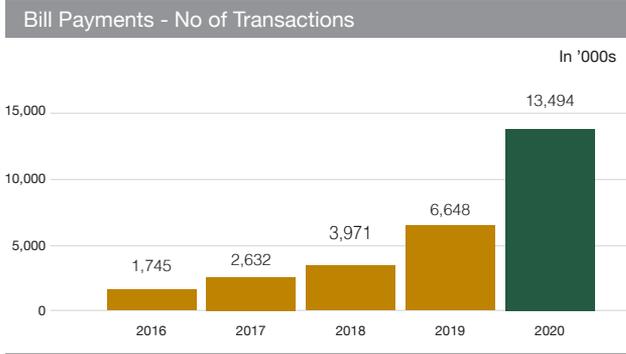
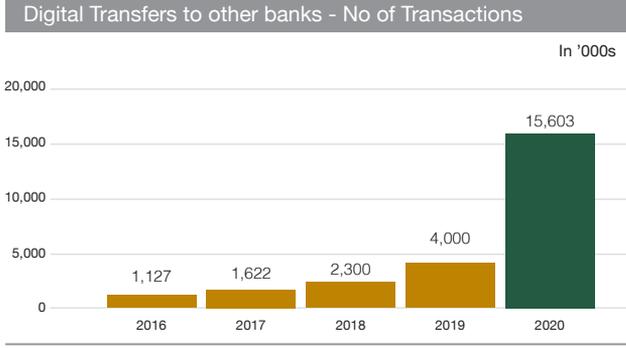
بورڈ نے واضح دستور العمل (ToRs) کے ساتھ درج ذیل پانچ کمیٹیاں تشکیل دی ہیں:

- 1- ہیومن ریسورس اینڈ ریمویشن کمیٹی
- 2- رسک مینجمنٹ کمیٹی
- 3- آڈٹ کمیٹی
- 4- انفارمیشن ٹیکنالوجی کمیٹی
- 5- IFRS 9 ایمپلی مینٹیننس اور رسائٹ کمیٹی (IFRS 9 Implementation Oversight Committee)

بورڈ کی جانب سے تشکیل دی جانے والی کمیٹیوں کے ممبران کے نام اور دوران سال منعقدہ اجلاسوں میں ان کی حاضری کی تفصیل سالانہ رپورٹ میں شامل ہے۔ (11)

بورڈ کے ممبران کا معاوضہ بورڈ کی جانب سے تجویز کیا جاتا ہے اور اس کی منظوری سالانہ اجلاس میں حصص یافتگان کی جانب سے دی جاتی ہے تاہم کوڈ آف کارپوریٹ گورننس کی تعمیل کے لئے اس بات کو یقینی بنایا جاتا ہے کہ کوئی ڈائریکٹر خود اپنے معاوضے کا تعین نہیں کر سکتا۔ بینک نان ایگزیکٹو ڈائریکٹرز کو سوائے اجلاسوں میں شرکت کرنے کی فیس کے اور کوئی معاوضہ نہیں دیتا۔ بہترین صلاحیتوں کے حامل افراد کو برقرار رکھنے کے لئے معاوضے سے متعلق پالیسیوں کی تشکیل اسٹیٹ بینک آف پاکستان کے ریگولیشنز، صنعت کے موجودہ رجحانات اور کاروباری طریقوں کے مطابق کی جاتی ہے۔ 2020 میں ڈائریکٹرز اور CEO کے معاوضوں کی تفصیل کے لئے فنانشل اسٹیٹمنٹس کے نکات ملاحظہ کریں۔ (12)

بینک بورڈ کے ممبران سے متعلق تصادم مفادات کے حل کے لئے ایک واضح پالیسی رکھتا ہے۔ اس پالیسی کے تحت کوئی ایسا بورڈ ممبر جو بورڈ کے اجلاس میں پیش کئے جانے والے کسی معاملے میں کوئی کاروباری مفاد رکھتا ہے، وہ اس معاملے پر توجہ و مباحثے اور نہ ہی فیصلہ سازی میں شریک ہو سکتا ہے۔ اس پالیسی پر مستقل بنیادوں پر عمل درآمد کیا جاتا ہے اور اس سال مذکورہ پالیسی کی کوئی خلاف ورزی نہیں کی گئی ہے۔



ڈیجیٹل بینکنگ کے اقدامات

عالمی وبا کا ایک مثبت نتیجہ ٹرانزیکشن کے حوالے سے صارفین کے طرز عمل میں زبردست تبدیلی کی صورت میں سامنے آیا، کیونکہ ڈیجیٹل ٹرانزیکشنز میں گزشتہ سالوں کے مقابلہ میں انتہائی تیز رفتار اضافہ دیکھا جا رہا ہے۔ دیگر بینکوں کو ڈیجیٹل ٹرانزیکشنز کے لئے کی گئی ٹرانزیکشنز کے حجم میں چارگنا اضافہ ہوا ہے، یعنی سال 2020 میں سال 2019 کی 4 ملین ٹرانزیکشنز کے مقابلہ میں 15.6 ملین ٹرانزیکشنز ہوئیں۔ اسی طرح بل پیمنٹ کی ٹرانزیکشنز 6.6 ملین سے تقریباً دوگنا بڑھ کر 13.5 ملین ہو گئیں، جبکہ ای کامرس ٹرانزیکشنز میں 72 فیصد کا اضافہ ہوا۔ میزان بینک کی موبائل بینکنگ ایپ کو ایبل اسٹور اور گوگل پلے اسٹور کی جانب سے مسلسل پاکستان کی نمبر 1 موبائل بینکنگ ایپ قرار دیا گیا ہے۔ ٹیکنالوجی کے شعبہ میں بینک کی سرمایہ کاری کے اثرات ظاہر ہونے ہیں اور ڈیجیٹل بینکنگ میں غیر معمولی اضافہ کے باوجود بینک کے ٹیکنالوجیکل انفراسٹرکچر نے توقع سے زیادہ کارکردگی کا مظاہرہ کیا اور بلا رکاوٹ ٹرانزیکشنز کو یقینی بنایا۔

آپ کو یہ جان کر خوشی ہوگی کہ میزان بینک ان آٹھ بینکوں میں سے ایک اور واحد مکمل اسلامی بینک ہے جس نے اسٹیٹ بینک آف پاکستان کے ساتھ مل کر روٹن ڈیجیٹل اکاؤنٹ (RDA) کے اجرا کے لئے کام کیا، جو کہ بیرون ملک مقیم پاکستانیوں کے لئے ایک مکمل end-to-end ڈیجیٹل اکاؤنٹ ہے۔ ملک میں سرمایہ کاری کو راغب کرنے کے لئے شروع کئے گئے اس جدت پسندانہ اقدام کو بیرون ملک مقیم پاکستانیوں کی جانب سے زبردست پذیرائی ملی اور ان کا رد عمل انتہائی حوصلہ افزا رہا۔ الحمد للہ میزان بینک نے پروڈکٹ کے اجرا سے لے کر اب تک محض چار ماہ کے قلیل عرصہ میں 10,000 سے زائد اکاؤنٹس کھولے ہیں۔

اپنے ڈیجیٹل ٹرانزیکشنز میں پروگرام کے تحت بینک نے متعدد اہم ٹیکنالوجی پروجیکٹس میں اپنی سرمایہ کاری میں اضافہ کیا ہے، جس میں دو نئے پروجیکٹس یعنی ایک نیا ڈیجیٹل بینکنگ پلیٹ فارم اور ایک ڈیٹا اینالیٹکس سولوشن، اپنی ٹیم کے مراحل میں ہے۔ بینک نے صف اول کے ٹیکنالوجی سروس پرووائیڈرز سے بھی اشتراک کیا ہے تاکہ اپنے صارفین کو جدید ترین Issuing and acquiring سروس سولوشن کے ذریعہ ہموار ڈیجیٹل بینکنگ اور پیمنٹس فراہم کی جاسکیں۔ کامیاب بینک کے بعد یہ پلیٹ فارمز بینکنگ کے وسط سے طویل مدتی جرأت مندانہ منصوبوں کی مکمل معاونت کے لئے ٹیکنالوجی کے اعتبار سے ٹھوس بنیاد فراہم کریں گے اور اس کے ساتھ ساتھ نئے کاروبار بھی کما اسلامک کریڈٹ کارڈز، مرچنٹ ایکوائزنگ اور ای کامرس گیٹ وے کی جانب پیش قدمی میں بھی معاون ہوں گے۔

بیرون ریورسز

COVID-19 کے ضمنی معاشی اثرات کے باوجود بینک نے ملازمت کے نئے مواقع پیدا کر کے ملکی ترقی میں اپنا کردار ادا کرنے کا سلسلہ جاری رکھا اور بینک کی مجموعی ترقی اور برانچ نیٹ ورک میں اضافہ کی وجہ سے 774 افراد کو ملازمت فراہم کی۔ بینک کی افرادی قوت 12,000 سے زائد عملہ پر مشتمل ہے اور بینک اسلامی بینکاری اور رول بیسڈ (Role-based) ٹریننگ سے لے کر سافٹ اسکولز ڈویلپمنٹ جیسی متعدد دیگر فرہم کام کر کے ان کی صلاحیتوں کو پروان چڑھاتا ہے اور اس طرح انہیں اپنے صارفین کو اعلیٰ ترین بینکاری تجربہ سے روشناس کروانے کے قابل بناتا ہے۔ اپنے ملازمین کی بہبود کو پیش نظر رکھتے ہوئے بینک نے انہیں اور ان کے اہل خانہ کو بلا معاوضہ آن لائن میڈیکل کنسلٹیشن فراہم کرنے کے لئے ایک ڈیجیٹل ہیلتھ پلیٹ فارم سے اشتراک کیا ہے۔ ہم مسلسل دعا گو ہیں کہ اللہ تعالیٰ ہمیں اس آفت اور بیماری سے محفوظ رکھے۔

کیپیٹل ایڈیکویٹی ریشو

بینک ایک Well-Capitalized ادارہ ہے اور اس کا کیپیٹل ایڈیکویٹی ریشو 17.82 فیصد ہے، جو 11.50 فیصد کی کم از کم قانونی ضروریات سے کافی زیادہ ہے۔ اس کی تفصیل درج ذیل ہے:

کم از کم ضرورت	31 دسمبر 2019	31 دسمبر 2020	کیپیٹل ایڈیکویٹی ریشو (CAR)
7.50 فیصد	11.30 فیصد	12.25 فیصد	کاسٹ ایکویٹی (CET I) Tier I
9.00 فیصد	12.92 فیصد	13.63 فیصد	Tier I
11.50 فیصد	16.58 فیصد	17.82 فیصد	CAR

فی حصص ڈویڈنڈ

ہم آپ کو یہ اطلاع دینے میں مسرت محسوس کرتے ہیں کہ بورڈ نے سال 2020 کے لئے 2 روپے فی حصص کے حساب سے 20 فیصد حتمی نقد ڈویڈنڈ کی منظوری دی ہے جس سے دوران سال مجموعی طور پر ڈویڈنڈ کی ادائیگی 6 روپے فی حصص (60 فیصد) ہو جائے گی کیونکہ 4 روپے فی حصص یعنی 40 فیصد عبوری نقد ڈویڈنڈ پہلے ہی ادا کیا جا چکا ہے۔ اس کے ساتھ ساتھ دوران سال 10 فیصد بونس حصص بھی جاری کئے گئے تھے۔ بینک نے اسٹاک ایکسچینج میں اندراج کے بعد سے اب تک بلا تعلق ادائیگیوں کا ریکارڈ برقرار رکھا ہے۔

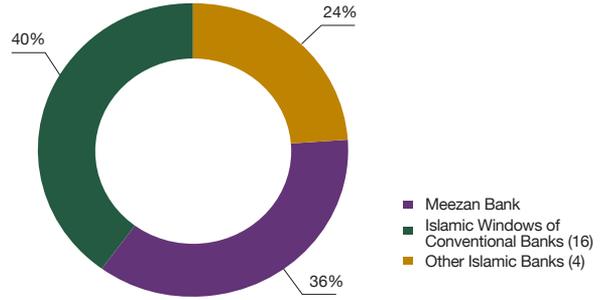
کریڈٹ رینٹنگ

VIS کریڈٹ رینٹنگ کمپنی لمیٹڈ نے بینک کی طویل المیعاد رینٹنگ 'AA+' (ڈبل اے پلس) اور قلیل المیعاد رینٹنگ 'A1+' (اے ون پلس) کی مستحکم آئٹم کے ساتھ دوبارہ توثیق کی ہے۔ VIS کریڈٹ رینٹنگ کمپنی لمیٹڈ نے بینک کے ثانوی صکوک Tier II اور اضافی صکوک Tier I کی بااثر تیب 'AA' (ڈبل اے) اور 'AA-' (ڈبل اے مائنس) رینٹنگ کی دوبارہ توثیق کی ہے۔ یہ رینٹنگ سال 2020 میں جاری کی گئی تھی جو بینک کی مستحکم کارکردگی کے اشاروں کی تصدیق کرتی ہیں۔

اسلامی بینکاری کی صنعت

اسلامی بینکاری نے پاکستان میں اپنی بنیادیں مستحکم کرنے کا سلسلہ جاری رکھا اور میزان بینک صوبہ اڈل کا بینک ہونے کی حیثیت سے اسلامی بینکاری کی پروڈکٹس اور سروسز کی جامع رینج پیش کر رہا ہے۔ بینکاری کی صنعت کی کل جمع شدہ رقم میں اسلامی بینکاری کی صنعت کا حصہ 17 فیصد ہے۔ پاکستان کے مکمل طور پر اسلامی بینکاری کے لئے وقف بینکوں میں میزان بینک کی جمع شدہ رقم کا حصہ تقریباً 60 فیصد ہے جبکہ مجموعی طور پر اسلامی بینکاری کی صنعت بشمول روایتی بینکوں کی اسلامی بینکاری کی شاخوں میں میزان بینک ڈپازٹس کا حصہ 36 فیصد ہے۔

Share of Meezan Bank in Islamic Banking Industry - Based on deposits



منافع جات

اصل منافع

آمدنی کی شرح استعداد (Income efficiency ratio) میں بہتری

بینک کے انتظامی اور دیگر اخراجات 25.5 ارب روپے سے بڑھ کر 29.8 ارب روپے ہو گئے، جس کی بنیادی وجہ نئی برانچیں کھولنے پر آنے والے اخراجات تھے، جس میں 2019 میں کھولی گئی 100 برانچوں کے کل سال اثرات اور 2020 میں کھولی گئی 55 برانچوں کے جزوی اثرات نے اخراجات میں اضافہ کیا، تاہم یہ مستقبل کے لئے سرمایہ کاری ہے۔ بہر حال اخراجات میں ہونے والے اس اضافہ کو بینک کی فنڈ ڈورانٹ فنڈ آمدنی میں اضافہ نے کافی حد تک جذب کر لیا جس کے نتیجے میں بینک کی آمدنی کی شرح استعداد 46 فیصد جو کہ 2019 میں تھی، کے مقابلے میں 40 فیصد پر برقرار ہے۔

قومی خزانہ میں حصہ

بینک نے قومی خزانہ میں اپنا حصہ ڈالنے کا سلسلہ جاری رکھا اور زیر جائزہ سال حکومت پاکستان کو براہ راست ٹیکسوں کی مدد میں 12.2 ارب روپے جمع کروائے۔ اس کے علاوہ بینک نے فیڈرل بورڈ آف ریونیو اور صوبائی ٹیکس اتھارٹیز کے وڈ ہولڈنگ ٹیکس ایجنٹ کے طور پر خدمات (Services) میں فیڈرل ایکسائز ڈیوٹی اور نیشنل سٹیک ٹیکس کی مدد میں 14.3 ارب روپے جمع کئے۔

بینک کی فنانسنگ، سرمایہ کاریوں اور تعیناتی پر منافع سال 2019 کے 94.3 ارب روپے کے مقابلے میں بڑھ کر سال 2020 میں 106.6 ارب روپے ہو گیا، 13 فیصد کا یہ اضافہ بیلنس شیٹ کے استحکام اور اضافہ کی وجہ سے ہوا، جبکہ جمع شدہ رقم اور دیگر واجبات پر بینک کی ادائیگی میں کمی آئی جو 2019 کے 47.7 ارب روپے کے مقابلے میں سال 2020 میں کم ہو کر 41.7 ارب روپے رہ گیا۔ کرنٹ اکاؤنٹ بیلنس میں گزشتہ سال کے مقابلے میں اوسطاً 33 فیصد اضافہ اور اسٹیٹ بینک آف پاکستان کی جانب سے پالیسی شرح میں کمی کے نتیجے میں فوری ڈپازٹس کی ری پرائسنگ اس کمی کی بنیادی وجوہات تھیں۔ نتیجتاً بینک کا اصل منافع سال 2019 کے 46.5 ارب روپے کے مقابلے میں 39 فیصد اضافے کے بعد 64.8 ارب روپے ہو گیا۔

فیس، کمیشن اور دیگر آمدنی

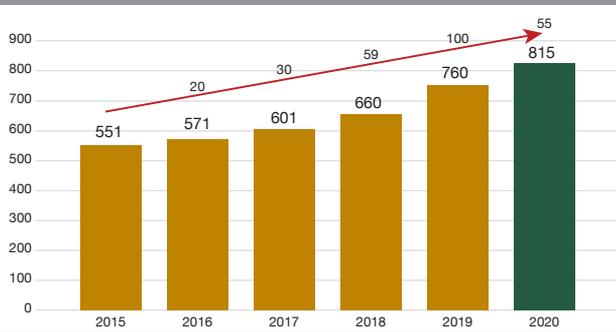
بینک کی فیس، کمیشن اور دیگر آمدنی ٹرانزیکشنز کے حجم میں کمی اور متعلقہ ڈیجیٹل ٹرانزیکشنز پر فیس کی چھوٹ کے باعث بدستور کم رہی۔ تاہم بینک کا کینٹینل گین اور ڈیویڈنڈ کی آمدنی گزشتہ سال کے 77 ملین روپے کے اصل خسارہ کے مقابلے میں بڑھ کر 1.3 ارب روپے ہو گئی نتیجتاً بینک کی نان فنڈ ڈ آمدنی مجموعی طور پر 8 فیصد اضافے کے بعد 10.1 ارب روپے پر بند ہوئی، جبکہ سال 2019 میں یہ آمدنی 9.3 ارب روپے تھی۔

برانچ نیٹ ورک میں اضافہ

”اسلامی بینکاری کو بینکاری کا اڈولین انتخاب“ بنانے کے اپنے عزم کے تحت میزان بینک نے اپنی توسیع کا سلسلہ جاری رکھا اور 25 نئے شہروں میں 55 نئی برانچوں کا اضافہ کیا۔ بینک کا نیٹ ورک 248 شہروں میں 815 برانچوں کے ساتھ قائم ہے۔

(2019:223 شہروں میں 760 برانچیں)۔ بینک کی توجہ جغرافیائی پہنچ میں اضافے اور ٹیکنالوجی میں سرمایہ کاری کے ذریعے پاکستان کی وسعت پذیر بینکاری صنعت میں اپنے مارکیٹ شیئر میں اضافہ کرنے پر مرکوز ہے۔

Branch Network



2019	2020	تفصیل اور نقصان کھاتے
94,270	106,589	فنانسنگ سرمایہ کاری اور بین الاقوامی منافع / آمدنی
(47,731)	(41,740)	تبع شدہ رقم پر منافع کی ادائیگی اور دیگر واجب الادا مصارف
46,539	64,849	اصل منافع
6,713	6,611	فیس کمیشن کی آمدنی اور دیگر آمدنی
2,684	2,154	غیر ملکی کرنسی میں لین دین کی آمدنی
(77)	1,307	سکیورٹیز پر منافع / (خسارہ) - اصل اور ڈیویڈنڈ کی آمدنی
9,320	10,072	نان فنڈ ڈاؤرنگ آمدنی
55,859	74,921	کل آمدنی
(25,522)	(29,775)	انتظامی اور دیگر اخراجات
30,337	45,146	پروویژن سے قبل منافع
(4,186)	(8,210)	پروویژن اور قرضوں کی معافی - اصل
26,151	36,936	منافع قبل از ٹیکس
(10,919)	(14,770)	ٹیکس
15,232	22,166	منافع بعد از ٹیکس
10.77	15.67	فی شخص آمدنی - اضافہ شدہ سرمائے پر - روپے

اثاثوں میں اضافہ

بینک کے کل اثاثوں نے سال 2019 کے 1.1 ٹریلین روپے کے مقابلہ میں، 1.5 ٹریلین روپے کا سنگ میل عبور کر لیا اور 400 ارب روپے سے زائد کا اضافہ ریکارڈ کیا گیا۔

سرمایہ کاریوں میں اضافہ

بینک کا سرمایہ کاری پورٹ فولیو سال 2019 کے 226 ارب روپے کے مقابلہ میں 92 فیصد اضافہ کے بعد 434 ارب روپے ہو گیا، جس کی بنیادی وجہ وفاقی حکومت کی سیکورٹیز یعنی حکومت پاکستان کے اجارہ صکوک اور حکومت پاکستان کے بیج منجلی میں سرمایہ کاری تھی۔ حکومت پاکستان کے اجارہ صکوک کے باقاعدہ وقفوں سے اجرانے اسلامی بینکاری صنعت کو ہمیشہ سے درپیش لکویڈٹی چیلنجز کے چیلنجز سے نمٹنے میں بھرپور مدد دی اور ہم حکومت پاکستان اور اسٹیٹ بینک آف پاکستان کے تعاون کے لئے ان کے مشکور ہیں۔

بینک نے پاکستان اجزی صکوک (PES II) کے دوسرے حصہ میں 34 ارب روپے کی سرمایہ کاری کی۔ بینک نے وزارت توانائی اور حکومت پاکستان کی کل ملکیتی کمپنی پاور ہولڈنگ لمیٹڈ کے ذریعے 200 ارب روپے کے PES II کے کامیاب اجرامیں نمایاں کردار ادا کیا۔ اس اجرا سے حکومت پاکستان کو توانائی کے شعبہ میں بڑھتے ہوئے گردش قرضوں کے ذریعہ مسئلہ کے جزوی حل میں مدد ملی۔ لکویڈٹی جو حکومتی سیکورٹیز میں نہیں لگائی گئی تھی، اسے مالیاتی اداروں میں ایک ماہ سے ایک سال تک کی قلیل مدتی تعیناتی میں استعمال کیا گیا اور رقم 2019 کے 224 ارب روپے کے مقابلہ میں بڑھ کر 342 ارب روپے ہو گئی۔ یہ رقم وفاقی حکومت کی سیکورٹیز بطور ضمانت کے عوض محفوظ ہیں۔

500 ارب روپے سے زائد کا فنانسنگ پورٹ فولیو

بینک کا فنانسنگ پورٹ فولیو دسمبر 2019 کے مقابلہ میں 4 فیصد اضافہ کے بعد 513 ارب روپے پر بند ہوا۔ COVID-19 کے پھیلاؤ کے بعد مجموعی طور پر معاشی سرگرمیوں کی سست روی کے باعث بینک نے اپنی فنانسنگ کے حوالے سے سختی کا طرز عمل اختیار کیا۔ تاہم اسٹیٹ بینک آف پاکستان کے معاشی بحالی کے اقدامات میں معاونت کے لئے بینک نے متعدد درمیانی فنانس اسکیمز کے تحت فنانسنگ جاری کی جن میں تنخواہوں اور اجرتوں کی ادائیگی، قابل تجدید توانائی، COVID-19 سے نمٹنے کے لئے فنانسنگ اور نئے صنعتی پینس کے قیام کے لئے حاضری معاشی ری فنانس فیسلٹی جیسی سہولیات شامل تھیں۔ اسٹیٹ بینک آف پاکستان کی متعدد درمیانی فنانس اسکیمز کے تحت بینک کی کل فنانسنگ 2019 کے 44 ارب روپے کے مقابلہ میں بڑھ کر 78 ارب روپے ہو گئی، جو کہ 79 فیصد اضافہ ہے۔ یہ امر بھی دلچسپی کا باعث ہے کہ اسٹیٹ بینک آف پاکستان کی جانب سے دی گئی رعایت سے، جس کے تحت صارفین کو فنانسنگ کی ادائیگیوں میں 12 ماہ کی تاخیر کی سہولت دی گئی تھی، صرف 6 فیصد فنانسنگ پورٹ فولیو نے فائدہ اٹھایا، جو بینک کے فنانسنگ پورٹ فولیو میں شامل صارفین کی مستحکم مالیاتی حیثیت کی عکاسی کرتا ہے۔ بینک کی حکمت عملی ایک متنوع پورٹ فولیو قائم رکھنا ہے جو اعلیٰ معیار کے کریڈٹ پر مشتمل اس کے کارپوریٹ کمرشل، SME اور کٹز پورٹ فولیو حصوں تک وسیع ہے۔

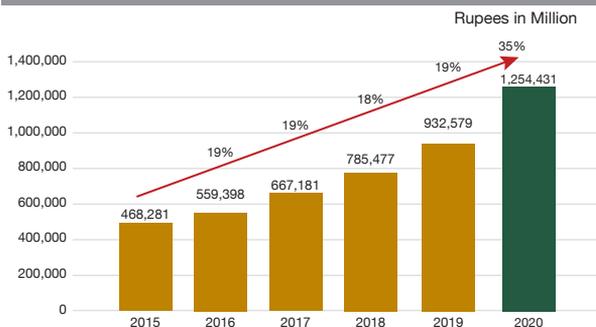
تاہم وبائی مرض COVID-19 کی دوسری لہر کے دوران سامنے آنے والے ممکنہ چیلنجز کا اندازہ کرتے ہوئے بینک نے اپنے پورٹ فولیو میں شامل نسبتاً کمزور اکاؤنٹس، جن کے کریڈٹ رسک سے زیادہ متاثر ہونے کا امکان ہے، کی مدد میں اپنی پروویژن شرح میں اضافہ کر دیا ہے۔ اس کے نتیجے میں بینک کی غیر فعال فنانسنگ کی شرح (NPL Ratio)، 2019 کی 1.8 فیصد شرح کے مقابلہ میں بڑھ کر 2.8 فیصد ہو گئی ہے۔ تاہم غیر فعال فنانسنگ کی شرح بینکاری صنعت کی اوسط شرح 10 فیصد کے مقابلہ میں کافی حد تک کم ہے۔ زبرد جائزہ سال کے دوران مجموعی خصوصی پروویژن چارج 7.3 ارب روپے رہا۔ مزید برآں، بینک نے دیگر ممکنہ غیر فعال فنانسنگ کی مدد میں 1 ارب روپے عمومی پروویژن کے لئے شخص کئے، جس میں زبرد جائزہ سال کا مجموعی پروویژن چارج 128 فیصد کو تین ریٹوں کے ساتھ 8.3 ارب روپے تک پہنچ گیا۔ یہ کو تین ریٹوں بینکاری صنعت کی اوسط شرح 85 فیصد سے کافی زیادہ ہے۔

جمع شدہ رقم میں 35 فیصد اضافہ

بینک کی جمع شدہ رقم 35 فیصد کے اضافے کے ساتھ 1.25 ٹریلین روپے ہو گئیں، جو بینکاری صنعت کی اوسط شرح نمو 22 فیصد سے زائد ہے، اور جس کے بعد بینک اپنے قیام کے بعد سے پہلی بار ایک کھرب روپے سے زائد جمع شدہ رقم رکھنے والے بینکوں میں شامل ہو گیا۔

اس سے بھی زیادہ متاثر کن یہ امر ہے کہ اس اضافے میں زیادہ تر حصہ کرنٹ اکاؤنٹس کا رہا جو 49 فیصد اضافے کے بعد 504 ارب روپے ہو گئے۔ موجودہ طور پر کرنٹ اکاؤنٹس 2019 میں 36 فیصد کے مقابلہ میں بینک کی کل جمع شدہ رقم کے 40 فیصد پر مشتمل ہیں جبکہ بینک کا کرنٹ اکاؤنٹس سیونگز کا وٹنس (CASA) کا حصہ سال 2019 کے 74 فیصد کے مقابلہ میں بہتر ہو کر 76 فیصد ہو گیا ہے۔ یہ مثالی ترقی صرف اس لئے ممکن ہوئی کہ بینک نے تمام ذرائع سے صارفین کو جامع اور اپنی نوعیت کی، بہترین خدمات کی فراہمی پر توجہ مرکوز رکھی۔

Growth in Deposits



ان تمام مالیاتی اقدامات بشمول وائرس کے پھیلاؤ کو روکنے کے لئے کئے گئے سخت اقدامات کے نتیجے میں پاکستان میں دیگر ممالک کے مقابلے میں انفیکشن اور اموات کی کم شرح کے باعث دنیا میں بڑے پیمانے پر سراہا گیا اور اس سے سال کے دوسرے نصف حصہ میں معاشی سرگرمیوں کی تیزی سے بحالی میں زبردست مدد ملی۔ رواں مالی سال 2020-2021 کے پہلے 5 ماہ میں بڑے پیمانے کی پیداوار (LSM) میں 7.41 فیصد سال بہ سال اضافہ ہوا۔ غیر ملکی ترسیلات زر کی آمد میں اضافہ کے لئے مرکزی بینک نے بیرون ملک مقیم پاکستانیوں کے لئے ”روشن ڈیجیٹل اکاؤنٹ“ کے نام سے ایک مکمل ڈیجیٹل اکاؤنٹ متعارف کروایا، جو اندرونی ترسیلات زر میں اضافہ میں بھی معاون ثابت ہوا اور سال 2020 میں اندرونی ترسیلات زر گزشتہ سال کے مقابلہ میں 17 فیصد اضافہ کے بعد 26 ارب امریکی ڈالر تک پہنچ گئیں۔ سال کے دوسرے نصف حصہ کے دوران برآمدات میں بھی 5 فیصد کا مستحکم اضافہ دیکھا گیا، جس کے نتیجے میں جولائی تا نومبر 2020 کے دوران مسلسل پانچ ماہ تک ماہانہ کرنٹ اکاؤنٹ بیلنس سرپلس رہا۔ کرنٹ اکاؤنٹ میں بہتری اور Debt Service Suspension Initiative (DSSI) کے تحت قرضوں کی ادائیگی مؤخر کئے جانے کی وجہ سے روپے کی قدر کو استحکام حاصل ہوا۔ پاکستان نے 2020 میں عالمی سطح پر Ease of doing business میں بھی 28 درجہ ترقی کی۔ پاکستان اسٹاک ایکسچینج نے بھی مستحکم اضافہ دکھایا اور سال 2019 کے اختتام پر 40,735 پوائنٹس کے مقابلہ میں اس سال 7.4 فیصد اضافہ کے بعد 43,755 پوائنٹس پر بند ہوئی۔

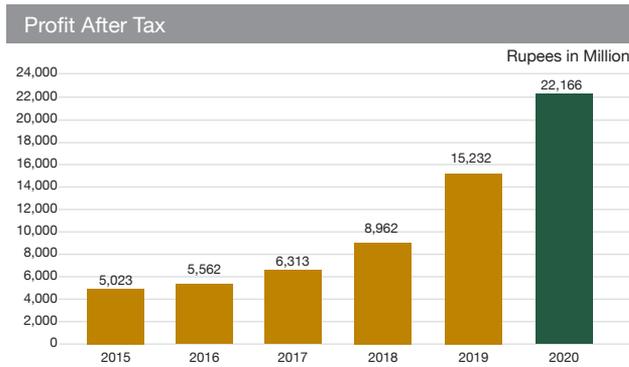
COVID-19 اور بینک کی جانب سے کئے گئے اقدامات

فرہم ہی بلا رکاوٹ جاری رہے۔
بینک نے COVID-19 کے معاشی اثرات سے نمٹنے کے لئے حکومت اور اسٹیٹ بینک آف پاکستان کی جانب سے اٹھائے گئے اقدامات میں بھی بھرپور معاونت کی۔ درحقیقت بینک ایک قدم آگے رہا اور جب اسٹیٹ بینک آف پاکستان نے ہسپتالوں کے لئے COVID-19 سے نئے کے آلات خریدنے کے لئے رعایتی شرح پر فنانسنگ کا اعلان کیا، اس وقت بینک نے ہسپتالوں کو بغیر کسی منافع کے فنانسنگ فراہم کی، اگرچہ اسٹیٹ بینک آف پاکستان کی ریلیف اسکیم کے تحت بینکوں کو 3 فیصد تک منافع لینے کی اجازت دی گئی تھی۔

یہ اللہ تعالیٰ کی رحمت کے طفیل ہی ممکن ہوا کہ جب کم و بیش پوری دنیا ہی COVID-19 کی وجہ سے جمود کا شکار تھی، ایسے وقت میں بینک نے روایتی اور اس کے ساتھ ساتھ ڈیجیٹل چینلز استعمال کرتے ہوئے اپنے صارفین کو بلا تعلق درجہ اول کی خدمات کی فراہمی کو یقینی بنانے پر توجہ مرکوز رکھی۔ ان آزمائشی حالات میں انفراسٹرکچر، جینالوجی (بارڈ میز اور سافٹ ویئر) اور ٹیکنالوجی میں بینک کی سرمایہ کاری شراکتداری اور ثابت ہوئی، اور بینک کے ہیڈ آفس اور معاون یونٹس کے عملہ کے تقریباً 70 فیصد افراد کے لئے متبادل مقامات یا اپنے گھروں میں محفوظ رہتے ہوئے کام کرنے کو یقینی بنایا گیا تاکہ نہ صرف بیماری پھیلنے اور لگنے کا خدشہ کم سے کم ہو بلکہ باقاعدہ سماجی فاصلہ برقرار رکھنے کو بھی یقینی بنایا جائے۔ اس دوران ہمارا پورا براؤزنگ میٹ ورک باقاعدہ معیاری طریقہ ہائے کار (SOPs) کے ساتھ فعال رہا تاکہ صارفین کو بینکاری خدمات کی

ہماری کارکردگی

میزان بینک نے ترقی کی رفتار میں اضافہ جاری رکھا اور منافعوں، جمع شدہ رقوم، برانچوں، اثاثوں کے حجم اور یکویٹی میں اضافہ کے ساتھ سال 2020 کے لئے زبردست نتائج پیش کئے۔



- بینک کا بعد از ٹیکس منافع سال 2019 کے 15.23 ارب روپے کے مقابلہ میں 46 فیصد اضافہ کے بعد 22.17 ارب روپے رہا۔ گزشتہ پانچ سال کے دوران بینک کے منافعوں میں چار گنا اضافہ ہوا جو مستحکم انتظام کاری اور وسائل کے مؤثر استعمال کی نشاندہی کرتا ہے۔
- اضافہ شدہ حصص کے سرمائے پر فی حصص آمدنی 10.77 روپے فی حصص سے بڑھ کر 15.67 روپے فی حصص ہوئی۔
- بینک کے کل اثاثہ جات 36 فیصد اضافہ کے بعد 1.5 ٹریلین روپے تک پہنچ گئے۔
- جمع شدہ رقوم بینکاری صنعت کی 22 فیصد اور شرح ترقی کے مقابلہ میں 35 فیصد کے تیز رفتار اضافہ کے بعد 1.25 ٹریلین روپے تک پہنچ گئیں، جو 2008 کے بعد ہونے والا سب سے زیادہ اضافہ ہے، اور جس نے بینک کو پاکستان کے بڑے بینکوں کی صف میں لاکھڑا کیا۔
- بینک کی ایکویٹی گزشتہ سال کے 59 ارب روپے کے مقابلہ میں 10 ارب روپے یا 17 فیصد اضافہ کے بعد 69 ارب روپے ہوئی۔

- سال 2020 میں COVID-19 کی وجہ سے معاشی سرگرمیاں جمود کا شکار رہیں اور لاک ڈاؤن نافذ رہا، اس کے باوجود 55 نئی برانچیں کھولی گئیں اور بینک کا جغرافیائی نیٹ ورک 248 شہروں میں 815 برانچوں تک وسیع ہو گیا۔

اہم کاروباری نتائج

اضافہ	2019	2020	
46% ▲	15.23 ارب روپے	22.17 ارب روپے	بعد از ٹیکس منافع
101% ▲	206 ارب روپے	414 ارب روپے	سرمایہ کاریاں
-	20 ارب روپے	20 ارب روپے	خود مختار دیگر
92% ▲	226 ارب روپے	434 ارب روپے	فنانسنگ
4% ▲	494 ارب روپے	513 ارب روپے	جمع شدہ رقم
35% ▲	933 ارب روپے	1.25 ٹریلین روپے	کل اثاثے
36% ▲	1.1 ٹریلین روپے	1.5 ٹریلین روپے	ایکویٹی
17% ▲	59 ارب روپے	69.2 ارب روپے	کمیونٹی ایڈیوکیسی ریشو
7% ▲	16.58%	17.82%	ڈیویڈنڈ فی حصص:
20% ▲	5.00	6.00	نقد ڈیویڈنڈ - روپے
-	10%	10%	پونڈیشن
7% ▲	760 برانچیں	815 برانچیں	برانچ نیٹ ورک
11% ▲	223 شہر	248 شہر	موجودگی
4% ▲	1.08 ٹریلین روپے	1.13 ٹریلین روپے	تجارتی کاروبار (درآمدات و برآمدات)

ڈائریکٹرز کی رپورٹ برائے ممبران

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

یورڈ آف ڈائریکٹرز کی جانب سے ہم 31 دسمبر 2020 کو مکمل ہونے والے سال کے لئے میزبان بینک کے تفصیلی مالیاتی نتائج پر مبنی 24 ویں سالانہ رپورٹ پیش کرنے میں مسرت محسوس کرتے ہیں۔

کارپوریٹ ایوارڈز اور اعتراف کارکردگی

میزبان بینک نے زیر جائزہ سال کے دوران قومی اور بین الاقوامی سطح پر متعدد معتبر ایوارڈز حاصل کئے جو میزبان بینک کو پاکستان کے پہلے اور سب سے بڑے مکمل اسلامی بینک اور ملک کے سب سے تیزی سے ترقی کرنے والے بینکاری اداروں میں شمولیت جیسی کامیابیوں کا اعتراف ہے۔ دوران سال حاصل کردہ چند ایوارڈز یہ ہیں:

پاکستان کا بہترین بینک - 2020

الحمد للہ، میزبان بینک کو پاکستان بینکنگ ایوارڈز (جن کا آغاز 2016 میں ہوا تھا) کی جانب سے دوسری مرتبہ پاکستان کے بہترین بینک کے ایوارڈ سے نوازا گیا ہے۔ یہ ایوارڈ ملک میں بینکاری صنعت کا سب سے معتبر ایوارڈ ہے۔ بینک کو اس سے قبل 2018 میں بھی پاکستان کے بہترین بینک کا ایوارڈ دیا گیا تھا۔

پاکستان بینکنگ ایوارڈز کا انعقاد پاکستان انسٹیٹیوٹ آف بینکرز کی جانب سے ڈان میڈیا گروپ اور اے ایف فرگوس اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس (جو کہ PWC ٹیکسٹ ڈرک کی ایک ممبر فرم ہے) کے اشتراک سے اسٹیٹ بینک آف پاکستان کی زیر سرپرستی کیا جاتا ہے، اور مالیاتی شعبہ میں خاطر خواہ تجربہ کی حامل انتہائی معزز و معروف شخصیات ان کا فیصلہ کرتی ہیں۔ اس ایوارڈ کا مقصد یہ ہوتا ہے کہ بینک کی تمام پہلوؤں سے مکمل جانچ کی جائے اور اس کے بعد ایسے بینک کو یہ ایوارڈ دیا جاتا ہے جس نے ملکی ترقی میں نمایاں کردار ادا کیا ہو اور اپنے وسائل بشمول ملازمین، صارفین، فرنانسز، کمیونٹی اور فنانسز کے مؤثر انتظام کا مظاہرہ کیا ہو۔



CFA سوسائٹی آف پاکستان کی جانب سے لارج سائز بینکنگ میں بیسٹ بینک آف دی ایئر

زیر جائزہ سال CFA سوسائٹی آف پاکستان نے پہلی بار میزبان بینک کو "Large Size Banks" کی درجہ بندی میں شامل کیا اور اپنی 17 ویں سالانہ اعزازی ایوارڈز کی تقریب میں میزبان بینک کو "بیسٹ بینک آف دی ایئر - 2019" کا ایوارڈ دیا۔ میزبان بینک نے "بیسٹ اسلامک بینک آف دی ایئر - 2019" اور "بیسٹ کارپوریٹ فنانس ہاؤس آف دی ایئر - 2019" (فلسڈ آگم) کے ایوارڈز بھی اپنے نام کئے۔

موسٹ انوویٹو اسلامک بینک - گلوبل ایوارڈ

ریڈیٹی گروپ، ملائیشیا کے اسلامک فنانس نیوز (IFN) نے اپنے حالیہ IFN ایوارڈز میں میزبان بینک کو موسٹ انوویٹو اسلامک بینک ان دی ورلڈ قرار دیا۔ IFN نے میزبان بینک کو دنیا کے دوسرے بہترین اسلامک بینکوں میں سے ایک کے اعزاز سے بھی نوازا۔ اسلامک فنانس نیوز ایوارڈز اسلامی مالیاتی صنعت میں بہترین ایوارڈز کا درجہ رکھتے ہیں اور عالمی اسلامی کونسل میں سب سے قابل اعتبار ایوارڈز سمجھے جاتے ہیں۔

دوران سال حاصل کردہ اہم ایوارڈز کی تفصیل سالانہ رپورٹ میں شامل ہے۔

ہم اللہ تعالیٰ کی رحمتوں کے لئے اس کے بے حد شکر گزار ہیں اور اپنے تمام حصہ داران بالخصوص اپنے معزز صارفین کا شکریہ ادا کرتے ہیں جن کی سرپرستی اور مسلسل تعاون کی بدولت میزبان بینک نے دن دو گنی رات چوٹی ترقی کرتے ہوئے کامیابیوں کے نئے سنگ میل عبور کئے اور پاکستان میں اسلامی بینکاری کے لئے ایک نیا معیار قائم کیا۔

الحمد للہ سال 2020 میزبان بینک کے لئے ایک اچھا سال ثابت ہوا، اگرچہ دنیا ایک ایسے وبائی مرض کی لپیٹ میں تھی جس نے اسے تباہی سے دوچار کر دیا تھا۔ بینک کی جمع شدہ رقم نے ایک ٹریلین روپے کا سنگ میل عبور کر لیا اور 35 فیصد اضافے کے بعد 1.25 ٹریلین روپے پر بند ہوئیں۔ اس کامیابی نے میزبان بینک کو جمع شدہ رقم کے اعتبار سے چھٹا نمبر سال کی قلیل مدت میں بینک کو پاکستان کے بڑے بینکوں کی صف میں لاکھڑا کیا۔

معاشی جائزہ

سال 2020 میں COVID-19 کی عالمی وبا کے پھیلاؤ نے عالمی معیشت اور کاروبار کے طریقوں پر دیرپا اثرات مرتب کئے۔ COVID-19 کے بھرپور اثرات 2020 کی دوسری سہ ماہی میں شدت سے محسوس کئے گئے جب مارچ 2020 میں نافذ کردہ ملک گیر لاک ڈاؤن اور اس کے تسلسل سے کاروباری سرگرمیاں عمل جمود کا شکار ہو گئیں۔ عالمی وبا کے باعث پاکستان کی مجموعی ترقیاتی پیداوار (GDP) میں مالی سال 2020 کے دوران 0.4 فیصد کمی دیکھی گئی۔

COVID-19 کے معاشی اثرات سے نمٹنے کے لئے حکومت پاکستان نے پیش رفت کی اور کاروبار بالخصوص برآمدی شعبہ اور کم آمدنی کے حامل طبقات کی اعانت کے لئے 1.2 ٹریلین روپے کا رعایتی مالیاتی پیکیج متعارف کروایا، اس کے ساتھ ہی حکومت نے زنجیراتی صنعت کے لئے رعایتی پیکیج اور مراعات کا بھی اعلان کیا تاکہ روزگار کے مواقع پیدا کئے جاسکیں اور ہاؤسنگ اور متعلقہ صنعت کی مدد کی جاسکے۔

اسٹیٹ بینک آف پاکستان (SBP) نے بھی کاروباری شعبہ کو کیش فلو (Cash Flow) کے بحران، جو کہ COVID-19 کی وجہ سے لگنے والے لاک ڈاؤن کا براہ راست نتیجہ تھا، سے نمٹنے میں مدد دینے کے لئے متعدد ٹھوس اقدامات کئے۔ ان اقدامات میں ہر طرح کے کاروبار کو قرضہ جات کی واپس ادائیگی ایک سال تک مؤخر کرنے کا اختیار دینا اور اس کے ساتھ ساتھ درج ذیل نئی رعایتی مالیاتی اسکیمز شامل ہیں۔

- تنخواہوں کی ادائیگی
- ہپتالوں کو فنڈز کی فراہمی
- قابل تجدید توانائی کی تخصیبات کے لئے فنڈنگ
- نئے صنعتی پزیر کے قیام کے لئے فنڈنگ

ایک اور جرأت مندانہ اور بروقت اقدام پیچ مارک شرح سود میں (جسے پالیسی شرح بھی کہا جاتا ہے) بڑی کمی کا تھا، جو سال 2020 کے آغاز میں 13.25 فیصد تھی اور جون 2020 میں اسے کم کر کے 7 فیصد کر دیا گیا۔



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Business and Operations Review

Business Review

The COVID-19 pandemic affected all spheres of life and brought the world to a standstill as a result of series of lockdowns imposed by Governments across the globe. In Pakistan, the measures taken by the government helped in successfully containing the infection ratio. To combat the economic effects of COVID-19, the Federal Government and State Bank of Pakistan introduced a comprehensive economic reforms package to support businesses and all sectors of the economy, which were well received across the board. This timely action taken by the government helped avert business failures and resulted in a strong revival of business activity post lockdown

During these crucial times, the Bank focused on ensuring uninterrupted, best-in-class service delivery to its customers, through traditional as well as digital channels. The Bank continued its growth momentum and recorded excellent results for the year 2020 with total assets growing to over Rs 1.5 trillion - 36% or Rs 400 billion higher than last year. Deposits increased by 35% or Rs 322 billion in 2020 to close at Rs 1.25 trillion taking the Bank into the league to big banks in Pakistan. Deposit growth of 35% was significantly higher than the overall banking industry deposits growth of 22% in 2020 and takes Meezan's market share to 7%. Meezan was also one of the 8 banks that pioneered the launch of the SBP led 'Roshan Digital Account (RDA)' and has received the highest amount of remittances under RDA out of all other banks in the country.

The Bank's higher deposit growth is attributed to its wide range of deposit products, the continuous support and patronage of its customers and its vast branch network coverage. During the year 2020, the Bank added another 55 new branches to its network taking the total network size to 815 branches in 248 cities. The Bank's increasing 'brick & mortar' network is strongly supplemented by the comprehensive array of digital services, including Internet Banking, Mobile App and other Alternate Distribution Channels which also contributed to this growth. As a part of its digital transformation program, the Bank has invested in a number of significant new technology projects including upgrading various platforms and it is expected that this will

consolidate the Bank's leadership position in the digital banking space in Pakistan. At the same time a number of exciting new initiatives are underway such as Islamic Credit Cards, Merchant Acquiring and e-Commerce Payment Gateway.

A positive development for Islamic Banks during 2020 was the increased supply of Islamic government securities, primarily GOP Ijarah Sukuk and as a result the Banks investment portfolio grew by 92%. Owing to overall slowdown in the economy post COVID-19, the Bank slowed down its growth in financing portfolio, which closed at Rs 513 billion. The Bank's financing portfolio is well-diversified across all segments comprising top-notch Corporate, Commercial, SME and Consumer clients.

Profit After Tax of the Bank grew by 46% to Rs 22.17 billion as compared to Rs 15.23 billion in 2019 mainly driven by a 39% growth in net spread. The Bank's net spread increased to Rs 65 billion from Rs 47 billion in 2019 on the back of increase in the balance sheet footing and increase in current account deposits. The Bank's non-funded income recorded a growth of 8% closing at Rs 10.1 billion as compared to Rs 9.3 billion in the 2019. Fee and commission income remained slightly lower than last year due to waiver of fee on certain digital transactions and lower transaction volume due to COVID-19. The Bank's continued focus on trade finance business has borne fruits in the shape of increase in trade related fee income while also contributing to the Bank's current account deposits.

MEEZAN BANK RECOGNIZED AS BEST ISLAMIC BANK IN THE WORLD

WINNER OF TWO PRESTIGIOUS GLOBAL AWARDS

- BEST OVERALL ISLAMIC BANK
- MOST INNOVATIVE ISLAMIC BANK

IFEN
Awards
— BEST BANKS —
2020



Retail Banking



Meezan Bank started its journey in 2002 as Pakistan's smallest bank with just four branches. Over the last eighteen years, the Bank has demonstrated impressive growth and in December 2020, it became one of the country's largest bank, both in terms of deposits and branch network. The key elements

behind this extraordinary growth and success have been the Bank's focus on providing a wide range of Deposit products, exemplary customer services, fast & secure digital banking solutions and the continuous support and patronage of its customers.

Our Achievements in 2020

- Digital transfers ▲ **Four fold**
- Bill payments ▲ **Two fold**
- E-commerce transactions ▲ **72%**

As compared to 2019

Volume of Digital Transactions



Over 10,000 Roshan Digital Accounts



As of December 31, 2020

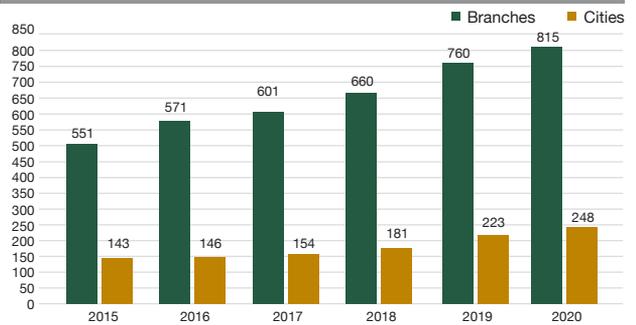
The Bank's strategy of focusing on Financial Inclusion by opening branches in remote locations has also contributed to its success by giving Islamic banking a geographically diverse footprint and making it accessible to a large portion of the country's population - an approach that is consistent with its Vision of establishing 'Islamic banking as banking of first choice...'

2020 was a challenging year due to the COVID-19 pandemic. Notwithstanding the 'lock-down' there was no interruption in the provision of all banking services to customers. Strict SOPs were imposed for both staff and customers and as a result the incidence of COVID-19 cases within the Bank were contained at below the national average. One positive outcome of the pandemic has been the sharp increase in the volume of digital transactions as customers preferred to use the Bank's state-of-the-art digital banking products and channels such as Mobile App, Internet Banking, Debit Cards and nationwide ATM network to fulfil their banking needs. As a result, the volume of transactions conducted using digital channels increased from 60% to 75% during the year 2020. Digital transfers and bill payments experienced four fold and two fold increase in 2020 compared to 2019. E-commerce transactions also grew by 72% during the year. This shows the confidence that customers reposed on Meezan Bank's products and services during the difficult times.

Branch Network

Meezan Bank opened 55 new branches during the year, bringing the Bank's total branch network to 815 in 248 cities across Pakistan. In addition to a large brick-and-mortar branch network, the Bank's Alternate Distribution Channels (ADCs) provide diverse touchpoints to its customers for conveniently conducting their banking transactions. ADCs include an extensive and growing ATM network, Internet Banking, Mobile and SMS banking – the Bank's Mobile App is presently the top rated Mobile App in Pakistan on Google Play Store (see detailed write-up later in this report).

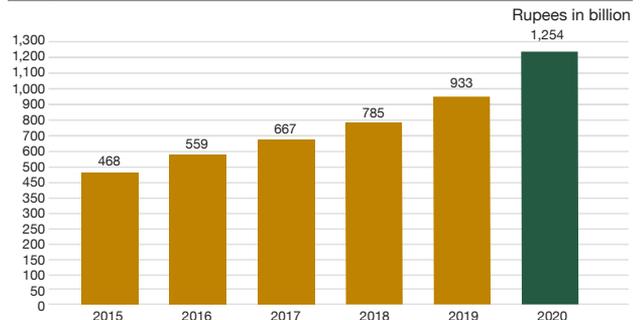
Branch Network



Deposits

The Bank's total deposits as of December 31, 2020 stood at Rs 1,254 billion, increasing 34.4% over 2019. CASA mix increased to 76% as compared to 74% of the previous year.

Deposits



Mattias Martinsson
@Tundra_CIO

There are banks, and then there is @MeezanBankLtd. A good example of the structural growth available in #FrontierMarkets and #EmergingMarkets when you have a combination of strong branding and good management. #Pakistan

MEEZAN BANK DEPOSITS (PKR BN)

- 1 year growth: 35%
- 3 year CAGR: 24%
- 5 year CAGR: 22%
- 10 year CAGR: 25%

Sources: Bloomberg, Meezan Bank

Mattias Martinsson is the Chief Investment Officer and Founding Partner of Tundra Fonder, a Swedish asset management company specializing in frontier markets and the new emerging markets.

PM's Initiative of Roshan Digital Account

Meezan Bank developed a bespoke in-house application and front-end portal for the successful deployment of Roshan Digital Account (RDA). Meezan Bank was one of the first entrants in the market and achieved the remarkable feat of successfully opening 10,000+ RDA accounts with Rs 8 billion deposits gaining the highest market share of this account in the industry at 25%.

The Bank has been recognised with the following awards by the Honorable Prime Minister of Pakistan for its outstanding performance and contribution to the Roshan Digital Account initiative.

- Highest amount of Deposits through Roshan Digital Account
- Highest amount of Investment in Islamic Naya Pakistan Certificates



Mr. Irfan Siddiqui - Founding President & CEO, Meezan Bank while receiving the awards from Honorable Prime Minister Pakistan, Mr. Imran Khan, Governor State Bank of Pakistan, Dr Reza Baqir and Minister of Finance (Pakistan), Dr. Abdul Hafeez Shaikh.

Alternate Distribution Channels

In addition to the traditional 'Brick and Mortar' branch network, Meezan Bank aims to make the life of its customers easier by providing instant access to banking services through a wide variety of channels enlisted below. These channels are often referred to collectively as Alternate Distribution Channels (ADCs). In addition to these, the Bank also provides e-Statement, SMS Alert & Email Alerts facilities.



Largest ATM network of any Islamic Bank



Debit Cards



Mobile Banking Application



Internet Banking



SMS Banking



Payments using QR code



24/7 Call Centre

Our Achievements in 2020

ATM network ▲ 20%

SMS alert subscription ▲ 22%

Cash dispensed via ATM ▲ 38%

Digitally enabled users ▲ 97%

POS spend volume ▲ 22%

Debit cards portfolio ▲ 32%

ATM up-time 97.7%

Highest rated Mobile App on Google and Apple Playstores in Pakistan
4.9 out of 5

As compared to 2019

A robust state-of-the-art ADC infrastructure is an integral part of the Bank's corporate philosophy, which emphasizes digital innovation. The main focus of the Bank's digital strategy is to provide customers with convenient and secure access to their accounts for all banking requirements, wherever and whenever they require.

Customers can always perform all their basic banking transactions including cash withdrawal, e-commerce i.e. online shopping on 3-D Secure websites, shopping & payments with debit cards, funds transfer, bill payments, balance and statement inquiries, product and services information, discount offers information and complaint registrations, among many other services.

ATM Network

Meezan Bank's ATM network grew by 20% in 2020 with 880 ATMs across 216 cities of Pakistan. The network also includes a total of 89 off-site ATMs at various public places.

100% of Meezan Bank ATMs are EMV compliant with biometric facility that allows customers to perform all transactions such as Cash Withdrawal, Account Verification, Funds Transfer and Bill Payments, without carrying a Debit Card.

Meezan Bank ATM Cardholders also remained protected with Skimguard functionality on both Meezan Bank and Other Bank ATMs. Skimguard is a unique facility that triggers a verification OTP or automated call on customers registered number to authenticate large value transactions. Furthermore, Meezan Bank ATMs offer the fastest Debit Card activation and over 70% of all debit cards were activated from ATM network during the year.

The Bank also maintained an up-time of 97.7% across its ATM Network during the year and dispensed over PKR 738 Billion in cash which was 38% higher than the previous year.



Highest Rated Mobile App

Available on the **App Store**

ANDROID APP ON **Google play**

★★★★★ 4.9/5.0

Mobile App & Internet Banking

Meezan Mobile App and Internet Banking offer a quick and user-friendly way of conducting banking transactions on the go. Meezan Mobile App consistently remained the top-rated banking App during the year, enjoying a rating of 4.9 out of 5.0 on both Google Play store and Apple Store. This shows the confidence that users repose on Meezan Bank's digital products and services.

Meezan Bank's customers performed over 40 million financial transactions digitally during the year making Meezan Bank one of the top banks in Pakistan in terms of sending and receiving funds digitally according to 1Link's industry ranking report (1Link is a switch to which the majority of banks in Pakistan are connected). Meezan Bank's user base on digital channels grew by 97% compared to last year.

Debit Cards

Meezan Bank's Debit Cards have been at the forefront of innovation, offering state-of-the-art features such as chip-based security, NFC payments, 3-D Secure e-commerce payments, and quick debit card activation. Meezan Bank has an extensive alliance and debit card only discounts program with special focus on e-commerce and POS promotions. In 2020, the Bank extended its discounts program to over 200 brands, making it the largest discount program among debit card issuing banks in Pakistan.



Meezan Bank also enjoys one of the highest cards and ecommerce usage in the industry. The Bank's E-commerce transactions grew by an impressive 72% over last year and the Bank remained the industry leader in terms of online spending on debit cards. POS spend volume also grew by 22% during the year. Meezan Bank's Debit Cards portfolio grew by 32% despite economic slowdown due to COVID-19.

Digital Fund Transfers

Meezan Bank's customers can transfer funds to both Meezan and other banks' customers using their Mobile App, Internet Banking and ATMs. Overall Fund Transfer transactions through digital channels showed an unprecedented increase of over 3 folds during the year, primarily led by the Mobile App channel. Meezan Bank became the second largest bank in terms of the both incoming and outgoing IBFT volumes as per 1Link's ranking report for the year 2020.

Bill Payments

Meezan Bank offers one of the largest portfolios of billers to its customers, consisting of over 500 bill payment options including Utility Bills, Top-ups, Challans, Taxes, School Fees, Club Fees, Vouchers, Credit Card payments and many others. The Bank processed over 13.5 million bill payment transactions during the year via various aggregators and directly onboarded billers.

Collaboration with Fintechs

Meezan Bank actively encourages the growth and development of fintech ecosystem in Pakistan. Following this philosophy, the Bank has already developed a range of end-to-end integration and payment services for partners including sponsorship services with local and international payment schemes. Additionally, Meezan Bank also serves as the settlement bank and trust bank for various Fintechs as per their requirements. Some of the Bank's Fintech partners are:



Home Remittance

Meezan Bank is committed to playing an active role in the drive of stimulating and formalizing home remittances through banking channels under the Pakistan Remittance Initiative ('PRI') and non-PRI arrangements. While remittance flows faced challenges across geographies, Pakistan managed to grow remittance flows, and the Bank successfully captured a sizeable portion of these flows compared to previous years. Home remittance volumes processed by Meezan Bank have risen by 70% and this growth trajectory is expected to continue in the coming years as the Bank plans to engage with different remittance corridors across the globe to facilitate customers and promote the objectives of the PRI.



Meezan Bank will concentrate on building lasting ties across the wider gulf region to increase partner relationships in coming years, where our partners can leverage the Bank's extensive reach throughout Pakistan while at the same time increase the Bank's PRI flow business. Heading into 2021, the Bank's focus will be on offering tech savvy solutions and digitalization of the customer experience to further facilitate customers.

Financing Portfolio

The Bank's financing portfolio grew by 4% to Rs 513 billion since it remained cautious in its financing approach due to the overall slowdown in economic activity because of the COVID-19 outbreak. Meezan Bank actively provides financing to the Corporate, Commercial & SME and Consumer segments, taking a prudent risk-management approach and maintaining a strong focus on building a well-balanced portfolio.

The Bank offers a comprehensive array of Shariah-compliant based financing solutions to cater to working capital finance, import, export refinance, commodity operations financing, long-term finance, documentary credit requirements, and project-based financing needs of a large number of clients.

The Bank's performance in various types of financing segments has been as follows:

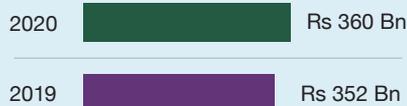
Corporate Banking



The Bank grew its net average corporate assets from Rs 352 billion in 2019 to Rs 360 billion in 2020, depicting a growth of 2.3%. The focused business development strategy adopted by the

Bank to vigilantly build a high quality and well-diversified portfolio has enabled the Bank to grow its net average corporate assets, with non-performing financing kept under 3%.

Net Average Corporate Assets



Investment Banking

Meezan Bank is one of the most active Investment Banking players in Pakistan's banking industry. Despite the economic challenges brought about by COVID-19, the Bank successfully negotiated and led transactions worth Rs 189 billion and added high quality net new assets amounting to over Rs 25 billion to its financing portfolio. This includes syndicated project finance transaction of Rs 93.6 billion for Punjab Thermal Power (Pvt.) Limited and a series of Islamic commercial papers and short-term Sukuk for K-Electric Limited and Hub Power Company Limited aggregating to Rs 26 billion.



As part of its efforts of aggressively supporting green financing, the Bank led financing of multiple renewable energy space including both wind power and solar power projects, thereby adding energy of up to 213 MW via renewable sources to support and finance environment-friendly projects as its contribution towards making our planet more sustainable.

Key Transactions:

Key deals for the year 2020 are as follows:

Punjab Thermal Power (Private) Limited 1,263 MW Combined Cycle based Power Project Syndicated Working Capital Facility, Mandated Lead Arranger & Shariah Advisor	Rs 78,400 Million
K-Electric Limited Series of Islamic Commercial Papers Mandated Lead Arranger & Advisor and Issuing & Paying Agent	Rs 17,490 Million
Punjab Thermal Power (Private) Limited 1,263 MW Combined Cycle based Power Project Syndicated Working Capital Facility, Mandated Lead Arranger	Rs 15,213 Million
Hub Power Company Limited Series of Short Term Sukuk Financial Advisor & Lead Arranger	Rs 9,000 Million
Cherat Cement Company Limited Islamic Finance Facility for Renewable Energy (Under IFRE Scheme by SBP) Mandated Lead Advisor & Arranger	Rs 1,400 Million
Engro Powergen Thar (Private) Limited Standby Letter of Credit ('SBLC') Facility SBLC Issuing Bank	Rs 900 Million
Cherat Packaging Limited Islamic Finance Facility for Renewable Energy (Under IFRE Scheme by SBP) Mandated Lead Advisor & Arranger	Rs 120 Million

Key Awards and Recognition:

Key awards and recognition for the year 2020 are as follows:

CFA Society Pakistan
Best Corporate Finance House of the Year - Fixed Income

Asset Triple A – Islamic Finance Award
Best Islamic Investment Bank - Pakistan
Sukuk Adviser of the Year - Pakistan
Best Green Financing - Pakistan, NASDA Green Energy
Best Quasi - Sovereign Sukuk - Pakistan, Power Holding (Pvt) Limited
Best Structured Financing - Pakistan, Avari Hotels
Best Syndicated Facility - Pakistan, Pakistan Mobile Communications Limited

Asset Triple A Asia Infrastructure Awards
Renewable Energy Deal of the Year - Pakistan
Telecom Deal of the Year - Pakistan

Global Islamic Finance Awards
Sukuk House of the Year - Pakistan

Islamic Finance Forum of South Asia (IFFSA) Awards
Gold Award - Islamic Investment Bank of the Year
Gold Award - Islamic Finance Advisory Services Provider of the Year
Gold Award - Islamic Bank of the Year – Large
Silver Award - Islamic Finance Deal of the Year

Asian Banking and Finance Corporate & Investment Banking Awards
Project Infrastructure Finance Deal of the Year - Pakistan

Commercial Banking

Including Small & Medium Enterprises (SME) and Agricultural Finance



Meezan Bank is cognizant of the fact that in order to achieve its Vision of establishing 'Islamic banking as banking of first choice...' it must increase the outreach of Islamic banking well beyond the blue-chip corporate sector. Accordingly, the Bank has developed a very clear focus on developing the SME

and Agriculture sectors, which represent the backbone of Pakistan's economy. The consistent growth of the Bank's Commercial Banking business over the years reflects the level of trust and confidence the Bank has built with its customers.

Our Achievements in 2020

Commercial banking portfolio ▲ **12.8%**

Commercial banking trade volume ▲ **20%**

Agriculture portfolio ▲ **50%**

As compared to 2019

Key Figures

NPF ratio **2.81%**

Commercial vehicles financing worth **Rs 1.3 billion**

The outbreak of COVID-19 has strongly impacted both global and national economies. However, Meezan Bank has shown resilience during this crisis due to its prudent financing policies. The Bank's Commercial Banking portfolio stood at Rs 106 billion at year-end 2020, recording a 12.8% growth over the previous year. Meezan Bank also actively participated in all the COVID-19 related relief schemes. The Bank's Trade (Import/Export) business volume for its Commercial Banking segment also grew by 20% to Rs 601 billion during 2020.

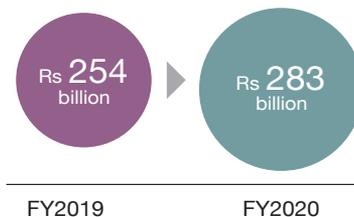
Development Financing

In line with the revolutionary reforms introduced by Government of Pakistan and Central Bank for construction industry, Meezan Bank is also determined to provide financing for Housing & Development projects. In this regard, Bank has developed new innovative financing products to cater the needs of both affordable housing segment as well as builders/developers. It is pertinent to mention that Meezan Bank has also successfully achieved the target given by State Bank of Pakistan for Housing & Construction Finance for the year ended December 31, 2020.

Small & Medium Enterprises

Meezan Bank maintained the size of its SME financing portfolio in 2020, keeping non performing finances at a reasonable level. However, despite an overall slow-down in Trade (import/Export) activities, the Bank managed to achieve Rs 283 billion trade volume in its SME business in 2020 as compared to Rs 254 billion in 2019.

SME Trade Mobilization



Agriculture Financing

Agriculture finance & Agro-based industries have performed well during the COVID-19 crisis and most of these have seen an uptick in demand/supply. Agricultural sector is set to maintain its growth momentum owing to government efforts and improved farm economics due to lower input prices and higher crop prices. Meezan Bank has successfully achieved the disbursement targets set by State Bank of Pakistan for the fiscal year 2019-20. Meezan Bank now has field representation in Sindh, Punjab & Khyber Pakhtunkhwa for agriculture finance. Meezan Bank's core agriculture portfolio saw an increase of more than 50% during 2020.

Portfolio Mix

Meezan Bank has a diversified commodity financing portfolio, well-spread amongst Wheat, Edible Oil & Seed, Cotton Ginning, Fertilizer, Coal, Sugar, Rice, Feed, and Steel sectors. Furthermore, Meezan Bank is continuously exploring new and untapped sectors of the economy in order to enhance its portfolio and to diversify its risk.

Non Performing Finances

Meezan Bank has maintained strong credit screening and Risk Management criteria, since these form the backbone of any financing institution. Testimony to the effectiveness of the Bank's credit approval criteria is the fact that the Bank's NPF ratio was 2.81% despite the challenges faced by banking sector owing to rising interest rates and overall economic slowdown during 2020.

Commercial Vehicles Financing

Transport industry of Pakistan faced tough challenges in the year 2020 due to lockdown and overall economic slowdown in the country as well as globally. Reduction in consumption of furnace oil & petroleum products as well as the slowdown in import and export business heavily impacted this sector. Despite these setbacks, Meezan Bank disbursed Rs 1.3 billion in 2020 while adopting a cautious approach for new-to-bank customers. As the economy enters a revival stage, 2021 seems to be a promising year for this segment.

Consumer Finance

Meezan Bank is the pioneer in providing Shariah-compliant consumer financing in the country and offers a diverse range of consumer asset products to its customers. The Bank's performance of this important business vertical during 2020 is detailed below:

Car Ijarah



The COVID-19 pandemic had a swift and severe impact on the global automotive industry. The auto industry in Pakistan witnessed a decline of 46% in 2020 in sales as compared to 16% decline in 2019. (Source: PAMA)

Despite the COVID-19 crisis, Meezan Bank Car Ijarah enjoys a leadership portfolio in the auto finance industry with current portfolio of over Rs 40 billion with 31,000+ active contracts for new, used & imported vehicles.

Easy Home



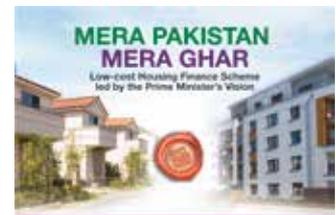
Despite the fact that the year 2020 remained extremely challenging because of the COVID-19 pandemic, Meezan Bank showed a robust growth in Islamic banking with a total Housing Finance portfolio of Rs 12.5 billion.

The Bank also launched a fixed rate housing finance option during the year for customers who want the comfort of locking-in their monthly payments and avoiding the risk of rate fluctuation for their housing facility.

Mera Pakistan Mera Ghar

During 2020, the Government of Pakistan launched the Mera Pakistan, Mera Ghar Low Cost Housing Finance Scheme for low & middle income population. This initiative would contribute towards the important sector of housing and construction, which directly and indirectly supports over 40 industries and employs a very large percentage of the unskilled labour of the country.

Meezan Bank was the first bank in the country to disburse the first two Shariah-compliant housing finance facilities under this Scheme. The Bank offers convenient and affordable financing under this scheme at subsidized rates for construction as well as first-time purchase of newly constructed housing units in a completely Shariah-compliant way.



Meezan Consumer Ease

2020 was a good year for this financing segment as various new financing products were introduced and innovation was brought to existing ones. Major milestones achieved during the year include launch of Solar panels Financing, Furniture Financing and Bike Financing under durable goods limit. Meezan Bank is also participating in Tier-I of Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme through Meezan Consumer Ease.

The Bank also launched a mobile application named 'Meezan Souq' through which customers with pre-approved consumer financing limits can now obtain financing for consumer durable products on easy monthly instalments through digital channels.



Labbaik Hajj & Umrah

Under Labbaik, Meezan Bank is enrolled in Govt. Hajj Scheme through which customers can file their Hajj applications through its branches and be eligible for Hajj ballot conducted by the Ministry of Religious Affairs and Inter Faith Harmony (MORA & IH).

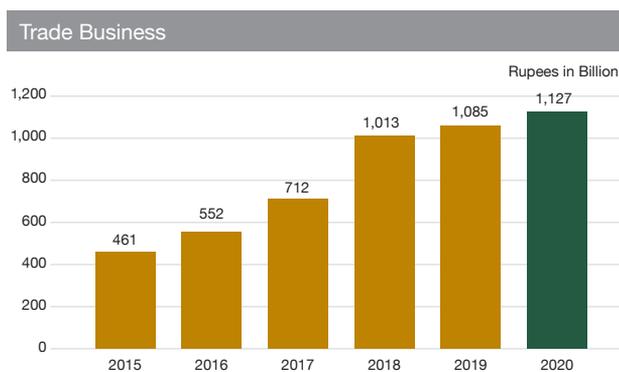
In its sixth year of enlistment i.e. 2020, the Bank collected over 21,890 Hajj applications and secured 3rd position among the thirteen banks on MORA's panel.



Trade Business

Islamic Banking is ideally suited to cater to the trade finance needs of customers and the Bank's trade business (Import & Export) performed very well during 2020 despite the challenges posed by the pandemic. The Bank's Trade Business volume once again surpassed the trillion Rupee mark, closing at Rs 1.127 trillion for the year.

The Bank, with excellent service delivery capabilities and well-equipped team of professionals, has been trusted both by local customers and multinational companies to be the strategic banking partner for their 360 degrees banking needs. In recognition of its record performance, Global Finance has recognized Meezan Bank as the Best Trade Finance Provider-Pakistan 2020 named in their list of World's Best Trade Finance Providers.



Shariah Advisory Services

Meezan Bank regularly facilitates banking as well as non-banking financial institutions including mutual funds, stock exchange, Takaful companies, microfinance companies and other corporate entities, both locally and internationally, in developing Shariah-compliant products for their business needs. The highlight of this year is the development of one-of-its-kind Shariah structure for the issuance of Sukuk on discount to face value for Hub Power Holding Limited.

Details of Shariah-advisory initiatives of the Bank are provided in the Shariah Supervisory Board Report 2020  included in this Annual Report.

Treasury

Meezan Bank's Treasury has continued to maintain its dominance in the local foreign exchange and money markets as an active market maker and formidable player. The Bank continued supporting the Islamic banking industry through successful participating in primary auctions for Sukuk, obtaining allocation in excess of Rs 200 billion, as well as continuing to establish an active secondary trading market for Islamic securities.

The exchange rate volatility at the onset of the pandemic saw the Rupee touch an all-time high, and while this market dislocation permeated throughout the system, the FX Trading Unit prudently managed its exposures and efficiently mitigated rate risk of the Bank. The volatility remained high at c. 7.20% while intraday movement clocked in at Rs 2-3 during the first half of the year. During this stressed period, the Treasury Marketing Unit remained committed to facilitating the Bank's trade business by ensuring clients were given competitive pricing, continuous market updates and ease of transacting.

Financial Institutions and Correspondent Banking

The Bank's Correspondent Banking network currently spreads to over 80 countries with more than 700 correspondents. The nostro network covers 19 currencies giving clients easy access to make trade payments and foreign remittances.

The Bank has also established a Compliance Unit under the Financial Institutions department in order to address the increasing need of compliance and KYC for Correspondent Banking. The unit conducts KYC reviews of all trade correspondents, maintaining close co-ordination with the Compliance Department of the Bank.

Back to back guarantee business expanded with an increased number of international banks including Bank of China, ICBC China, Keb Hana Korea, Wells Fargo USA, etc.

Details of the Bank's Correspondent Banking Network are available on our website: www.meezanbank.com 

Asset Management



Al Meezan Investment Management Limited

Meezan Bank's subsidiary, Al Meezan Investment Management Limited (Al Meezan) is the largest asset management company in Pakistan, with Assets Under Management of over Rs 176 billion. Al Meezan boasts one of the longest and most consistent track records among asset management

companies in Pakistan. It also has the distinction of being the only Shariah-compliant asset manager in Pakistan. Apart from asset management, Al Meezan is also licensed to render Investment Advisory Services and manage Voluntary Pension Schemes.

Our Achievements in 2020

Asset Under Management  **32%**

As compared to 2019

Key Figures

AUM over **Rs 176 billion**

Customer base over **130,000**

Market share in mutual funds industry **17.2%**

Market share in Shariah-compliant segment **43.2%**

Al Meezan exhibits a strong Islamic asset-management franchise and healthy Assets Under Management (AUM) profile with sizeable retail AUMs, adequate governance & control framework, stable & professional management team and well-defined investment process. It has also always strived to serve its esteemed clientele with excellence; this is evident in the fact that Al Meezan has a healthy investor base of over 130,000 customers. Al Meezan is also amplifying its presence, now having 26 branches across Pakistan and utilizing Meezan Bank's distribution network of country wide branches.

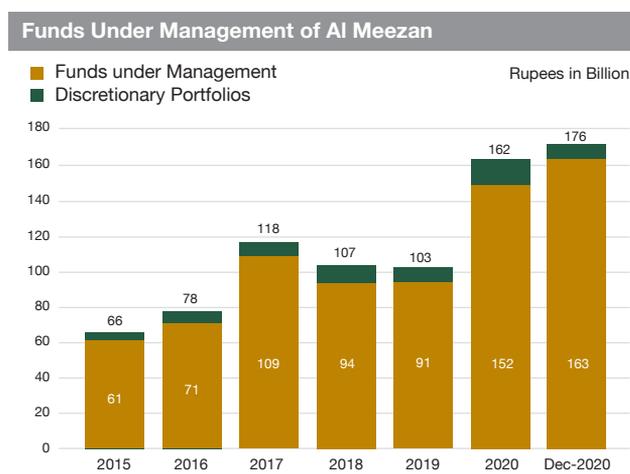
The Company offers a comprehensive product suite of 18 mutual funds, multiple investment plans spanning across various asset classes and Separately Managed Accounts (SMA) customized to the unique needs of the clients. The company manages the largest open-end Shariah Compliant Funds in Equity, Income, Money Market Fund categories and the largest Voluntary Pension Scheme. During CY20, Al Meezan recorded AUM growth of 32%. Al Meezan's market share in the Mutual Funds industry is 17.2% and 43.2% in the Shariah-compliant segment of the industry.

Al Meezan has earned multiple accolades during the year 2020 as given below:

Award	Awarded By
Asset Management Company of the Year award – 2019	IFFSA Awards
Best Islamic Asset Management Company – Pakistan	Global Business Outlook (GBO)
Islamic Asset Manager of the Year	The Asset Triple A Islamic Finance

Al Meezan also maintained the highest Asset Management Quality rating of AM1 (AM-One) with stable outlook by VIS Credit Rating Co. Limited and Pakistan Credit Rating Agency.

The AUMs of Al Meezan have more than doubled in the last five years, as shown below (in Rs Billion):



During the year, Al Meezan successfully launched the first Islamic Exchange Traded Fund of Pakistan, Meezan Pakistan Exchange Traded Fund (MP-ETF). Alongside this, the Meezan Pakistan Index (MZNPI) was constituted which is the underlying benchmark index for MP-ETF.

To view the fund-wise break up of assets under management along with return on the funds since inception and for calendar year 2020, please visit the company's website at www.almeezangroup.com

Operations Review

For an organization to deliver products and services that consistently meet the demands of its customers, it needs to have an efficient support functions infrastructure. At Meezan Bank, the support units work together to ensure that all transactions undertaken by the Bank are in accordance with the directives of its Resident Shariah Board Member (RSBM) and the Shariah Supervisory Board (SSB) as well as with the Bank's Policies and Procedures. Following is a brief introduction of the support units and their role in the organization.

Service Quality

Service Excellence is one of the three core values of Meezan Bank along with Shariah Compliance and Integrity. In addition, customer-centricity is also one of the Bank's core strategic goals as it aspires to be a world-class customer-centric bank.

A Service Board, chaired by the Bank's President & CEO and comprising senior level representation from key business and support units, meets regularly to review service delivery performance of the Bank and takes measures to ensure that the Bank delivers a superior banking experience to its customers. A dedicated Service Quality team regularly monitors the performance of branches on service standards defined by the Service Board and evaluates branch service quality. The Bank also uses service evaluation techniques such as Mystery Shopping and Customer Satisfaction Surveys for obtaining feedback for improving its products and services.

The Bank has a dedicated Complaint Management team that handles customer complaints and disputes under the Customer Grievances Handling policy approved by the Board.



Initiatives

During 2020, the Bank issued several precautionary guidelines to be followed at the branches serving customers in these difficult times, in addition to the following initiatives:

1. Introduction of touch-less ticket issuance at branches through the Electronic Queue Management System (EQMS).
2. Launch of customer feedback through SMS – including satisfaction level against measures taken at branches to prevent spread of COVID-19.
3. Introduction of Meezan Roshan Digital Account (RDA) surveys to obtain customer feedback to drive improvement.
4. Launch of an e-Learning program to enhance understanding of branch staff about Electronic Queue Management System in 7 languages including sign language.

Information Technology and Digital Banking

A robust and resilient technology infrastructure serves as the backbone of banking business today. With growing need for innovative financial solutions, changing customer behaviors, emergence of fiercely competitive fintech players and rapidly evolving regulatory environment, the dependence on state-of-the-art technology platforms has grown more than ever before.

Meezan Bank has grown at a very fast pace ever since its inception and its technology infrastructure has always played a pivotal role in supporting its growing portfolio of products and services as the Bank grew to become the Best Bank in Pakistan. Today Meezan Bank leverages the power of world-class technology solutions to successfully process millions of transactions every day to win the confidence and unwavering trust of its customers.

2020 was particularly demanding year due to the outbreak of COVID-19 which affected and tested the capability of all businesses across the world. During these times, banks were faced with the challenge of providing seamless services despite all the challenges. Meezan Bank showed extreme resilience and continued to provide 24/7 banking services through its digital channels and ATM network without any hiccups. Existing projects were realigned and many new projects were initiated to support the State Bank's initiatives introduced to safeguard businesses and individuals. Secured VPN connectivity was provided on war-footing basis to all necessary staff to enable and effective 'work-from-home' setup. Despite these challenges, the Bank continued to move forward on its digital transformation journey and made significant progress in the implementation of newly acquired platforms for Data Analytics, Middleware and Front-end Omni Channel systems.



Growth of ADC transactions

A positive outcome of the pandemic has been the strong shift in customer transaction behavior with digital transactions growing significantly faster than previous years. Backed by its industry-leading Mobile App, Meezan Bank supported over 40 million financial transactions digitally during the year making it one of the leading banks in Pakistan in terms of digital transfers and payments.

Going forward, in order to ensure the best-in-class customer experience, the Bank has increased its investment in several significant technology projects including implementation of enhanced security, scaled-up transaction processing capability (Data Analytics, Digital Banking Platform and Acquiring and Cards Management Systems). Once implemented, these platforms will provide a solid technological foundation to support the Bank's aggressive growth plans over medium to long-term.



Our Focus on Cyber Security

COVID-19 has drastically changed the dynamics and has reshaped the economic landscape. Digital banking has increased substantially and work-from-home concept has emerged.

The Bank has invested in technology to facilitate the customers with their payment needs and to enable staff to continue their work from home in the pandemic. New online services have been introduced including the Roshan Digital Account (RDA) portal for citizens of Pakistan living abroad. Continuous improvement initiatives are carried out in the branch banking as well as Alternate Delivery Channels (ADC) segments.

With increase in the number of digital transactions, cyber security threats are expected to increase. To cope with the rapidly increasing Cyber Security challenges, the Bank has implemented state-of-the-art threat protection technologies and regularly upgrades its defense structure to minimize the risk of any cyber attack.

The Bank has taken steps to enhance its internal capabilities to cope with such threats. These measures are not limited to investment in security products but also include trainings and awareness of human resources. Security awareness initiatives are also rolled out for staff and customers to keep them aware of social scams such as phishing and skimming.

The Bank understands the significance of Cyber Security and the importance of strengthening it on a continuous basis. Local and international experts of security domains are regularly engaged to review the Bank's information assets and controls and to conduct penetration test exercises.

The Bank is also investing in systems and resources to develop its expertise in areas such as data sciences, information security and internal audit to further strengthen and secure its operations, assessments and IT Audits.

Human Resources



Meezan Bank believes in building a dynamic and professionally competent workforce that is fully capable of providing a world-class banking experience to its customers. The Bank

has a wide network of 815 branches in 248 cities, supported by a workforce of over 10,600 full-time employees and 1,740 outsourced staff.

Highlights

Employees **12,000*** Elevations **411**
 New induction **1,533** Families supported through EBFT **245**

Region	Y2020	Y2019
Central	3,887	3,698
South	2,841	2,732
North	1,482	1,375
Head Office	2,401	2,132
Total	10,611	9,937

In 2020, the Bank inducted 1,533 staff in total, out of which, 474 were inducted through Batch-hiring, mainly as Branch Services Officers and Personal Banking Officers.

The Bank strongly believes in providing career growth opportunities to its staff through Internal Job Postings (IJPs) and Elevations. This year, 39 Jobs were filled via IJP while 411 Elevations were made across the Bank at different levels.

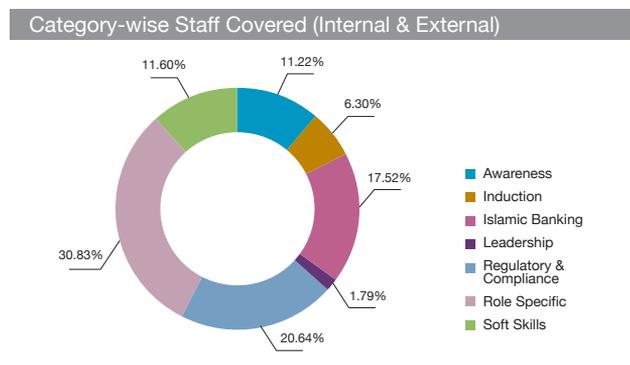
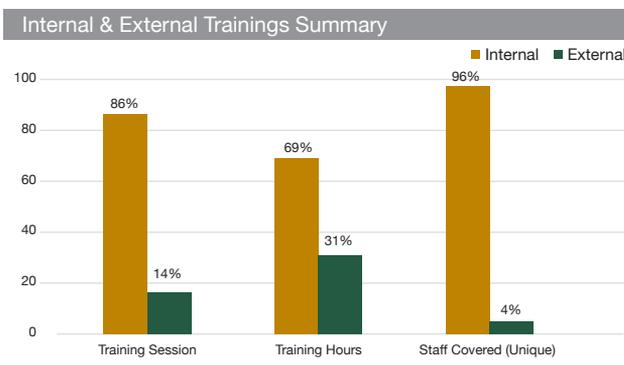
The Bank retained its focus on induction of female staff to achieve diversity and inclusion in its workforce. To this end, 186 female staff joined the Bank, comprising 12% of the total new joiners of 2020. The overall female gender ratio of the Bank is continually on the rise. The Bank had established Employee Benevolent Fund Trust (EBFT) in 2012 for providing financial assistance to its employees and their families for medical, marriage and education related expenses, purely on need and merit basis. This year, the Bank supported 245 families through this initiative.

All Meezan employees are covered under a Health Takaful policy. The Bank also on-boarded a telemedicine service for its staff and their families in which more than 6,000 staff members got enrolled and benefitted from. The Bank also enhanced the staff Life Takaful limits enhanced significantly this year.

Learning & Development

During the pandemic, which was a challenging time for many, the Bank leveraged on technology by launching its Continuous Learning Improvement (CLI) initiative with the aim that 'learning must go on at all times'.

During 2020, the Bank organized 767 learning interventions that included 656 internal training sessions (out of which 78% were conducted as Virtual Instructure-Led Training–VILT) covering 28,862 (7,742 unique) staff. A total of 111 external training sessions for 392 (352 unique) staff were also arranged.



Through the CLI initiative, the Bank provided learning opportunity to its staff by sharing informative articles, videos and holding awareness sessions on Professional and Personal development. Quran Classes were also an important and integral part of learning activities during 2020.

In addition to the above initiatives, 11 e-learning interventions were launched mainly in the areas of Compliance, Fraud & Forgery etc.

Induction Training: Total 39 Induction trainings were held, covering 1,318 new staff members.
Islamic Banking Training: 140 different Islamic Banking training sessions were held covering more than 5,000 staff members.



Role-specific Training: 328 trainings were held in different functional areas e.g. Sales, Products, Operations, Technical and Customer Services and attended by more than 11,000 staff members.



Compliance, Governance and Control Training: 137 sessions were held including Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), Trade-based Money Laundering (TBML), Outreach Awareness Sessions on ML/TF/PF covering more than 6,000 staff.



Leadership & Soft-skill: Leveraging on VILTs, 89 in-house and 11 external trainings were conducted covering almost 4,000 staff members containing programs on Self Development, Leadership and Team Building, Positive Psychology, Ethics and values and COVID-19 Awareness.



Customer & Public Awareness Initiatives: The Bank arranged 09 seminars covering 690 participants via online platforms along with exclusive meetings for corporate clients in different cities.

Islamic Banking-Facts

Islamic Finance in Pakistan at a Glance**

<p>Total Asset Rs 3,809 billion Share of Islamic Banks 16%</p>	<p>Total Deposit Rs 3,034 billion Share of Islamic Banks 17.3%</p>
<p>Non-performing ratio of IBI is 3.7% - well below the overall banking industry ratio of 9.9%</p>	<p>Islamic Banking infrastructure 22 Islamic banking institutions 5 full-fledged Islamic banks 3,303 branches</p>

**IBD Islamic Banking Bulletin Sept 2020, State Bank of Pakistan

Shariah Compliance

Shariah compliance is a way of life at Meezan Bank and the Bank has a zero-tolerance policy in this regard. To continually ensure Shariah compliance in all its products, services and processes, the Bank established a dedicated Shariah Compliance Department in 2005. The department works under the guidance and direct supervision of the Bank's Shariah Supervisory Board (SSB) to facilitate product development, conducts Shariah

compliance reviews, provide internal and external trainings, acts as a Secretariat to Shariah Supervisory Board and and takes other initiatives towards the development of Islamic Banking Industry, both locally and globally.

Some of the key functions that the Shariah Compliance department undertakes are:

Product Support

All the business functions of the Bank including retail banking, Corporate and Commercial Banking, Treasury and Investment Banking are provided product support by Shariah Compliance Department. The product support process starts from very initiation of business proposals till the structuring and execution of the solution through Shariah-related research, interdepartmental coordination and customer engagement. As a result of product support process, the Bank continues to modify existing products, identify new market niches and new customer needs. While developing new financial solutions, the Bank is conscious of the larger interests of the society and strives to be aligned to United Nations Sustainable Development Goals such as UN SDG-3 'Good Health', SDG-10 'Reduced Inequalities' and UN SDG-11 'Sustainable Cities'. The Bank also lays special emphasis on monitoring the pool management mechanism to ensure accurate and timely calculation and distribution of profit to depositors.



Shariah Compliance Review

Shariah Compliance Review is a continuous process of ensuring that all internal and external activities of the Bank are compliant to Shariah at all times. This includes monitoring the internal policies and practices of all functions, monitoring of financing activities, investment activities, marketing activities, external communications, contracts with vendors etc. for ensuring Shariah compliance in everything that the Bank does. Each and every financing case is reviewed periodically to monitor adherence with relevant Shariah guidelines, gap identification and subsequent improvement. Scope of Shariah Compliance review function of the Bank includes:

- Investment banking transactions related to Sukuk, syndicated financings and Shariah advisory to various local and international corporates entities.
- Treasury transactions related to funds placement, funds acceptance, local and foreign investment, foreign exchange dealings, etc.
- Assessment of branches, Hub offices and Head Office units.

Internal and External Training

The Shariah Compliance Department works with the Learning Department to design, implement and facilitate Islamic Banking and Finance product knowledge (Shariah aspect and the modus operandi) to the employees, customers, students at educational institutes, relevant audiences and public at large to create an inclusive ecosystem that facilitates a better understanding of the principles and products of Islamic Banking. Training sessions are conducted all year round and include orientations, refreshers and specialized courses for staff as well as customers and the general public.



Contributions Towards the Islamic Banking Industry of Pakistan

The Bank acts as Joint Financial Advisor for issuance of Government of Pakistan Sukuk that help address the liquidity management needs of the Islamic Banking industry.

The Bank supports IBA-CEIF towards the common aim of capacity building for Islamic banking. Major programs include Certified Shariah Auditor AAOIFI certification, Certified Islamic Finance Reporting and Auditing Course and special training for finance faculty of Universities in Sindh, arranged by the Higher Education Commission of Pakistan.

Shariah Audit

Meezan Bank has a dedicated and independent Shariah Audit Department that plays a vital role in ensuring that all of the Bank's operations are carried out according to the rules and principles prescribed by its Shariah Supervisory Board, Resident Shariah Board Member (RSBM) and the State Bank of Pakistan.

The department comprises a large team of Shariah Auditors and Advisers certified by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Certified Chartered Accountants and Shariah Scholars. In recognition of the Bank's efforts, it has been recognized as 'Shariah Auditor of the Year' for the third consecutive year and received the 'Shariah Authenticity Award' by Global Islamic Finance Awards (GIFA) UK in 2020. During the year, the Bank also secured the mandate to lead the working group to develop global 'Internal Shariah Audit Guidelines' for AAOIFI.



LinkedIn

More than



165,600

Followers



YouTube

More than



16,200

Subscribers



facebook

More than



2.1 Million

Likes



twitter

More than



10,700

Followers



Instagram

More than



77,400

Followers

MEEZAN BANK'S SOCIAL MEDIA FOOTPRINT



34% Growth

since 2019

More than
40 Job Ads
with

13,000

Applications
received



59% Growth

since 2019

First dedicated
Islamic Banking
Youtube Channel
in the country

More than

10.4

Million views

Largest fan base
in Pakistan's
banking industry

19th

in World's Top
100 Banks
on Facebook
by 'The
Financial Brand'

More than
162.8

Million
Impressions

Meezan Careers
Facebook Page
has grown

170%

in likes
since 2019



62% Growth

since 2019



101% Growth

since 2019

The highest
number of
followers
amongst
all banks in
Pakistan

Key Figures at a Glance

	2020	2019	2018	2017	2016	2015
Profit and Loss Account						
Return on financings, investments and placements	106,589	94,270	48,625	36,427	31,027	32,893
Return on deposits and other dues expensed	41,740	47,731	20,457	15,684	13,239	15,181
Net Spread earned	64,849	46,539	28,168	20,743	17,788	17,712
Fee, commission, forex and other income	8,765	9,396	6,887	5,622	4,102	3,617
Gain / (loss) on securities - net and dividend income	1,307	(76)	575	2,002	1,622	971
Total income	74,921	55,859	35,630	28,367	23,512	22,300
Operating and other expenses	29,775	25,522	19,670	16,832	14,787	13,313
Profit before Provisions	45,146	30,337	15,960	11,535	8,725	8,987
Provisions / (reversals) and write offs - net	8,210	4,186	1,168	1,283	(218)	535
Profit before Taxation	36,936	26,151	14,792	10,252	8,943	8,452
Taxation	14,770	10,919	5,830	3,939	3,381	3,429
Profit after Taxation	22,166	15,232	8,962	6,313	5,562	5,023
Statement of Financial Position						
Islamic Financing and Related Assets	512,532	493,775	512,564	420,029	311,530	207,569
Total Assets	1,521,560	1,121,258	937,915	788,808	662,055	535,864
Total Deposits	1,254,431	932,579	785,477	667,181	559,398	468,281
Share Capital	14,147	12,861	11,692	10,629	10,027	10,027
Sub-ordinated sukuk	18,000	14,000	14,000	7,000	7,000	-
Total Shareholders Equity	69,155	59,015	40,333	35,077	30,474	26,347
Market Capitalization	147,754	122,348	108,022	71,321	67,422	45,875
Number of Staff	12,423	11,649	10,069	9,551	9,168	8,581
Number of Branches	815	760	660	601	571	551
Ratios						
Book Value (Rs)	48.9	45.9	34.5	32.3	28.1	25.5
Market Value per Share (Rs)	104.4	95.1	92.4	67.1	67.2	45.7
Price to Book Value Ratio	2.1	2.1	2.7	2.1	2.4	1.8
Cash Dividend (%)	60	50	35	30	30	30
Stock Dividend (%)	10	10	10	-	-	-
Right Shares at par (%)	-	-	-	6	-	-
Price Earning Ratio	6.7	8.8	13.3	12.1	12.3	9.1
Earning per Share (Rs)	15.7	10.8	7	5.6	5.5	5
Net Spread to Gross Return (%)	60.8	49.4	57.9	56.9	57.3	53.9
Profit Before Tax to Gross Income (%)	31.7	25.2	26.4	23.3	24.3	22.6
Profit After Tax to Gross Income (%)	19	14.7	16	14.3	15.1	13.4
Operating & Other Expenses to Income before provisions (%)	39.7	45.7	55.2	59.3	62.9	59.7
Financing / Advances to Deposit Ratio-ADR (%)	40.9	52.9	65.3	63	55.7	44.3
Investment to Deposit Ratio - IDR (%)	34.6	24.2	15.8	17.9	23.3	31.2
Capital Adequacy Ratio (%)	17.8	16.6	14.6	12.9	12.9	11
Return on Average Assets (%)	1.7	1.5	1	0.9	0.9	1
Return on Average Equity (%)	34.6	30.7	23.8	19.3	19.6	20

(Comparative information has been reclassified / rearranged for better presentation)

Rupees in Million

2014	2013	2012	2011	2010
28,487	23,016	21,592	17,809	12,094
15,539	12,658	11,385	8,666	6,606
12,948	10,358	10,207	9,143	5,488
3,387	1,971	1,413	1,347	2,056
1,432	1,539	986	1,158	419
17,767	13,868	12,606	11,648	7,963
10,402	8,128	6,925	5,903	4,340
7,365	5,740	5,681	5,745	3,623
467	93	451	1,389	1,497
6,898	5,647	5,230	4,356	2,126
2,328	1,690	1,722	965	477
4,570	3,957	3,508	3,391	1,649

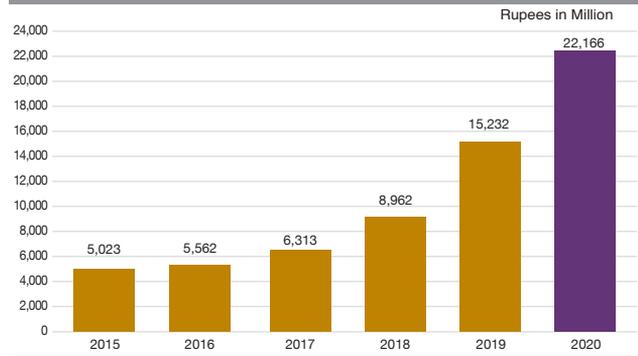
175,712	127,623	88,678	70,377	60,265
440,149	332,095	278,084	203,439	157,389
378,744	288,433	229,892	169,429	131,070
10,027	10,027	9,034	8,030	6,983
-	-	-	-	-
23,890	18,913	16,563	13,781	11,080
47,129	39,488	27,147	13,956	11,801
7,429	6,248	5,953	4,900	4,364
428	351	310	275	222

23.2	17.9	17.1	16.6	15.4
47	39.4	30.1	17.4	16.9
2	2.2	1.8	1.1	1.1
27.5	20	15	10	-
-	-	11	12.5	15
-	-	-	-	-
10.3	10	8.6	4.6	8.2

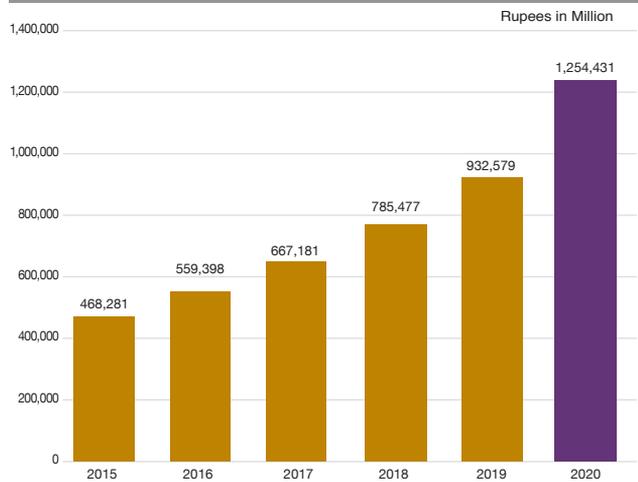
4.6	4	3.5	3.8	2.1
45.5	45	47.3	51.4	45.4
20.7	21.3	21.8	21.4	14.6
13.7	14.9	14.6	16.7	11.3
58.6	58.6	54.9	50.7	54.5

46.4	44.2	38.6	41.5	46
30.1	52.6	66.3	58.1	41.9
11.9	12.5	14.1	14.9	12.4
1.2	1.3	1.5	1.9	1.2
21.4	22.3	23.1	27.3	16.3

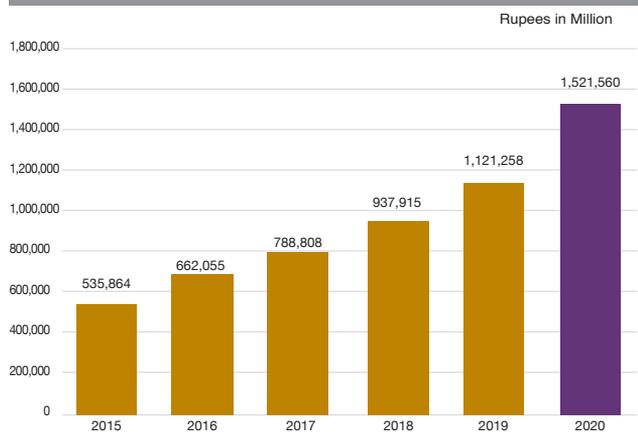
Profit After Taxation



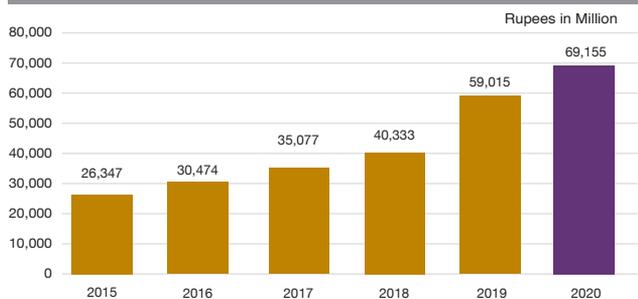
Total Deposits



Total Assets



Total Shareholders Equity



Six Years' Horizontal Analysis

Statement of Financial Position / Profit & Loss Account

Rupees in Million

Statement of Financial Position												
	2020	20 Vs 19	2019	19 Vs 18	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14
		%		%		%		%		%		%
Assets												
Cash and balances with treasury banks	136,243	48	92,194	42	65,022	1	64,556	15	56,037	28	43,686	47
Balances with other banks	19,446	27	15,372	86	8,255	69	4,896	(59)	12,021	8	11,175	103
Due from financial institutions	342,069	53	223,689	21	184,815	26	147,229	14	129,115	28	101,079	11
Investments	434,208	92	225,646	82	123,743	4	119,238	(8)	130,156	(11)	146,305	28
Islamic financing and related assets	512,532	4	493,775	(4)	512,564	22	420,029	35	311,530	50	207,569	18
Fixed assets	23,568	1	23,285	77	13,129	16	11,364	34	8,470	11	7,596	32
Intangible assets	1,080	38	780	25	625	22	512	13	455	(1)	461	(12)
Deferred tax asset	390	100	-	(100)	983	-	-	-	-	-	-	(100)
Other assets	52,024	12	46,517	62	28,779	37	20,984	47	14,271	(21)	17,993	4
	1,521,560	36	1,121,258	20	937,915	19	788,808	19	662,055	24	535,864	22
Liabilities												
Bills payable	26,494	54	17,187	(28)	23,751	38	17,175	25	13,757	36	10,100	38
Due to financial institutions	94,501	125	42,047	15	36,408	(1)	36,813	15	32,006	135	13,610	(12)
Deposits and other accounts	1,254,431	35	932,579	19	785,477	18	667,181	19	559,398	19	468,281	24
Sub-ordinated Sukuk	18,000	29	14,000	-	14,000	100	7,000	-	7,000	-	-	-
Deferred tax liabilities	-	(100)	2,830	-	-	(100)	8	(99)	1,362	247	393	-
Other liabilities	58,979	10	53,600	41	37,946	48	25,554	42	18,058	5	17,133	16
	1,452,405	37	1,062,243	18	897,582	19	753,731	19	631,581	24	509,517	22
Net Assets	69,155	17	59,015	46	40,333	15	35,077	15	30,474	16	26,347	10
Represented by:												
Share capital	14,147	10	12,861	10	11,692	10	10,629	6	10,027	-	10,027	-
Reserves	20,424	12	18,207	20	15,161	13	13,369	38	9,700	13	8,588	18
Unappropriated profit	29,022	56	18,546	37	13,526	31	10,340	23	8,422	21	6,942	17
Surplus / (deficit) on revaluation of assets	5,562	(41)	9,401	204times	(46)	(106)	739	(68)	2,325	194	790	28
	69,155	17	59,015	46	40,333	15	35,077	15	30,474	16	26,347	10
Profit & Loss Account												
	2020	20 Vs 19	2019	19 Vs 18	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14
		%		%		%		%		%		%
Profit on financing, investments and placements	106,589	13	94,270	94	48,625	33	36,427	17	31,027	(6)	32,893	15
Profit on deposits and other dues expensed	(41,740)	(13)	(47,731)	133	(20,457)	30	(15,684)	18	(13,239)	(13)	(15,181)	(2)
Net spread earned	64,849	39	46,539	65	28,168	36	20,743	17	17,788	-	17,712	37
Fee, commission, forex and other income	8,765	(7)	9,396	36	6,887	23	5,622	37	4,102	13	3,617	7
Gain / (loss) on securities - net and dividend income	1,307	1,820	(76)	(113)	575	(71)	2,002	23	1,622	67	971	(32)
Total income	74,921	34	55,859	57	35,630	26	28,367	21	23,512	5	22,300	26
Operating and other expenses	(29,775)	17	(25,522)	30	(19,670)	17	(16,832)	14	(14,787)	11	(13,313)	28
Profit before Provisions	45,146	49	30,337	90	15,960	38	11,535	32	8,725	(3)	8,987	22
Provisions and write offs - net	(8,210)	96	(4,186)	258	(1,168)	(9)	(1,283)	(689)	218	(141)	(535)	15
Profit before taxation	36,936	41	26,151	77	14,792	44	10,252	15	8,943	6	8,452	23
Taxation	(14,770)	35	(10,919)	87	(5,830)	48	(3,939)	17	(3,381)	(1)	(3,429)	47
Profit after taxation	22,166	46	15,232	70	8,962	42	6,313	14	5,562	11	5,023	10

(Comparative information has been reclassified / rearranged for better presentation)

Six Years' Vertical Analysis

Statement of Financial Position / Profit & Loss Account

Rupees in Million

Statement of Financial Position												
Assets	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
Cash and balances with treasury banks	136,243	9	92,194	8	65,022	7	64,556	8	56,037	8	43,686	8
Balances with other banks	19,446	1	15,372	2	8,255	1	4,896	1	12,021	2	11,175	2
Due from financial institutions	342,069	22	223,689	20	184,815	20	147,229	19	129,115	20	101,079	19
Investments	434,208	29	225,646	20	123,743	13	119,238	15	130,156	20	146,305	27
Islamic financing and related assets	512,532	34	493,775	44	512,564	55	420,029	53	311,530	47	207,569	39
Fixed assets	23,568	2	23,285	2	13,129	1	11,364	1	8,470	1	7,596	2
Intangible assets	1,080	-	780	-	625	-	512	-	455	-	461	-
Deferred tax asset	390	-	-	-	983	-	-	-	-	-	-	-
Other assets	52,024	3	46,517	4	28,779	3	20,984	3	14,271	2	17,993	3
	1,521,560	100	1,121,258	100	937,915	100	788,808	100	662,055	100	535,864	100
Liabilities												
Bills payable	26,494	2	17,187	2	23,751	3	17,175	3	13,757	2	10,100	2
Due to financial institutions	94,501	6	42,047	4	36,408	4	36,813	5	32,006	5	13,610	3
Deposits and other accounts	1,254,431	82	932,579	83	785,477	84	667,181	84	559,398	84	468,281	87
Sub-ordinated Sukuk	18,000	1	14,000	1	14,000	1	7,000	1	7,000	1	-	-
Deferred tax liabilities	-	-	2,830	-	-	-	8	-	1,362	-	393	-
Other liabilities	58,979	4	53,600	5	37,946	4	25,554	3	18,058	3	17,133	3
	1,452,405	95	1,062,243	95	897,582	96	753,731	96	631,581	95	509,517	95
Net Assets	69,155	5	59,015	5	40,333	4	35,077	4	30,474	5	26,347	5
Represented by:												
Share capital	14,147	1	12,861	1	11,692	1	10,629	1	10,027	2	10,027	2
Reserves	20,424	2	18,207	2	15,161	2	13,369	2	9,700	2	8,588	2
Unappropriated profit	29,022	2	18,546	2	13,526	1	10,340	1	8,422	1	6,942	1
Surplus / (deficit) on revaluation of assets	5,562	-	9,401	-	(46)	-	739	-	2,325	-	790	-
	69,155	5	59,015	5	40,333	4	35,077	4	30,474	5	26,347	5
Profit & Loss Account												
	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
Profit on financing, investments and placements	106,589	91	94,270	91	48,625	87	36,427	82	31,027	85	32,893	87
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Net spread earned	64,849	55	46,539	45	28,168	50	20,743	46	17,788	49	17,712	46
Fee, Commission, forex and other income	8,765	8	9,396	9	6,887	12	5,622	13	4,102	11	3,617	10
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Total income	74,921	64	55,859	54	35,630	63	28,367	64	23,512	64	22,300	59
Operating and other expenses	(29,775)	(25)	(25,522)	(25)	(19,670)	(35)	(16,832)	(38)	(14,787)	(40)	(13,313)	(36)
Profit before Provisions	45,146	39	30,337	29	15,960	28	11,535	26	8,725	24	8,987	23
Provisions and write offs - net	(8,210)	(7)	(4,186)	(4)	(1,168)	(2)	(1,283)	(3)	218	-	(535)	(1)
Profit before taxation	36,936	32	26,151	25	14,792	26	10,252	23	8,943	24	8,452	22
Taxation	(14,770)	(13)	(10,919)	(10)	(5,830)	(10)	(3,939)	(9)	(3,381)	(9)	(3,429)	(9)
Profit after taxation	22,166	19	15,232	15	8,962	16	6,313	14	5,562	15	5,023	13

(Comparative information has been reclassified / rearranged for better presentation)

Review of Six Years' Performance

The summary of financial performance of Meezan Bank Limited over the last six years (2015 – 2020) is as under:

Statement of Financial Position

Assets

Total assets of the Bank grew to Rs 1.5 trillion in 2020 from Rs 536 billion in 2015 with Compound Annual Growth Rate (CAGR) of 23%. Financing has grown at a CAGR of 20% over last six years primarily due to overall slowdown in economy in last two years. During the period, the Bank has kept its cautious lending approach with the strategy to maintain a high quality diversified financing portfolio spread across all segments including Corporate, SME/Commercial and Consumer Financing (primarily Car Ijarah and Easy Home).

The investment portfolio of the Bank has grown at a CAGR of 24% with substantial growth coming in year 2020 where the investment portfolio of the Bank increased by 92% pursuant to regular issue of GOP Ijarah Sukuk. The Bank's sizable investment in Pakistan Energy Sukuk (guaranteed by the Government of Pakistan) in 2019 and 2020 also contributed to this growth. As of December 31, 2020 the Bank's total investment in GOP Ijarah Sukuk, GOP Bai Muajjal and Pakistan Energy Sukuk amounted to Rs 179 billion, Rs 107 billion and Rs 117 billion respectively. The Bank's investment to deposit ratio accordingly improved to 35% in 2020 as compared to 31% in 2015. The share of Placements under Bai Muajjal (Due from Financial Institutions) in relation to Total Assets has also slightly increased to 22% as compared to 19% in 2015.

The Bank's fixed assets (excluding right-of-use assets recognized under IFRS 16) has increased to Rs 19 billion in 2020 from Rs 8 billion in 2015 growing at a CAGR of 19% primarily due to the Bank's sizable investment in its Branch network which reached to 815 branches in 2020 as compared to 428 branches at start of 2015 – an increase of 387 branches during period. This expansion in Branch Network has reaped fruits for the Bank, as is evident from the strong growth in deposits and profits over the years. The Bank's significant investment in technological infrastructure and digital channels (including Internet Banking and Mobile App) also contributed to this growth in fixed assets.

Liabilities

On liabilities front, this year, despite the overall economic slowdown, deposits of the Bank grew by 35% from Rs 932 billion in 2019 to Rs 1.25 trillion in 2020 taking the Bank to the league of big banks in Pakistan. The Bank's deposits grew at a CAGR of 22% which is significantly higher than the 14% annualized growth recorded in overall banking industry in the same period. More importantly, the Bank's current deposits grew at CAGR of 28% during the period from Rs 149 billion in 2015 to Rs 505 billion in 2020 and now comprise of 40% of total deposits of the Bank as compared to 32% in 2015. The Bank's branch expansion strategy and its commitment towards high standards of customer service has played pivotal role in its deposit growth. The wide range of deposit products caters every sphere of the country's population.

Post COVID-19 outbreak, in 2020 the SBP introduced various subsidized refinancing schemes to support the businesses with liquidity problems. These SBP measures were well supported by the Bank which led to 125% rise in amounts due to financial institutions in 2020 and pushing the total to Rs 94.5 billion as compared to Rs 14 billion in 2015.

Due to significant growth in the Bank's business, the strategic direction set by the Board of Directors, and the enhanced capital

adequacy requirement of the State Bank of Pakistan under Basel Framework; the Bank successfully issued subordinated Tier II sukuk of Rs 7 billion in 2016 and Rs 4 billion in 2020. The Bank also issued first ever Shariah-compliant Additional Tier I Sukuk of Rs 7 billion in 2018 to further strengthen its regulatory capital base. Both issues received an overwhelming response from the investors and the Bank was able to issue these Sukuk at a very attractive pricing under Mudaraba arrangement which is indicative of the strong brand value and standing of the Bank. Accordingly, despite significant growth in total assets in the period from 2015 to 2020, the Bank's Capital Adequacy Ratio is at comfortable level of 17.82% in 2020.

Equity

The Bank's total equity has also grown by almost three times from Rs 26 billion in 2015 to Rs 69 billion in 2020 representing CAGR of 21% during the period. The Bank's Board and management is committed to maintaining a sound balance between depositors' liability and shareholders' funds so that optimal capital / debt ratio is maintained. This optimal capital / debt ratio provide reasonable assurance to depositors about safety and security of their funds and at the same time provide impetus to the management to invest these funds into profitable ventures without compromising the risk profile of the Bank. The Bank has maintained the record of unbroken payout since the date of listing on the Stock Exchange.

Profit and Loss account

The Bank's Profit after Tax has grown from Rs 5.02 billion in 2015 to Rs 22.2 billion in 2020 with an average ROE of more than 20% during the six years' period while maintaining an unbroken payout to its shareholders.

In line with the growth in the Bank's assets, the net spread of the Bank grew at CAGR of 30% to Rs 65 billion as compared to Rs 17 billion in 2015. Based on the strong growth in the Bank's current deposits, the Bank's net spread percentage improved from 54% in 2015 to 61% in 2020. The Bank's fee, commission, foreign exchange and other income grew significantly from Rs 3.6 billion in 2015 to Rs 8.8 billion in 2020, primarily due to the Bank's growing Trade Business which reached to Rs 1.1 trillion as compared to Rs 461 billion in 2015. The increase in customer base, range of products and services including ADC business, number of branches, and coverage of new cities also played a significant role in this achievement.

The Bank's operating expenses rose to Rs 30 billion in 2020 from Rs 13 billion in 2015, mainly due to opening of 387 branches, higher IT infrastructure, inflation, Rupee devaluation and staff related costs. The Bank now employs more than 12,000 staff across Pakistan. Despite the increase in operating expenses, the Bank's Cost to Income Ratio improved to 40% in 2020 from 60% in 2015.

The Bank, in line with the prudent practices historically adopted, further strengthened its NPL coverage ratio which stood at 128% in 2020 as compared to 116% in 2015. The Bank's direct contribution to national exchequer also increased manifold with the total taxation charge for the year 2020 increasing to Rs 14.8 billion from Rs 3.4 billion in 2015 on account of higher profitability.

Financial Analysis

Statement of Financial Position

The total assets of the Bank grew by 36% to Rs 1.5 trillion from Rs 1.1 trillion in 2019. The investments portfolio of the Bank grew by 92% to Rs 434 billion from Rs 226 billion in 2019 mainly due to sizeable investments in Federal Government Securities – GoP Ijarah Sukuk and GoP Bai Muajjal. The Bank also invested Rs 34 billion in the second tranche of Pakistan Energy Sukuk. Placements under Bai Muajjal (Due from Financial Institutions) also increased to Rs 342 billion from Rs 224 billion in 2019.

Financings portfolio registered a modest growth of 4% and closed at Rs 513 billion. The Bank remained cautious in its financing approach due to overall slowdown in economic activity post the COVID-19 outbreak. However, the Bank actively participated in SBP's measures for economic revival and extended financing under a number of refinance schemes. The Bank's total exposure under various SBP refinance schemes has increased to Rs 78 billion as compared to Rs 44 billion in 2019 – a growth of 79%. The Advance to Deposits ratio (ADR) of the Bank stood at 41%.

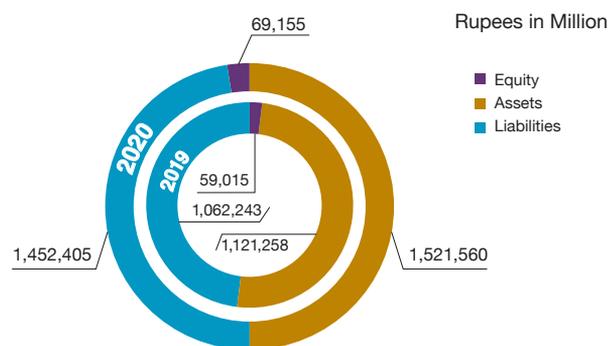
In view of the economic uncertainty, the Bank provided certain weaker accounts in the portfolio that may be susceptible to greater credit risk. As a result, the Bank's non-performing financing ratio (NPL ratio) increased to 2.8% as compared to 1.8% in 2019. The Bank's total provision against financing amounted to Rs 8.3 billion – Rs 7.3 billion specific provision (net) and Rs 1 billion – general provision duly approved by the Board. The Bank's coverage ratio stood at 128% - well above the banking industry average of 85%.

Deposits grew by 35% to Rs 1.25 trillion, higher than the banking industry growth rate of 22% taking the Bank into the league of big banks in Pakistan. Major part of this growth was funded from increase in Current Accounts by 49% to Rs 504 billion. Current Account deposits now comprise 40% of the total deposits while the Bank's CASA ratio has improved to 76% as compared to 74% in 2019.

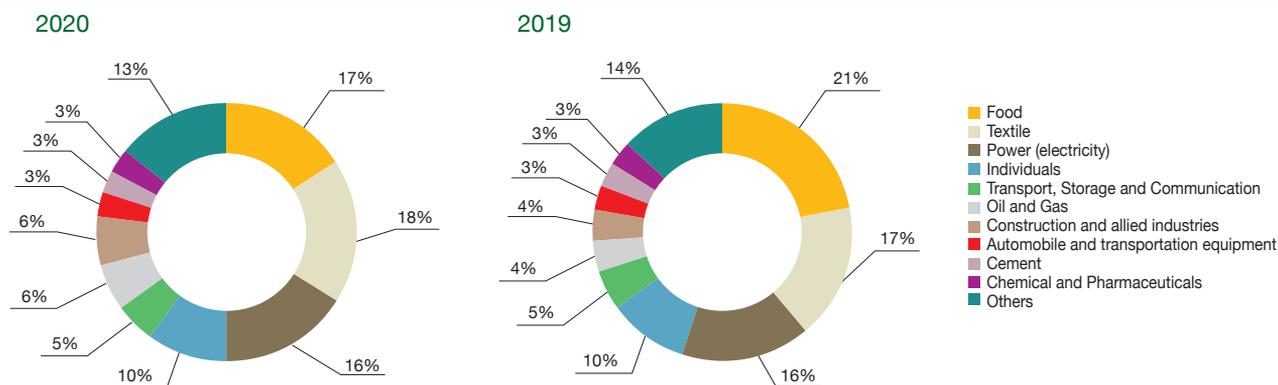
During the year, the Bank opened 55 new branches bringing the total number of branches to 815 in 248 cities from 760 branches in 223 cities last year. Apart from investment in traditional branch network, the Bank is heavily investing in technology, the direct result of which is the exponential growth in our digital banking transactions. Meezan Bank's Mobile Banking App has been consistently ranked as the No.1 Mobile Banking App in Pakistan by both Apple Store and Google Play Store.

The Bank's equity increased to Rs 69 billion from Rs 59 billion a year ago. The Board has recommended the final cash dividend of Rs 2 per share (20%) bringing the total payout to Rs 6 per share (60%) as Rs 4 per share i.e. 40% interim cash dividend was paid. In addition to this, 10% Bonus Shares were issued during the year. The Bank remains a well-capitalized institution with Capital Adequacy Ratio of 17.82% over and above the minimum regulatory requirement of 11.50%.

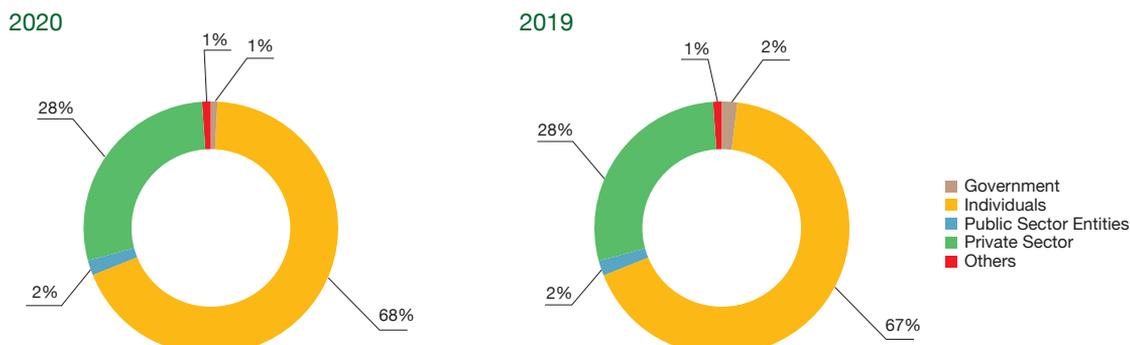
Statement of Financial Position



Islamic Financing and Related Assets (Gross)



Deposits



Profit and Loss Account

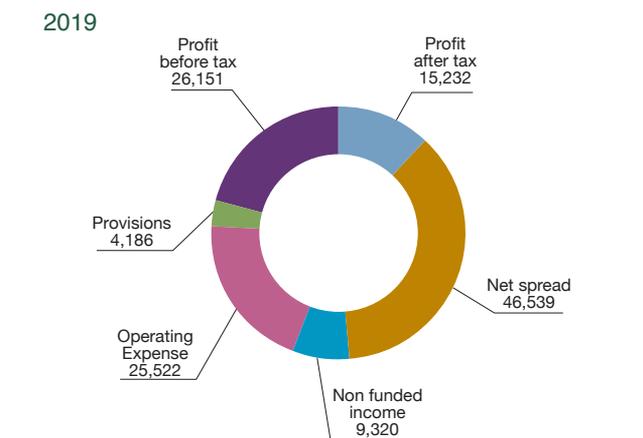
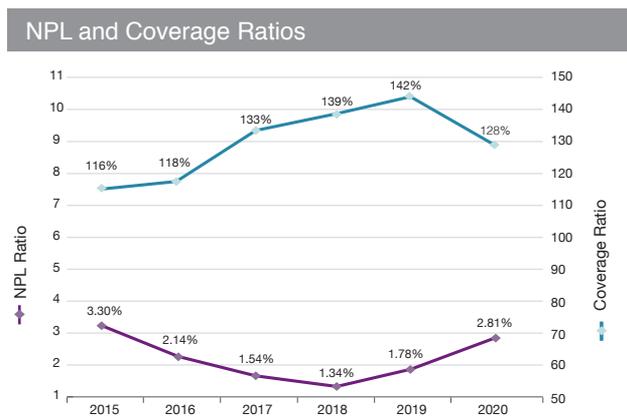
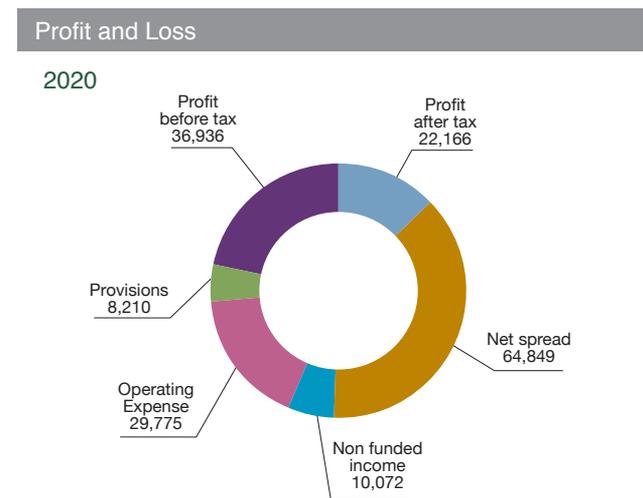
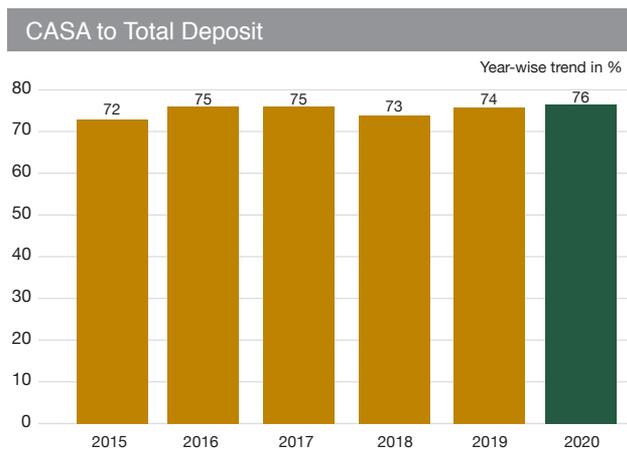
The Bank recorded Profit after tax of Rs 22.17 billion as compared to Rs 15.23 billion a year ago – a growth of 46%. The return on average equity (including surplus) increased to 34.6% while Earnings Per Share – on enhanced capital clocked at Rs 15.67 per share as compared to Rs 10.77 in 2019.

The Bank's net spread grew by 39% primarily due to strong balance sheet growth and healthy current account balances. Fee, commission and other income on the other hand, remained slightly lower than last year due to lower transaction volume and waiver of fee on certain digital transactions. The Bank recorded capital gain and dividend income of Rs 1.3 billion as compared to a net loss of Rs 77 million last year. On an overall basis, the Bank's non-funded income recorded a

growth of 8% closing at Rs 10.1 billion as compared to Rs 9.3 billion in the 2019.

Operating and other expenses increased to Rs 29.8 billion from Rs 25.5 billion, primarily due to increase in cost associated with branch expansion, full year impact of 100 new branches opened in 2019 and partial impact of 55 new branches opened in 2020 - an investment in future. However, this rise in expenses is sufficiently absorbed by the growth in the Bank's funded and non-funded income, resulting in improvement in income efficiency ratio by 6%.

The total tax charge for the year, including Super Tax charge, increased to Rs 14.8 billion as compared to Rs 10.9 billion due to higher profitability.



DuPont Analysis

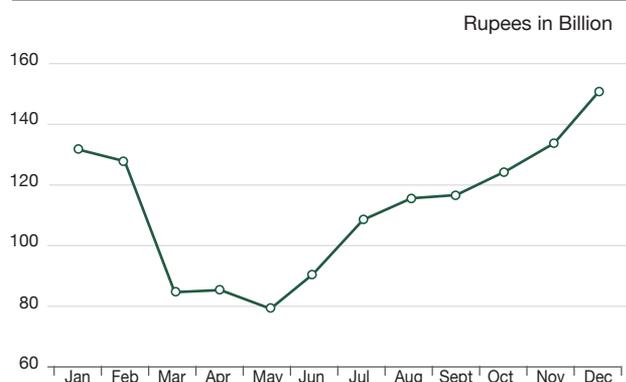
Description	2020	2019	2018	2017	2016	2015
Profit Margin - %	19%	14.7%	16%	14.3%	15.1%	13.4%
Asset turnover	0.09	0.10	0.06	0.06	0.06	0.08
Equity Multiplier - Times	20.6	20.7	22.9	22.1	21.1	19.4
ROE	34.6%	30.7%	23.8%	19.3%	19.6%	20%

Following are the main DuPont analysis highlights:

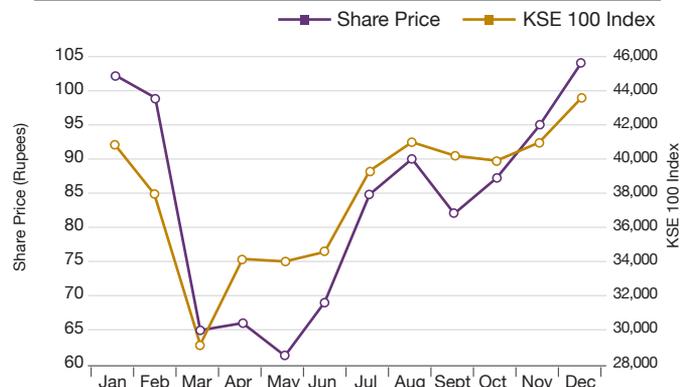
- The Bank's profit margin depicts an increasing trend due to strong balance sheet growth, increase in non-funded income and improvement in the income efficiency ratio
- The asset turnover has remained stable at the level almost similar to last year
- The equity multiplier is directly dependent on the Bank's equity in relation to total assets
- The Bank's Return on Equity is dependent on above mentioned three factors

Market Statistics of Meezan Bank's Share during 2020

Market Capitalisation



Share Price Sensitivity



	Share Price			Daily average Volume	Number of trading days	Market Capitalization	
	High	Low	Closing			Share Capital	Value
	Rupees					Rupees in Million	
Fourth Quarter	108.50	76.25	104.44	1,082,862	64	14,147	147,754
Third Quarter	94.50	67.20	82.21	1,072,430	64	14,147	116,304
Second Quarter	71.89	58.50	68.85	1,400,967	60	12,861	88,549
First Quarter	111.93	55.50	65.09	618,183	63	12,861	83,713

Below are the key factors that may influence the share price of the Bank:

- Bank's Performance
- Regulatory Changes specifically in Banking sector
- Changes in Macro Economic scenario of Pakistan
- Changes in Political Environment of Pakistan

Analysis of Non-Financial Performance

Human Capital

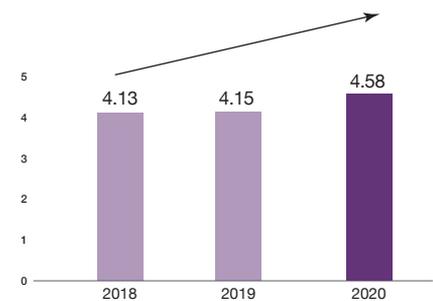
The Bank undertakes initiatives to foster an environment that allows greater work flexibility and enables employees to take annual paid leaves to maintain a good work-life balance. With an aim to be an 'Employer of first-choice', Meezan Bank has created a work culture where employees find it easy to work - a fact that is evident from the higher-than-average service years of our employees.

Ratio of Annual Paid Leave Taken



Ratio of Annual Paid Leaves Taken = (Total staff who have availed the Leaves / Total staff who are eligible for annual leave as of the year)

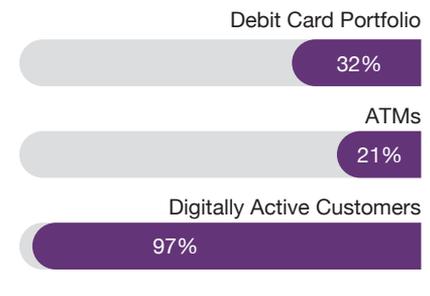
Employees' Average Years of Services



Manufactured Capital

In light of the exceptional measures taken by the Bank towards digital services, more customers are now opting for digital channels because of their fast, convenient & secure nature. As a result, 85% of all of the Bank's bill payments and 74% of all transfers now happen digitally. The Bank remains a leading processor of bill payments across the industry and towards the end of the year represented over 13% of IBFT sending volume. During 2020, the Bank successfully ran the Largest Discount Program amount banks issuing only Debit Cards in the Pakistan Banking Industry taking on board 260 merchants.

Growth 2019 - 20



Natural Capital

During 2020, the Bank made further efforts to reduce its Carbon footprint and successfully converted 4 additional branches to solar power, shifting 310 kW to green energy. Through its various initiatives, the Bank is now saving 220 metric tons of Carbon dioxide per annum. Furthermore, the Bank has also formulated energy saving guidelines with a target to reduce 20% of electrical load through different energy conservation methodologies. Meezan Bank is currently working towards educating its staff towards more responsible energy consumption through workshops on 'Energy Saving and Mitigation of Adverse Effects of Climate Change'.

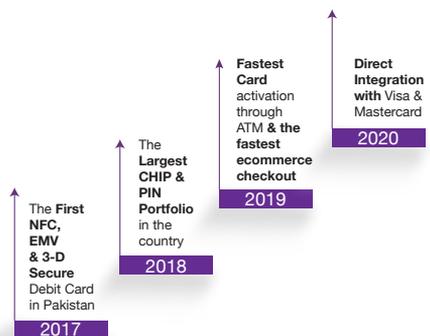
Intellectual Capital

The Bank's intellectual capital is composed of all intangible assets which add value to services and make impactful functional improvements. These assets are not reflected in the balance sheet, however, have a major stake in day-to-day function.

Meezan Debit Cards enable customers to make secure payments at POS, NFC and e-commerce terminals and are embedded with an EMV microchip as well as 'Visa Secure' & 'Mastercard Secure Code.' This makes Meezan Debit Cards impossible to clone and secure for online purchases at 3D secure e-commerce merchants.

The Bank's Mobile Banking App is currently the highest-rated banking app throughout the industry on both Google Playstore & Apple Store. Moreover, a Live Chat option has been introduced to cater to customers who wished to open Roshan Digital Accounts with Meezan Bank. In the future, this feature will be extended to cater all customers of Meezan Bank, regardless of the channel they are using.

Debit Cards - Front Runner in Innovation



Further to these intangible services, Meezan Bank encourages the expansion of the Digital Payments ecosystem in Pakistan and has been supporting potential fintech(s) to collaborate and deliver essential financial services for its customers. Meezan Bank is also serving as a Trust Bank & Settlement Bank for 4 EMI Fintechs as well as Payment Service Operator (PSO/PSP).

Social and Relationship Capital

During 2020, the Bank implemented various precautionary measures to curb the pandemic spread and to protect its employees, customers as well as other stakeholders. Meezan Bank ensured 100% compliance with the Government's pandemic guidelines such as implementation of mask rule, social distancing as well as regular disinfection. The Bank also ensured mobilization of all stakeholders in the Bank including Emergency Response Team. The Bank's Call Centre operations were shifted to various locations ensuring availability of continuous services while it also ensured availability of its ADC channels 24/7. In addition, the following steps were taken:

- Activation of Business Continuity Plan (parallel working from Primary and BCP sites)
- Ensuring back up arrangements of supplier/ vendors
- Back up arrangements for Branches

External Assessment

KPMG Taseer Hadi & Co.

External Quality Assurance (EQA) reviewer
KPMG Taseer Hadi & Co., Chartered Accountants has rated Meezan Bank's Internal Audit Department as fully compliant ('Generally Conforms') with respect to SBP Internal Audit guidelines and IIA standards. This is the top rating which can be assigned by the EQA reviewer.



1Link

Consistently ranked Number 1 in terms of overall transactions that pass through 1Link's grid on monthly basis.



Islamic Banking Facts

Global Islamic Finance at a Glance

Ever since 1963 when the first Islamic bank was established in Egypt, modern Islamic Banking has experienced phenomenal growth. Today the Islamic banking industry is a reality worth trillions of US dollars that is serving customers across six continents with Shariah-compliant and ethical solutions.

- Total Finance Assets: USD 2.88 trillion*
- Full fledge Islamic Institutions: 1462 *
- Presence in 100+ countries
- Key bodies: Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Islamic Financial Services Board (IFSB), Islamic Research and Training Institute (IRTI), International Islamic Financial Market (IIFM), International Islamic Liquidity Management Corporation (IILM), Islamic Development Bank (IDB)

*State of the Global Islamic Economy Report 2020

Cash Flow

Direct Method

For the year ended December 31, 2020

	2020	2019
	Rupees in Million	
Profit / return and other income received	110,437	84,051
Profit / return paid	(44,268)	(44,572)
Payment to employees, suppliers and others	(20,292)	(16,805)
	45,877	22,674
(Increase) / decrease in operating assets		
Due from financial institutions	(118,379)	(38,875)
Islamic financing and related assets	(27,089)	15,732
Other assets	726	1,154
	(144,742)	(21,989)
Increase / (decrease) in operating liabilities		
Bills payable	9,307	(6,564)
Due to financial institutions	52,453	5,640
Deposits and other accounts	321,851	147,102
Other liabilities	286	(1,457)
	383,897	144,721
Income tax paid	(12,165)	(9,325)
Net cash flow from operating activities	272,867	136,081
CASH FLOW FROM INVESTING ACTIVITIES		
Net (investments) / redemption in		
- available for sale securities	(203,783)	(116,446)
- held to maturity securities	(10,571)	28,000
- associated entities	(10)	-
Dividends received	616	342
Investments in fixed assets	(3,661)	(4,914)
Investments in intangible assets	(522)	(410)
Proceeds from sale of fixed assets	229	164
Net cash used in investing activities	(217,702)	(93,264)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use assets	(2,816)	(2,448)
Issuance of Sub-ordinated Sukuk - Tier II	4,000	-
Dividend paid	(8,227)	(6,080)
Net cash used in financing activities	(7,043)	(8,528)
Increase in cash and cash equivalents	48,122	34,289
Cash and cash equivalents at the beginning of the year	107,566	73,277
Cash and cash equivalents at the end of the year	155,688	107,566

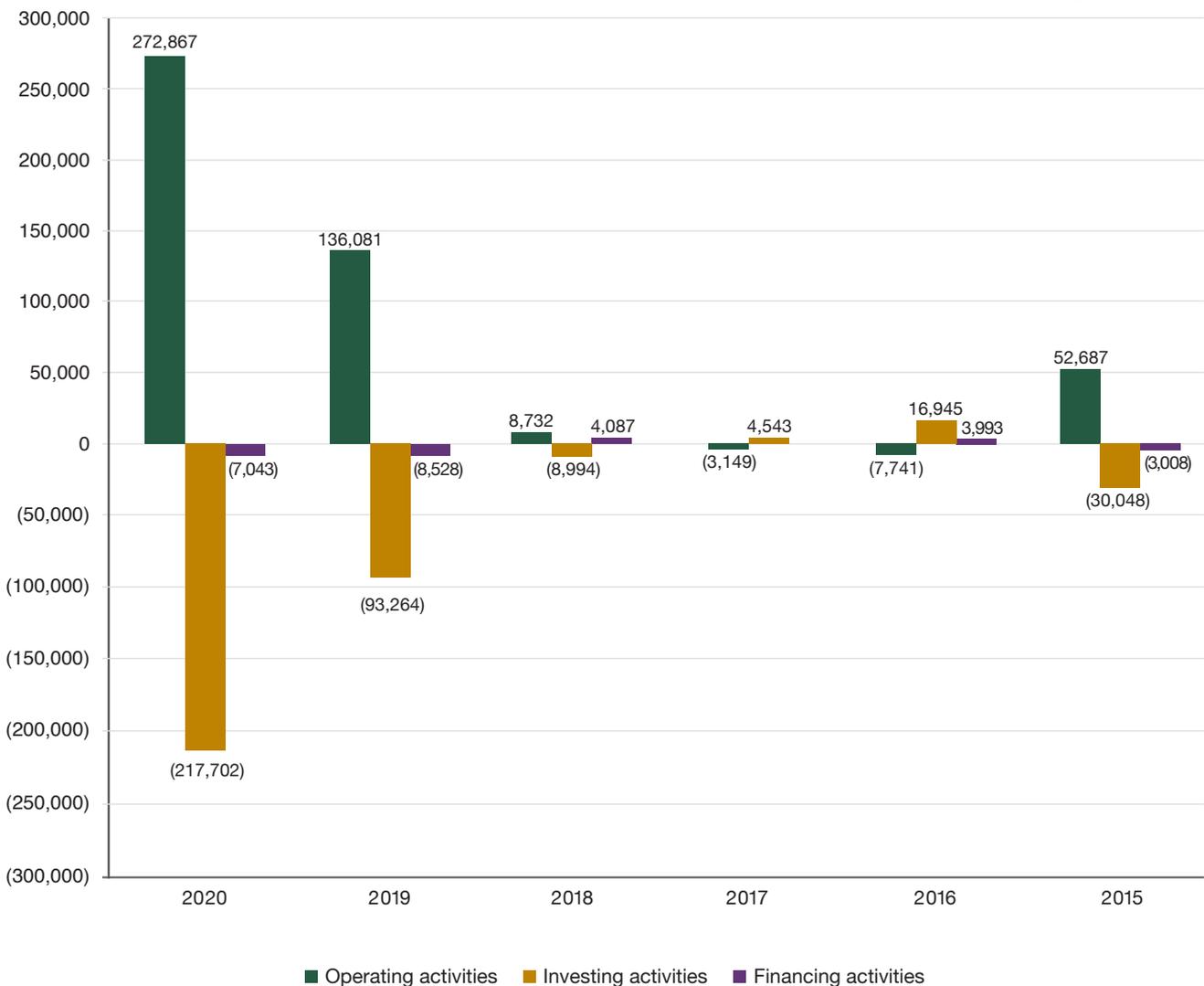
Cash flow statement in annual financial statements is required to prepare in line with the format prescribed by the State Bank of Pakistan under its BPRD Circular No. 02 dated January 25, 2018, 'Revised Forms of Annual Financial Statements'.

Summary of Cash Flow

Rupees in Million

	2020	2019	2018	2017	2016	2015
Cash flow from / (used in) operating activities	272,867	136,081	8,732	(3,149)	(7,741)	52,687
Cash (used in) / flow from investing activities	(217,702)	(93,264)	(8,994)	4,543	16,945	(30,048)
Cash (used in) / flow from financing activities	(7,043)	(8,528)	4,087	-	3,993	(3,008)
Cash and cash equivalents at the beginning of year	107,566	73,277	69,452	68,058	54,861	35,230
Cash and cash equivalents at the end of year	155,688	107,566	73,277	69,452	68,058	54,861

Rupees in Million



Allocation of Income and Expenses to Remunerative Depositors' Pool

For the year ended December 31, 2020

	2020	2019
	Rupees in '000	
Income from financing activities	43,196,111	51,368,119
Income from investments	26,639,661	19,726,781
Income from placements with financial institutions	29,442,719	17,334,544
Other income attributable to pools	3,446,880	5,267,122
Total Income	102,725,371	93,696,566
Less: Directly attributable charges to pools including takaful (Note)	(1,701,049)	(1,844,037)
Less: Profit on assets allocated to IERS and other special pools	(23,405,708)	(23,858,852)
Less: Profit share allocated to bank's equity and other pools in Mudarabah pools	(16,996,402)	(15,058,921)
Gross distributable Income	60,622,212	52,934,756
Mudarib (Bank) share of profit before hiba	30,673,762	26,905,125
Less: Hiba from Mudarib (Bank) share	(3,858,468)	(8,987,680)
Net Mudarib (Bank) Share of profit	26,815,294	17,917,445
Rab-ul-Maal share of profit	33,806,918	35,017,311
Rab-ul-Maal share of profit is distributed as follows:		
Remunerative depositors' profit share in mudarabah pools	33,806,918	35,017,311

The Bank maintain following four remunerative general pools:

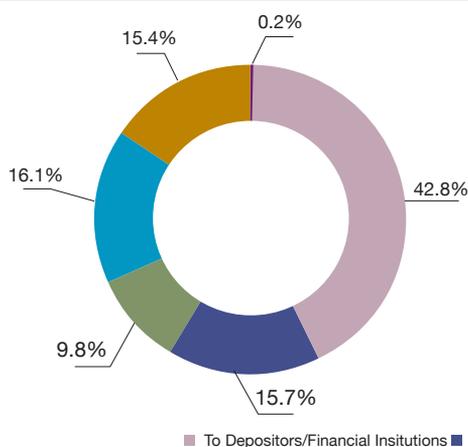
	Net Income allocated to General Pool and bank's equity	Profit share allocated to bank's equity and other pools	Mudarib (Bank) share of profit	Hiba from Mudarib (Bank) share	Net Mudarib (Bank) share of profit	Remunerative depositors' share in Mudaraba pool
	2020					
	Rupees in '000					
Rupee deposit pool	75,745,959	16,533,528	29,606,215	3,858,468	25,747,747	33,464,684
Dollar deposit pool	1,766,488	424,785	1,006,277	-	1,006,277	335,426
Pound deposit pool	79,181	26,827	47,118	-	47,118	5,236
Euro deposit pool	26,986	11,262	14,152	-	14,152	1,572
	<u>77,618,614</u>	<u>16,996,402</u>	<u>30,673,762</u>	<u>3,858,468</u>	<u>26,815,294</u>	<u>33,806,918</u>
	2019					
	Rupees in '000					
Rupee deposit pool	65,737,333	14,515,984	25,610,676	8,987,680	16,622,996	34,598,353
Dollar deposit pool	2,158,183	507,406	1,238,082	-	1,238,082	412,695
Pound deposit pool	79,988	30,654	44,400	-	44,400	4,934
Euro deposit pool	18,173	4,877	11,967	-	11,967	1,329
	<u>67,993,677</u>	<u>15,058,921</u>	<u>26,905,125</u>	<u>8,987,680</u>	<u>17,917,445</u>	<u>35,017,311</u>

Note: Administrative and operating expenses (including salaries and marketing costs) are paid by the Bank and not charged to the Depositors' pool as per the guidelines of Mudarabah pools.

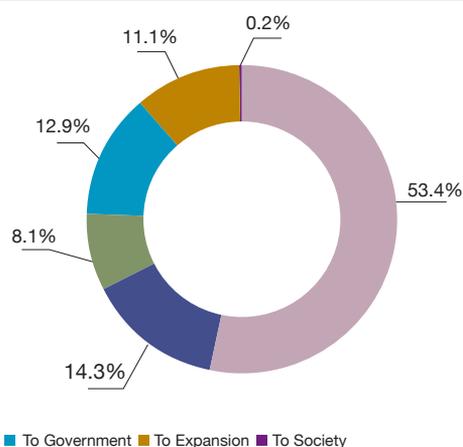
Statement of Value Added and Distributed

Value Added	2020	%	2019	%
	Rupees in '000		Rupees in '000	
Profit / return on Islamic financings, investments and placements - net of provision	98,378,762	100.9%	90,084,031	100.8%
Fee and commission income	5,913,990	6.1%	6,174,644	6.9%
Dividend income	623,683	0.6%	341,464	0.4%
Foreign exchange income	2,153,669	2.2%	2,684,097	3.0%
Gain on securities and other income	1,380,547	1.5%	119,981	0.1%
	108,450,651		99,404,217	
Operating and other expenses excluding salaries, depreciation, amortisation and workers welfare fund	(10,999,110)	(11.3%)	(10,004,864)	(11.2%)
	97,451,541	100%	89,399,353	100%
Value allocated as follows:				
To Depositors / Financial Institutions Profit on deposits and other dues expensed	41,740,168	42.8%	47,731,080	53.4%
To Employees Salaries, allowances & other benefits	15,272,678	15.7%	12,739,695	14.3%
To Shareholders Cash Dividend	8,231,115	8.4%	6,079,801	6.8%
Bonus Shares	1,286,112	1.4%	1,169,192	1.3%
	9,517,227	9.8%	7,248,993	8.1%
To Government Workers Welfare Fund	872,949	0.9%	609,524	0.7%
Income Tax	14,770,136	15.2%	10,918,605	12.2%
	15,643,085	16.1%	11,528,129	12.9%
To Expansion Depreciation & Amortisation - owned assets	2,402,705	2.4%	1,965,875	2.2%
Retained in business	12,648,379	13.0%	7,983,081	8.9%
	15,051,084	15.4%	9,948,956	11.1%
To promote development and welfare of the society Donations	227,299	0.2%	202,500	0.2%
	97,451,541	100%	89,399,353	100%

Statement of Value Added & Distributed 2020



Statement of Value Added & Distributed 2019



How We Distribute the Value Created

In fulfilling our promise to our stakeholders, Meezan Bank distributes the value created in relevant and meaningful ways – and for some stakeholders, beyond financial means. Stakeholders receive intangible benefits ranging from employee upskilling programmes to diverse avenues of alternate Shariah-complaint investments & financings, in our effort to ‘Establish Islamic Banking as banking of first choice...’



Statement of Inventory

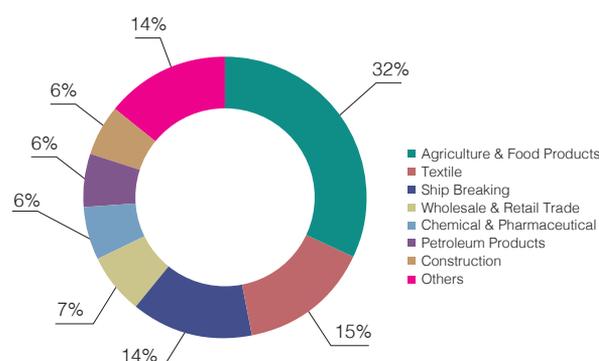
Meezan Bank Limited provides financing through various sale-based modes including Murabaha, Musawamah, Istisna, Tijarah, Salam, etc. Under these modes, the Bank either purchases the goods or gets them manufactured. Meezan Bank being a premier Islamic bank, has a diversified portfolio, well spread amongst sectors such as Pharmaceutical, Agriculture, Textile and Ship-Breaking, etc. Furthermore, Meezan Bank is continuously exploring new and untapped sectors of the economy in order to enhance its portfolio.

Islamic banks have expertise in products based on real assets and are involved in the process of trading, renting and construction contracts using various Islamic modes of financing that are based on risk sharing, owning and handling of physical goods, and participation on profit and loss basis. It also demonstrates the exposure that the Bank takes in different sectors.

The goods lying unsold at the date of the financial statements are carried as inventory in the financial statements of the Bank. The sector wise detail of inventory held by the Bank as at December 31, 2020 is as follows:

Sector	Nature of Inventory	2020 Rs in '000	2019 Rs in '000
Agriculture & Food Products	Corn, Sugar, Soybean, Ghee, Canola, Rice (Grain, Paddy), Wheat, Syrups, Oil Cake, Edible Oil, Meat	11,408,246	11,597,939
Textile	Cotton (Raw Cotton, Bales, Fabric, Yarn), Bed Sheets, Garments, Home Textile Products (Towels, Pillow Covers, etc.)	5,372,612	4,325,201
Ship Breaking	Ship Scrap	4,850,463	-
Wholesale & Retail Trade	Rock Phosphate, Coal, Caps and Corks, Confectionary Items, Medical Machinery	2,384,478	2,683,854
Chemical & Pharmaceutical	Chemicals, Medicines, Paints, Fertilizer, Polymers	2,323,205	1,594,852
Petroleum Products	High Speed Diesel, Low Sulphur Furnace Fuel Oil, High Sulphur Furnace Fuel Oil, Premium Motor Gasoline	2,137,310	10,689,500
Construction	Iron & Steel, Sanitary items & Fittings, Pipes, Cement Bags	2,112,506	2,837,677
Others	Poultry Feed, Float Glass, Copper Wire, Bottle Caps, Battery Lead Panels, Electronic Components, Sport Goods, Cars, ATM Machines, Fans, Furniture, Foam, Auto Spare, Finished Leather, Parts, Paper, Plastic Products, Packaging & Material (Chip Boards, Glass Vials, Glass Bottles)	5,167,372	4,218,848
Grand Total		35,756,192	37,947,871

Sector-wise Breakup



Statement of Financing Portfolio Income

Meezan Bank provides financing to its corporate, commercial, SME, Agriculture and Consumer banking customers using a variety of Shariah-compliant modes of financing. The below mentioned matrix shows the percentage of income earned on different financing modes, and depicts a well-balanced and diversified financing portfolio of the Bank.

The diversification has been achieved by using arrangements based on trade, rent, joint ownership, profit / loss partnership and agency, to suitably meet the needs of customers and provide a halal return.

Rs in Million

Islamic mode of financing	2020		2019	
	Amount	%	Amount	%
Running Musharakah	11,551	24%	18,892	34.5%
Diminishing Musharakah	12,963	27%	12,390	22.6%
Istisna	6,608	13.7%	5,603	10.2%
Ijarah	4,773	9.9%	5,052	9.2%
Musawamah	2,592	5.4%	3,375	6.2%
Wakalah	4,951	10.3%	4,704	8.6%
Murabaha	1,033	2.1%	1,762	3.2%
Tijarah	1,176	2.4%	1,530	2.8%
Salam	947	2%	930	1.7%
Others	1,479	3.2%	500	1%
Total	48,073	100%	54,738	100%

ISLAMIC FINANCE TRANSFORMING QUAID'S VISION INTO REALITY

Islamic Banks are transforming Quaid's vision into reality, simultaneously playing a crucial role in fulfilling the constitutional responsibility by developing an interest-free financial infrastructure that is in accordance with the teachings of Holy Quran and Sunnah.

The Preamble of the 1973 Constitution of Islamic Republic of Pakistan states:



The Muslims shall be enabled to order their lives in the individual and collective spheres in accordance with the teachings and requirements of Islam as set out in the Holy Quran and Sunnah

Article 38 (f) of the Constitution of Pakistan (1973) clearly states,

the State is responsible to eliminate Riba (interest) as early as possible





Strategy & Resource Allocation

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Strategic Objectives

Formulation, execution and monitoring of strategic goals and initiatives are keys to ensuring optimum organizational productivity. Meezan Bank has continued to ensure that its direction and the pace with which it moves in a given direction is constantly reviewed, deliberated upon and monitored to keep it aligned with the organizational Vision and Mission. In line with the Vision and Mission, Meezan Bank has established for itself the following set of objectives:

Long Term Objectives

- Establish Islamic banking as banking of first choice
- Enhance and reinforce the Bank's brand by maintaining its values and Shariah credibility

Medium Term Objectives

- Become the best customer franchise by offering innovative and value added services
- Collaborate with educational institutes to nurture Islamic bankers

Short Term Objectives

- Provide financial solutions aligned with needs and expectations of an increasingly technology-oriented customer base
- Ensure consistent profitability to exceed shareholder and market expectations



Strategies in Place

Currently Pakistan's population is dominated by millennial and post millennial age group who are more inclined towards digital solutions. The country's digital adoption has been accelerated by the pandemic.

Meezan Bank continues to work towards making Islamic banking as the first banking choice and conducts numerous awareness sessions on Islamic banking throughout Pakistan catering audience from all professions and age groups. Meezan Bank's efforts are quite evident from the growing Islamic banking market and increased demand towards Islamic banking products.

Moreover, Meezan Bank reviews its product base and services for constant alignment with fluid market dynamics, all to offer products to not just satisfy its customer base but also stay ahead of the market.

Significant Plans and Decisions

The Bank's management discusses various strategies to achieve the objectives aligned with its Vision, which become the basis of formation of the high level organizational Balanced Scorecard. In 2020, significant changes were made to the Bank's financing policies to accommodate struggling businesses, import/export as well as consumer finance markets. Meezan Bank will continue to expand its branch network and portfolio to exceed customer expectations and invest in technologies to lead the market. However, there has been an acceleration in the pace for bootstrapping for digital banking and enhanced security of transactions.

Resource Allocation



Human Capital

Meezan Bank made concerted efforts to upskill its employees to meet the growing and changing demands of the banking industry. To promote a learning culture throughout the organization, the Bank remained focused on enhancing human capacity through various initiatives including job rotation, trainings, elevations, internal job post, etc. For ensuring that the Bank provides learning opportunities to its people during the pandemic, the Bank launched Continuous Learning Initiative (CLI) – Continuous Learning Must Go On. Through CLI initiative, the Bank also provided learning opportunity to its staff by sharing informative articles, videos and holding awareness sessions on professional and personal development and COVID-19. Quran Classes also remained high on the agenda during 2020. In addition, 11 e-learning interventions were launched mainly in the areas of Compliance, Fraud & Forgery etc.

Resources Allocated

- Rs 29 million investment in training and development
- 4,730 hours of training
- Increased employee awareness on COVID-19 across multiple channels during pandemic



Manufactured Capital

Meezan Bank increased its investment in providing physical infrastructure that is sustainable and more flexible than ever before. The Bank opened 55 new branches and is investing in Meezan Tower, Islamabad to ensure that its physical infrastructure exceeds customer expectations and generates greater returns by employing design thinking principles and utilizing resources in an optimal manner.

Resources Allocated

- 55 New Branches
- Investment in state-of-the-art Meezan Tower
- Biggest discounts program among banks issuing only debit cards



Financial Capital

The Bank's Board and the management is committed to maintaining a sound balance between depositors' liability and shareholders' funds so that optimal capital / debt ratio is maintained. The Bank prepares Annual Budget and Three Year Plan for purpose of the growth map and future direction.

Bottom-up approach is used to prepare Annual Budget and detailed deliberations are held while preparing Three Year Plan. The capital requirement of the Bank is determined based on the projected growth plan to be achieved in the next 3 years in all areas of business operations.

Resources Allocated

- Rs 69,155 million total equity
- 6% Improvement in Income Efficiency Ratio
- Issuance of the largest Shariah-compliant instrument in Pakistan



Natural Capital

The Bank converted further branches to clean, solar energy and targets to reduce its electricity load through various conservation methodologies. The Bank is gradually decreasing its carbon footprint per employee by maintaining its movement towards digitalization of back-end services, centralization of processes in certain key areas, as well as digitizing processes to place minimal burden on the environment. Reduced use of paper is being complemented with greater investment in green power for various physical locations spread throughout the country. The Bank has also designed a Green Sustainability Drive as per SBP Green Banking Guidelines for banks focusing on green energy integration, occupational health and safety. Reduction of adverse environmental impacts and employee capacity building for HSE.

Resources Allocated

- 16 branches and Head Office converted to Solar Power



Intellectual Capital

Meezan Bank gathers and collates all the banking and service

wisdom spread throughout the organization and transforms its processes accordingly to provide the best possible banking experience to its customers. The Bank has worked to constantly improve its Mobile Banking Application, investing in digital infrastructure development. Concurrently, Meezan Bank seeks to further enrich its social fabric by weaving Shariah and regulatory compliance into the organizational cultural tapestry. The organizational value is developed via an emergent process focused on the capability to leverage, develop and enhance the values inherent in Islamic banking.

Resources Allocated

- Investment in strengthening the Bank's Digital Infrastructure
- Encouraging increased migration of customers to digital platforms



Social and Relational Capital

Meezan Bank invested in digital engagement to attract younger demographics towards Islamic banking and finance. The Bank will continue investing in deepening customer relations by introducing more touch points for customers, gathering and synthesizing data for deepened customer insights, and designing customer journeys to better suit the banking needs and taste preferences of the burgeoning customer base. Moreover, the organization will take measures to enhance its brand position as the premier Islamic bank as well as one of the leading and fastest growing banks of the nation and utilize its network to add value to its offerings.

Resources Allocated

- Over 30 Security Awareness Campaigns for customers
- Approx. 29 Financial Literacy Campaigns for customers
- 12.2 million awareness SMS sent in 9 different awareness campaigns to customers
- First dedicated Islamic Banking Youtube Channel in the country

Key Performance Indicators and Future Relevance

Meezan Bank tracks its key performance indicators at multiple levels so that smart business decisions may be made regarding the direction of all current and future projects.

Strategy	Initiative	KPIs	Status	Future Relevance
Maintain deposit growth	Meezan Bank tracks the growth of the Islamic banking industry continuously, and as a corollary, tracks its share in the Islamic as well as the conventional banking industry, employing branch expansion and relocation, deposit products, tailored services for individual and commercial customers as tools to augment market position.	<ul style="list-style-type: none"> ■ Deposit in PKR CASA share ■ No. of branches ■ No. of products 	Satisfactory	✓
Increase market share of all business segments and penetrate into new segments	Meezan Bank focuses on diverting its financing mix towards the most profitable business segments by introducing new products and services and deepening an already immersive customer experience for specific segments. This focus leads to greater shareholder returns and a favourable market perception.	<ul style="list-style-type: none"> ■ Segment wise financing 	Satisfactory	✓
Innovating/ developing new products/services and be trend setters	Developing liquidity management solutions for the industry and new innovative product development	<ul style="list-style-type: none"> ■ No. of products 	Satisfactory	✓

Strategy	Initiative	KPIs	Status	Future Relevance
Continuous development of Islamic Banking Market and building relationships with governmental and other decision-making institutions	Liaison with SBP, MOF and governmental decision makers, seminars/awareness sessions, workshop/Forum participation and strategic partnerships with leading organizations	<ul style="list-style-type: none"> ▪ No. of meetings ▪ No. of events ▪ No. of partnerships 	Satisfactory	✓
Understand the customer's need	Conduct customer surveys and sector analyses of different sectors for SME/Commercial and Corporate Banking; conduct market research on consumer behaviour, media habits and product needs and wants	<ul style="list-style-type: none"> ▪ No. of surveys conducted ▪ No. of analyses conducted ▪ No. of researches conducted 	Satisfactory	✓
Continuous improvement in customer experience	Meezan Bank keeps interacting deeply with all business segments, and determines the Net Promoter Score so as to retain focus on what customers really value. Customer feedback is collected continuously and studied to determine where and in what form would a given organizational response provide the greatest value for customers. This interaction and study of customer preferences helps in identifying new opportunities and redesigning process flows.	<ul style="list-style-type: none"> ▪ NPS 	Satisfactory	✓
To be a technologically advanced Bank and an early mover in leveraging technology to create customer value	Digital onboarding for Account Opening, system-based coverage of business process and fintech alliances	<ul style="list-style-type: none"> ▪ Implementation % of coverage cases ▪ Onboarding of fintechs 	Satisfactory	✓
Improve Turnaround time (TAT) while enhancing processes and procedures	Automation of processes, review of service level agreements, delegation of authority and re-engineering or processes	<ul style="list-style-type: none"> ▪ Reduction in processing time ▪ No. of processes automated ▪ No. of SLAs reviewed 	Satisfactory	✓
Robust Marketing Strategy	Social media marketing, media marketing campaigns, enhancement of lead generation from website and social media and different collaborations	<ul style="list-style-type: none"> ▪ Social media engagement ▪ No. of campaigns ▪ No. of seminars/workshops/events 	Satisfactory	✓
Islamic Banking Advisory & Training	Awareness sessions for the following: (i) Multilateral organizations (IDB, World Bank, IFC, etc.) (ii) Showcase products, services and training menu internationally (iii) Promote Islamic financial advisory and training services as cross selling product to Regions	<ul style="list-style-type: none"> ▪ No. of sessions 	Satisfactory	✓

Strategy	Initiative	KPIs	Status	Future Relevance
Corporate Social Responsibility	Formation of Meezan Foundation, dedicated for Corporate Social Responsibility, to deliver projects of maximum positive social impact	<ul style="list-style-type: none"> Activity Report 	Satisfactory	✓
NPL Management: Keeping it low	Review of risky assets and high-risk areas	<ul style="list-style-type: none"> NPL 	Satisfactory	✓
To develop an organizational culture based on learning, professionalism	Employee engagement / satisfaction Survey and internal elevations	<ul style="list-style-type: none"> No. of surveys Percentage of vacancies filled internally 	Satisfactory	✓
Focus on ethics and brand values	Ethics audit and regular sessions on brand ethics and values	<ul style="list-style-type: none"> Audit report No. of sessions 	Satisfactory	✓

Areas of Focus

During 2020, the key areas that the Board focused on included:

 Strategic Direction	 Cyber Security
 Digital Banking	 Regulatory and External Affairs
 Sustainability	 Employee Capacity Enhancement
 Risk Review and Monitoring	 Annual and Quarterly Accounts Reporting

Competitive Landscape & Market Positioning

Banks are an integral cog in the economic wheel, and changes in banking dynamics affect the whole country. A few macro-environmental factors can completely change the competitive landscape of the banking industry and have profound impact on an organization's performance.

Political

Specific governmental policies and the general political environment directly affect the banking sector. The year 2020 saw many uncertainties as markets adjusted to business disruptions and lockdowns. A global decline in demand, trade activity, exchange-rate fluctuations as well as political unrest have unveiled greater government financial liabilities. During 2020, the Bank focused on enhancing its policies and procedures while working closely with all regulators.

Economic

Over the preceding year, policy rate witnessed major reduction which in return affected the deposit rates. However, it did not result in reduction of deposits since Covid-19 customers did not have many alternative means for investment and the banking industry largely, including Meezan Bank, witnessed growth in deposits.

The Bank, having being selected as one of the banks for Roshan Digital Account initiative supported the Government's policies regarding overseas Pakistanis. The Bank also launched a new

housing product as per the initiative of Government to provide affordable housing to every Pakistani. Increase in NPL was expected because individuals and firms were majorly hit due to COVID-19 pandemic but slashing of interest rate worked as mitigating factor. Trade business and remittances were also affected due to slow down in world's economy. However, a rebound of sort was witnessed in the latter half of 2020 and the growth trajectory of export-led industries has engendered much anticipation.

Social

2020 witnessed another upswing in the utilization and acceptability of technology solutions for many inane banking and non-banking tasks. For banking customers too, 2020 made clear that there is growing acceptance for digital banking, branchless banking, digital wallets and online payment mechanism/platforms. Work from home and reduced timings was made part of Meezan Bank's readiness spectrum. The Bank continues to integrate social considerations into its risk assessment to ensure that its operations have a net positive impact on its stakeholders.

Technological

Meezan Bank acknowledges the rapid transformation of Pakistan's digital landscape during the pandemic. With the fast adoption of digital channels, the Bank increasingly focused on investing resources to elevate its customer experience, increase overall agility, strengthen data analytics as well as ensure application of comprehensive data governance strategies to mitigate risks associated with digitalisation. This focus on the evolving customer expectations helped the Bank create better experiences, a validation of which is the Bank's highest rated Mobile Banking Application.

The drive, to place secure and user-friendly technology at the centre, will have compounded effects on all walks of life, and banking is no exception.

Environmental

With an increased awareness on climate change and in line with SBP regulations, Meezan Bank initiated the Green Sustainability Drive focusing on green energy integration, Occupational Health & Safety, reduction of adverse environmental impacts and

employee capacity building for HSE. Managing the Bank's direct environmental footprint remains a key priority for the Bank. The understanding that the environment is fragile and is poised at a critical juncture will continue to inform the entire commerce and industry sector.

Legal

In line with SBP regulations, Meezan Bank has taken steps to combat trade-based money laundering and it is also working to increase its trade business while abiding laws of all respective countries.

The SBP has also ushered in a number of initiatives and plans to strengthen the fintech sector. The drive to ensure ease of business and financial inclusion has resulted in a lot of activity, and it is expected that a critical mass of software and hardware innovation, progressive banking regulations and an increased awareness among the general population will allow the banking industry to provide more novel and innovative solutions. A case in point is the recent Roshan Digital Account initiative, which breathed fresh life into the prospect of serving the Pakistani diaspora.

SWOT Analysis

The pandemic necessitated the critical need to revisit the organizational SWOT framework, and review it in terms of the symptoms as well as the underlying causes of change. Meezan Bank is Alhamdulillah poised to make most from strengths and capitalize on opportunities, and in the same vein, overcome weaknesses to stave off threats. A summary of the analysis is given below:

S

STRENGTHS

Largest Islamic Bank of Pakistan

Shariah credibility

Dedicated Shariah Supervisory Board comprising of world-renowned Shariah scholars

The Highest-rated Mobile Banking Application in Pakistan

Comprehensive services and product portfolio

W

WEAKNESSES

Lack of availability of human resources having specialized knowledge related to Islamic banking

Surplus liquidity with limited investment opportunities

O

OPPORTUNITIES

General acceptance and increased demand for Islamic banking products

Digital banking

Growing local and international Islamic banking market

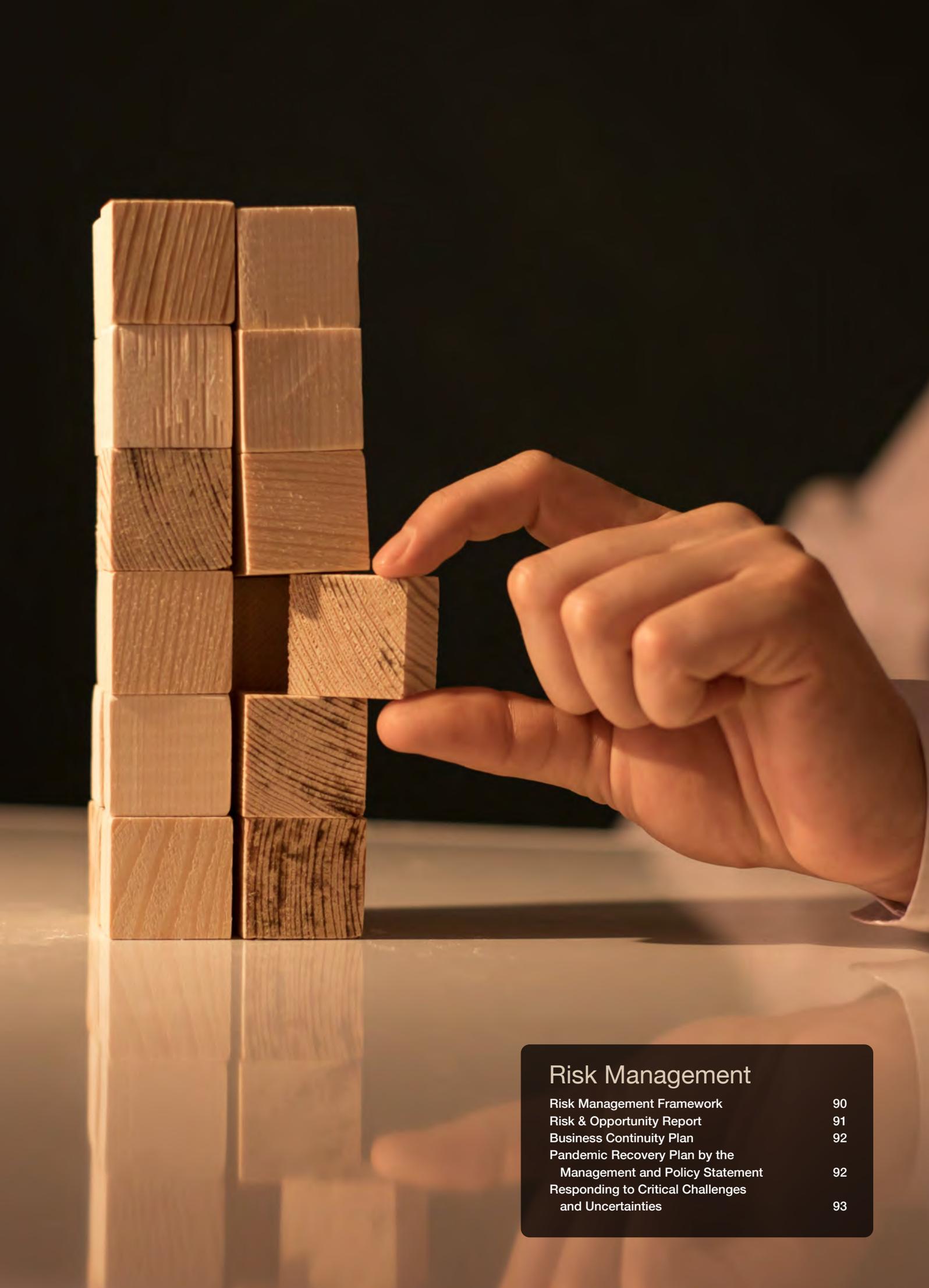
T

THREATS

Increased competition in Islamic banking from conventional banks

Increased security concerns with respect to increase in demand of digital transactions

COVID-19-style pandemic, debilitating the whole business environment



Risk Management

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Risk Management Framework

The Bank manages its risks through a framework of sound risk management principles which include identification of potential risks, establishment of risk tolerance limits, assessment of the impact of potential risks and formulation of policies & strategies to mitigate risks to the Bank while ensuring continuous monitoring. While the Board provides policy framework and sets strategic direction, the Bank's management is required to formulate procedures, establish organizational structure, introduce systems and monitoring tools to ensure their implementation.

Risk Management activities are performed at strategic, macro and micro levels. The responsibility for overall risk management rests with the Board of Directors and it has constituted Board Risk Management Committee, comprising Board members with well-defined terms of reference. The Bank's risk governance is mainly exercised through the following management committees:

- Credit Risk Management Committee (CRMC)
- Asset Liability Management Committee (ALCO)
- Compliance & Operational Risk Management Committee (CORMC)
- IFRS-9 Project Steering Committee

The CRMC ensures that credit risk activities of the Bank fall within the ambit of approved policies, regulatory requirements and risk appetite thresholds. CRMC also provides support and guidance to business units in managing their portfolio with a prudent approach. ALCO reviews market and liquidity risk exposures, assets and liabilities mix and maturity profile, sets pricing and takes decisions for sound liquidity management. The CORMC focuses on issues arising from compliance risk along with operational risk and control issues. The IFRS-9 project steering committee is responsible to ensure compliance with the SBP requirements in respect of IFRS 9 implementation.

An entity wide 'Three Lines of Defence' model for risk management with clearly defined roles and responsibilities is at the core of Bank's operations. Business lines serve as first line of defence and are primarily responsible for managing risks on day-to-day basis. Risk management and other control functions being the second line of defence are responsible for assisting business lines in designing and implementing adequate controls to manage risks. The Internal Audit being the third line of defence, provides independent assurance on adequacy of Bank's internal controls.

The Bank continued its status as Sample Domestic Systemically Important Bank (D-SIB) as assessed by State Bank of Pakistan. Accordingly, the Board has revised its comprehensive Recovery Plan dealing with various crisis scenarios along with early warning signals, appropriate remedial actions, and communication strategy. The Internal Capital Adequacy Assessment Process is in line with the Board approved Risk Appetite Statement. The Bank has been continuously improving upon its stress testing framework to capture the impact of various shocks on the Bank's business portfolio, capital adequacy and liquidity.

Management's persistent focus on maintaining a robust risk

management framework coupled with prompt implementation of relief measures introduced by State Bank of Pakistan amid COVID-19 assisted to mitigate the risks associated with banking operations and assets quality.

Risk Management Group (RMG) is mandated to implement this framework as a function, independent of commercial lines of business. RMG continued its efforts mainly focusing on improving policies and procedures, limit structuring and strengthening systems and controls. Under Risk Management Group, the credit risk function caters Corporate, Investment Banking, Commercial & SME, Agriculture, Supply Chain and Consumer business segments. The Bank has in place automated Financing Approval System namely BRisk for Corporate, Commercial, SME and supply chain customers that has brought significant improvements in customer facilitation. Enterprise Risk Management (ERM) under RMG caters to market, liquidity, financial institutions, country, operational and business continuity risks. ERM function also deals with Basel implementation and development of risk related policy framework. The ERM function also plays an important role in IFRS-9 implementation, capital strategy formulation and green banking practices in the Bank.

The Bank recognizes the importance of environmental, sustainability, compliance and information security risks as distinct types of risks and continuously improves upon to cater to these risks. During outbreak of COVID-19, effective business continuity strategies were adopted to ensure the smooth banking operation while focusing on health and safety of customers and bank staff. Shariah Compliance Risk Management principles and practices are also at the heart of business practices of the Bank. Improvements in management information system and their security, monitoring tools, automation and coordination among business and control functions at enterprise level is an ongoing process.

Definition of Our Three Lines of Defence



Risk and Opportunity Report

Opportunity cost represents the potential benefits missed out when choosing one alternative over another. Opportunity loss is one of the major concerns for all entities, irrespective of the nature, size, and complexity of their business; caused by missing opportunities that result in compromise on benefits that could have been earned by taking risks. However, sometimes institutions are reluctant to take risk, because of the uncertainty of potential outcomes. This equally applies to the Banking business which by its very nature is risky coupled with availability of enhanced opportunities in a rapidly changing environment.

Key Sources of Uncertainty

Banks are typically exposed to risks including but not limited to credit, market, concentration, liquidity, operational, information security / cyber, regulatory, reputational and strategic risks. Meezan Bank being the largest Islamic Bank in the country is fully aware of the importance and implication of Shariah non-compliance risk on its business and strategy.

Year 2020 was challenging and created an overall depressed situation as global pandemic in the shape of COVID-19 caused severe and extensive damage to the populations and economies across the globe. Governments, institutions and individuals mainly concentrated their priorities and plans to deal with economic chaos created by pandemic.

The response to contain the adverse impact of pandemic by Government and State Bank of Pakistan was impressive. The decision of smart lockdown and reopening of businesses in phases had resulted in less than expected adverse impact on the economy. State Bank of Pakistan played vital role in managing and providing support to the economy and took various relief measures ranging from drastic cut in policy rate, relaxation in payment terms for financing customers to promotion of digital channels for banking transactions significantly helped the economy to sustain during the pandemic. Banking sector proactively responded to the regulatory measures and continued their journey of growth and profitability. Continuous flow of Energy Sukuks provided much needed relief to the Islamic banks in managing their excess liquidity. During the second half of the year, the manufacturing sector started its momentum, however, the banks remained cautious in booking risky assets. The country witnessed current account surplus, improvements in trade balance, growth in forex reserves, stability in Pakistan Rupee and tremendous growth in remittances from abroad on account of large number of initiatives taken by State Bank of Pakistan and Government of Pakistan. These improvements and confidence building measures along with profitability of banking and corporate sector has led to significant revival and growth of stock market. Going forward, the market is expected to continue its positive momentum as corporate earnings are expected to grow and economic fundamentals are expected to improve. FATF had retained Pakistan on "Grey List" till next review. However, FATF had acknowledged the efforts of Pakistan and recognized that 21 out of 27 points are largely complied and none of the point is "incomplete".

Despite some hitches, banking operations were executed smoothly as per the regulatory guidelines and internal timely decisions. Amid COVID-19, use of digital banking has shown a sharp increase during the year. Along with the risks, COVID-19 also brought opportunities for banks to improve upon their technological support, enhancement in features and security of their alternate distribution channels. Meezan Bank remained at forefront in taking proactive measures through continuous improvements in its mobile application and introduction of digital platform to promote financing of consumer durables.

In 2021, the management of fiscal account, policy rate, level of inflation, circular debt, FX Reserve position, and progress on tax reforms will be the key determinants for the economy of Pakistan and banking sector. Repricing of assets at revised policy rate, availability of regulatory support for financing customers, level of opportunities for deployment of excess liquidity, growth of SME and consumer business segments and overall economic affairs will have major impact on profitability of banking sector.

Statement of Board of Directors on Risk Assessment

The Board of Directors and its subcommittees comprising of Board members thoroughly assessed all principal risks including but not limited to credit, market, liquidity, solvency and compliance risks through various reports including early warning indicators to ensure that the Bank has in place necessary policies, procedures, systems and controls to mitigate risks that may affect its business objectives, further performance, financial viability and sustainability.

Materiality Approach

The Bank gives due consideration to materiality concept while managing its risks. Resources are deployed efficiently in medium to high risky areas while minor risks are typically managed through transfer and outsourcing arrangements. The Bank manages all its core operations on its own. Regulatory and Shariah compliance is at the heart of materiality approach while managing existing operations and taking new initiatives.

Meezan Bank will continue its journey of growth by exploring opportunities to achieve its strategic objectives while ensuring effective risk mitigates and controls in place along with robust products and technological support to serve wide range of customers Insha'Allah.

Business Continuity Management

Business Continuity Management assumed unprecedented significance during the outbreak of COVID-19 pandemic during the year 2020. The pandemic has strategically transformed ways and means to manage continuity of important business operations while ensuring minimal impact of COVID-19. Business Continuity Management (BCM) is a framework to avoid and manage risks associated with disruption of mission critical activities so as to ensure resilience of banking business. It details governance structure, plans and procedures to be implemented before, during and after disaster events. In Meezan Bank, business continuity is managed at strategic, tactical and operational level. It involves well defined approved plans, effective decision-making processes, description of distressed scenarios, roles and responsibilities of various functions, so as to ensure coordinated efforts among stakeholders and operational continuity. The BCM framework also deals with disaster response, recovery, resumption and restoration of activities to a pre-defined level of operation following disruption.

BCM framework in Meezan Bank is in line with the guidelines issued by the regulator and industry standards and is subject to periodic reviews and exercises. It sets out the agreed arrangements for bringing disaster events under control and ensures availability of necessary resources for continuity of critical front and back office functions. Considering the importance of technology in providing services to the customers with minimal disruption, the Bank has been improving its information technology disaster recovery set up under its BCM framework.

BCM framework helps in safeguarding interests of the Bank's key stakeholders, reputation, brand image and value creating activities. Having a BCM framework in place helps the Bank to ensure safety of human resources, protection of critical assets and resumption of mission critical activities from alternate processing site(s) in case the primary site(s) are not accessible or available. In Meezan Bank, the first priority is always to ensure the safety of human life in case of any disaster.

The Bank's BCM team continuously strives to improve upon business continuity preparedness which enables the Bank to continuously deliver its mission critical services and products to its customers.

The Bank adopted very proactive approach in managing its operations since emergence of early cases of COVID-19 in the country. Head Enterprise Risk Management & BCM was assigned additional role of Central Coordinator COVID-19 to streamline and coordinate all precautionary measures while ensuring continuity of operations. Business continuity plan remained active throughout the period. Staff was segregated into work from office, work from home and work from alternating processing sites. Bank established Four (4) new alternate processing sites resulted into total Seven (7) sites so that staff can ensure customer services to its best possible. Staff working at home were provided all related technological support. Wide range of standard operating procedures were implemented along with necessary support to ensure health and safety of staff and customers. Proactive approach to ensure all facilitation to customers through continuous improvements and expansion in business continuity arrangements played a very important role in achieving brilliant performance of the Bank during the year 2020.

Pandemic Recovery Plan by the Management and Policy Statement

Policy Statement

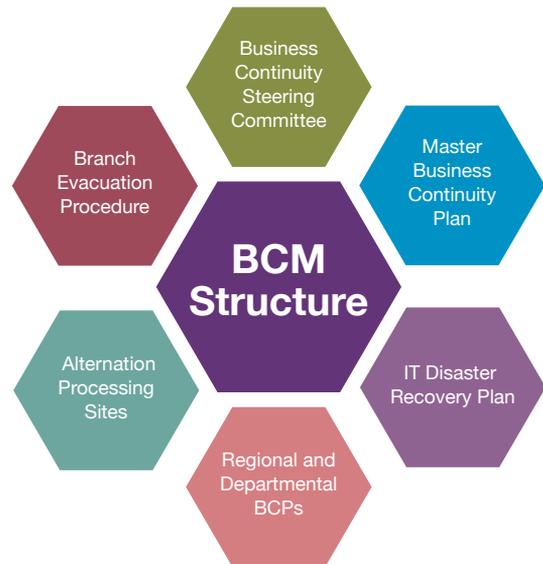
Safety and Health of Staff, their families, customers and suppliers/ vendors will be the primary focus of the Bank in case of pandemic situation while ensuring continuity of critical banking operations. To achieve this all necessary resources will be mobilised on proactive basis.

Pandemic Recovery Plan

The Bank has developed a comprehensive Recovery Plan that provides a governance structure and set of directions in case of crisis events. Pandemic Recovery Plan is an integral part of overall Recovery Plan of the Bank. It provides a proactive approach by developing crisis scenarios and assigning specific responsibilities for the recovery of critical functions in case of such events. The pandemic recovery plan encompasses recovery options, challenges/risk involved, ownership, roles and responsibilities, execution time and reporting and communication strategy. Assumptions and impediments in effective execution of the plan during pandemic are duly documented. The recovery plan is supplemented with standard operating procedures and guidelines to prevent and manage spread of pandemic and remedial measures, health and safety support and continuous monitoring.

Senior Management/ Business Continuity Steering Committee takes necessary decisions considering various recovery options as recommended by Head of Enterprise Risk Management & Business Continuity Management who is also acting as a Central Coordinator during pandemic. He works in close coordination with relevant functions in the Bank, Regulator, Local Agencies and Health Authorities.

Meezan Bank's BCM Structure



Under the pandemic recovery plan, the Bank adopted work from home strategy for the staff whereas business continuity plan was also activated for continuity of critical operations from various alternate processing sites. The Bank provided COVID-19 assistance for its employees under which all COVID-19 related tests and hospitalisation are covered by the Bank irrespective of the individual's hospitalisation limit. To contain the spread of COVID-19, the Bank resorted to innovative solution of providing all employees and their families with online medical services so as to offer safe and easy access of medical help especially because hospital OPDs and emergencies pose the risk of virus infection and the availability of emergency beds and hospital rooms still remains a challenge. For this the Bank made a comprehensive arrangement with M/s Sehat Kahani - an e-Health services provider that gives healthcare through tele medicine solutions.

Responding to Critical Challenges and Uncertainties

Meezan Bank is fully cognizant of the critical challenges which are likely to arise especially on account of challenges that has impacted organizations and countries globally with certain degree of variation. During the COVID-19, the Bank continuously improved upon its capacity by having effective business continuity management and recovery plans to provide the banking services along with ensuring health and safety of customers, bank staff and their families.

The Bank has established additional alternate processing sites and revamped its recovery plan that makes the Bank equipped to manage such eventuality on an ongoing basis.

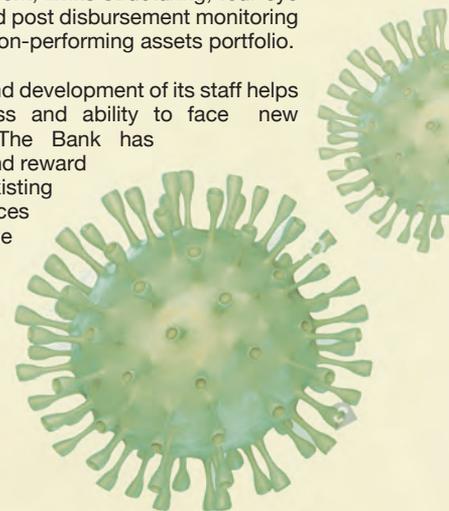
On the economic front, volatility in profit benchmark rates will always be the major concern as it translates into market risk. The Bank has in place necessary limits structure, monitoring tools and governance structure to have close watch on market changes and to take decisions accordingly. Considering the government focus on complying with FATF conditions and on account of changing regulatory environment, the Bank has been improving upon its compliance tools, techniques and systems. The Bank is also engaged with the Government of Pakistan and State Bank of Pakistan to deploy its excess liquidity.

Amid competition from fintechs and non-banking segments for financial inclusion of untapped population, the Bank has state of the art digital platforms mainly in the form of mobile app and internet banking. Thus, enabling the Bank to provide effective and efficient platforms to customers to perform their banking transactions hassle-free. Further, Bank, taking the opportunity of

enhanced use of digital platforms, launched the mobile application for availing financing for consumer durables. However, banking sector as a whole should look into the challenge provided by non-banking institutions/ fintechs by virtue of their accessibility.

Moreover, the continuous focus on improving and adopting best industry practices and refinements in policies, procedures, systems and controls provides necessary enablers to cope with uncertainties. Sustaining high level of assets quality on account of macro environment uncertainties, sector and customer specific uncertainties is also a critical challenge. The Bank has equipped itself through robust risk assessment, limits structuring, four eye financing approval mechanism and post disbursement monitoring so as to minimize the level of its non-performing assets portfolio.

Bank's strong focus on learning and development of its staff helps in ensuring their competitiveness and ability to face new challenges and uncertainties. The Bank has competitive compensation plan and reward policy to ensure retention of existing staff and hire best human resources from the industry. Moreover, the commitment of the Bank's Board, Senior Management and staff to promote Islamic banking is a unique selling proposition to respond in best possible manner to critical challenges that may arise in future.



What Makes Us Riba Free?



Islamic Banks offer products that are fundamentally different from those offered by conventional banks. While the business model of conventional banks is simply lending funds on interest, the business model of Islamic banks involves direct participation in trade, real assets and partnership-based activities. Moreover, Islamic banks enter into multiple types of multiple trade-based relationships with the customer by virtue of the underlying contracts unlike conventional banks where the only bank-customer relationship is of a lender and borrower.



Governance

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Best Corporate Governance Practices

Governance practices positively impact long-term corporate performance and therefore, the Bank is careful about their implementation. The Bank has a system in place to ensure that it is fully compliant to all the legal requirements for e.g. Company Secretary's Office itself ensures that all the relevant regulatory requirements are complied with within the given deadlines. Furthermore, a dedicated Compliance Department is also functional which remains in contact with the regulators as well as with the internal departments to ensure timely compliance with the legal requirements.

The Bank's Best Corporate Governance Practices include the following:

Build a Strong, Qualified Board of Directors and Evaluate Performance

The Board comprises of Directors who are knowledgeable and have expertise relevant to the business, are qualified and competent, and have strong ethics and integrity, diverse backgrounds and skill sets. Further, as per regulatory requirement, the Board performance is evaluated periodically.

Define Roles and Responsibilities

The Board establishes clear lines of roles and responsibilities among the Directors, Chairman and CEO.

Emphasize Integrity and Ethical Dealing

The Directors declare conflicts of interest and refrain from voting on matters in which they have an interest. The Bank has adopted a Conflict of Interest Policy, a Code of Business Conduct that sets out the Bank's requirements and a Whistle-blowing Policy.

Formation of Various Board Committees

The Board of Directors has constituted various sub-committees, namely Board Audit Committee, Board Human Resources and Remuneration Committee, Board Risk Management Committee, Board IT Committee and Board IFRS9 Implementation Oversight Committee to manage the relevant areas and to give their recommendations to the Board. The TORs of these Committees are approved by the Board of Directors.

Engage in Effective Risk Management

The Board has established its sub-committees, who regularly identify and assess the risks including financial, operational, reputational, environmental, industry-related and legal risks.

Board Composition



Category	Names
Non-Executive Directors	Mr. Riyadh S.A.A. Edrees – Chairman Mr. Faisal A.A.A. AlNassar Mr. Bader H.A.M.A. AlRabiah Mr. Mubashar Maqbool Mr. Saad Fazil Abbasi Mr. Naveed Iftikhar Sherwani Mr. Mohamed Guermazi
Independent Directors	Mr. Noorur Rahman Abid Ms. Nausheen Ahmad (Female Director) Mr. Atif Azim
Executive Director	Mr. Irfan Siddiqui - President & CEO

*The Bank has already submitted application for the Fit and Proper Test of the Director to the State Bank of Pakistan which is in process of reviewing the same.

Directors' Profiles and their Involvement / Engagement in other Companies

This information has been incorporated in the Directors' profiles.

Independent Directors

The Board has three (3) Independent Directors who meet the criteria of independence under Companies Act 2017 and the directive issued by the State Bank of Pakistan.

Representation of Female Director on Board

Ms. Nausheen Ahmad is the female Director on the Board.

Non-Executive Directors

At present all Directors on the Board are non-executives except the President & CEO.

Executive Director serving as Non – Executive Director in other Company

The Executive Director does not serve as a Non-Executive Director in any other company.

Security Clearance of Foreign Directors

Security clearance of Foreign Directors is initially done by the sponsor shareholders being their nominee directors. Subsequently Meezan Bank conducts verification as per FPT

requirements. Finally it is carried out by the Regulators as per law / regulatory requirements, as their appointment is subject to clearance by the Regulators.

Payment of Directors' Remuneration

As per Policy, the Board of Directors shall, from time to time, determine and recommend remuneration of the Non-Executive Directors (Chairman, Vice Chairman and members of the Board) for attending Board Meetings, for approval by the shareholders on a pre or post facto basis in the Annual General Meeting (AGM), as per State Bank of Pakistan Prudential Regulations.

Remuneration from Nomination on the Board of Other Companies

If an employee receives any fee exceeding Rs 25,000/- in a tax year (July 1st to June 30th) on account of director's fee or attendance fee from any one board membership, the entire fee will be passed on to Meezan Bank. This amount will not be counted towards the income of employee but will be credited towards the Bank's income.

Details of Board Meetings held outside Pakistan

A total of four meetings were held during the year 2020, and all were held in Pakistan.

Board of Directors

Mr. Riyadh S.A.A. Edrees Chairman/Non-Executive Director

Mr. Riyadh S.A.A. Edrees has been a Director of Meezan Bank since October 2012. In addition to being the Chairman of the Board, he is also a member of the Human Resources and Remuneration Committee, Information Technology Committee and IFRS 9 Implementation Oversight Committee of the Board. Mr. Riyadh has also previously served as the Vice Chairman of Meezan Bank's Board.

Mr. Riyadh S.A.A. Edrees holds a B.Sc. degree in Chemical Engineering from Newcastle Upon Tyne University, U.K. and M.Sc. in Chemical Engineering from Kuwait University. His skills and experience encompass a wide range of industries and various roles which include:

Current Directorships:

- Deputy CEO for National Industries Group Holding - Kuwait
- Chairman of Meezan Bank- Pakistan
- Chairman of Privatization Holding Co. – Kuwait
- Chairman and CEO of Ikarus Petroleum Industries-Kuwait
- Chairman of IT Partners Information Technology Co. – Kuwait
- Chairman of Middle East Complex for Engineering, Electronics and Heavy Industries Co. – Jordan
- Board Member, Noor Financial Investment Co. – Kuwait
- Board Member of Sahara International Petrochemical Company (Sipchem)-Saudi
- Advisory Board Member, Cleantech I & II Zouk Venture Limited - U.K.

Mr. Faisal A.A.A. Al Nassar Non-Executive Director

Mr. Faisal A.A.A. Al-Nassar has been a Director of Meezan Bank since March 2015. He is Vice Chairman of the Board and Chairman of the Risk Management Committee as well as member of the Audit Committee and Information Technology Committee of the Board. Mr. Faisal A. A. Al-Nassar has a Bachelor's degree in Accounting and

Finance from Kuwait University and has occupied many senior managerial positions in the financial sector including Deputy CEO for Finance and Administration at National Industries Group Holding Co., Auditor for government agencies in Kuwait Bureau of Accountancy and Head of Taxation Department, Ministry of Finance, Kuwait.

Current Directorships:

- Deputy Chief Executive Officer, Finance and Administration at National Industries Group Holding Co. – Kuwait
- Chairman and CEO, Al Durra National Real Estate Company – Kuwait
- Chairman & Director, Noor Al Salhia Real Estate – Kuwait
- Director, Noor Financial Investment Company – Kuwait
- Member, Audit Committee, Noor Financial Investment Company – Kuwait
- Member, Risk Management Committee, Noor Financial Investment Company – Kuwait
- Member, Nomination & Remuneration Committee, Noor Financial Investment Company – Kuwait
- Director, Proclad Group Limited – UAE
- Chairman of Audit and Risk Committee of Proclad Group Limited – UAE
- Chairman, Shorfat Al Safwa – KSA
- Chairman, Durrat Al Shameya Investment – KSA
- Vice Chairman, Abu Dhabi Marina Real Estate Investment Company – UAE
- Director and Chairman Audit Committee, Abu Dhabi Marina Real Estate Investment Company - Abu Dhabi
- General Manager, IKARUS Real Estate – UAE
- Executive Committee Member, ARADI Abu Dhabi Investment – UAE
- Board Member, Hotels Global Group – Jordan
- Board Member, Al Ruwad Company – Kuwait
- Chairman, Al-Manar Financing and Leasing – Kuwait
- Chairman, Nomination & Remuneration Committee, Al-Manar Financing and Leasing – Kuwait

Mr. Bader H.A.M.A Al Rabiah Non-Executive Director

Mr. Bader H.A.M.A. Al-Rabiah has been a Director of Meezan Bank since November 2015. He is also a member of the Audit Committee of the Board.

Mr. Bader H.A.M.A. Al-Rabiah has a strong academic background in

accounting and a focused experience in investments honed over the past 14 years. He was involved in establishing the Real Estate Investment Department at Noor Financial Investment Company and served as the Chairman at Arab Investment, Real Estate and Agricultural Development Group, Egypt.

Current Directorships:

- Vice Chairman & CEO, Noor Salhia Real Estate Company
- Vice Chairman, Al-Manar Financing and Leasing Company – Kuwait
- Director, Palms Agro Production Co.
- Director, Noor Financial Investment Co.
- Member Audit Committee, Noor Financial Investment Company – Kuwait
- Chairman Risk Management Committee, Noor Financial Investment Company – Kuwait
- Director, International Hotels Group
- Reserve Director, Kuwait Finance House
- Director, Savola Group – KSA
- General Manager Tamouh National & General Trading & Contracting
- Vice Chairman, Al-Durra National Real Estate Co.
- Board member, International Hotel Group – Jordan
- General Manager, Ikarus Real estate – UAE
- General Manager, Noor Al-Salhiya Real Estate Company – KSA
- Board Member, Abu Dhabi Marina Real Estate Investment – UAE

Mr. Mubashar Maqbool Non-Executive Director

Mr. Mubashar Maqbool has been a Director of Meezan Bank since October 2019. He is also a member of the Risk Management Committee and Information Technology Committee of the Board.

Mr. Mubashar Maqbool holds an MBA degree in Finance and International Business from University of Miami, U.S.A. and another MBA in Finance from Quaid-e-Azam University, Pakistan. He has a long, diversified and successful track record in Corporate Banking, Corporate Finance, Project Financing, Commercial Banking, SME Banking as well as General Management. In a career spanning over thirty years, he has held senior positions in renowned local and multinational organizations like Citigroup, Samba Financial Group,

Habib Bank Limited etc. both in Pakistan and abroad.

Mr. Mubashar started his banking career with Citibank Pakistan where he held various positions in Corporate Banking Group. In 1997, he was transferred to Saudi American Bank (Samba), Saudi Arabia. He was Division Head, Corporate Banking in Samba Bank till 2004. Mr. Mubashar joined Habib Bank Limited in 2004 and held various senior positions there including Corporate Head – Central, Group Head – Commercial Banking & Retail Lending, Group Head – Commercial Banking and Country Manager/CEO, HBL – UAE. He also represented HBL on the Board of Pakistan Agricultural Storage and Services Corporation (PASSCO).

Current Directorships:

- Managing Director, Pak Kuwait Investment Co. (Private) Limited
- Board Member, National Clearing Company of Pakistan Limited
- Al-Meezan Investment Management Limited

* Mr. Naveed Iftikhar Sherwani Non-Executive Director

Mr. Naveed Sherwani has over 35 years of rich and diversified experience in Islamic and Conventional Banking of Local and Foreign Banks. This includes over 15 years of working experience at the front end of Corporate, Commercial & SME segments and last 20 years his expertise has moved to Risk Management.

Mr. Naveed Sherwani has worked at various key senior roles during his association with different local and foreign banks, such as, Team Leader CIBG, Faysal Bank Limited; Country Head Risk Asset Review, Senior Credit Officer at Union Bank Limited/Standard Chartered Bank Pakistan Limited; Country Head Corporate Banking, Country Head Risk-SME/Commercial during two different stints with NIB Bank Limited; Head of Credits for Corporate & Investment Banking and

Islamic Banking at Bank Alfalah Limited, Chief Risk Officer at Dubai Islamic Bank Pakistan Limited. Since 2016 working with Pakistan Kuwait Investment Company Pvt. Limited as Chief Risk Officer. He has also represented PKIC as a Nominee Director on the Board of The General Tyre and Rubber Company of Pakistan Limited from October 2019 to September 2020. He has also performed due diligence exercise for some major local banks in Pakistan.

Mr. Naveed Sherwani holds Master's degree from Karachi University and has also attended various international and local trainings/seminars related with banking and management. Mr. Naveed Sherwani has also attended the Director Orientation Workshop arranged by Pakistan Institute of Corporate Governance (PICG).

**The Bank has already submitted application for the Fit and Proper Test of the Director to the State Bank of Pakistan which is in process of reviewing the same.*

Mr. Saad Fazil Abbasi Non-Executive Director

Mr. Saad Fazil Abbasi joined the Board of Directors of Meezan Bank in February 2018. He is also a member of the Risk Management Committee of the Board. He is a Joint Secretary to the Government of Pakistan and is presently posted in the Ministry of Finance (External Finance Wing).

Mr. Saad Fazil Abbasi holds an LL.M. degree in International Economics & Business Law from Kyushu University, Japan. He has served as the Joint Secretary to the Government of Pakistan

(Privatization Division) / Director General (Privatization Commission). Apart from Government of Pakistan, he has also worked with multilateral agencies such as the Asian Development Bank and the Department for International Development (DFID) as a consultant. His Government experience includes serving in all major Ministries at the Federal level and on the Provincial Government level as an aide to the Chief Minister of KPK. He has also worked with Regulators such as PEMRA and PPRA where he drafted Pakistan's first law on procurement.

Mr. Mohamed Guermazi Non-Executive Director

Mr. Mohamed Guermazi joined the Board of Directors of Meezan Bank in 2018. He is also a member of the Risk Management Committee of the Board. He is currently serving as "Lead Awqaf Investment Specialist" in the Islamic Development Bank (IsDB).

Mr. Guermazi holds a Master's degree in Engineering from the National School of Bridges and Roads in Paris (Ecole Nationale des Ponts et Chaussées - Ponts PariTech). He is also serving as Member of the Board of Irada for Microfinance Co. Ltd. which is part of Bank of Khartoum Group in Sudan.

Prior to joining the IsDB in 2010, and over a period of 15 years, he had been serving as Director of Equities, Asset Management, Treasury and Financial Markets at Banque de Tunisie, one of the most prominent private commercial banks in Tunisia. Besides his operational responsibilities within Banque de Tunisie, he also served as Chairman of the 'Société de Bourse de Tunisie' - a subsidiary of the bank that

specialized in brokerage in securities; General Manager and Chairman of the Board of 'Placements de Tunisie' - an affiliated investment company; Board Member and Chairman of the Audit Committee of ASTREE Insurance company; Board Member of the Tunis Stock Exchange, as well as Board Member of several companies in which Banque de Tunisie holds a participation of reference.

Previously, Mr. Guermazi had also served as Deputy Managing Director of the Investment Loan Department at Banque de Tunisie, Project Officer at the Tunisian Qatari Bank for Investment and Senior Engineer in charge of the budget and follow-up of the activity of the fertilizer plants at the Tunisian Chemical Group.

Mr. Guermazi has been nominated by the Islamic Development Bank to be its representative on the Board of the Waqf BID Guinée (WBG), which is a not-for-profit organization to support the development of the education and health sectors in Guinea.

Current Directorships:

- Board Member, Irada for Microfinance Co. Ltd.
- Board Member, Waqf BID Guinée (WBG)

Mr. Noorur Rahman Abid Independent Director

Mr. Noorur Rahman Abid has been a Director of Meezan Bank since January 2014. He is also the Chairman of the Audit Committee and Human Resources and Remuneration Committee of the Board.

Mr. Noorur Rahman Abid is a Fellow Chartered Accountant from Institute of Chartered Accountants in England and Wales and has held several senior management positions including Assurance Leader for Ernst & Young Middle East and North Africa, Engagement Partner for audits of large wholesale bank based in Bahrain as well as the largest

Investment bank based in Bahrain, Chairman of Auditing Standards Committee and Deputy Chairman of Accounting and Auditing Standards Board of AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions). He has been appointed on the Board of Governors of Special Technology Zones Authority, GoP. He played an instrumental role in promoting several successful initiatives, including the Islamic Banking Center of Excellence in Bahrain and was declared winner of the World Islamic Banking Conference 2012 Industry Leadership Award in recognition of his contribution to Islamic banking.

Current Directorships:

- Board Member, Special Technology Zones Authority, GoP
- Board Member, Kuwait Finance House, Kuwait
- Board Member, Arcapita Investment Management, Bahrain
- Member of Board of Trustees, Accounting and Auditing Organization for Islamic Financial Institutions
- Board Member, Dr. Solaiman Fakeeh Hospital, Saudi Arabia

Ms. Nausheen Ahmad Independent Director

Ms. Nausheen Ahmad joined the Board of Directors of Meezan Bank in April 2019. She is also a member of the Human Resources and Remuneration Committee of the Board.

She holds an LL.B. from Kings College, London, an LL.M. degree from the University of London and a degree in the Philosophy of Religion from Kings College, London. She was called to the Bar from the Honorable Society of Grays Inn London and is registered as an Advocate of the Sindh High Court. She was also accredited as a mediator and master trainer by the Centre for Effective Dispute Resolution, UK.

She currently serves as the General Counsel, Company Secretary & Head of Corporate Communication and Public Affairs at ICI Pakistan Limited. Having spent over three decades in the corporate sector, Ms. Ahmad brings with her a tremendous amount of experience and expertise in the legal field, as well as proven leadership skills. She

began her legal practice with the corporate law firm SurrIDGE and Beecheno. Later, she went on to hold the position of Legal Counsel at Pakistan Petroleum Ltd., Unilever Pakistan Ltd. and ICI Pakistan Ltd. before moving onto Habib Bank Limited as the Company Secretary and General Counsel.

Ms. Ahmad has been associated with the Legal and Regulatory Committees of the Pakistan Bank Association and the Pakistan Business Council and has held several leadership positions throughout her professional career. She was Non-Executive Director of First Women Bank Limited (FWBL) and played an active role in setting up the Pakistan Mortgage Refinance Company (PMRC). With her strong interest in Corporate Governance and Training, Ms. Ahmad has been undertaking training assignments with the Pakistan Mediators Association, SZABIST and the Institute of Business Administration, Karachi.

Current Directorships:

- Board Member, International Steels Limited
- Board Member, Pakistan Stock Exchange Limited

Mr. Atif Azim Independent Director

Mr. Atif Azim has been a Director of Meezan Bank since July 2019. He is also a member of the Information Technology Committee of the Board.

Mr. Azim holds a Master's degree in Computer Science from Stanford University in California, and B.Sc. degree in Electrical Engineering from Imperial College of Science, Technology and Medicine, London.

He is the Founder and Chief Executive of VentureDive, a technology solutions company that develops and invests in products and services that positively impact the lives of millions globally. VentureDive's customers includes Careem and IslamicFinder.

He is a seasoned professional with over 15 years' experience in the

technology industry across the Silicon Valley in the United States, United Arab Emirates and Pakistan. Prior to this, Mr. Azim was Founder and Vice President of Solutions at Perfigo, a San Francisco based technology startup that was acquired by Cisco Systems. While at Cisco, he was responsible for growing the network security product line to a \$200m business.

Mr. Azim is actively involved with the entrepreneurial ecosystem in Pakistan. He is a Founder and Board Member of DotZero, a first of its kind technology incubator in Pakistan. He has also served as an advisor and mentor to a number of entrepreneurs and, as well as being an early investor in a number of technology startups; he is also part of the Angel Investor Community at Invest to Innovate. He has also served as Director of Al-Meezan Investment Management Limited.

Current Directorships:

- Board Member, Dotzero (Pvt) Ltd.
- Board Member, Cleantry (Pvt) Ltd.
- Board Member, Artsy (Pvt) Ltd.
- CEO, VentureDive (Pvt) Ltd.

Mr. Irfan Siddiqui President & CEO/Executive Director

Mr. Irfan Siddiqui is the founding President and Chief Executive Officer of Meezan Bank. He is also a member of the Information Technology Committee and of IFRS 9 Implementation Oversight Committee of the Board. Having articulated with Coopers & Lybrand, London from 1975 - 1979, Mr. Irfan Siddiqui qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales. He has held

several senior management positions including Chief Executive Officer at Al Meezan Investment Bank Limited, General Manager at Pakistan Kuwait Investment Company, Advisor to the Managing Director at Kuwait Investment Authority, Manager Finance and Operation at Abu Dhabi Investment Company and Senior Business Analyst at Exxon Chemical (Pakistan) Ltd.

Current Directorships:

- President of Overseas Investors Chamber of Commerce & Industries (OICC)
 - Member of Board of Trustees, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain
 - Member, IBA CEIF Board of Management, Centre for Excellence in Islamic Finance (CEIF), IBA
 - Member of Steering Committee on Housing & Construction Finance
 - Member of Government of Pakistan sub-committee on awareness, training and capacity building for 'Promotion of Islamic Banking in Pakistan'
 - President of the Islamic Finance Association of Pakistan
 - Chairman of Steering Committee on Media Campaign – Improving Islamic Finance Literacy
 - Council Member, Institute of Bankers Pakistan
-

Shariah Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani Chairman – Shariah Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani is a renowned figure in the field of Shariah, particularly in Islamic finance. He currently holds advisory positions in a number of financial institutions practicing Islamic banking and finance. He has vast experience in Islamic Shariah, teaching various subjects on Islam for more than 50 years. He has served as a Judge in the Shariat Appellate Bench, Supreme Court of Pakistan from 1982 to 2002. He is also a permanent member of the International Islamic Fiqh Academy, an organ of OIC based in Jeddah, Saudi Arabia. He has served as the Vice Chairman of the above mentioned Academy for nine years.

He is generally known as one of the leading Shariah scholars active in the field of Islamic finance. For more than a decade he has served as Chairman or Member in Shariah Supervisory Boards of a dozen Islamic banks and financial institutions in various parts of the world. He presently serves as Chairman of the International Shariah Council for the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Bahrain. He has held many positions in the higher echelons of the education sector of Pakistan and has participated in numerous commissions set up by the Government of Pakistan in the field of education and economics. Since 1967, he has

been the Chief Editor of the monthly Urdu-language magazine 'Albalagh' and since 1990, he has been Chief Editor of the monthly English-language magazine 'Albalagh International'. He has also contributed articles to leading Pakistani newspapers on a range of issues. He has authored more than 60 books in Arabic, English and Urdu.

Justice (Retd.) Muhammad Taqi Usmani graduated from Punjab University, Pakistan in 1970 and also holds an LL.B. from Karachi University, Pakistan. Prior to these, he completed the Takhassus course, which is the specialization course of Islamic Fiqh and Fatwa (Islamic Jurisprudence) from Jamia Darul Uloom Karachi, Pakistan. In March 2004, His Highness Sheikh Mohammad Bin Rashid Al Maktoum (Dubai Crown Prince and UAE Minister of Defense) presented a special award to Justice (Retd.) Muhammad Taqi Usmani in recognition of his lifetime service and achievement in Islamic finance at the occasion of International Islamic Finance Forum, Dubai, which is one of the biggest events in the Islamic finance industry.

Justice (Retd.) Muhammad Taqi Usmani is the Chairman of Meezan Bank's Shariah Supervisory Board since inception of Meezan Bank.

Current Board Memberships:

- Vice President and Shaikul-Hadith, Jamia Darul Uloom Karachi
- Chairman International Shariah Standard Council set up by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain.
- Permanent Member International Islamic Fiqh Academy, Jeddah, sponsored by OIC
- Member, Islamic Fiqh Academy of Rabita-al- 'Alam-e-Islami, Makkah
- Fellow of the Royal Al al-Bayt Academy, Jordan
- Chairman Centre for Islamic Economics Pakistan since 1991
- Chairman Shariah Board, Abu Dhabi Islamic Bank U.A.E.
- Chairman Shariah Board, Meezan Bank Ltd. Karachi, Pakistan
- Chairman Shariah Board, Arif Habib Investments – Pakistan International Islamic Fund, Karachi
- Chairman Shariah Board Arcapita Investment Fund, Bahrain

- Member Unified Shariah Board Islamic Development Bank Jeddah
- Member Shariah Board Guidance Financial Group, USA

Awards Received

Tamgha Sitara-e-Imtiaz from the Government of Pakistan	2020
His Highness King Abdullah (of Jordan) Award (Royal Aal al Bayt Institute for Islamic Thought, Jordan)	2019
IDB Prize in Islamic Banking and Finance Lifetime Achievement Award presented by the Islamic Business and Finance Magazine	2014
His Highness King Abdullah (of Jordan) Award Wisamul Istiqlal Award presented by his Highness King Abdullah of Jordan	2011
His Highness Prince Muhammad bin Raashid Aal Maktoum Award	2010
	2004

Dr. Muhammad Imran Ashraf Usmani Vice Chairman – Shariah Supervisory Board

Sheikh Dr. Mufti Muhammad Imran Ashraf Usmani, son of Justice (Retd.) Mufti Muhammad Taqi Usmani, graduated with specialisation in Islamic Fiqh (Islamic jurisprudence) from Jamia Darul Uloom, Karachi, where he has been teaching Fiqh since 1990. He also holds an LL.B. and Ph.D. in Islamic finance. He is a member of the administration board of Jamia Darul Uloom, Karachi.

Presently Dr. Imran Usmani is the Group Head and Vice Chairman of Shariah Supervisory Board at Meezan Bank and oversees research and product development of Islamic banking products, advisory for Shariah-compliant banking and supervision of Shariah Audit & Compliance. He is also the President and CEO of Usmani & Co. Pvt. Ltd that provides full suite of Islamic finance consultancy, Shariah advisory and related ancillary services to local and international clients across all legal jurisdictions and financial and non-financial sectors.

Dr. Imran Usmani has been involved with the Government of Pakistan in various initiatives and is also a member of the Steering Committee and implementation committee for promotion of Islamic banking since 2013. He has served as an advisor/member of Shariah Boards of several renowned institutions in various jurisdictions since 1997 including the State Bank of Pakistan, Takaful Pakistan Ltd, Pakistan

Mercantile Association, ICFAL-Australia, The Zeal-Canada and USA, Astana International Financial Centre-Kazakhstan, HSBC-Amanah Finance, UBS-Switzerland, Guidance Financial Group USA, Lloyds TSB Bank-UK, Japan Bank for International Cooperation (JABIC), Credit Suisse Switzerland, Royal Bank of Scotland Global, Old Mutual Albarakah Equity & Balanced Funds South Africa, AIG Takaful, ACR ReTakaful Malaysia, Premier Takaful Pakistan, Capitas Group USA, Bank of London and Middle East Kuwait, BMI Bank Bahrain, Al Khaliji Bank Qatar, Sarasin Bank Switzerland, Amanah Bank-SriLanka, AIFA Amana Islamic Finance Australia, DCD Group Dubai, Nafa Mutual Fund, Acumen Fund, Swip Sicave Fund, Old Mutual AlBarakah fund and other mutual and property funds, Takaful companies and international Sukuk, etc.

He also served as an Executive Committee Member of AAOIFI (Dubai), Shariah Supervisory Board of International Islamic Financial Market (IIFM) Bahrain and Chairman of Academic Board at International Centre for Education in Islamic Finance (INCEIF)-Malaysia, Institute of Business Administration (IBA)-Centre for Excellence in Islamic Finance (CEIF), Karachi and Director at Centre for Islamic Economics (CIE), Hira Foundation School and Hira Institute of Emerging Sciences, Karachi.

Dr. Usmani is the author of numerous publications related to Islamic finance and other Shariah related subjects. He has presented papers in numerous national and international seminars and has delivered lectures at academic institutions including Harvard, LSE, LUMS and IBA. He also has special interest in entrepreneurship, eco-system, sustainable development investments and works for different green projects.

Current Board Memberships:

- Director-Hira Foundation School
- Director-Centre for Islamic Economics (CIE)
- Member Shariah Supervisory Board-Meezan Bank
- Faculty Member-Jamia Darul Uloom
- Research Faculty Member-Department of Economics Karachi University
- President & Founder Trustee-Ihsan Trust
- Academic Committee Chairman / Board Member / Faculty Member-Centre for Excellence In Islamic Finance (CEIF) at IBA
- Shariah Board Member-Chairman Shariah Board NBP Fullerton Asset Management Company (NAFA)
- Shariah Board Member-AI Meezan Mutual Funds
- Chairman-Islamic Index Pakistan Stock Exchange (PSX)
- Shariah Board Member-AAOIFI Shariah Committee
- Shariah Advisor / Shariah Board Secretary-Guidance Financial Group USA
- Member Central Shariah Supervisory Board-Chartis Takaful Company (Global)
- Shariah Board Member-Sarasin Bank Switzerland
- Shariah Board Member-AAOIFI Dubai
- Shariah Board Member-International Islamic Financial Market Bahrain IIFM
- Board Member-International Islamic Rating Agency Bahrain
- Shariah Board Member-Amanah Islamic Finance (AIFA) Australia
- Chairman Shariah Supervisory Council-Amanah Bank Sri Lanka
- President and CEO-Usmani and Co. PVT Ltd.
- President and CEO-Usmani and Co. Shariah Advisors PVT Ltd.

Sheikh Esam Mohamed Ishaq Board Member – Shariah Supervisory Board

Sheikh Esam Mohamed Ishaq graduated from McGill University, Montreal, Canada. He was born in Bahrain and studied Shariah with a number of Sheikhs in the traditional manner.

He is a member of the High Council of Islamic Affairs of the Government of Bahrain and holds various Shariah positions in many social, commercial and educational institutions. Currently, he also teaches Fiqh, Aqeeda and Tafseer courses in various Centers of

Islamic studies, supervised by the Ministry of Islamic Affairs in Bahrain.

Furthermore, Sheikh Esam is Chairman of the Muslim Educational Society, Vice Chair & Shariah Advisor for Discover Islam Centre & member of the Board of Trustees of Al- Iman Islamic Schools, Bahrain.

Sheikh Esam Mohamed Ishaq has served as member Shariah Supervisory Board since inception of Meezan Bank.

Current Board Memberships:

- The Shariah Board of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain
- The Shariah Council of the Maldives Monetary Authority (MMA), Maldives
- The Shariah Panel of International Islamic Financial Market (IIFM), Bahrain
- Financial Institutions (IFIs), he is the Chairman of Shariah Supervisory Boards of the following IFIs:
 - The Family Bank for Microfinance, Bahrain
 - Tamweel Africa Holding, Senegal
 - Investment Dar Bank, Bahrain
 - Eco Islamic Bank, Kyrgyzstan
 - Al Barakah Islamic Bank, Pakistan

In addition to membership of the Shariah Supervisory Boards of a number of local, regional and international Islamic

Mufti Muhammad Naveed Alam Resident Shariah Board Member

Mufti Muhammad Naveed Alam holds a Masters in Islamic Banking and Finance from University of Karachi and Shahadat ul Alamiyah and Takhassus (specialization in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi. He is also a Certified Shariah Advisor & Auditor (CSAA) from Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Mufti Muhammad Naveed Alam joined Meezan Bank in 2013 as a member of the Shariah Compliance Department of the Bank. His main responsibilities include Islamic banking training, Shariah Compliance review and Shariah Audit of different departments and branches.

He is an active teacher / trainer at Centre for Excellence in Islamic Finance (CEIF) of Institute of Business Administration (IBA) Karachi,

Center of Islamic Economics (CIE) of Jamia Darul Uloom Karachi, as well as several other renowned universities.

He is also a member of the Shariah Board of NBP Funds. Prior to joining as RSBM, Mufti Muhammad Naveed Alam served as Shariah Advisor of Premier Window Takaful Operations and also as Shariah Coordinator at Indus Hospital.

Mufti Muhammad Naveed Alam is serving as the Resident Member of Meezan Bank's Shariah Supervisory Board since October 1, 2018.

Board Committees

Board Human Resources and Remuneration Committee

Mr. Noorur Rahman Abid (Chairman) – Independent Director
Mr. Riyadh S.A.A. Edrees – Non-Executive Director
Ms. Nausheen Ahmad – Independent Director

Terms of Reference

The Board Human Resources and Remuneration Committee (BHR&RC) is responsible for ensuring that the Bank manages its Human Resource in light of the best practices of the industry. The responsibilities of the BHR&RC include reviewing and recommending Human Resource Management policies to the Board of Directors in light of local and international best practices which also include but is not limited to remuneration practices defined by the State Bank of Pakistan, recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of key personnel. The Committee also makes recommendations to the Board regarding the structure of compensation package of Executive Directors, President & Chief Executive Officer, Key Executives and of any other employee or group of employees along with ensuring implementation of separate remuneration structures for material risk takers and material risk controllers. The Committee also monitors the training activities, utilization of training and development budget and implementation of approved training and development policy of the Bank to ensure that members of the staff are adequately trained for the job they are expected to perform.

Board Risk Management Committee

Mr. Faisal A.A.A. Al-Nassar (Chairman)
Mr. Saad Fazil Abbasi
Mr. Mubashar Maqbool
Mr. Mohamed Guerhazi

Terms of Reference

The Board Risk Management Committee (BRMC) is responsible for assessing Bank's policies on all major risk categories including credit, market, liquidity and operational risk and adequacy of the risk management function of the Bank. The BRMC reviews adequacy of the Bank's capital in accordance with laid down rules and regulations as per Basel Accord. It also reviews the techniques developed and implemented to measure the Bank's risk exposure. Its responsibilities also include evaluation of the risk profile and appetite of the Bank and ensuring that systems are in place for monitoring overall risk of the Bank. The Committee reviews exception reports highlighting deviations from the approved policies as well as deliberates upon risk related reports including early warning signals of potential risks emerging from Bank's activities.

Board Audit Committee

Mr. Noorur Rahman Abid (Chairman) – Independent Director
Mr. Faisal A.A.A. AlNassar – Non-Executive Director
Mr. Bader AlRabiah – Non-Executive Director

Terms of Reference

The Board Audit Committee (BAC) is responsible for determination of appropriate measures for safeguarding the Bank's assets; review of quarterly, half-yearly and annual financial statements; review of management letter issued by external auditors and management's response thereto; review and implementation of the scope, extent and plan of internal audit / Shariah audit; review of internal audit strategy; consideration of major findings, internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto; ascertaining that the internal control systems are adequate and effective; determination of compliance with relevant statutory requirements; monitoring compliance with the best practices of corporate governance and identification of significant violations thereof and oversight of implementation of Internal Controls over Financial Reporting (ICFR) program across the Bank, review effectiveness of whistle blowing procedures; ensure effectiveness of overall management of compliance and AML risk and consideration of any other issue or matter as may be assigned by the Board of Directors.

Board Information Technology Committee

Mr. Mubashar Maqbool (Chairman) – Non-Executive Director
Mr. Riyadh S.A.A. Edrees – Non-Executive Director
Mr. Faisal A.A.A. AlNassar – Non-Executive Director
Mr. Atif Azim – Independent Director
Mr. Irfan Siddiqui – (President & CEO) – Executive Director

Terms of Reference

The Board Information Technology Committee (BoIT) is responsible for advising and reporting to the Board on status of technology activities and digital initiatives for their ease in decision making, reviewing IT and digital strategies as well as relevant policies before submission to Board. BoIT reviews and approves technology-related policies periodically in light of major technological/regulatory developments and ensures risk management strategies are designed and implemented to achieve resilience such as ability to respond to wide scale disruptions, including cyber-attacks and attacks on multiple critical infrastructure sectors. The Committee also receives periodic updates from IT Steering Committee to monitor all technology-related projects and ensures that technology procurements are aligned with the IT strategy approved by the Board. The Board IT Committee shall also approve all cloud-based outsourcing arrangements in line with the policy approved by the Board. If deemed necessary, the Committee may seek expert opinion from independent sources wherein the quorum will comprise of any two members.

Board IFRS 9 Implementation Oversight Committee

Mr. Riyadh S. A. A. Edrees (Chairman) – Non-Executive Director

Mr. Irfan Siddiqui – (President & CEO) – Executive Director

Terms of Reference

The Committee is responsible for reviewing and approving the Bank's transition plan for IFRS 9 implementation. It is required to review progress against the transition plan on a quarterly basis. The Committee is also responsible to ensure smooth implementation of IFRS 9 within the timelines stipulated by the State Bank of Pakistan.

Board Committees Composition and Attendance - 2020

	Board of Directors	Board HR & R Committee	Board Risk Management Committee	Board Audit Committee	Board IT Committee	IFRS - 9 Implementation Oversight Committee	
Total No. of Meetings held during the year	4	4	4	4	4	4	
Name of Director	Nature of Directorship	Meetings Attended					
Mr. Riyadh S.A.A. Edrees	Non-Executive Director / Chairman	4	4	N/A	N/A	4	4
Mr. Faisal A.A.A. Al-Nassar	Non-Executive Director	4	N/A	4	4	4	N/A
Mr. Bader H.A.M.A. Al- Rabiah	Non-Executive Director	4	N/A	N/A	3	N/A	N/A
Mr. Mubashar Maqbool	Non-Executive Director	4	N/A	4	N/A	4	N/A
Mr. Basil Y.A.Y.R. AlBader*	Non-Executive Director	1	N/A	N/A	N/A	N/A	1
Mr. Saad Fazil Abbasi	Non-Executive Director	4	N/A	4	N/A	N/A	N/A
Mr. Mohamed Guerhazi	Non-Executive Director	4	N/A	4	N/A	N/A	N/A
Mr. Noorur Rahman Abid	Independent Director	4	4	N/A	4	N/A	N/A
Ms. Nausheen Ahmed	Independent, Female Director	4	4	N/A	N/A	N/A	N/A
Mr. Atif Azeem	Independent Director	4	N/A	N/A	N/A	4	N/A
Mr. Irfan Siddiqui	President & CEO / Executive Director	4	N/A	N/A	N/A	4	4

NOTE:

*Mr. Basil Y.A.Y.R. AlBader was appointed as Director, on December 2, 2019 (Subject to clearance of SBP) and SBP conveyed it in principle clearance on April 23, 2020. He attended only one meeting held on May 5, 2020 and passed away on August 17, 2020.

Management Committees

Asset Liability Management Committee

President & CEO - Chairman
Deputy CEO - Alternate Chairman
Chief Financial Officer & Group Head Finance
CRO & Group Head Risk Management
Group Head Retail, Commercial, SME & Agriculture Finance
Group Head Corporate & Institutional Banking
Group Head Consumer Finance
Head Treasury & Home Remittances

Terms of Reference

The Asset Liability Management Committee (ALCO) is responsible for reviewing the Asset and Liability structure of the Bank, transfer pricing, monitoring the liquidity situation, evaluating asset classes and taking decisions with regards to risks and rewards associated with purchasing and selling of these assets. Market and liquidity risks are examined based on stress testing exercises and gap analysis while considering the overall economic environment of the country. The ALCO is also responsible for monitoring policy rate movements and taking necessary steps across all assets and liabilities to ensure that the overall profitability of the Bank is maximized. This is mainly performed by alterations in the profit rates offered across different deposit products. It is also responsible for ensuring that the Bank's overall operations are fully compliant with regulatory framework for the business as provided by the State Bank of Pakistan.

Business Continuity Steering Committee

Deputy CEO - Chairman
CRO & Group Head Risk Management
Group Head Operations
Group Head Retail, Commercial, SME & Agriculture Finance
Group Head General Services & Special Assets Management
Group Head Information Technology & Digital Banking
Head Compliance
Manager IT Disaster Recovery
Head Enterprise Risk Management

Terms of Reference

The Business Continuity Steering Committee (BCSC) is responsible for ensuring that adequate business continuity/disaster recovery plans are prepared, tested and that decision making authority in the event of a crisis is clearly defined. The BCSC reviews and recommends Business Continuity Plan for approval of the Board. It facilitates in execution of Business Continuity Plan as and when invoked and in resumption of critical business activities. BCSC steers BCP project(s) and their implementation and provides guidance on project direction to ensure that organizational requirements are met. It is also responsible for reviewing the findings of mock drills/actual disasters and facilitating in removal of identified gaps.

Credit Risk Management Committee

President & CEO - Chairman
Deputy CEO
Chief Financial Officer & Group Head Finance
CRO & Group Head Risk Management
Group Head Retail, Commercial, SME & Agriculture Finance
Group Head Corporate & Institutional Banking
Head Treasury & Home Remittances
Head Credit Risk

Terms of Reference

The Credit Risk Management Committee (CRMC) is responsible for overseeing credit risk activities on Bank-wide basis while ensuring compliance with regulatory requirements and internal policies. The CRMC's responsibilities also include providing support and guiding front lines in managing their businesses, performing finance portfolio review, establishing financing standards and benchmarks, maintaining adequate industry diversification and deciding upon provisioning. It is also required for delegating financing approving powers and prudential limits on large financing exposures.

Disciplinary Action Committee

Head Compliance - Chairman
Group Head General Services & Special Assets Management
CRO & Group Head Risk Management
Group Head Human Resources, Learning & Development
Head Internal Audit & Business Risk Review

Terms of Reference

The Disciplinary Action Committee (DAC) is responsible for taking action on any violation of policies and procedures, acts of fraud and forgery, breaches of discipline and code of conduct, ethics and business practices, law of the land and statutory regulations of SBP by employees.

Disciplinary Action Review Committee

Deputy CEO - Chairman
Company Secretary
Head Legal Affairs

Terms of Reference

The Disciplinary Action Review Committee (DARC) is responsible for reviewing the appeals of the staff against whom DAC has already taken disciplinary action. The DARC is formed with a view to ensure a fresh review of each appeal filed against the DAC decision.

Compliance & Operational Risk Management Committee

President & CEO - Chairman
Deputy CEO
Chief Financial Officer & Group Head Finance
Group Head Information Technology & Digital Banking
Group Head Retail, Commercial, SME & Agriculture Finance
Group Head Operations
Group Head Shariah Compliance
CRO & Group Head Risk Management
Group Head Human Resources, Learning & Development
Head Compliance
Head Enterprise Risk Management

Terms of Reference

The Compliance & Operational Risk Management Committee (CORMC) is responsible for overseeing compliance risk by reviewing the adequacy of controls in place to meet regulatory requirements. The Committee is responsible for promoting compliance culture in the Bank, facilitate in implementation of Compliance Program and oversee Money Laundering and Financing Terrorism and Proliferation Financing risk. In addition, the Committee also oversees Operational Risk Framework by ensuring that policies and procedures are in place in all key risk areas and by reviewing Key Risk Indicators. The Committee also monitors level of compliance of major unresolved and recurring issues pointed out in the Internal Audit, Shariah Audit and SBP Inspection Report.

IT Steering Committee

Deputy CEO - Chairman
Group Head Information Technology & Digital Banking
Group Head Operations
CRO & Group Head Risk Management
Head Compliance
Group Head Consumer Finance
Group Head Corporate & Institutional Banking
Group Head Retail, Commercial SME & Agriculture Finance
Group Head Customer Support
Manager Information Security

Terms of Reference

The IT Steering Committee (ITSC) is responsible for assisting the Senior Management in implementing IT and digital strategies approved by the Board of Directors and for playing an advisory role to the Senior Management in all technology-related matters. The ITSC monitors implementation of technology-related projects, ensuring that the IT procurement is in line with the business plan. It shall ensure an efficient IT operating environment that supports the institution's goals and objectives. The ITSC may also review and determine the adequacy of training plan(s) and shall review significant incidents, major risks and breaches submitted by Information Security. The ITSC may also further review the status of projects assigned to PMO on periodic basis.

Investment Committee

Deputy CEO - Chairman
Chief Financial Officer & Group Head Finance
Chief Executive Officer Al Meezan
Investment Management Limited
Chief Investment Officer Al Meezan
Investment Management Limited

Terms of Reference

The Investment Committee (IC) is responsible for ensuring that the Bank's investments in listed equity securities are made in compliance with the:

- (i) Investment Policy of the Bank
- (ii) Limits prescribed under Prudential Regulations issued by the State Bank of Pakistan and
- (iii) Directives of Shariah Supervisory Board of the Bank

The IC also reviews the performance of equity investment portfolio through its regular meetings and discussions wherein the members also discuss the forgoing investments and future strategies in line with investment policy and market dynamics.

Service Board

President & CEO - Chairman
Deputy CEO
Group Head Operations
Group Head Information Technology & Digital Banking
Group Head Retail, Commercial, SME & Agriculture Finance
Group Head Consumer Finance
Group Head Customer Support
Group Head Human Resources, Learning & Development
Group Head General Services & Special Assets Management
Head Service Quality
Unit Head - Service Analytics

Terms of Reference

The purpose of Service Board to oversee and monitor performance of all departments in providing better services to external as well as internal customer of the Bank. The Service Board is the main decision-making body for addressing service gaps and improving the Service Quality of the Bank.

IFRS 9 Project Steering Committee

Deputy CEO - Chairman
Chief Financial Officer & Group Head Finance
CRO & Group Head Risk Management
Group Head Information Technology & Digital Banking

Terms of Reference

The Committee is responsible to ensure compliance with the requirements of SBP in respect of IFRS 9 implementation. It is also responsible to perform initial diagnostic and quantitative impact analysis to determine gaps and develop transition plan for the application of IFRS 9. The Committee is required to inform the Board /Board IFRS 9 Implementation Oversight Committee about the progress made and key issues that need to be addressed. It is responsible for developing appropriate staffing and training strategies, collect data and other risk inputs, assess existing infrastructure and provide recommendations on the required changes or upgrades and monitor progress against defined timelines.

Performance Evaluation of the Board of Directors

The Board of Directors of Meezan Bank sets the Bank's strategic direction and ensures that the organization stays true to this direction - enabling it to achieve its long-term objectives while ensuring regulatory compliance. To discharge its fiduciary responsibility of safeguarding the stakeholders' interests, the Board of Directors has developed criteria for its performance evaluation as required by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

The Board of Directors discusses strategic objectives, budgetary expenses and projected national and international macroeconomic indicators to ensure that the Bank's business strategy stays aligned with the macroeconomic indicators. The Board of Directors and its sub committees are competent and experienced, representing diversified educational and vocational backgrounds which are invaluable in determining the overall direction of the organization.

As per the guidelines issued by the State Bank of Pakistan, the Board decided to opt for an in-house approach with quantitative technique; and accordingly evaluated performance of overall Board, Board Committees and individual Board Members as per the following categories:

- Complete Board
- Chairman
- Individual Directors
- Independent Directors
- Chief Executive Officer
- Board Committees

Performance Evaluation by External Consultant

Evaluation of Board of Directors is conducted annually as per the State Bank of Pakistan's requirement. Further, SBP Guidelines also require that at least once in every three years, the evaluation should be conducted by an external independent evaluator. The Bank engaged Pakistan Institute of Corporate Governance (PICG) during the year 2019 as an independent evaluator to conduct the Board's evaluation.

Criteria for Performance Evaluation

The Board of Directors, while ensuring regulatory compliance, is also vested with fiduciary responsibility on behalf of the shareholders to protect the Bank's interests, provide strategic direction and monitor the achievement of strategic objectives. The Companies Act 2017, Banking Companies Ordinance 1962, SBP's Prudential Regulations and Listed Companies (Code of Corporate Governance) Regulations 2019 describe the role of Board of Directors along with its responsibilities and functions.

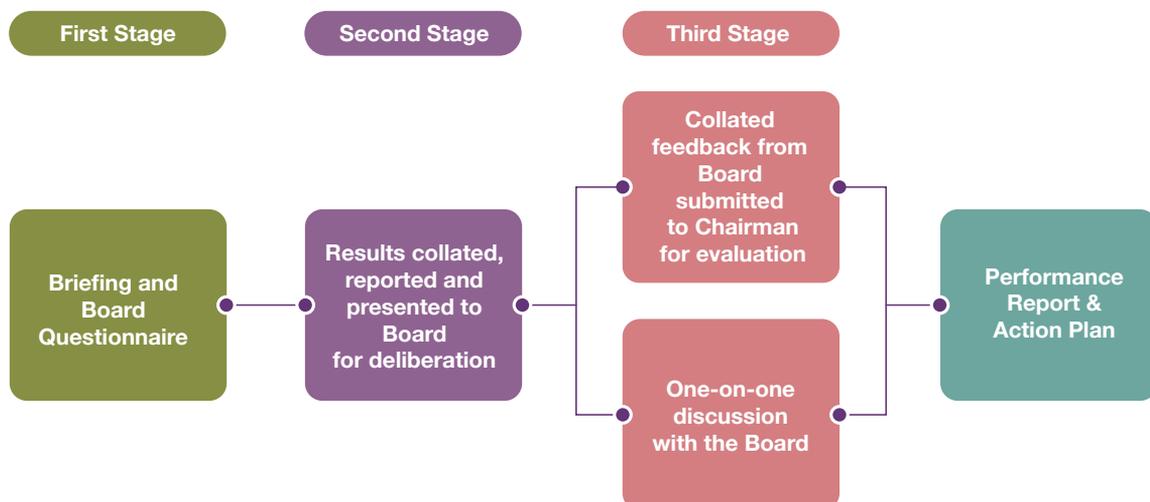
To comply with the regulatory requirement, the Board, in the year 2014, put in place an effective mechanism for Board Evaluation. All individual Board members answer a comprehensive questionnaire focused on evaluating, from various angles, whether the Board has discharged its duties diligently and with foresight. A committee of Directors is designated to collate individual responses and present them to the Board for deliberation and discussion. As per process, the responses / feedback from the Directors on each of the above-mentioned

categories is compiled and submitted to the Chairman. The Chairman discusses the results / findings with each individual Board Member. The authorized Independent Directors communicate the feedback in respect of the Chairman for incorporation in the consolidated Performance Report.

Accordingly, the analysis comprises of consolidated evaluation results and Action Plan forwarded by the Chairman to further strengthen comparatively weaker areas and is submitted to the Board of Directors for consideration in its meeting.

This exercise in critical self-assessment allows the Board to evaluate its performance and overall effectiveness in setting strategies, devising control processes, reading market trends by monitoring micro and macroeconomic factors, and responding to adverse unforeseen situations to further the cause of a learning organization. This process also ensures that the Board is constantly growing intellectually and the responsibility of steering the Bank to new heights of success is discharged effectively and efficiently.

Board Evaluation Process



Induction and Training of Directors

The Bank places keen focus on regular trainings regarding updates in law / regulations for the Directors. During 2020, a training on 'Listed Companies (Code of Corporate Governance) Regulations' was done. In addition, Shariah training is also arranged for the Directors as per the State Bank of Pakistan's 'Shariah Governance Framework for Islamic Banking Institutions'. In compliance to SBP Prudential Regulations, Board is regularly updated about any change in law/regulations.

Members of Meezan Bank's Board are experienced and qualified professionals who bring a diverse range of professional and technical expertise to the organization.

Directors Training Program - DTP

The Bank is compliant to the training requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019.

Roles and Responsibilities

Role and Responsibilities of the Board of Directors

The Board of Directors is involved in strategic level decisions to establish and review the strategies and medium to long-term goals of the Bank, overseeing the business and affairs of the Bank in light of emerging risks and opportunities. The Management of the Bank is responsible for managing day-to-day business affairs in an effective and ethical manner in conformity with the strategies and goals approved by the Board and to identify and manage the principal risks and opportunities which could impact the Bank in the course of carrying out its business. It is also the responsibility of the Management, with the oversight of the Board and its sub-committees, to produce financial statements that fairly present the financial conditions and results of operations of the Bank in accordance with applicable accounting standards and to make timely disclosures to investors as required under regulatory requirements. Further, the Management also stays aware of the business and competitive environment and develops strategies to maintain the Bank's competitive business edge.

Role and Responsibilities of the Chairman

The Chairman of the Board of Directors ensures that the organization keeps true to its long-term Vision. Responsible for leadership of the Board, the Chairman ensures that the Board plays an effective role in fulfilling all its responsibilities. The role entails the following:

Chairman

- All members of the Board may participate in all meetings and have the opportunity to express their opinion.
- Dissent of Directors, if any, is properly recorded in the minutes.
- Minutes truly reflect what transpired during the meeting.
- The Board discharges its role effectively and swiftly in line with regulatory requirements.
- The Board sub-committees perform their designated functions with due diligence.

Role and Responsibilities of the President & CEO

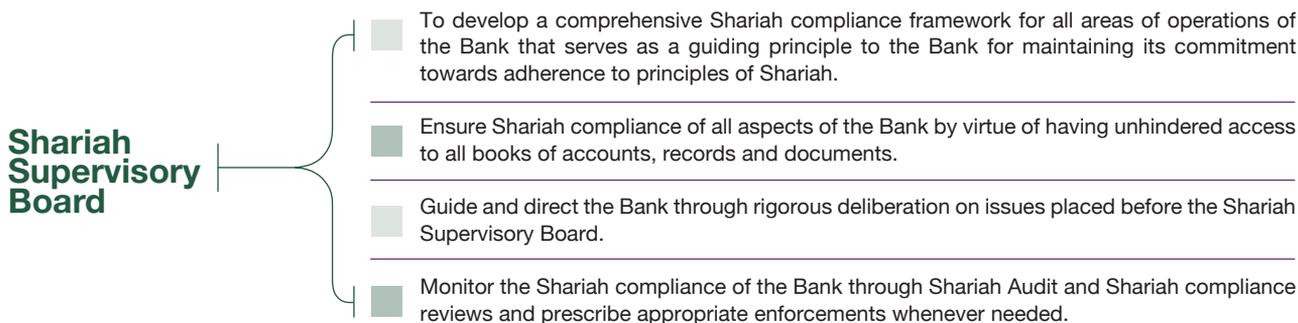
The President & CEO's role constitutes an absolutely engaged position, demanding complete involvement and shepherding of the organization. The role entails the following:

President & CEO

- Provide an enabling environment within the Bank to facilitate promulgation of a culture of Shariah compliance.
- Ensure execution of the strategy developed by the Board.
- Ensure that the Bank maintains its business position and brand image as the leading Islamic Bank of the country.
- Efficiently allocate and manage organizational resources and budgets to ensure achievement of short and medium term objectives that contribute to the attainment of the long-term strategic goals.
- Establish a system of checks and controls to supplement the fast-paced growth of the Bank.
- Provide liaison between the Board and the Bank's management to ensure alignment of managerial efforts with Board's directives.
- Foster a culture of professionalism and high ethical standards within the Bank.
- Facilitate an organizational culture of development of innovative products and services to meet the growing needs of a diverse range of customers.

Role of Shariah Supervisory Board

The Shariah Supervisory Board (SSB) is entrusted with the duty of directing, reviewing and supervising the activities of the Bank in order to ensure that they are in compliance with the rules and principles of Shariah. All products and services of the Bank are launched with the approval of the Shariah Supervisory Board whose role also entails the following:



Performance Review of the President & CEO

The President & CEO of Meezan Bank is responsible for supervising and leading the strategic and managerial affairs of the Bank. Various elements of the President & CEO's performance are monitored continuously and discussed periodically by the Board. As leader of the organization and executor of the strategy approved by the Board to further the interests of all stakeholders of the Bank, the President & CEO is evaluated on parameters such as financial performance and profitability, budget allocation and utilization of resources, organizational expansion, sustainability of product lines, credit ratings and inculcation of the desired organizational culture which is conducive to professional and ethical excellence.

Election of the Board of Directors

Procedures for Appointment

Election and Removal of Directors

There are formal, considered and transparent procedures for nominating candidates to stand for election as directors. The process of composition of the Board is ongoing to ensure that the Board retains its effectiveness at all times. Directors are subject to re-election / re-appointment at regular intervals defined under the relevant laws and regulations.

The sponsor shareholders of Meezan Bank nominate Directors on the Board as per their respective shareholding. The Independent Directors also file their nomination and are elected as per law. Minority shareholders are also given the right to participate in election as per law.

The Board of Directors fixes the number of Directors for the next term of the Board, 35 days before election of the Board as per Companies Act 2017.

Election of Directors is held as per law and all regulatory requirements are complied with.

Appointment and Election of Directors

Election of Directors at the General Meetings

According to Companies Act, 2017, at General Meeting, the shareholders entitled to vote for the election of directors must elect a Board for a term of three years, consisting of the number of directors for the time being set, as per provisions of Companies Act.

All of the directors cease to hold office immediately before such election, but are eligible for re-election.

Directors may Fill Casual Vacancies

Any casual vacancy on the Board may be filled by the Directors and the person so appointed shall hold office for the remainder of the term of the Director in whose place he/she is appointed.

Information on the Directorship Candidates

To enable shareholders to make an informed decision on their election at a General Meeting, names of all candidates submitted for election or re-election as a director are set out in a Notice sent to shareholders prior to the meeting, as per Companies Act, 2017 and also placed on the Bank's website as per regulatory requirement.

Removal of Directors

Removal of Director by Shareholders

Shareholders may remove any director by a resolution in General Meeting, as per section 163 of the Companies Act 2017.

Resignation / Removal of Director by Board

The Board may remove any Director before the expiry of his or her term of office, or the Director may resign at his / her own, if the Director ceases to be qualified to act as a Director of a company as per Companies Act. 2017 and the Board may appoint a Director to fill the resulting casual vacancy as per Companies Act 2017.

Other Matters Related to Corporate Governance

Governance Practices Exceeding Legal Requirements

The Board of Directors, as a whole respects the country laws and ensures meticulous compliance of applicable laws, rules & regulations and being the Premier Islamic Bank, Meezan Bank always adheres to provide information and disclosures above the minimum regulatory requirements. The Board never gives 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 developments in 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 requirement:

- The Bank has only one Executive Director (President & CEO) though it has been permitted two executive directors by SBP.
- The Bank reports additional information in the Annual Report for stakeholders which is not required by law.

Code of Conduct & Ethical Standards for Directors

The Bank has also developed 'Code of Conduct & Ethical Standards for Board, Senior Management and other employees as per requirements of Listed Companies (Code of Corporate Governance) Regulations 2019, which is signed by every Director and employee of the Bank.

Presence of the Chairman of Audit Committee at the AGM

The Chairman of the Audit Committee attends the Annual General Meeting (AGM) and this is duly recorded in the minutes of AGM.

Policies for Sustainability and Corporate Social Responsibility (CSR)



Policies for Sustainability and Corporate Social Responsibility (CSR) are annexed in Policies and Guidelines Section of this report.

Statement of Compliance with the Code of Corporate Governance



The Statement of Compliance with Code of Corporate Governance is annexed with this annual report.

Informing the Company Secretary's Office on Sale or Purchase of Meezan Shares

Directors/Substantial Shareholders/Executives are required to inform the Company Secretary about any change in the shareholding in his/her own name, in the name of his/her spouse and/or dependent/minor children to the Company Secretary through a written notice regarding complete details of the actual transaction within two days of its execution, enabling the Company Secretary to immediately notify the transaction to Pakistan Stock Exchange in terms of PSX Regulations and also to subsequently report the transaction to the Board of Directors as well.

Diversity

The Board of Directors firmly believes that the diverse mix of gender, knowledge, expertise and skill sets of the members/employees enhances the effectiveness of the Bank.

The Bank embraces and encourages employees with a diverse mix of age, family ethnicity, language, socio-economic status, physical disability and other characteristics that make its employees unique.

Investor Grievances

Meezan Bank has established a robust grievance reporting mechanism which seeks to resolve any complaints or unattended issues if, despite all vigilance, do occur. The mechanism put in place allows for such matters to be reported electronically, in writing or over the phone. To ensure that the stakeholders may register their complaints conveniently, a multitude of online forms are available on Meezan Bank's corporate website (www.meezanbank.com). The Investor Complaints Form, on submission, is sent directly to the Office of the Company Secretary. Similarly, a general complaints form for reporting and resolution of business-related complaints are managed by the Customer Care Unit (CCU). A dedicated email (complaints@meezanbank.com) is also in place for the express purpose of reporting issues if the stakeholder feels the need to email rather than use online forms.

Furthermore, grievances may also be lodged by calling the Bank's Call Center (UAN: 111-331-331 & 111-331-332), which is functional round the clock, where officers are available to assist stakeholders with their queries and complaints.

Managing Conflict of Interest

The Bank has a policy in place for dealing with conflicts of interest relating to members of the Board. Under this policy, any Director who has a business interest in a matter being presented at a Board meeting does not participate in neither the discussion nor the decision on that matter. The policy is applied consistently and there was no breach of this policy during the year.

Board's Function and Decision Making

The Board plays an effective role and provides entrepreneurial leadership and direction to the Management of the Bank within a framework of prudent and effective controls. It promotes collective Vision of the Bank's purpose, its culture, values and also demonstrates ethical leadership.

Matters delegated to the Management

The Board sets the strategic objectives and takes the overall responsibilities of overseeing its implementation. The Board performs its duties by giving guidelines to the Management, setting performance targets and monitoring their achievement. The Management is primarily responsible for implementing the strategies as approved by the Board of Directors in conducting the operations of the Bank effectively.

Responsibility of the Management and the Board of Directors towards preparation and presentation of Financial Statements

The Management has fulfilled its responsibility for preparation and fair presentation of the financial statements in accordance with the financial reporting frameworks as applicable in Pakistan. These include the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017). The Management also acknowledges its responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements. The Bank's Board of Directors is responsible for overseeing the financial reporting process.

Unreserved Compliance of International Financial Reporting Standards

The Management believes in ensuring unreserved compliance with the applicable International Financial Reporting Standards (IFRSs) issued by International Accounting Standard Board (IASB) for true and fair presentation of financial statements of the Bank.

The financial statements of the Bank for the year ended December 31, 2020 have been prepared in accordance with the accounting and reporting standards (including IFRSs) as applicable in Pakistan. For further details please refer to the Statement of Compliance in note 3 of the financial statements of the Bank. 

Human Resources Management Policies and Succession Planning

Human Resources Policies are approved by the Board of Directors of the Bank on the recommendation of Human Resource & Remuneration Committee of Board in order to provide clear and definitive directions on Human Resource (HR) related matters.

Board's Review of Business Continuity Plan

The Board of Directors reviewed and approved Business Continuity Plan. This exercise is being performed on an annual basis.

Stakeholders' Engagement



Stakeholders' engagement and the steps taken to solicit and understand the views of the shareholders is detailed in stakeholders' engagement section of this report.

Accessibility of Annual Report



Annual Reports and other information of the Bank are accessible on Bank's website: www.meezanbank.com

Report of the Board Audit Committee

Board Audit Committee (BAC) comprises of three non-executive directors having vast experience and knowledge of finance and accounting. The Chairman of BAC is an independent director. Bank has adopted Committee of Sponsoring Organizations (COSO) Integrated Internal Control Framework and the Charter of Internal Audit & BRR department (IAD) provides complete independence to Head - IAD along with free access to BAC.

BAC has been proactively focusing on effectiveness of internal controls, risk management, compliance and governance processes in accordance with the requirements of Code of Corporate Governance and Audit Committee Charter (ACC) also referred to as Terms of Reference (ToRs) of BAC duly approved by the Board of Directors. During the year 2020, four BAC meetings were held and following major activities were performed by BAC in accordance with its approved Charter.

- BAC reviewed quarterly, half yearly and annual financial statements of the Bank and recommended the same for approval of the Board.
- BAC reviewed management letters issued by the external auditors, management's response and their compliance status and held discussions with external auditors on major observations. BAC also recommended the appointment of external auditors and their fees to the Board.
- BAC reviewed and approved the audit plan, scope and extent of the work to be performed by Internal Audit (IAD) and Shariah audit and recommended the audit strategy for approval of the Board. BAC also reviewed adequacy of resources as per the scope.
- BAC reviewed significant findings of internal audit and Shariah audit along with monitoring of its timely compliance. BAC also reviewed the whistle blowing mechanism.
- BAC reviewed major findings of internal investigations with respect to fraud & forgery and whistle blowing along with management's action thereto. BAC also reviewed annual review report of fraud, forgeries and robberies.
- BAC reviewed related party transactions and recommended the same for Board's approval.
- BAC reviewed the AML environment, compliance and AML activity report, compliance policy, AML policy, compliance program, Bank internal risk assessment, Institutional Risk Assessment Framework (IRAF) – Self Assessment Questionnaire, details and action plan of SBP penalty items and SBP inspection reports along with monitoring of its compliance status. BAC also reviewed minutes of Compliance and Operational Risk Management Committee meetings.
- BAC reviewed Internal audit manuals, programs, revision in policies, IAD Charter, ACC and recommended the same for Board's approval.
- BAC reviewed Shariah audit manual and ensured compliance of corrective actions determined by Shariah Supervisory Board on the reports of Shariah audit.
- BAC reviewed the independent assurance report on compliance with Shariah rules and principles along with monitoring of its compliance status.
- BAC reviewed and had an oversight of implementation of Internal Controls over Financial Reporting (ICFR) program across the Bank.
- BAC reviewed Internal Audit Department assessments, internal quality assurance reviews and compliance of SBP guidelines on Internal Audit function along with progress and implementation status.
- BAC reviewed impact assessment of COVID-19 on Bank and advised the management to take adequate mitigating steps on emerging risks. Focus areas for Internal audit were also discussed.
- BAC conducted self assessment of its performance to review compliance with SECP Code of Corporate Governance and SBP circulars. Self-assessment report was also presented to the Board.
- BAC reviewed statement on internal control system and recommended the same for endorsement by the Board.
- BAC also held separate meetings with external auditor and internal auditor without the CFO and the management in line with the Code of Corporate Governance.



Mr. Noorur Rahman Abid
Chairman-BAC



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To the members of Meezan 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 Meezan Bank Limited (the Bank) for the year ended 31 December 2020 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. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2020.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 26 February 2021

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

Meezan Bank Limited

For the year ended December 31, 2020

The Bank has complied with the requirements of the Code of Corporate Governance Regulations, 2019 (“Regulations” or “Code”) in the following manner:

1. The total number of directors are eleven including CEO as a deemed director. The directors include ten male directors and one female director.
2. The composition of the Board is as follows:

Category	Names
i. Independent Directors	Mr. Noorur Rahman Abid Ms. Nausheen Ahmad Mr. Atif Azim
ii. Non-Executive Directors	Mr. Riyadh S.A.A. Edrees – Chairman Mr. Faisal A.A.A. AlNassar Mr. Bader H.A.M.A. Al Rabiah Mr. Mubashar Maqbool Mr. Naveed Iftikhar Sherwani* Mr. Saad Fazil Abbasi Mr. Mohamed Guermazi
iii. Executive Directors	Mr. Irfan Siddiqui - President & CEO
iv. Female Independent Director	Ms. Nausheen Ahmad

*The Bank has submitted application for Fit and Proper Test of the Director to the State Bank of Pakistan, which is in process of reviewing the same.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this 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 updating 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 (Act) and these Regulations.
7. The meetings of the Board were presided over by the Chairman and the Board has complied with the requirements of the Companies Act, 2017 (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 these Regulations; and directives of the State Bank of Pakistan (SBP).
9. The Bank is compliant to the training requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019.
10. There was no appointment of CFO, Company Secretary and Head of Internal Audit during the year. The Board has approved their remuneration and terms and conditions of their employment are complied with relevant requirements of the Regulations.
11. The Chief Financial Officer and the Chief Executive Officer duly endorsed the Financial Statements before approval of the Board.

12. The Board has formed committees comprising of members given below:-

Committees	Composition
Audit Committee	Mr. Noorur Rahman Abid - Chairman Mr. Faisal A.A.A. AlNassar Mr. Bader H.A.M.A. Al Rabiah
HR and Remuneration Committee	Mr. Noorur Rahman Abid - Chairman Mr. Riyadh S.A.A. Edrees Ms. Nausheen Ahmad
Risk Management Committee	Mr. Faisal A.A.A. Al-Nassar - Chairman Mr. Saad Fazil Abbasi Mr. Mohamed Guermazi Mr. Mubashar Maqbool
Information Technology Committee	Mr. Mubashar Maqbool – Chairman Mr. Riyadh S.A.A. Edrees Mr. Faisal A.A.A. Al-Nassar Mr. Atif Azim Mr. Irfan Siddiqui
IFRS 9 Implementation Oversight Committee	Mr. Riyadh S.A.A. Edrees – Chairman Mr. Irfan Siddiqui

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

14. The frequency of meetings of the Committee was as follows:-

- | | |
|---|-----------|
| a) Audit Committee | Quarterly |
| b) HR and Remuneration Committee | Quarterly |
| c) Risk Management Committee | Quarterly |
| d) Information Technology Committee | Quarterly |
| e) IFRS9 Implementation Oversight Committee | Quarterly |

15. The Board has set up an effective internal audit function / team who are considered suitably qualified and experienced for the purpose and are 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 Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Bank;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied.



Irfan Siddiqui
President & CEO

February 18, 2021



Riyadh S.A.A. Edrees
Chairman

Statement of Internal Controls

This statement is presented to comply with the requirements of State Bank of Pakistan (SBP)'s BSD Circular No. 7 of 2004 dated May 27, 2004 "Guidelines on Internal Controls" and SBP's OSED Circular No.01 dated February 07, 2014 "Instructions on Internal Controls over Financial Reporting (ICFR)".

The management of the Bank is responsible for establishing and maintaining an adequate and effective system of internal controls which has the main objective of ensuring effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations.

The control activities are being closely monitored across the Bank through Compliance, Risk Management, Shariah and Internal Audit departments, which covers all banking activities in general and key risk areas in particular. The Management has Compliance and Operational Risk Management Committee (CORMC) which focuses on compliance risk issues and reviews the adequacy of controls and systems to meet the regulatory requirements. The Board of Directors has formed an Audit Committee which has direct oversight responsibility to ensure the independence of the internal and external audit function. The Audit Committee meets at least once every quarter to discuss the scope and results of the work performed by the Compliance, Shariah and Internal Audit departments. The Audit Committee also meets with external auditors prior to approval of half-yearly and annual results of the Bank.

Based on observations and weaknesses found and identified by the auditors both internal and external and the Compliance, Risk Management and Shariah audit teams, improvements are brought about by the management in internal controls to ensure non-recurrence of those exceptions and elimination of such weaknesses to the maximum possible level.

While the Internal Controls System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure, circumvention and overriding of controls. Accordingly even an effective internal control system can provide reasonable but not absolute assurance that the system's objective will be achieved.

Alhamdulillah, the Bank had successfully completed all stages of its ICFR program during 2014 and has been granted exemption from the requirement of submission of Auditor-issued Long Form Report through SBP OSED letter /SU-12/017(01)/358/15 dated January 05, 2015. As required by the State Bank of Pakistan, the Bank now submits annual assessment report on efficacy of ICFR duly signed by the Chairman, Audit Committee within the regulatory timeline. Having successfully achieved closure on ICFR, the Bank remains cognizant of its responsibility to continuously improve and with this view continues to strengthen its system of Internal Controls on an on-going basis.

Based on the above, the Board of Directors endorses the management's evaluation of Internal Controls.

On behalf of the Board.



Ariful Islam
Deputy CEO

February 18, 2021



Irfan Siddiqui
President & CEO

Shariah Supervisory Board Report - 2020

الحمد لله رب العالمين، والصلاة والسلام على خاتم الأنبياء والمرسلين، محمد المصطفى الأمين، وعلى آله وأصحابه أجمعين، وبعد:

All praises to Allah (ﷻ). This was the nineteenth year of Islamic commercial banking for Meezan Bank Limited which is under review. During the year, the Shariah Supervisory Board (SSB) of Meezan Bank held four meetings to review various issues, referred to them by the Bank.

We are thankful to the Almighty and pay our heartiest congratulations to the Bank's Management on receiving the "Best Bank of Pakistan" award by Pakistan Banking Awards. We are very humbled to receive some of the most prestigious awards in the domain of Shariah compliance during 2020 which are Shariah Authenticity Award and the Shariah Auditor of the Year Award from Global Islamic Finance Awards (GIFA 2020) and the Most Innovative Islamic Bank- Global Award from Islamic Finance News, Malaysia. All these accolades reflect the Bank's commitment to provide customers with excellent banking services that completely adhere to Shariah principles.

Meezan Bank has a team of professionals in the Shariah Compliance Department (SCD) working under the guidance of SSB. The main objective of this department is to facilitate and ensure Shariah-compliance in all processes, procedures and products, refinement of existing products and procedures, Islamic banking trainings & awareness sessions and Shariah-compliance reviews of transactions. The SCD also serves as secretariat to the Bank's Shariah Supervisory Board.

We appreciate the efforts of entire staff of the Bank towards promoting and strengthening the environment of Shariah compliance in the Bank. It gives us comfort to observe a high level of commitment of the staff, management and the Board members of the Bank. It is also encouraging to know that there are more than 10,600 staff members in the Bank who are a source of Halal income for their families.

We are pleased to share the major achievements of Meezan Bank towards the growth of Islamic Banking during the year ended December 31, 2020:

Research and New Product Development

This year was a challenging year for the businesses in Pakistan due to the COVID-19 pandemic and its adverse effects on continuity and profitability of businesses.

We are pleased to share that the Bank extended financing on Qard e Hasna basis to some medical institutions to support medical infrastructure in the country. We had reviewed and provided our guidelines and approvals for the following:

- Islamic Refinance Facility for combating COVID-19 (IRFCC) for supporting Health institutions.
- Islamic Refinance Scheme for payment of wages and salaries to workers and employees
- Islamic Temporary Economic Refinance Facility (ITERF) for import of medical equipment to support country health infrastructure in combating COVID-19.
- Guidelines for principal deferment and restructuring for existing customers to give immediate financial relief to the customers.
- Guidelines for repricing of existing financing to give benefit of lower benchmark rate to the customers.

Meezan Bank continued to play a leading role towards the Sukuk market development and Sukuk worth Rs 736 billion were issued in 2020 which included Pakistan Energy Sukuk II and series of GOP Ijarah Sukuk. This year the Shariah Board also approved the reopening mechanism for GOP Ijarah Sukuks which would further streamline the process of Sukuk issuance in future.

We would also like to appreciate the Bank's effort in supporting the low-income segment by working on various initiatives such as:

- Low-cost housing scheme in collaboration with Akhuwat;
- Collaboration with PMRC for supporting low-cost housing sector in Pakistan;
- Support towards development of small businesses through the Kamyab Jawan scheme of the Government;
- Financing support to retailers, distributors and vendors of different corporate entities.

We are also pleased to share that the Bank has continued to provide financing towards those areas that are environmentally friendly and contributed towards green financing such as Solar Panels financing.

The SSB recognizes the efforts of the SCD for conducting around 150 customer and industry visits to understand their business model and reviewing more than 2,000 different types of cases as per the guidance of RSBM/SSB.

During the year, seventeen Shariah-compliant syndicated transactions for various private and public sector entities involving various structures such as Ijarah, Diminishing Musharakah and Running Musharakah were executed for infrastructure development, capital expansion and project financing related needs.

During the year, the SSB provided guidelines for different matters; most noteworthy of them were:

- Structure of Islamic charge card (an alternative to non-revolving credit card).
- Digital platform for Shariah-compliant retailer financing.
- Asaan Mobile Account, which provides a digital platform to individuals for opening bank accounts.

- Shirkat ul aqd based structure for financing the construction of mega residential project.
- Launch of Profit Equalization Reserve (PER) and Investment Risk Reserve (IRR) for effective pool management.
- Treatment of subsidy given by the Government for commodity financing operations of different provincial governments.

Training & Development

During the year, 171 training sessions comprising more than 900 man-hours were organized for staff members across the country, catering to more than 6,900 employees of the Bank. This number includes Orientation and Batch trainings for new joiners, refresher programs such as Asset Refresher, Deposit Refresher, specialized training for CAD and SME department and certification programs in Islamic financial products. The Bank conducted three training sessions for awareness of Islamic Naya Pakistan Certificates to the masses to explain the features of these certificates. Three Islamic banking e-Learnings were also launched, through which 5,130 staff got trained.

In order to create awareness of Islamic banking among general public, the Bank conducted 65 seminars in major cities which were attended by more than 5,000 participants from different spheres of the society. Owing to the pandemic, most of these sessions were conducted through digital media. During the year, one Shariah training session was also arranged for the BOD and senior management of the Bank.

It is heartening to observe that in order to disseminate the teachings of Holy Quran, 38 lectures on Understanding Quran were held for all staff.

Shariah Advisory and Industry support

SSB is also pleased to share that the Bank is actively supporting the Islamic Finance industry across the globe by providing tailor-made Shariah advisory solutions for their business needs. Following are the notable advisory services provided by the Bank during the year:

- Advisory services related to Takaful to an Islamic Financial Institute in Australia.
- Technical Advisory services to a Shariah-compliant stock trading platform for Shariah screening of various foreign companies listed in different stock markets globally.

- Technical Shariah Advisory to “Akhuwat Islamic Microfinance Company” for launching various schemes.
- Advisory services to more than 60 funds and plans, which covers a major share of the Islamic Mutual Fund industry.
- Facilitation to NCCPL for launch of a platform for Shariah-compliant share financing.
- Facilitation to Pakistan Mortgage Refinance Company (PMRC) in structuring of Pakistan Mortgage Sukuk and Credit Guarantee Scheme to support low cost housing finance schemes.

Review of Assets

The Bank has moved towards diversification in the usage of various financing products and has reduced the reliance on Murabaha, as is evident from the Bank’s financing portfolio. There is a 5% growth in Diminishing Musharakah over the previous year. The Bank has mainly focused on financing through Musharakah modes and these constitute 53.6% of the Bank’s total financing. The Bank’s total financing portfolio reached Rs. 532 billion (gross) as of December 31, 2020. Breakup of different financing modes is as follows:

Financing Modes	2020 % in total portfolio	2019 % in total portfolio	(Decline)% in total portfolio
Diminishing Musharakah	27.6	22.6	5.0
Musharakah & Running Musharakah	26.0	30.5	(4.5)
Istisna	12.8	11.5	1.3
Ijarah	9.4	10.9	(1.5)
Murabaha	2.6	3.3	(0.7)
Musawamah	7.1	5.4	1.7
Salam - Bills	0.8	1.5	(0.7)
Wakalah Tul Istithmar	7.5	8.1	(0.6)
Tijarah	2.0	2.6	(0.6)
Salam - Commodity	1.8	2.1	(0.3)
Other	2.4	1.5	0.9

We have noted that as per our guidelines, the Bank reversed the financing of Rs. 855 million provided to its customers under Murabaha & Musawamah without any profit, as those transactions could not be converted into real trade due to genuine business reasons.

Summary of Direct Payment in Murabaha Financing

During the year 2020, 93% of payments for Murabaha financings to Corporate and SME/Commercial customers were direct payments. It is highly recommended that efforts be continued to increase this percentage of direct payments in Murabaha transactions.

It is worth mentioning that in order to strengthen the Shariah-compliance control, physical inspection of delivery of goods was carried out in almost all Istisna and Tijarah transactions.

Liquidity Management

For the purpose of liquidity management, the Bank invested Rs 112 Billion in Pakistan Energy Sukuks I and II and Rs 179 billion in GOP Sukuk. Due to lack of availability of venues for Shariah-compliant investments, Bai Muajjal transactions worth Rs 327 Billion were outstanding at year end.

by evaluating adherence to Shariah guidelines prescribed by Shariah Supervisory Board, Resident Shariah Board Member and Shariah guidelines of Islamic Banking Department of the SBP. This department submits its report to RSBM / Shariah Supervisory Board for information, review and determination of appropriate corrective actions.

During the year under review, Shariah Audit of 682 branches, Area offices, consumer & corporate hubs and Head Office departments was conducted as a part of the Bank's efforts to strengthen the internal Shariah controls mechanism. These audits not only cover the assessment of financial transactions and operational activities that the branches/departments undertake but also include an evaluation of the knowledge of staff pertaining to Islamic finance.

Review of Deposits

We are pleased to observe that the Bank has launched Roshan Digital Account which supported the inward cash flow into Pakistan from Non-Resident Pakistanis and facilitated launch of Islamic Naya Pakistan Certificates.

It is heartening to see that deposits grew by 35% to reach a sum of Rs. 1,254 billion as on December 31, 2020. During the year, the process of allocation of assets and funds to various deposit pools, announcement of overall profit-sharing ratios for Mudarabah-based deposits, monthly allocation of weightages, and distribution of income to deposit accounts was monitored and reviewed in accordance with the respective pool management guidelines of SBP and Meezan Bank.

Shariah Audit

In compliance of the Shariah Governance Framework issued by the State Bank of Pakistan (SBP), a dedicated Shariah Audit Department reporting to the Audit Committee of the Board is in place. This department is playing a significant role towards accomplishment of the objective of ensuring Shariah compliance

Charity

An amount of Rs 96.3 million was transferred to the Charity Payable Account during the year. This includes Rs 21.1 million to eliminate the non-compliant income portion, which was identified during Shariah audit, Rs 8.6 million to purify the dividend income earned from investment made in the Shariah compliant stocks by the Bank and Rs 66.6 million transferred to Charity Payable Account in the normal course of business on account of non-timely payments by customers in various financial transactions. An amount of Rs 95 million was disbursed from the Charity Account after approval of the RSBM/SSB.



Details of charity account are available in the note # 20.4

Suggestions and Recommendations

For the purpose of further improving the business of the Bank and the overall Islamic Banking Industry, SSB suggests the following:

- The Bank should work towards increasing its penetration in SME sector which would pave the way for a better documented SME sector.
- The Bank should collaborate with SBP for implementation of the IFSB standard on Capital Adequacy for Islamic Financial Institutions, for introduction of Shariah-compliant alternatives of Discount Window, and introduction of separate laws for Islamic banking.
- To create awareness and capacity building about Islamic finance, the Bank should focus on conducting awareness sessions and work with education bodies to introduce courses related to Islamic finance in the curriculum at different levels of education.
- The Bank should continue to focus on the youth, construction sector, low income segment, digitization and green financing and should focus on programs such as the Kamyab Jawan scheme.
- To promote the cause of Islamic banking, we would urge the Bank to spread awareness in thought leaders from all

spheres of the society including government officials and media personnel.

- It is suggested that public-private sector partnership be encouraged for issuance of Sukuk to support financing requirements of the Government.
- It is suggested that the Bank should incorporate Shariah compliance in the KPIs of business units as this would enhance the accountability culture within the Bank and also conduct functional level activity based Shariah trainings.
- The Bank should develop an ongoing training and testing mechanism to ensure that all people assuming key positions are well versed with Shariah concepts.
- For liquidity management purposes, the Bank should use Bai Muajjal when other avenues like Musharakah placement and Sukuk are not available.
- Conventional insurance is not permissible from a Shariah perspective; therefore, it is again recommended to convert more clients to Islamic Insurance i.e. Takaful as soon as possible.

Conclusion

As per the charter of the Bank, it is mandatory for the management and employees to ensure application of Shariah principles and guidelines issued by the Shariah Supervisory Board and Resident Shariah Board Member and to ensure Shariah compliance in all activities of the Bank. The prime responsibility for ensuring Shariah compliance of the Bank's operations thus lies with the Board of Directors and Executive Management.

Based on extensive reviews of sample cases for each class of transaction, related documentations, processes, profit distribution mechanism for the depositors by SCD Department, review of Internal Shariah Audit and External Shariah Audit reports and Management's representation made in this regard, the Bank, in our opinion, has complied with the rules & principles of Islamic Shariah in light of the guidelines and directives given by the Shariah Supervisory Board, Resident Shariah Board Member of Meezan Bank and guidelines issued by Shariah Advisory Committee of the SBP related to Shariah compliance. The non-compliant income identified during the review is being transferred to the Charity Account through a well-defined system and is being utilized properly in accordance with the instructions of the SSB.

Based on the strength and capacity of the full-fledged SCD department and policies/guidelines for Shariah compliance issued at the Bank, we are of the opinion that an effective mechanism is in place to ensure Shariah compliance in overall operations of the Bank.

May Allah (ﷻ) bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the life hereafter and forgive our mistakes.

Wassalam Alaikum WaRahmat Allah Wa Barakatuh.



Mufti Muhammad Naveed Alam
Resident Shariah Board Member



Sheikh Esam Mohamed Ishaq
Member Shariah Supervisory Board



Dr. Muhammad Imran Ashraf Usmani
Member Shariah Supervisory Board



Justice (Retd.) Muhammad Taqi Usmani
Chairman Shariah Supervisory Board

خلاصہ کلام

بینک کے چارٹر کے تحت تمام انتظامیہ اور ملازمین کیلئے ضروری ہے کہ وہ شریعہ سپروائزری بورڈ اور ریزیڈنٹ شریعہ بورڈ ممبر کی طرف سے جاری کردہ بینک کے تمام معاملات سے متعلق ہدایات پر عمل درآمد کو یقینی بنائیں۔ بینک کے معاملات کے شریعت کے مطابق ہونے کی بنیادی ذمہ داری بورڈ آف ڈائریکٹرز اور بینک کی انتظامیہ پر عائد ہوتی ہے۔

SCD کی جانب سے بینک کے انجام کردہ مختلف عقود کے جائزے، ان کے متعلقہ دستاویزات کی جانچ پڑتال، ڈیپازیشنرز کو تقسیم ہونے والے نفع کا طریقہ کار کے مشاہدہ، اور ان کے متعلق اندرونی شریعہ آڈٹ رپورٹ، بیرونی شریعہ آڈٹ رپورٹ اور انتظامیہ کی دی گئی رائے کے جائزہ کی بنیاد پر ہماری رائے میں رواں سال میں بینک کی طرف سے کئے گئے عقود اسلامی شریعہ کے ان اصولوں اور ہدایات کے مطابق ہیں جو میزبان بینک کے شریعہ سپروائزری بورڈ، ریزیڈنٹ شریعہ بورڈ ممبر اور اسٹیٹ بینک آف پاکستان کی طرف سے جاری کی گئی ہیں۔ اس جائزہ کے دوران جو غیر شرعی آمدنی پائی گئی وہ چیریٹی میں منتقل کی گئی ہے جس کو شریعہ سپروائزری بورڈ کی ہدایات کے مطابق خرچ کیا جائے گا۔

SCD کی صلاحیت اور استعداد کو دیکھتے ہوئے اور بینک کی طرف سے جاری کردہ شریعہ کمپلائنس کی ہدایات اور احکامات کے جائزے کے بعد ہماری رائے میں بینک میں تمام شعبوں کی نگرانی اور شریعہ کمپلائنس کو یقینی بنانے کیلئے ایک موثر نظام موجود ہے۔

اللہ ﷻ سے دعا ہے کہ وہ ہماری رہنمائی ان راہوں کی طرف کرے جو اس کی رضا کا باعث ہوں، ہمیں دنیا اور آخرت میں کامیابیوں سے نوازے اور ہماری غلطیوں اور خطاؤں سے درگزر فرمائے۔ آمین۔

والسلام علیکم ورحمۃ اللہ وبرکاتہ



مفتی محمد نaveed عالم
ریزیڈنٹ شریعہ بورڈ ممبر



شیخ عصام محمد اسحاق
ممبر شریعہ سپروائزری بورڈ



ڈاکٹر محمد عمران اشرف عثمانی
ممبر شریعہ سپروائزری بورڈ



جسٹس (ریٹائرڈ) محمد تقی عثمانی
چیئر مین شریعہ سپروائزری بورڈ

SCD کی رہنمائی سے، مراسم اور مساموہ کی فائنانسنگ کے معاملات میں 855 ملین کی رقم بینک نے کوئی نفع وصول کے بغیر کسٹمر سے واپس لے لی کیونکہ اس رقم کی حد تک کوئی خرید و فروخت کا معاملہ کرنا ممکن نہیں تھا۔

مراسم میں کی جانے والی براہ راست ادائیگیوں کا خلاصہ

دوران سال 2020، مراسم کی بنیاد پر Corporate and SME / Commercial کو کی گئی سرمایہ کاری میں براہ راست ادائیگیوں کا تناسب 93 فیصد رہا۔ اس بات کی تاکید کی جاتی ہے کہ مراسم کے عقود میں اس تناسب میں اضافہ کی کوشش جاری رکھی جائے۔

یہ بات بھی قابل ذکر ہے کہ شرعی اصولوں کی پاسداری کی یقین دہانی اور جانچ پڑتال کی غرض سے استحصان اور تجارت کے تقریباً تمام معاملات میں بینک کے نمائندہ نے خود جا کر بینک کے خریدے ہوئے مال کا مشاہدہ کیا اور اس پر قبضہ حاصل کیا۔

بورڈ آف ڈائریکٹرز کی آڈٹ کمیٹی کے زیر نگرانی میں تندہی سے کام کر رہا ہے اور شرعیہ کمپلائنس کی یقین دہانی کیلئے تمام شرعی اصولوں کے نفاذ کی جانچ پڑتال کرتا ہے جو کہ شرعیہ سپروائزر بورڈ، ریزولوشن شرعیہ بورڈ، اور اسلامک بینکنگ ڈیپارٹمنٹ اسٹیٹ بینک آف پاکستان، کی طرف سے دی گئی ہیں۔ یہ ڈیپارٹمنٹ Shariah Supervisory Board/RSBM کو آگاہی، جائزہ اور تصحیح عمل کی تعیین کے لیے رپورٹ جمع کرواتا ہے۔

اس سال میزان بینک کی کل 682 برانچوں، ایریا آفسز، کنزرویٹور اور Corporate Hubs، ہیڈ آفس ڈیپارٹمنٹس کا آڈٹ کیا گیا تاکہ شرعی اصولوں کی تعمیل کا داخلی نظم اور طریقہ کار کو مضبوط کیا جاسکے۔ شرعیہ آڈٹ کے دوران، مختلف عقود کی جانچ پڑتال کے ساتھ ساتھ بینک کے عملہ کی شرعی معاملات اور عقود کے بارے میں معلومات بھی چاچی جاتی ہے۔

سیولیت کا انتظام

سیولیت کے انتظام کے لئے بینک نے 112 ارب کی سرمایہ کاری پاکستان ایگریکلچرل سکوک اور دوم میں اور (GOP) جی او پی سکوک میں 179 ارب روپے کی سرمایہ کاری کی۔ بینک کے پاس ڈیپازٹ کی زیادتی اور سرمایہ کاری کے بہتر مواقع کی کمی کی بناء پر بیچ موبائل کے ذریعہ سرمایہ کاری بھی کی گئی، سال کے اختتام پر جس کا حجم 327 ارب روپے تھا۔

ڈیپازٹس کا جائزہ

ہمیں یہ بتاتے ہوئے خوشی ہے کہ بینک نے روشن ڈیجیٹل اکاؤنٹ کا آغاز کیا ہے جس سے بیرون ملک مقیم پاکستانیوں کی طرف سے ترسیلات زر میں خاطر خواہ اضافہ ہوا ہے۔ ہم اسلامک نیا پاکستان سرٹیفکیٹ کے اجراء کے سلسلے میں بینک کی کوششوں سے بھی مطمئن ہیں جس سے صارفین کو حلال منافع کمانے کا موقع مل سکے گا۔

الحمد للہ، برطانیق 31 دسمبر 2020ء بینک کے ڈپازٹس میں 35 فیصد اضافہ ہوا ہے اور بینک کا مجموعی ڈیپازٹ 1,254 ارب روپے تک پہنچ چکا ہے۔ رواں سال بینک میں ڈیپازٹ سائیڈ سے متعلق انجام دینے کے مختلف امور یعنی مختلف اثاثوں اور فنڈز کو مختلف پوز کی طرف منسوب کرنا، مضاربہ کی بنیاد پر جمع شدہ رقم کے مجموعی نفع کے تناسب کا اعلان کرنا، ماہانہ اوزان weightages متعین کرنا، ڈیپازٹرز کے درمیان منافع کی تقسیم کرنا، منافع کی صحیح تقسیم کی نگرانی اور اس کا تجزیہ، میزان بینک کی پول سٹیٹمنٹ سے متعلق ہدایات اور اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق کیا گیا۔

شرعیہ آڈٹ

شرعیہ گورننس فریم ورک کی ہدایات کے مطابق مستقل شرعیہ آڈٹ ڈپارٹمنٹ کی تشکیل دی گئی ہے جو

تجاویز

بینک کے معاملات اور مجموعی طور پر اسلامی بنکاری کے نظام کو مزید بہتر بنانے کے لئے شرعیہ بورڈ کی تجاویز درج ذیل ہیں:

- اس بات کی بھی توجہ دی جاتی ہے کہ بینک زیادہ سے زیادہ نجی و سرکاری شرکت پر مبنی سکوک جاری کرنے میں اپنا کردار ادا کرتا کہ حکومت کی تمویلی ضروریات پوری ہو سکیں۔
- یہ تجویز دی جاتی ہے کہ بینک اپنی عملہ کے کے پی آئی (KPI) میں شرعی ہدایات کی تعمیل کو دیگر اہداف کے ساتھ شامل کرے تاکہ بینک میں شرعی اصولوں کی پاسداری اور احتساب کے ماحول کو فروغ ملے اور اس کے ساتھ ساتھ عملی سرگرمی پر مبنی تربیتی نشستوں پر بھی توجہ دینی چاہئے۔
- بینک کو ٹریڈنگ اور صلاحیتوں کو جانچنے کا ایک مستقل نظام وضع کرنا چاہیے تاکہ اہم عہدوں پر فائز اشخاص شرعی تصورات سے ہم آہنگ ہوں۔
- سیولیت کے انتظام (Liquidity Management) کے لئے بینک بیچ موبائل کا معاملہ صرف اس وقت کرے جب سرمایہ کاری کے دیگر مواقع جیسے مشارکہ یا سکوک میسر نہ ہوں۔
- موجودہ انشورنس کا معاملہ شرعی احکام کے مطابق نہیں ہے، لہذا اس بات کی مکرر ہدایت دی جاتی ہے کہ جتنا جلد ممکن ہو میڈیکلائمنٹس کو نکالنے کی طرف منتقل کیا جائے۔

- بینک کو SME سیکٹر میں اپنی رسائی بڑھانی چاہیے جس سے ان SMEs کو اپنے مالی معاملات کو بہتر انداز میں دستاویزی شکل دینے میں مدد ملے گی جو کہ ان کے بینکاری چینل میں آنے میں مددگار ثابت ہوگا۔
- بینک کو چاہئے کہ اسلامی بینکوں کی (Capital Adequacy) کے لئے IFSB کے معیار کو اپنانے، ڈسکاؤنٹ ونڈو کا اسلامی متبادل اور اسلامی بنکاری کے الگ قوانین متعارف کروانے کے لئے اسٹیٹ بینک کے ساتھ کام کرے۔
- اسلامی مالیات کے بارے میں شعور اور صلاحیت پیدا کرنے کیلئے، بینک کو آگاہی سیمینارز کے انعقاد کے ساتھ ساتھ تعلیمی اداروں کے ساتھ مل کر کام کرنا چاہئے تاکہ مختلف درجات کے نصاب میں اسلامی مالیات سے متعلق کورسز متعارف کروائے جاسکیں۔
- بینک کو چاہیے کہ نوجوانوں، کم آمدنی والے طبقے، ڈیجیٹل نیشن، گرین فائنانسنگ کے شعبوں میں توجہ جاری رکھے اور "کامیاب جوان سکیم" جیسی اسکیموں پر کام کرے۔
- اسلامی بینکاری کے مقصد کو فروغ دینے کے لیے بینک کو چاہیے کہ وہ معاشرے کے ہر شعبہ کے رہنما سمیت اعلیٰ حکومتی عہدیداران اور میڈیا پرسنل سے ملاقاتوں کا اہتمام کریں۔

دوران سال شریعہ پر وائزری بورڈ نے جن مختلف عقود میں رہنمائی فراہم کی ان میں سے چند قابل ذکر معاملات درج ذیل ہیں:

- اسلامی چارج کارڈ کے اجراء کے لیے ہدایات کی منظوری (نان ریوالونگ کریڈٹ کارڈ کا متبادل)۔
- ریٹیلرز کو شریعہ کمپلیٹ انوائس فنانسنگ کا حل فراہم کرنے کے لئے ڈیجیٹل پلیٹ فارم کے لئے ہدایات کی منظوری۔
- آسان موبائل اکاؤنٹ جو بینک اکاؤنٹ کھولنے کے لئے ڈیجیٹل پلیٹ فارم مہیا کرتا ہے۔

- ایک مشہور رہائشی منصوبہ کی تعمیر کو فنانس کرنے کے لئے شرکت العقد کی بنیاد پر سہولت کی منظوری۔
- ڈپازٹ پول کے موثر انتظام کے لئے IRR اور PER کے اجراء کے لئے ہدایات کی منظوری۔
- حکومت کی طرف سے مختلف صوبائی حکومتوں کو اجناس کی فنانسنگ کے کاموں میں دی جانے والی سبسڈی کے متعلق ہدایات۔

ٹریڈنگ اور ڈیولپمنٹ

دوران سال بینک نے 171 تربیتی مجالس منعقد کیں جن کی کل میعاد 900 گھنٹوں سے زائد رہی، ان تربیتی مجالس میں میزبان بینک کے 6900 سے زائد ملازمین نے شرکت کی۔ ان تربیتی مجالس میں اسلامک فنانس سے متعلق نئے ملازمین کے لئے Refreshers، Orientation، Refresher، Asset Refresher، SME اور CAD Deposit Refresher ڈپارٹمنٹ کے لئے خصوصی ٹریڈنگ اور دیگر سرٹیفکیٹ پروگرامز شامل ہیں۔ بینک نے اسلامک نیا پاکستان سرٹیفکیٹ (INPC) کی آگاہی کیلئے 3 تربیتی مجالس بھی منعقد کیں جس میں سرٹیفکیٹس کی خصوصیات بیان کیں تین E-Learning پروگرامز بھی متعارف کروائے گئے جن سے 5130 ملازمین مستفید ہوئے۔

میزبان بینک نے اسلامک بینکنگ کی آگاہی کے لئے عوام کے لئے بڑے شہروں میں تقریباً 65 سیمینارز بھی منعقد کئے، جن میں تقریباً 5000 افراد بشمول کسٹمرز، عوام الناس، پروفیشنلز، مفتیان کرام اور مختلف یونیورسٹیز کے طلباء نے شرکت کی۔ اس وبائی بیماری کی وجہ سے زیادہ تر سیشنز ڈیجیٹل میڈیا کے ذریعے کروائے گئے تھے۔ دوران سال بینک کے بی او ڈی اور سینیئر مینجمنٹ کے لئے بھی ایک شرعی تربیتی سیشن کا اہتمام کیا گیا تھا۔

یہ بات خوش آئند ہے کہ قرآن مجید کی تعلیمات کو عام کرنے کی غرض سے میزبان بینک اسٹاف کے لئے درس قرآن کی 38 مجالس بھی منعقد کی گئیں۔

شریعی ایڈوائزری

یہ بات بڑی قابل تحسین ہے کہ میزبان بینک دنیا بھر میں کلائنٹ کی ضرورت کے موافق شریعہ ایڈوائزری فراہم کر کے اسلامک فنانس ایڈوائزری کو تعاون فراہم کرنے میں پیش پیش رہا ہے، دوران سال بینک کی طرف سے فراہم کردہ چند قابل ذکر ایڈوائزری خدمات درج ذیل ہیں:

- آسٹریلیا میں تکافل (Takaful) سے متعلق ایک اسلامک فنانشل انسٹیٹیوٹ کو شریعی ایڈوائزری خدمات کی فراہمی جاری رکھی گئی۔
- ایک شریعی کمپلائنس اسٹاک ٹریڈنگ پلیٹ فارم کو عالمی سطح پر مختلف اسٹاک مارکیٹوں میں درج غیر ملکی کمپنیوں کی شریعی اسکریننگ کے لئے تکنیکی مشاورتی خدمات۔
- اخوت اسلامک مائیکرو فنانس کمپنی "کومکلف اسکیموں کے اجراء میں شرعی مشاورتی خدمات فراہم کی گئیں۔

- 60 سے زیادہ فنڈ اور پلان کو شریعی ایڈوائزری فراہم کی گئی جو کہ اسلامک میویچل فنڈ انڈسٹری کا ایک بڑا حصہ ہے۔
- شریعت کے مطابق شیئر فنانسنگ کے لئے پلیٹ فارم کے اجراء کے لئے این سی سی پی ایل (NCCPL) کو ایڈوائزری فراہم کی گئی۔
- کم قیمت والے ہاؤسنگ فنانس اسکیموں کے لئے پاکستان مورٹگیج ری فنانس کمپنی (PMRC) کو پاکستان مورٹگیج سکلوک اور کریڈٹ گارنٹی اسکیم کی تشکیل میں سہولت اور تعاون فراہم کیا گیا۔

اثاثوں کا جائزہ

بینک نے امسال بھی محض مراہجہ پر انحصار کرنے کے بجائے کئی دیگر طرق تمویل کو اختیار کیا، جیسا کہ تمویلی تناسب سے واضح ہے۔ پچھلے سال کے مقابلے میں اس سال شرکت متناقصہ کے تناسب میں 5 فیصد کا اضافہ ہوا۔ بینک نے سب سے زیادہ توجہ مشارکہ کی بنیاد پر تمویل پر مرکوز رکھی۔ شرکت کی بنیاد پر کی جانے والی فنانسنگ بینک کے مجموعی پورٹ فولیو کا 53.6 فیصد ہے۔ الحمد للہ بینک کا مجموعی تمویلی پورٹ فولیو (بمطابق 31 دسمبر، 2020ء) 531 ارب روپے تک پہنچ چکا ہے۔

شرعی طریقہ تمویل	2020 % in total portfolio	2019 % in total portfolio	شرح ترقی/تیزی
مشارکہ متناقصہ	27.6	22.6	5.0
رنگ مشارکہ اور مشارکہ	26.0	30.5	(4.4)
استحصان	12.8	11.5	1.3
اجارہ	(1.5)	10.9	9.4
مراہجہ	2.6	3.3	(0.7)
مساومہ	7.1	5.4	1.7
بل-سلم	0.8	1.5	(0.7)
وکالہ الاستیثار	7.5	8.1	(0.6)
تجارہ	2.0	2.6	(0.6)
کوڈٹی-سلم	1.8	2.1	(0.3)
دیگر	2.6	1.7	0.9

الحمد لله رب العالمين، والصلاة والسلام على خاتم الأنبياء والمرسلين، محمد المصطفى الأمين، وعلى آله وأصحابه أجمعين، وبعد:

الحمد لله، میزان بینک لینڈ کی اسلامی تجارتی بینکاری کے انیسویں سال کا تجزیہ آپ کے سامنے ہے۔ دوران سال میزان بینک کے شرعی سپروائزری بورڈ کی طرف سے چارجس کا انعقاد کیا گیا جن میں بینک کی طرف سے پیش کیے گئے مختلف مسائل کا حل شرعی سپروائزری بورڈ کی طرف سے پیش کیا گیا۔

اس سال مثالی کامیابیوں پر ہم اللہ تعالیٰ کے شکر گزار ہیں اور ساتھ ہی Pakistan Banking Awards کی جانب سے ”بیٹ بینک آف پاکستان“ ایوارڈ حاصل کرنے پر بینک کے انتظامیہ کو دلی مبارکباد پیش کرتے ہیں۔ ہم 2020ء کے دوران شرعی کمپلائنس کے شعبے میں گلوبل اسلامک فنانس ایوارڈز (GIFA 2020ء) کی طرف سے انتہائی مشہور ایوارڈز Shariah Authenticity Award اور Shariah Auditor of the Year Award اور اسلامک فنانس نیوولوشیاء کی جانب سے Most Innovative Islamic Bank - Global Award ملنے پر بہت ممنون ہیں۔ یہ تمام ایوارڈز صارفین کو مکمل طور پر شرعی اصولوں کے مطابق عمدہ بینکاری فراہم کرنے پر بینک کے عزم کی عکاسی کرتے ہیں۔

میزان بینک میں ماہرین کا ایک مستقل شعبہ ”شرعی کمپلائنس ڈیپارٹمنٹ (SCD)“ شرعی سپروائزری بورڈ کی زیر نگرانی کام کر رہا ہے۔ اس شعبے کی بنیادی ذمہ داریوں میں تمام پراسس، طریقہ ہائے عمل اور پروڈکٹ میں شرعی اصولوں کی پاسداری کو یقینی بنانا، موجودہ پروڈکٹس اور طریقہ ہائے عمل میں مزید بہتری، اسلامی بینکاری کی تربیت اور عقود کو انجام دینے کے طریقہ کار کی شرعی تعمیل کا جائزہ لینا ہے۔ شرعی کمپلائنس ڈیپارٹمنٹ، بینک کے شرعی سپروائزری بورڈ کے لئے سیکریٹری کا کردار بھی ادا کرتا ہے۔

ہم تمام اسٹاف کی کاوشوں کو سراہتے ہیں کہ انہوں نے بینک کے ماحول کو شریعت کے احکامات کے مطابق ڈھالنے میں اہم کردار ادا کیا۔ یہ بات ہمارے لئے قابل اطمینان ہے کہ بینک کے اسٹاف، مینجمنٹ اور بورڈ ممبران میں اسلامی بینکاری کی ترویج اور ترقی کے لئے اعلیٰ درجہ کا عزم دیکھا جاسکتا ہے۔ ہمیں اس بات پر بھی خوشی ہے کہ میزان بینک میں 10,600 سے زائد افراد ملازمت کر رہے ہیں جو اپنے اہل خانہ کے لئے رزقِ حلال کی فراہمی کا ذریعہ ہیں۔ گزشتہ سال 2020ء میں اسلامی بینکاری کے فروغ کے لئے درج ذیل اہم امور انجام دیے گئے:

نئی پروڈکٹس کی تیاری اور تھقیق

یہ سال COVID-19 وبائی مرض اور کاروبار کے تسلسل پر مضمر اثر کی وجہ سے دشوار سال تھا۔ صارفین کو مالی واجبات کی ادائیگی میں مختلف اقسام کی سہولتیں فراہم کی ہیں۔ شرعی بورڈ نے سال کے دوران اس سلسلے میں اس طرح کے اقدامات پر عمل کرنے کے بارے میں پالیسیز کا جائزہ لیا اور مندرجہ ذیل اہم ہدایات جاری کیں:

- صحت سے متعلق اداروں کے معاونت کے لئے COVID-19 کا مقابلہ کرنے کے لئے اسلامی ری فنانس (IRFCC) سہولت کی منظوری۔
- کاروباری اداروں کے لئے تنخواہوں کی ادائیگی میں سہولت کے لئے اسلامک ری فنانس اسکیم کی منظوری۔
- COVID-19 کا مقابلہ کرنے میں ملکی صحت کے بنیادی ڈھانچے کی بہتری کے لئے طبی سامان کی درآمد کے لئے Islamic Temporary Economic Refinance Facility (ITERF) کی سہولت کی منظوری۔
- موجودہ صارفین کو فوری مالی ریلیف دینے کے لئے اصل رقم کی ادائیگی میں سہولت کے لئے ہدایات کی منظوری۔
- صارفین کو کم بیٹج مارک ریٹ کا فائدہ دینے کے لئے موجودہ فنانسنگ کی ادائیگی میں سہولت کے لئے ہدایات کی منظوری۔

بینک نے صکوک مارکیٹ کی ترقی کے لئے اپنا مرکزی کردار جاری رکھا جس کی بدولت 2020ء میں 736 ارب روپے مالیت کے صکوک جاری کیے گئے جس میں پاکستان انرجی صکوک اور GOP اجارہ صکوک کی سیریز شامل تھی۔ اس سال شرعی بورڈ نے GOP اجارہ صکوک کے لئے Re-Opening کے طریقہ کار کی بھی منظوری دی جو مستقبل میں صکوک جاری کرنے کے عمل کو مزید ہموار کرے گا۔

ہم کم آمدنی والے طبقے کو ہاؤس فنانسنگ کی سہولت میسر کرنے پر بینک کی کوششوں کو سراہتے ہیں جیسے:

- اخوت کے تعاون سے کم قیمت والی رہائشی اسکیم۔
- پاکستان میں کم لاگت ہاؤسنگ سیکٹر کی ترقی کے لئے پاکستان مورگینج ری فنانس کمپنی (PMRC) کے ساتھ تعاون۔
- حکومت کی کامیاب جوان اسکیم کے ذریعہ چھوٹے کاروباروں کی ترقی کے لئے اسلامک فنانسنگ کی سہولت مہیا کرنا۔
- مختلف کارپوریٹ اداروں کے ریٹیلرز کو مالی سہولت مہیا کرنا۔

شرعی سپروائزری بورڈ بینک کی اس کاوش کو سراہتا ہے کہ دوران سال تقریباً 150 کسٹمرز سے ملاقاتیں کی گئیں اور ان کے کاروبار کا مشاہدہ کیا گیا تاکہ ان کے معاملات کے طریقہ کار کو عملی طور پر سمجھا جاسکے، اور اس کے ساتھ ساتھ 2000 سے زائد مختلف معاملات کا ریزینڈنٹ شرعی بورڈ ممبر اور شرعی سپروائزری بورڈ کی ہدایات کے مطابق جائزہ بھی لیا۔

مزید یہ کہ SCD ممبران نے ریزینڈنٹ شرعی بورڈ ممبر/شرعی سپروائزری بورڈ کی زیر نگرانی میں 17 سنڈیکٹڈ معاملات کے دستاویزات کی نظر ثانی کی اور ان کا جائزہ لیا۔ یہ معاملات مختلف عقود جیسا کہ اجارہ شرکت متناقصہ اور رنگ مشارکہ وغیرہ پر مشتمل تھے۔ تمام سنڈیکٹڈ معاملات حکومتی اور نجی اداروں کے ساتھ مختلف تموہلی سہولیات فراہم کرنے کے لئے کئے گئے۔ ان سنڈیکٹڈ معاملات کے ذریعہ مختلف ضروریات کو پورا کیا گیا جیسا کہ انفراسٹرکچر میں ترقی، جامد اثاثوں کی تعمیر و توسیع اور پراجیکٹ لگانے کے لئے سرمایہ کاری کا حصول۔

Statement of Sources and Uses of Charity Fund

For the year ended December 31, 2020

	2020	2019
	Rupees in '000	
Opening balance at January 01	15,700	1,086
Additions during the year		
Received from customers on delayed payment	66,580	49,110
Dividend purification amount	8,643	9,847
Non-shariah compliant income	21,074	5,269
Profit on charity saving account (net of bank charges)	983	238
	<u>97,280</u>	<u>64,464</u>
	112,980	65,550
Distribution of Charity		
Education	(85,200)	(38,100)
Health	(5,100)	(4,950)
Community development	(4,500)	(6,800)
Health & education	(200)	-
	<u>(95,000)</u>	<u>(49,850)</u>
Closing balance at December 31	<u>17,980</u>	<u>15,700</u>

Note:

Details of charity payments of Rs 100,000 and above are disclosed in note 20.4.1 to the financial statements of the Bank.

Policies and Guidelines

Standards of Ethics, Business Practices & Code of Conduct

The objective of these standards is to promote business practices within Meezan Bank, which are Shariah-compliant, fair, reasonable and reflect high standards of ethical behavior.

The standards of ethics and business practices, which the Bank expects from all of its employees, is a condition of employment with the Bank and may be considered at the time of performance appraisal of an employee.

- Code of Conduct, during office hours or otherwise, shall always be that of a good citizen.
- Act with integrity, competence, dignity, and ethically while dealing with the customers, shareholders, vendors and colleagues.
- Understand and comply with the legal / regulatory requirements and internal policies and procedures of the Bank that apply to the duties assigned to the employee.
- Never willingly enter into a business transaction, which shall violate any law or principles of Islamic finance.
- Never use their position to force, induce, coerce, harass and intimidate any other person, including sub-ordinate to provide any force, gift or benefit, whether financial or otherwise, to themselves or others.
- Avoid professional misconduct involving dishonesty, fraud, deceit or misrepresentation. Any unintentional mistake, wherever possible, shall be immediately rectified and reported to the line manager.
- Not make use of any information including Bank's trade secrets, proprietary, confidential information, gained in the performance of official Bank duties as a means of making any personal profit, gain or benefit for themselves or connected persons.
- Immediately report to the management of pre-existing personal relationship with any existing or potential customer, industry representative or government employee with whom the Bank has a business relationship. Pending clearance from the management, the employee shall take no further action associated with the business in which a personal relationship exists.
- Will not use the Bank's services or facilities for private purposes except with prior permission.
- Conduct Bank's business with honesty, integrity and in a professional manner.
- Avoid any action on his / her part that may be repugnant, unethical or unlawful.

- Avoid any action on his / her part that may be viewed as repugnant, unethical or unlawful by customers or public at large or the Bank itself.
- Avoid any activities that could involve or lead to involvement in any unlawful or unethical governance practice.
- Avoid participation in any political activities.
- Avoid participation in any other subversive activities.
- Abstain from gambling, betting and wagering contracts.
- Be exemplary in personal conduct towards the Bank, other employees and customers of the Bank.
- Safeguard the confidential information of the Bank and its customers.
- Avoid actual or potential conflicts of interests in transactions on behalf of the Bank.
- Provide accurate and reliable information in records submitted.

Code of Conduct

Confidential Information

Employees shall maintain strict secrecy regarding the Bank's affairs and shall not (except so far as is necessary and appropriate in the normal course of their employment) disclose to any person, any information as to the practice, dealing or affairs of the Bank or any of their customers, which may come to their knowledge by reason of their employment.

During the course of employment and after its termination for whatever reason, the employee must not disclose to anyone (nor use for any purpose other than the business of the Bank) any information relating to the Bank or its employees which is not already available to the public, unless authorized to do so. Such information includes customer data, product manuals, technical secrets, confidential research work, technical processes, operating manuals, marketing plans and strategies and other confidential financial or business information of the Bank.

Recording of Information

No unrecorded fund or assets of Bank shall be established or maintained for any reason. No false, artificial or misleading entries in the books and records of Bank shall be made for any reason. All reporting of information should be accurate, honest and timely and should be a fair representation of the facts.

Conflict of Interest

It is obligatory that:

- An employee may not hold a position

of director, consultant, employee, representative or agent with any supplier, competitor, customer, individual or organization either doing or seeking to do business with the Bank without prior written consent of the Bank's President & CEO. If any immediate family member holds a position, with any organization doing or seeking to do business with the Bank, a written disclosure must be made promptly to line manager / HRD.

- An employee may not hold any interest in any organization doing business with the Bank without the written consent of Regional Manager or Department Head, unless it is a company / establishment quoted on a Stock Exchange and the interest is less than 1 percent.

Mis-declaration/Concealment of Facts

An employee shall not make any mis-declaration or conceal the facts in knowledge. The following are illustrative examples, but are not all-inclusive:

- An employee issuing an incorrect account statement, salary certificate or any other information for any customer or staff member.
- An employee issuing a fake claim for reimbursement of any expenses whereby either the expenses are inflated and/or the difference between expenses claimed and actually incurred are pocketed by the staff member.
- An employee at the time of induction in Meezan Bank (i.e. during interview and in testimonials) provided a false, forged, misleading information or concealed, hide, incompletely stated, any information regarding credentials, academic record(s), previous employment(s) and demographic details.

Know Your Customer, Vendors and Counter Parties

In order to safeguard the Bank's reputation and integrity, it is not only necessary for employees to discipline their own actions, it is also necessary to be aware of the character and actions of customers, vendors and counter parties. Care must be exercised in selecting those with whom we deal. Each Meezan Bank business must have processes in place for checking on the credit and character of customers, vendors and counter parties.

Employees must ensure that the Bank establishes relationship with only those

individuals, businesses, and entities who have a sound reputation and whose true identity has been established. Employees should conduct maximum caution in opening new accounts and before opening, ensure that due diligence steps are completed.

Gifts & Entertainment

At certain times of the year, some customers, suppliers, contractors and consultants to the Bank may present gifts or arrange entertainment for employees. While the sentiments behind such actions are usually genuine, there is a possibility that others may misconstrue them. In a minority of cases such actions may not be in the best interest of good working relationships. Gifts may be presented locally or internationally in the form of Cash or in kind of Services, either free or discounted.

Bribery & Misconduct

An employee will be guilty of an offence, who, without lawful authority or reasonable excuse:

- Solicits or accepts any advantage as an inducement or reward for doing or intending to commit any action in relation to the Bank's affairs or business.
- Showing or intending to show favors or disfavor to any person in relation to the Bank's affairs or business.
- Offers any advantage to any one as an inducement or reward for any favor/disfavor or otherwise.
- Intends to deceive the Bank by using any receipt, account or other document which is false or erroneous or defective in any way and which to employee's knowledge is intended to mislead the Bank.
- Take any cash or near-to-cash benefit from any stake holder of the bank to provide undue advantage.
- Pay any cash or near-to-cash benefit to any stake holder of the Bank to take undue advantage.

Fraud, Theft or Illegal Activities

Employees shall be alert and vigilant with respect to frauds, thefts or illegal activities committed within the office. If any such activity comes to the attention of an employee, the employee must immediately report the same to the Head of Audit, Head of Operations and Head of Human Resources; who will arrange for appropriate follow-up action to be taken. Failure to report any such activity will be subject to disciplinary action.

Money Laundering

The Bank has set its priority not to become implicated, in any way, with

individuals or firms involved in criminal activities and money laundering. The employees are expected to exercise maximum caution in this regard.

The employee should know the customer, be vigilant for unusual circumstances and immediately report any suspected case to the Manager / Area Manager / Regional Manager / Compliance Department/Audit Department, who will arrange for appropriate follow-up action to be taken. Failure to report any such activity will be subject to disciplinary action.

Courtesy & Manners

Employees of Meezan Bank shall maintain utmost courtesy and exemplary manners when interacting with clients or with each other. Employees are dealing on behalf of the Bank, so they are required to keep high standards of professionalism and ethics. Any violations of this code shall be brought to the attention of supervising officials as well as the Human Resources Department for their information, record and remedial disciplinary action.

Honesty & Integrity

Employees shall serve the Bank, devote whole time during office hours and discharge their duties honestly, faithfully and use their utmost endeavors to promote the interest of the Bank. They shall behave with decorum, integrity, show courtesy and attention in all dealings with customers, government officials, senior officers, colleagues, subordinates and general public.

Participation in Political Organizations

No employee shall take part in, subscribe in aid of, or assist in anyway in any political movement in Pakistan during the office timing at the office premises. No employee shall use official influence in connection with or take part in any election to a legislative body, whether in Pakistan or elsewhere.

Ideology of Pakistan

No employee shall express views detrimental to the ideology or integrity of Pakistan.

Direct Representations to the High Govt. & Meezan Bank Officials

No employee shall make any personal representations directly to Chairman, Directors or Members of the Board, or Government functionaries. Such representations must be addressed to the President & CEO through the immediate supervisor of the employee. However this policy does not, in any way, seek to block

a citizen's redress to the judiciary and other statutory redresses.

Core Values

- Shariah Compliance
- Integrity
- Service Excellence

Meezan Bank's Personality

The Bank expects its employees to be:

- Sober
- Truthful
- Committed to excellence
- Empathetic
- Professional
- Extremely loyal
- Dependable friend
- Trustworthy business partner
- Committed to the cause of Islamic banking

Health & Hygiene

Personal Hygiene is the most important aspect of our daily life. The personality is perceived by its degree of neatness. The personal hygiene covers care of body odor, bad breath, teeth, nails, ears, nose, hair, daily shower, shave (if not keeping proper beard), daily wear washed, clean, pressed clothes etc.

Computer, E-mail, Information Security

Meezan Bank computer system contains an e-mail facility, access rights, information and software, which are intended to promote effective communication within and outside the Bank, on matters relating to its business and facilitate routine information flow and smooth and safe transactions.

The e-mail system should therefore only be used for official/business purpose. All communication and information are the property of Meezan Bank and the Bank reserves the right to retrieve the contents of the messages for the purpose of monitoring. The employee shall be held accountable for all activities under his/her password.

Dress Code & Professional Attire

Attire is a reflection of professionalism as well as that of the Bank's brand and personality. A professional business appearance together with a high standard of personal hygiene is expected from all employees. The Official Dress Code of Meezan Bank is professional corporate attire inline with traditional Islamic modesty. At Meezan Bank every staff member is expected to have a professional business appearance together with a high standard of personal hygiene.

Guidelines on Whistle-Blowing

The purpose of these whistle blowing guidelines is to provide a mechanism to Bank's stakeholders (employees, customers, vendors, etc.) to report any activity which in their opinion may cause financial and/or reputational loss to the Bank. The major objectives of whistle blowing policy can be classified as:

- To provide an environment whereby stakeholders feel confident to blow the whistle without any fear of reprisal, subsequent discrimination and of being disadvantaged in any way;
- To develop a culture of accountability and integrity;
- To create awareness amongst stakeholders regarding the whistle blowing function; and
- To be a source of early warning signal.

Scope

The scope of these guidelines includes, without limitation, disclosure of all types of unlawful acts / orders, fraud, corruption, misconduct, collusive practices or any other activity which undermines Bank's operations, financial position, reputation and mission.

Who must blow the whistle and how?

It is the responsibility of each and every stakeholder of the Bank, instead of limiting it to a particular department or senior management only, that if any stakeholder observes any suspicious, fraudulent or unethical activity, transaction or act that may cause a potential threat to the Bank or could be

against the interest of the Bank, he / she must immediately report this to Whistle Blowing Unit through various modes including but not limited to Meezan Bank's website, E-mail, fax, mobile and landline.

Confidentiality & protection of whistle blowers

The whistle blowing mechanism has been designed to ensure complete confidentiality of the entire process and also enables the Bank to take immediate corrective measures. Identification of the whistleblower is kept completely confidential except as required by law or who have legitimate right to know. The Bank stands committed to protect whistleblowers for whistle blowing and any subsequent harassment or victimization of the whistleblower is not tolerated.

Guidelines for Safety of Records of the Company

Comprehensive guidelines are in place at Meezan Bank for ensuring that physical documents are being archived in an organized, efficient and reliable manner. These guidelines encompass detailed processes for preservation, organization, transfer, retrieval and destruction of physical records. The guidelines comprise of the following elements:

General Guidelines

This section deals with the role of the Administration Department in providing an Archive facility outside the branch and provides guidelines on when old records will be transferred to the archive, signatories that may authorize retrieval of records, treatment of records under litigation / dispute, type of records that may be kept under fire-proof cabinet, and the convention to be followed for allocating serial numbers to archived records.

Preservation of Old Records

This section deals with maintenance of old records in a secured environment and the procedure for documenting their complete details to facilitate retrieval and destruction after expiry of retention timelines. This section also defines the responsibilities of the Archiving Officer.

Procedures to Handle Records at Archives

These are detailed procedures with clearly allocated responsibilities of Branch / Head Office departments and archiving officers for transferring/retrieval of records to and from Archives.

Destruction of Records

This section provides guidelines about the type of records that need to be retained permanently or till the time approval from Regulators is obtained for their destruction. e.g. cases in litigation, records relating to suspicious

transactions, etc. Relevant Branch Manager / Area Manager / Departmental Head is responsible for checking and verifying the list of records that need to be destroyed. For branch records, Head Office operations will finally approve branch's request for destruction of record, which will be carried out in the presence of Branch Manager & Operations Manager.

Retention of Old Records

These guidelines outline the various types of records and the recommended period for their retention and subsequent destruction in view of the Banking Companies Ordinance, SBP Prudential Regulations and other regulatory requirements.

Standardized Formats

Formats for forms and registers have been provided to facilitate standardization and controls across Meezan Bank's network.

Summary of Corporate Social Responsibility Policy

Scope of Corporate Social Responsibility Policy

The CSR Policy pertains to all corporate social responsibility activities undertaken by Meezan Bank and applies to all employees of the Bank.

Activities undertaken by the Bank may include projects being implemented independently by Meezan Bank or projects undertaken in coordination with other entities.

Objective of Meezan Bank's CSR initiatives

To contribute as a responsible corporate citizen to the community and environment in which the Bank is operating.

Areas of Focus

Meezan Bank may contribute in the form of financial assistance, providing logistic support and availability of human resources for charitable causes in various sectors including, but not limited to the

ones mentioned below, as per the Management's discretion:

- Health
- Social & Environment Sustainability
- Education
- Creating awareness about the prohibition of Riba and the available alternatives

The Bank may also encourage its employees to volunteer and contribute to its own or other organizations' CSR initiatives.

Summary of Sustainability Policy

Purpose

The purpose of the Sustainability Policy is to provide a framework for incorporating sustainability into the Bank's business operations and to minimize the environmental, social, ethical and financial and Shariah risks to the Bank's stakeholders and to the organization itself.

Scope of Sustainability Policy

The Sustainability Policy shall support business decision making at all levels of the Bank and will provide a frame of reference for dealing with direct and indirect sustainability risks.

It is applicable to all of the Bank's products and services, organizational units and departments and may include projects and activities being implemented independently by Meezan Bank or projects undertaken in coordination with other entities.

Summary of Green Banking Policy

Scope and Objective

The Green Banking Policy of Meezan Bank Limited has been prepared in light of the 'Green Banking Guidelines' issued vide IH & SMEFD Circular # 08 dated October 09, 2017 of State Bank of Pakistan. The objective of this policy is to

institutionalize Green Banking across Meezan Bank by focusing on the following major aspects:

- Governance Structure and Responsibilities
- Organizational Structure

- Environmental Risk Management Framework
- Green Business Facilitation
- Own Impact Reduction/ In-house Environment Management
- General Guidelines

Summary of Information Security Policy

Information Security relates to protection of valuable assets against loss, misuse, disclosure or damage. Each asset has to be reviewed from the perspective of its Confidentiality, Integrity and its Availability to the authorized personnel. A number of factors play a critical role in the successful implementation of information security.

Information Security Policy

The Information Security Policy defines the policies and supporting standards that guide the consistent application of information security and ensure that the interests / information are adequately protected against loss, improper disclosure and unauthorized modification. Meezan Bank's Information Security Policy is based on ISO 27001. The policy comprises of the following domains:

Organization of Information Security

In order to manage information security within the Bank, a framework has been established by the Bank's management to initiate and control the implementation of information security within the organization.

Risk Assessment & Treatment

To review IT System and Operation for identifying and mitigating the risk that could affect Meezan Bank's infrastructure through internal and external attacks. The basis of these assessments is the Confidentiality, Integrity and Availability (CIA) of the information assets and services.

Human Resources Security

This segment of the policy ensures that the Bank's employees, contractors and

third party users understand their responsibilities and are suitable for the roles they are considered for, thereby reducing the risk of theft, fraud or misuse of facilities.

Asset Management

To achieve and maintain appropriate protection of the Bank's Information Assets.

Access Control

To control the access to information, information processing facilities and business processes based on business and security requirements.

Cryptography

To protect the confidentiality, authenticity and integrity of information by Cryptography (The conversion of data into a secret code for transmission over a public network.)

Physical and Environmental Security

To prevent unauthorized physical access, damage to, and interference with the Bank's premises (head office and branches) and information.

Operations Security

To ensure correct and secure operation of information processing facilities.

Communications Security

To maintain the integrity and availability of information and information processing facilities.

Information Systems Acquisition, Development and Maintenance

To ensure that security measures are always built into and are an integral part of all information systems.

Supplier Management

To ensure the protection of the organization's information assets that is accessible by IT suppliers for providing IT service delivery.

Information Security Incident Management

To ensure that information security events and weaknesses associated with the Bank's information systems are communicated in a manner that allows timely corrective action to be taken.

Information Security Aspects of Business Continuity Management

To counteract interruptions to business activities and to protect critical business processes from the effects of major failures of information systems or disasters and to ensure their timely resumption.

Compliance

To ensure that any law, statutory, regulatory or contractual obligations and security requirements are not breached.

Information Security Trainings and Awareness

Appropriate awareness programs and regular updates in organizational IT security policy and procedures, as relevant for their job function are conducted.

Each of the above domains comprise of multiple processes and controls to ensure promotion of an information security.

IT Governance Policy

Scope

This policy creates the governance for the Information Technology Division for the Bank under the supervision of IT Steering Committee, Board IT Committee and Board of Directors. This policy describes and create a framework that will pave the roadmap on which IT Division will provide services to Bank's business functions and to ensure that the Bank's business operations are driven based on Technology Solutions.

Objective

To put in place the policy framework for IT Governance at the Bank in order to provide services to the Bank's Business functions. This policy framework is also aligned with the IT Security Policy of the Bank which is based on the standard ISO 27001.

Executive Summary

Establish Partnership with business to enrich Business and IT alignment and by delivering cost effective technology solutions and services.

This model describes all functions of the IT Division in the form of services which results in business benefits. It consists of five core services area (IT Service Strategy, IT Service Design, IT Service Transition, IT service Operations and Continual IT Service Improvement) that covers best practices and guidelines within IT management.

Key Areas – IT Management Policy

Key areas in Meezan Bank IT Management Policy are as follows:

1. IT Capacity and Performance Management provides guidelines for maintaining scalable IT capacity and making the best and optimal use to meet the performance requirements expected by the business.
2. IT Project Management defines standard and best practice guidelines for project management to assure that they are accomplished in timely, cost effective manner. It is governed by PMO Charter.
3. Change Management emphasizes on managing all changes within the IT environment including emergency changes, fixes and patch management to minimize the disruption in services.
4. IT Helpdesk and Problem Management ensures incidents and problems related to systems are reported, tracked investigated and resolved in effective and efficient manner.
5. Service Level Agreement Management ensures the SLA's are established, agreed between vendors and IT in line with Business needs to gauge the service delivery performance.
6. IT System Acquisition Management caters the way the IT Systems should be procured in line with Bank's expenditure policy.
7. Configuration Management covers the rules for configuration of information technology devices and infrastructure for tracking and controlling all changes to information systems of the Bank.
8. IT Compliance Management defines the way ITD works under compliance guidelines.
9. IT Continuity Management covers the aspect of Business Continuity Plan and Disaster Recovery Plan in case of any service disruption.
10. IT Backup and Restoration Management defines the rules for backup and storage of electronic information within the entity that are responsible for electronic data stored in archive.
11. IT Outsourcing Management defines the framework for outsourcing of IT services.
12. Software Solution Development and Maintenance Management facilitates the effective development and maintenance of Software solutions to compliment business functions.
13. IT Infrastructure Management determines the process for requirements analysis, planning, design, deployment and on-going operation management. It also ensures technology is accessible and equipped with current hardware and software for application management.
14. Network Management defines the principles covering internal and external network environment operated by the Bank including Logical Access Management, Infrastructure security, Operational Management and Bandwidth Management.
15. Database Management aims at ensuring the availability, integrity, security, consistency and accuracy of the Bank's database.
16. Virus and Malware Management ensures that systems, database and software are protected against the risk to malicious software and unauthorized code.
17. Internet and Intranet Usage Management defines the rules for Internet usage.
18. Desktop Support Management defines the principle covering the IT related Support activities and covers the Installation and configuration of desktops in branches and providing first level support.

Salient Features - Directors' Remuneration Policy

1. Remuneration shall be fixed in Pakistani Rupees (PKR) invariably; nevertheless, payment of the same can be made to foreign Directors in equivalent foreign currency(ies), where necessary, after obtaining the regulatory approvals as may be required from time to time.
2. No single member of the Board of Directors shall determine his/her own remuneration.
3. Proper and transparent disclosure of remuneration and other benefits/facilities provided to the Board members shall be made in the annual financial statements of the Bank, as per SBP instructions issued from time to time.
4. The Fees for attending the Board and its Committee meetings shall be as follows:

	Board Meeting Fee Rs. per meeting	Committee Meeting Fee Rs. per meeting
Chairman	960,000	650,000
Other Non-executive Directors	800,000	650,000

5. The Board and Committee meeting fees will be approved by the shareholders in Annual General Meeting on pre or post facto basis on the recommendation of the Board and Board HR&R Committee. The meeting fee, in any case, shall not exceed the limits prescribed by the Regulators.
 6. All traveling / boarding / lodging expenses of the Directors related to Attendance of Board Meeting(s)/
- Committee Meetings will be borne by the Bank at actuals. Expenses such as hotel stay etc. incurred due to personal reason or reason other than performance of Bank' duties and business will be borne by the concerned Director.
7. No additional payments or perquisites will be paid to the Non-Executive Directors and Chairman except as mentioned in above clauses.
 8. 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 Bank, holds substantial interest.
 9. No remuneration under this policy would be paid to the Executive Directors except travel and boarding costs as per the Bank's standard rules and regulations and relevant laws.



Stakeholders Relationship and Engagement

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How We Engage With Our Stakeholders

Meezan Bank is committed to sustain and maintain stakeholder relationship and keep them at the core of its business strategy. These relationships are long-term, which are handled professionally and with sincerity. It is our Mission to optimize stakeholders' value through an organizational culture of fairness and respect.

The following table provides an overview of stakeholder engagements at Meezan Bank:

	Modes of Engagement	Frequency	Key Initiatives
 <p>Customers</p> <p>Value Created</p> <p>Promote financial inclusion, fair treatment of customers and high customer satisfaction and loyalty.</p>	<p>Online, phone, social media and postal communication</p> <hr/> <p>Customer satisfaction surveys and feedback</p>	<p>Regular and on need basis</p> <hr/> <p>On need basis</p>	<ul style="list-style-type: none"> 12.2 million customer awareness SMS sent in 9 different awareness campaigns 65 Islamic banking awareness seminars conducted nationwide, attended by over 5,000 participants Upgraded systems to provide more secure financial services as well as protection of data and privacy Bi-annual customer letters 5 webinars held for customers
 <p>Investors</p> <p>Value Created</p> <p>Create shareholder value and build strong corporate governance. Minimize non-compliance resulting in any potential sanctions, penalties and/or reputational loss.</p>	<p>Financial statements</p> <hr/> <p>Annual General Meeting</p> <hr/> <p>Media releases</p> <hr/> <p>Analyst briefing sessions</p> <hr/> <p>Responding to multiple queries of institutional investors and ESG analysts</p>	<p>Quarterly, semi-annually and annually</p> <hr/> <p>Annual</p> <hr/> <p>Continuous</p> <hr/> <p>On need basis</p> <hr/> <p>On need basis</p>	<ul style="list-style-type: none"> Consistent payment of dividend Conducted 2 analyst briefing sessions Participated in Tundra Fonder ESG, Terra Nova ESG due diligence questionnaires, Global Islamic Bankers' Survey 2021 and OICCI CSR report
 <p>Regulatory Bodies</p> <p>Value Created</p> <p>Enhance capability to adapt to regulatory compliance and establish strong risk management and control.</p>	<p>Regular engagement for matters impacting business and compliance through face to face, written and telephonic communication</p> <hr/> <p>Audit and annual reports</p>	<p>Regular and on need basis</p> <hr/> <p>Annual</p>	<ul style="list-style-type: none"> Actively participated in the Roshan Digital Account', INPC and low-cost housing finance initiatives of the government to help NRP and resident Pakistanis Contributed to development of local economies through 5 wind power projects Enhanced focus on the Bank's AML/CFT compliance systems and capabilities. It also includes training on AML/CFT compliance and risk management across the Bank
 <p>Employees</p> <p>Value Created</p> <p>Manage employee relations to create an inclusive and learning environment. Encourage talent attraction and retention.</p>	<p>CEO messages on regular and topical subjects</p> <hr/> <p>Training initiatives</p>	<p>On need basis</p> <hr/> <p>Regular</p>	<ul style="list-style-type: none"> Regular awareness campaigns for staff on email, whatsapp, video messages for protective measures against the spread of Covid-19 Fire & safety drills Awareness campaign on Islamic values to eradicate Riba

	Modes of Engagement	Frequency	Key Initiatives
	Offsite strategy sessions & townhall meetings	On need basis	<ul style="list-style-type: none"> Launched Employer Branding Video on International Day of Disabled Persons on Bank's social media channels in which employees highlighted the inclusive working environment of the Bank Invested Rs 29 million in training our employees Participated in 30 corporate cricket tournaments and one-off matches with winning ratio of 80%. Also organized multiple cricket events on a regional level
	Employee benefits including compensation, medical, performance bonus and end of service benefits	Continuous	
	Internal newsletter and intranet	Quarterly and continuous	
	Inter-departmental sports and recreational activities	Regular	
 <p>Community</p> <p>Support economic and social development. Support sustainable development and green banking while ensuring ethical and Shariah-compliant business practices.</p>	Financial literacy initiatives	Regular	<ul style="list-style-type: none"> Enabled job opportunities for people with special abilities Provided financing to projects for clean energy and worked on Government's low cost housing program Engaged employees in providing Islamic finance education in various graduate and post graduate programmes at the top business schools of the country Co-authored case studies and research papers for Centres for Excellence in Islamic Finance Provided Islamic Finance Literacy through International Institute of Islamic Bankers (IIIB) which is a dedicated initiative of Meezan Bank to develop the Islamic Financial industry in Pakistan
	Hiring individuals with hearing and visual impairments	Regular	
	Sponsoring various fundraising events	On need basis	
	Building the Islamic Financial industry	Continuous	
 <p>Media</p> <p>Encourage positive brand building, mitigate reputational risks.</p>	Advertisements through print, electronic, social media and website	Regular	<ul style="list-style-type: none"> Interacted regularly and frequently with the local, regional and international media through PR, articles and interviews of senior management Issued multiple interviews of Senior Management in local and international publications Support to Journal of Islamic Banking and Finance through contribution of academic and scholarly articles/ research papers. Responded relevantly to media queries Generated social media content to increase financial literacy and awareness
	Interviews on print and electronic channels	Regular	
	Social media platforms	Regular	
 <p>Suppliers</p> <p>Ensure continuous supplier evaluation towards ethical practices as well as quality management. Encourage accessible whistle-blowing channels.</p>	Regular meetings	Regular	
	Phone calls	Regular	
	Vendor briefings	Regular	
	Purchase agreements	Regular	

Investors' Relations Section on Corporate Website

Meezan Bank places great emphasis on ensuring two-way, regular engagement with its investors through various channels. The Bank's corporate website is one such channel that is regularly updated with all important business announcements, financial results as well as regulatory information. The Investor Relations section of the Bank's website serves to connect its stakeholders with the Bank as per the applicable regulatory framework.

The Bank's website also includes all latest information regarding the Bank, including its financial highlights, dividend information, investor information and a link to Securities and Exchange Commission of Pakistan's (SECP) investor education portal – Jamapunji.

For the shareholders, analysts and for investors; the Bank also updates contact details for investor relations and Company Secretariat.



The relevant section is available on the Bank's website:
<https://www.meezanbank.com/investor-relations/>

Steps to Encourage Minority Shareholders' Participation in General Meetings

The Bank ensures that the interest of the minority Shareholders is protected. In order to ensure their participation in general meetings, the Bank takes the following measures:

- All notices of the Shareholders' meetings are timely announced on Pakistan Stock Exchange (PSX), published in nationwide newspapers
- All notices of the Shareholders' meetings are dispatched at the registered addresses of the Shareholders as per regulatory requirement
- Annual Reports are sent to each member of the Bank before the AGM in hard copy and/or in electronic form
- Shareholders are facilitated in appointing proxies in case they are unable to attend the AGM in person
- Shareholders are provided with a detailed overview of the Bank's performance, future outlook in both English and Urdu languages
- Shareholders are encouraged to comment, raise queries and provide feedback related to the Bank's operations
- The Bank also ensures compliance to all the regulatory requirements and takes all possible steps to encourage attendance of minority shareholders in their meetings

Matters Raised in the Last Annual General Meeting (AGM)

No significant issue was raised in the last AGM.

Summary of Analyst Briefings

Analyst briefings provide the Bank and the investor community with an opportunity to share business updates that are relevant to the analysts' coverage areas. As per the requirements of the SECP, the Bank held two analysts briefings during the year, which were attended by leading global and local investors, brokerage houses, fund managers as well as other stakeholders. The interactive session served to apprise the investor community of a detailed overview of the Bank's performance, its business environment as well as future prospects and strategy.

The audience was also informed about the Bank's focus on digital transformation and process innovation. The engagement session served to give the right perspective of the Bank's business affairs. To accommodate regional analysts and fund managers, conference call facilities are provided to ensure full access to all necessary stakeholders. The information and presentations are subsequently uploaded onto the Investor Relations segments on the Bank's website.

Dates

February 14, 2020

August 29, 2020



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Corporate Social Responsibility Report

Meezan Bank believes in conducting business in a manner that is ethical and contributes to its stakeholders, environment and society in a positive manner. The Bank is implementing sustainable business practices that fully meet the expectations that the society has from responsible corporate citizens. Meezan Bank's consciousness of its responsibility towards society and stakeholders is also expressed in its Vision and Mission statements. Our focus on CSR include our participation in charity and donations, social welfare in terms of health and education as well as transparency.

Healthcare



The Indus Hospital

Since its inception in 2005, The Indus Hospital (TIH) has been running an unparalleled and unique healthcare business model, whereby it provides premium healthcare at no cost at all to low-income populations. Meezan Bank supported The Indus Hospital in its 4th Indus Annual Golf Tournament 2020 that engaged more than 100 golfers and top CEOs of several organizations. The fundraiser not only helped create awareness about the network and philanthropic activities of TIH, Karachi, but also helped collect voluntary financial support to expand and continue providing free quality healthcare to all.



Behbud Association Karachi

Behbud Association Karachi is a registered not-for-profit organization and has been working in Karachi for 50 years. Meezan Bank supported Behbud Association Karachi in holding Behbud Annual Spring Fiesta 2020. The fiesta was organized to raise funds for Behbud's development projects and charitable activities, encompassing education, health and vocational training for the empowerment of women in an effort to battle poverty.

Other Initiatives



Ihsan Trust - Relief Fund for Pandemic Relief

During 2020, the world witnessed COVID-19 pandemic spread to over 160 countries, slowing down many economies and having devastating impacts on the financial well-being of many. In Pakistan, daily wagers and various other low-income earning segments also struggled with survival challenges due to the country's partial lockdown as well as on-going health crisis. In an effort to support those in need, Meezan Bank established the Ihsan Trust - Relief Fund for COVID-19, providing monthly rations to struggling families. This initiative served the two-pronged strategy of not only giving back to the communities but also enabling a steady flow of income for local ration shops.

Disaster Relief for Karachi Urban Flooding

During 2020, Karachi, Pakistan's biggest metropolitan city witnessed widespread flooding as torrential downpours displaced thousands of families, forcing them to abandon their homes and leaving many without food and shelter. As a socially responsible organization, Meezan Bank provided ration to 350 families in the Kachra Kundi area – a locality whose residents were severely affected by this calamity. In addition, the Bank also helped rebuild / repair the homes damaged during flooding and ensured provision of basic home essentials such as cupboards, charpoys and mattresses. Restoration efforts also extended towards providing



minimum 15 days ration bags and repairing of ceiling fans to around 150 families in Surjani Town, Abdul Raheem Goth and Yousuf Goth.

Tree Plantation Activity

Meezan Bank held a tree plantation activity at the Arabian Sea Country Club in an effort to counter the twin threats of climate change and pollution facing the country. The tree plantation activity forms part of the Bank's Corporate Social Responsibility programme under which over 5,000 trees were also planted across the country during 2019.





Donation for Diامر-Bhasha and Mohmand Dams

Meezan Bank continues to collect donations and contributions for the Diامر-Bhasha and Mohmand Dams through its nationwide network of 815 branches as well as 880 ATMs, internet banking and mobile banking channels, in accordance with the directives of the State Bank of Pakistan, fulfilling its commitment to Corporate Social Responsibility and this national cause.

Raising Awareness of Social Causes on Social Media

Meezan Bank has raised awareness of various social causes on social media on a regular basis including COVID-19 awareness, financial literacy, taking care of the environment, the importance of cleanliness, inclusion of disabled persons, etc.



Education



Idara Al-Khair Welfare Society

Idara Al-Khair Welfare Society is a non-profit private organization that has been working for the cause of education for over 30 years. Meezan Bank has signed an agreement with Idara Al-Khair to support the school - Campus VI Yaroo Goth, Karachi, that is currently providing free education to 400 children. The Bank has provided financial assistance to the Campus, playing a key role in spreading education in hard-to-reach and under-privileged areas that are currently not fully covered by the country's education system.



Akhuwat

Akhuwat is a not-for-profit organization providing interest-free microfinance since 2001 to underprivileged communities bringing a social change by envisioning a poverty-free society. It is an emerging leader in providing free, top of the line quality education through public-private partnerships. NJV Government Higher Secondary School is an older public school in Sindh with a history of around 170 years. It was adopted by Akhuwat in 2015 and since then has been able to develop a first live-in hostel facility for students from rural Sindh accommodating 62 young boys and girls from different districts of interior Sindh who are studying in class 9 and will continue to stay till intermediate. Meezan Bank sponsored NJV's second annual carnival. The carnival aimed to support the underprivileged youth of the country in seeking good quality education.



Pakistan's leading private sector educational institutions. This contribution plays an instrumental role in the promotion of ethical practices across the country, as the Bank aims to equip students and executives with adequate Islamic knowledge as well as professional skills.



Charity Funds Management through Ihsan Trust

Meezan Bank has a social purpose culture that focuses on applying its principles and values in areas where they create a positive impact on people and communities. The Bank has adopted stringent Shariah Compliance and Shariah Audit standards that allow it to screen all income and in case of any non-compliance, to transfer the same to a charity account. During 2020, the Bank supported a number of NGOs and philanthropic organizations including AKHUWAT, Al Mustafa Welfare Society, Alamgir Welfare Trust, Afzaal Memorial Thalassemia Foundation, Muhammadi Blood Bank, Family Educational Services Foundation (FESF), Pakistan Disabled Foundation and many others. As an extension of the same initiative, Ihsan Trust has been launched as the operator of Ihsan Trust Fund which is a 'Waqf' made through a separate Waqf deed. Meezan Bank is the biggest supporter of Ihsan Trust, supporting the organization through its human resource and other utility-related expenses. Ihsan Trust is the largest interest-free loan provider for higher education in Pakistan that reaches out to the under-privileged sector of the society to help such individuals escape the cycle of poverty that they are stuck in. The Trust provides Qarz-e-Hasna (interest-free loan) facility to students who want to pursue higher education. More than 3,000 students from 140 universities, educational institutions and professional bodies across Pakistan have benefited from this facility since its inception, including Institute of Business Administration (IBA), Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI), COMSATS University Islamabad, FAST National University, National University of Sciences and Technology (NUST), DOW University of Health Sciences (DUHS), University of Karachi, Riphaha International University, etc.



Centres for Excellence in Islamic Finance at Institute of Business Administration (IBA), Lahore University of Management Sciences (LUMS) and IM Sciences (Peshawar)



Meezan Bank supports many educational institutions to help foster the learning and development of Islamic banking and finance across the country including Institute of Business Administration (IBA), Lahore University of Management Sciences (LUMS) and IM Sciences (Peshawar), which are among

Sustainability Report

Meezan Bank has a cohesive and strategic approach to sustainable business that is in line with its values and the Islamic principle of 'Ihsan'. The Bank remains committed to social and economic development and implementing sustainable business practices that fully meet the expectations that the society has from responsible corporate citizens. To us, sustainability means to uphold fair and upright corporate activities and deliver innovative solutions that can create corporate value for our key stakeholders. Meezan Bank's consciousness of its responsibility towards society and stakeholders is also expressed in its Vision and Mission statements.

Our Approach to Sustainable Development

As the country's leading Islamic bank, we are contributing to the implementation of the UN Sustainable Development Goals through multiple business activities as well as stakeholder engagement:



Stakeholders

Stakeholder Engagement

Meezan Bank's stakeholders are the people and organizations that affect or are affected by its operations. The Bank's commitment to its stakeholders is central to its sustainability strategy and reflects the values that allow it to create shared success with its clients, communities and other stakeholders.

Meezan Bank's personality embodies how all Meezan professionals think, operate and take decisions. These behaviors define how we do our business and interact with our stakeholders.

Meezan Bank Personality



For further details on how we engage with our stakeholders, refer Section Stakeholders Relationship & Engagement.

Our Focus on Financial Literacy and Islamic Banking Awareness

As Pakistan's first and largest Islamic bank, Meezan Bank is aware of the role it can play in nurturing financial inclusion and literacy across the country. Despite the challenges brought forth by the pandemic the Bank continued its efforts towards conducting customer education programmes via public events, webinars, social media as well as SMS campaigns. The content of these campaigns was carefully designed by Islamic finance experts to help individuals understand various concepts of Islamic finance and thereby establish Islamic banking as their first choice. The seminars also give the Bank an opportunity to interact, understand and get feedback from customers for further improvement of products and services.



This year, the Bank conducted 20 customer awareness sessions through digital platforms such as Zoom and Facebook as well as 65 Islamic banking seminars and workshops benefitting more than 5,500 participants.

Our Focus on Managing Employees Relations

Critical to fostering sustainable growth and development is the Bank's focus on investing in its employees and providing them with an environment where they can thrive. Considered as Meezan Bank's most valuable asset; the Bank provides its employees with an inclusive environment that provides them with multiple growth opportunities, recognizes and rewards their performance and supports them in ensuring their financial, physical and emotional wellness. The following efforts evidence the Bank's commitment to adopting healthy habits and in making it an excellent workplace.

Medical Benefits & Health Facilities

The medical assistance benefits give peace of mind to employees and enable them to focus on their professional responsibilities without having to worry about financial risks in the event of a medical problem. Hospitalization coverage, therefore, forms an integral component of the total compensation package offered by Meezan Bank. The Bank has instituted outpatient, hospitalization and maternity benefit plans for its employees by providing coverage for these eventualities.



Gym & Swimming Pool

The Bank encourages a healthy lifestyle for its employees by providing both male and female employees access to independent and modern gymnasium facilities as well as separate recreational areas at Meezan House along with a 1,200 sq. ft. swimming pool. The facilities are supported by specialized swimming and fitness trainers to assist the staff in their exercise and diet routine.

Cafeteria at Subsidized Cost

The Bank also provides hygienically cooked meals at a subsidized cost to its staff at the Head Office; which is prepared in an on-location kitchen. The food is packed individually considering all COVID-19 SOPs and is provided to employees in an open-air set-up to minimize risks during the pandemic.



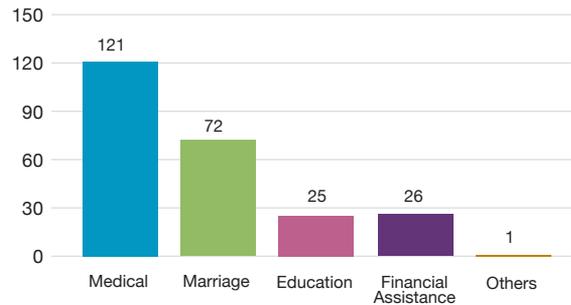
Employee Benevolent Fund Trust (EBFT)

In addition to providing an extensive healthcare coverage to help meet the expenses of employees; the Bank also has a joint employee and company-funded Employee Benevolent Fund Trust (EBFT) that allows eligible employees to seek financial support for themselves and for their families during difficult times. Further, the

Bank also provided maximum financial support to the Bank staff and their family members suffering from COVID-19 through EBFT.

Nature of Approved EBFT Cases

The Bank processed a total of 277 cases during the year 2020, out of which 245 cases were approved.



Additional Bonus

An additional bonus was awarded to all staff members due to exceptional bank performance in the year 2019.

Best Bank Bonus

In celebration of the Bank winning Best Bank Award - 2020, every employee was rewarded with a Best Bank Bonus to acknowledge their efforts in achieving this prestigious award.

Our Focus on Diversity & Inclusion

Board's Policy on Diversity

As an equal opportunity employer, Meezan Bank emphasizes the need for diversity in the work place. The Board of Human Resources & Remuneration Committee (BHR&RC) has encouraged the Bank to implement gender initiatives which encourage and support female employment. In line with the same approach, the Bank increased its total number of female employees from 927 in 2019 to 996 in 2020.



Employment of Special Persons

Meezan Bank provides merit-based opportunities to special persons who face challenges such as lack of speech, visual impairment, inadequate or no hearing and physical deformity, providing them with livelihood and self-reliance opportunities. These persons have been placed on jobs where they can be productive despite the challenges they face.

Day Care Facility for Working Mothers

In order to facilitate working mothers at Meezan Bank, a Day Care facility is available at its Head Office located in Karachi. The child-friendly environment gives an opportunity to many ambitious women who want to contribute to the cause of Islamic banking while maintaining a balance with their responsibilities at home.

Women on Key Positions of the Bank

Meezan Bank is an equal opportunity employer and there are females on many key positions of the Bank including Branch Banking, Product Development, Finance, Learning & Development and Communication, etc.

Our Focus on Employee Development

Meezan Bank offers an extensive range of training opportunities to employees for their professional development. Training includes technical training courses and workshops as well as specialized soft skills trainings.

Staff Training

During 2020, the Bank continued orientation and training via electronic channels. Continuous learning sessions were conducted for pandemic safety awareness as well as skill-based training. The Bank launched Continuous Learning Initiative (CLI) - Continuous Learning Must Go On. Through this initiative, the Bank was able to provide 560 VILT trainings.



Recruitment

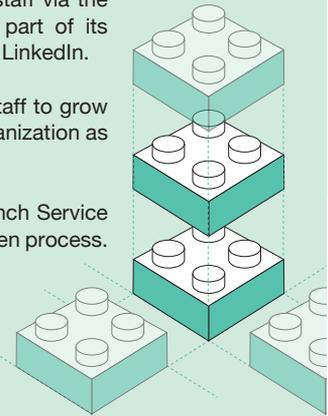
Meezan Bank develops sustainable policies for retaining and managing human capital. Given the rapid expansion of the Bank, the Board of Human Resources & Remuneration Committee (BHR&RC) made recommendations to the Management for the implementation of an effective Succession Plan. The recruitment process is transparent and is detailed in the Bank's Human Resource Manual accessible to all staff via the Intranet. Meezan Bank uses, where applicable, all available media for job advertisement as part of its recruitment process, including the Bank's corporate website, social media channels - Facebook & LinkedIn.

The Bank's management encourages existing employees to apply for vacant positions to allow staff to grow professionally. Towards this end, internal searches are conducted to fill vacant slots within the organization as well.

In 2020, the Bank recruited staff through batch hiring across the country for the positions of Branch Service Officers and Personal Banking Officers. All the batches are hired under a transparent and merit-driven process.

Succession Planning

The Bank also ensures implementation of the Bank's Succession Planning Policy. The policy and procedure for design and implementation of succession planning is anchored by the Bank's top management and facilitated by the HR, L&D team. Successors are identified on the basis of their potential as well as their performance and experience.



Business Ethics & Anti-Corruption Measures

Meezan Bank has a comprehensive Code of Conduct and Standard of Ethics that forms part of its Human Resource Policy. The Bank's Disciplinary Action Committee (DAC) takes action on any violation of policies & procedures, acts of fraud & forgery, breaches of discipline and code of conduct, ethics and business practices, law of the land and any statutory regulations by an employee. Appeals of the staff against which DAC takes disciplinary actions are reviewed by an independent Committee Disciplinary Action Review Committee, which has been formed with a view to ensure a fresh review of each appeal filed against the DAC decision. Furthermore, to ensure dignified and healthy work environment, the Bank has also established an Anti-Harassment Committee that deals with the instances of sexual harassment reported either verbally or in writing.

Selection of Business Partners

Meezan Bank ensures that its business partners are selected and approved through a detailed review and selection process. The Bank's procurement team is empowered to finalize the best supplier and service provider based on quality, costing, historic performance and market reputation. The process is reviewed by the Internal Audit team to ensure compliance to the approved internal processes as well as market norms.

Our Focus on Employee & Customer Safety

The Bank has invested in protecting its employees through the following means:

Employees

- Medical and Life Takaful coverage
- Shuttle transportation with security at subsidized cost for travelling to and from Meezan House (Head Office)
- High-tech security systems and security guards are deployed at the Bank's premises
- Well-designed fire-fighting system, with availability of trained fire fighters at the location
- Regular fire training and evacuation drills to help employees become aware of the safety steps in case of an emergency
- Provision of a trained and assigned team to provide assistance to staff in the case of a fire or natural calamity



Customers

The Bank has invested in protecting its customers through the following means:

- Compliance of Regulations for the Security of Internet Banking.
- First bank to introduce EMV CHIP and PIN security to its debit cards which is complemented with No-Fallback mechanism. With this, Meezan Bank Debit Cards are fully secured against any skimming frauds from international ATM and POS, and domestic POS.
- Implementation of various checks to detect frauds against Internet Banking and Mobile App.
- Blocking and unblocking of debit cards via Mobile App and Internet Banking.
- Setup of 24/7 monitoring team to detect and respond to any fraud attempts through Meezan Bank digital banking channels.



Our Focus on Service Quality Monitoring

Complaint Management System

The Bank has a dedicated team which handles and addresses customer complaints as per the Customer Grievance Handling Policy approved by the Board. All complaints of the customers that are received through various channels are logged in a Complaint Management System to keep track of their resolution. The Bank has a complaint escalation mechanism whereby all complaints are escalated to the senior management if not resolved within the stipulated time. The Bank has also upgraded its Complaint Management System by implementing a system of acknowledging complaints through automated SMS which resulted in process automation of complaint management. In addition, the Bank enhanced its complaint monitoring mechanism by introducing Complaint Management Dashboard which is regularly reviewed by the senior management to ensure timely resolution of customer complaints.

Complaints Overview-2020



Our Focus on Supporting Our Communities

Rural Development Program

Meezan Bank is working with notable stakeholders such as Karandaaz, Sindh Enterprise Development Fund (SEDF) & SBP Agriculture Schemes, aiming to go all out for the financial inclusion of rural masses. Through various partnerships, the Bank is addressing food security, sustainability and economic opportunity for the rural economy to generate benefits such as:

- Leveraging agri-based corporate relationships
- Program based SBP solar financing
- Financial inclusion: Rural baithaks (farmers literacy program)
- Agri value chain financing
- Leveraging Karandaaz & SEDF Platform

Extending support to farmers through Kissan Baithak

Meezan Bank & Bayer Pakistan have joined hands to build a meaningful collaboration for the facilitation of farmers. 'Kissan Baithak' (Farmers Literacy Program) is an innovative initiative that aims to develop collaboration between farmers and the Bank through a specifically-designed financial literacy and inclusion campaign. It aims to spread awareness regarding agricultural finance in rural areas to enhance the agricultural productivity. Kissan Biathak is an on-going activity that will serve multiple purposes among the following:

- Enhance interactions with farming community in the core agricultural belt of the country
- Resolve the farmers' queries about the Bank's Islamic products for the rural masses
- Utilize cross-selling strategies, as many rural farmers are unable to visit the branch or read the Bank's message on print/digital media

Multiple sessions of Farmer Literacy Program for Islamic Financial Solutions have also been organized in the rural villages of Badin, Hyderabad, Sahiwal, Sadiqabad, Depalpur, Okara, Yazman, Shorkot, Kunri, Layyah, Chistiyan, Multan and D.I. Khan.

Kissan Baithak Sessions



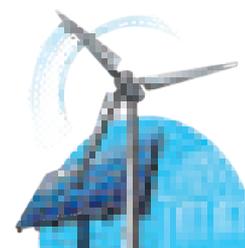
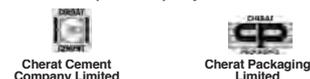
Our Focus on Energy Efficiency

Climate Action Through Lending to Renewable Energy

Meezan Bank is committed to driving growth for green banking initiatives and is therefore continuously exploring opportunities to support and finance environment friendly projects. In 2020, Meezan Bank led the financing of five wind power projects – with a total capacity of 200MW – the highest number of projects handled by any single local financial institution. These include:



In addition to the above wind energy projects, Meezan Bank has also led the financing of two solar power projects with a total capacity of 13MW as follows:



- The Bank has a comprehensive 'Green Banking Policy' in line with the instructions and guidelines of the State Bank of Pakistan duly approved in the Board Meeting of the Bank that outlines the compliance measures to be put in place to ensure smooth and transparent operations of the Bank.
- The Board of Directors has also implemented a Policy Framework that delineates broader guidelines to the Management for ensuring that adequate controls are maintained and risk is managed within acceptable limits.



Reducing Carbon Footprint through Renewable Energy Generation

The Bank's main energy sources include electricity, fuel and solar power. In an effort to reduce dependence on fuel-based energy sources, the Bank is gradually shifting a portion of its branches to solar power. In line with SBP Green Banking Guidelines, the Bank has designed Green Sustainability drive focusing on the these key areas:



We are working to ensure proper implementation of Green Sustainability drive in every region of Meezan Bank network, which includes following focus areas:

- | | |
|--|--|
| <ul style="list-style-type: none"> Conversion of Head Office (140 KW System) & 16 branches to clean solar energy reducing 220,000 kgs of CO2 Issuance of Energy Conservation Guidelines and targets Implementation of switching off electricity in case of non-usage Employee capacity building workshops and trainings along on Occupational Health, Emergency Response, Employee Coaching & Environmental Compliance, Fire Drills and How to be a safety warden. Implementation of auto fire extinguishers | <ul style="list-style-type: none"> Improvement on any possible hazard to health, safety, environment or electrical network of branches/offices Energy efficient building designs for new buildings Re-designed energy-saving branch signage Maintaining a large plantation section at the Head Office that utilizes recycled ablution water from the in-house mosque Implementation of electronic process flows, eco-printing campaign, tracking system for photocopied documents and e-statements Deployment of energy efficient ATMs |
|--|--|

Our Response to COVID-19

The year 2020 had been a very challenging year due to the COVID-19 pandemic. The Bank implemented various precautionary measures. In line with government guidelines, following steps were taken by Meezan Bank in order to curb the spread of COVID-19:

- 100% Mask Rule
- Social distancing
- Regular disinfection of frequently touched surfaces
- Mobilization of Emergency Response Team
- Staff travel history, contact tracing & health monitoring
- Awareness & knowledge campaigns for staff & customers
- Encouraging video conference and telecons
- Discontinuity of biometric (thumb) attendance
- Provision of masks and gloves for all staff
- Availability of sanitizers across the Bank
- Operation of Que-Matic (token) machines by floor officers to discourage frequent touching
- Encouraging digital banking channels
- Call Centre operations from various locations to ensure 24/7 availability
- Activation of BCP (parallel working from Primary and BCP sites)
- Back up arrangements of supplier/ vendors/branches
- Back up arrangements for branches

Sehat Kahani

During 2020, the Bank partnered with Sehat Kahani – an e-health services provider offering healthcare through telemedicine solutions to help the Bank's employees seek timely medical help without the added stress of travel amid the growing needs for social distancing.

Employee Support

With a keen eye on the developing situation, the Bank encouraged its customers and employees to shift to online services and work-from-home models. The Bank bore all relevant expenses of employees irrespective of test results (positive or negative). Furthermore, the Bank facilitated its employees through an electronic appraisal cycle, minimizing paper usage and exposure.

Takaful Mobile Application

During 2020, the Bank launched Takaful Mobile Application to facilitate its staff members in catering urgent health support needs.

Business Relief to Customers

The Bank has been proactive in facilitating its customers during COVID-19 by actively participating in SBP schemes/initiatives including:

- Financing repayment deferment and restructuring
- Islamic Temporary Economic Refinance Facility
- Islamic Refinance Facility to hospitals to combat COVID-19
- Islamic Refinance to companies for payment of wages and salaries of employees to prevent lay-offs
- Relaxing credit requirements for exporters and importers
- Waiving off charges for online fund transfers to encourage digital adoption



Quality Education

Through its strategic initiatives; Centers for Excellence in Islamic Finance at Lahore University of Management Sciences (LUMS), Institute of Business Administration (IBA) and IM Sciences (Peshawar), the Bank is making a substantial contribution in increasing the relevant skills for employment and entrepreneurship of youth in the country. The Bank has also supported IBA in arranging special training on Islamic finance for the finance faculty of Sindh universities arranged by Higher Education Commission of Pakistan.



Affordable and Clean Energy

After the Issuance of Islamic Financing Facility for Renewable Energy (IFRE) by State Bank of Pakistan (SBP), the Bank remains committed to promoting and leading green energy initiatives. The Bank provided solar panel financing to consumers on subsidized rates to encourage the use of environment-friendly power generation alternatives.



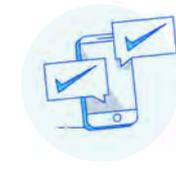
Decent Work and Economic Growth

The Bank extended Islamic Refinance Facility for wages and salaries to Corporate/SME customers to safeguard the workforce/labor from being laid off during the pandemic.



Innovation and Infrastructure

With an aim to make the banking process seamless as well as give the assurance of end-to-end Shariah compliance, the Bank launched Consumer Ease mobile application 'Meezan Souq' through which consumers can avail unsecured financing in a few clicks.



Reduced Inequalities

The Bank provided Technical Shariah Advisory to Akhuwat Islamic Microfinance Company, which is the largest Islamic microfinance entity operating in Pakistan. In order to facilitate the operations and promote Islamic modes of financing at the very basic level, various products were designed for Akhuwat. One of the most prominent products is rickshaw financing.

To encourage entrepreneurship, the Bank strived to develop the Islamic version of Prime Minister's Kamyab Jawan Scheme. This provided the youth with subsidized financing for their start-ups.



Sustainable Cities and Communities

In collaboration with Akhuwat Foundation, the Bank provided low-cost housing finance based on Diminishing Musharakah to the underserved community. Furthermore, the Bank was one of the leading parties in launching Prime Minister's Mera Pakistan Mera Ghar.

By partnering with Pakistan Mortgage Refinance Company (PMRC), the Bank enabled a Shariah-compliant housing facility at lower costs for the underserved community. Moreover, the Bank also helped PMRC in designing the Credit Guarantee Scheme to aid financial institutions that provide financing to low-cost housing community of Naya Pakistan Housing Scheme.



Partnerships for the Goal

The Bank's partnership with FINJA resulted in Pakistan's first digital Murabaha financing platform that is crucial in attaining the financial inclusion objectives set by SBP.

The Bank also provided various forms of financial services to different hospitals, laboratories, blood banks, etc. in the form of cash management services, zakat, donation collection, financing facilities, etc. Furthermore, the Bank supported various health institutions to increase their capacity by extending financing facilities mostly on *qard-e-hasna* basis.





Unconsolidated Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the members of Meezan Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Meezan Bank Limited, which comprise the unconsolidated statement of financial position as at 31 December 2020, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with unaudited certified returns received from the branches except for 28 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the 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 31 December 2020 and of the profit, the 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 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

6/4

Following is the key audit matter:

Key audit matter	How the matter was addressed in our audit
<p>1. Provision against Non Performing Islamic Financing</p> <p>The Bank's financing portfolio represents 34.91% of its total assets as of 31 December 2020. A substantial portion of the financing portfolio include corporate finances to public sector entities and large to small size businesses operating in diverse sectors of the economy.</p> <p>Covid-19 pandemic which emerged during the year impacted the global economy and caused disruption to economic activities and businesses operating across a variety of sectors in Pakistan. Such circumstances potentially require the Bank to evaluate its credit risk exposure which may have been impacted due to the current economic conditions.</p> <p>As per the Bank's accounting policy (refer note 6.3.2 to the unconsolidated financial statements), the Bank determines provisions against non-performing financings exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the borrower's economic, financial and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against financings as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non- performing financings are included in note 6.3.2, 11.9 and 11.10 respectively to the unconsolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Bank's process for identification and classification of non-performing financings. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired financings and declassification of accounts from non-performing to regular and vice versa, as the case may be. - We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; - In addition, we selected a representative sample of borrowers from the financings portfolios including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Bank and status of litigation, if any, with the borrower; - In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management. - We also assessed adequacy of disclosures as included in note 11 to the unconsolidated financial statements regarding the non-performing financings and provisions made for the same in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework.



Information Other than the Consolidated and Unconsolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

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

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

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

Management is responsible 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

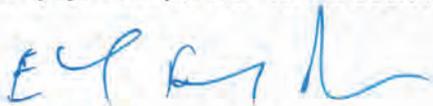
We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the 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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and 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 financings of the Bank.

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.



Chartered Accountants

Place: Karachi

Date: 25 February 2021

Unconsolidated Statement of Financial Position

As at December 31, 2020

	Note	2020	2019
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	7	136,242,495	92,193,361
Balances with other banks	8	19,445,879	15,372,233
Due from financial institutions - net	9	342,068,799	223,689,325
Investments - net	10	434,208,340	225,646,162
Islamic financing and related assets - net	11	512,531,930	493,775,346
Fixed assets	12	23,568,351	23,284,415
Intangible assets	13	1,079,961	780,381
Deferred tax asset	14	389,653	-
Other assets - net	15	52,024,055	46,517,031
		<u>1,521,559,463</u>	<u>1,121,258,254</u>
LIABILITIES			
Bills payable	16	26,494,006	17,186,807
Due to financial institutions	17	94,500,640	42,047,390
Deposits and other accounts	18	1,254,430,534	932,579,114
Sub-ordinated Sukuk	19	18,000,000	14,000,000
Deferred tax liabilities	14	-	2,829,858
Other liabilities	20	58,979,017	53,599,673
		<u>1,452,404,197</u>	<u>1,062,242,842</u>
NET ASSETS		<u>69,155,266</u>	<u>59,015,412</u>
REPRESENTED BY			
Share capital	21	14,147,228	12,861,116
Reserves	22	20,424,225	18,207,664
Unappropriated profit		29,021,521	18,545,797
Surplus on revaluation of assets - net of tax	23	5,562,292	9,400,835
		<u>69,155,266</u>	<u>59,015,412</u>
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 50 and Annexure 1 form an integral part of these unconsolidated financial statements.



Riyadh S. A. A.
Edrees
Chairman



Irfan Siddiqui
President &
CEO



Faisal A. A.
Al-Nassar
Director



Mubashar Maqbool
Director



Shabbir Hamza
Khandwala
Chief Financial Officer

Unconsolidated Profit and Loss Account

For the year ended December 31, 2020

	Note	2020	2019
Rupees in '000			
Profit / return earned on Islamic financing and related assets, investments and placements	25	106,589,059	94,270,461
Profit on deposits and other dues expensed	26	41,740,168	47,731,080
Net spread earned		64,848,891	46,539,381
OTHER INCOME			
Fee and Commission Income	27	5,913,990	6,174,644
Dividend income		623,683	341,464
Foreign Exchange Income		2,153,669	2,684,097
Gain / (loss) on securities - net	28	683,067	(417,599)
Other income	29	697,480	537,580
		10,071,889	9,320,186
Total income		74,920,780	55,859,567
OTHER EXPENSES			
Operating expenses	30	28,808,560	24,830,659
Workers Welfare Fund	20.7	872,949	609,524
Other charges	31	93,232	82,275
Total other expenses		29,774,741	25,522,458
Profit before provisions		45,146,039	30,337,109
Provisions and write offs - net	32	8,210,297	4,186,430
Extra ordinary / unusual items		-	-
Profit before taxation		36,935,742	26,150,679
Taxation	33	14,770,136	10,918,605
Profit after taxation		22,165,606	15,232,074
Rupees			
			Restated
Basic and diluted earnings per share	34	15.67	10.77

The annexed notes 1 to 50 and Annexure 1 form an integral part of these unconsolidated financial statements.



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Al-Nassar
Director



Mubashar Maqbool
Director



Shabbir Hamza
Khandwala
Chief Financial Officer

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2020

	Note	2020	2019
Rupees in '000			
Profit after taxation for the year		22,165,606	15,232,074
Other comprehensive income			
Items that may be reclassified to profit and loss account in subsequent periods:			
(Deficit) / surplus on revaluation of investments	23	(5,915,944)	14,547,307
Deferred tax on revaluation of investments		2,070,580	(5,091,557)
		(3,845,364)	9,455,750
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurements of defined benefit plan	37	67,548	124,144
Tax on remeasurements of defined benefit plan		(23,642)	(43,450)
		43,906	80,694
Surplus / (deficit) on revaluation of non - banking assets	23	10,494	(9,785)
Deferred tax on revaluation of non - banking assets		(3,673)	3,425
		6,821	(6,360)
Other comprehensive (loss) / income for the year		(3,794,637)	9,530,084
Total comprehensive income for the year		18,370,969	24,762,158

The annexed notes 1 to 50 and Annexure 1 form an integral part of these unconsolidated financial statements.



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Faisal A. A.
Al-Nassar
Director



Mubashar Maqbool
Director



Shabbir Hamza
Khandwala
Chief Financial Officer

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Capital reserves		Revenue reserves		Surplus / (deficit) on revaluation of		Total		
	Share capital	Share premium	Statutory reserve*	Non-Distributable Capital Reserve - Gain on Bargain Purchase	General reserve	Unappropriated profit		Investments	Non-banking Assets
Rupees in '000									
Balance as at January 01, 2019	11,691,924	2,406,571	9,570,365	3,117,547	66,766	13,525,765	(68,035)	22,152	40,333,055
Profit after taxation for the year	-	-	-	-	-	15,232,074	-	-	15,232,074
Other Comprehensive income / (loss) for the year - net of tax	-	-	-	-	-	80,694	9,455,750	(6,360)	9,530,084
	-	-	-	-	-	15,312,768	9,455,750	(6,360)	24,762,158
Transfer from surplus in respect of incremental depreciation of Non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	79	-	(79)	-
Transfer from surplus upon disposal of Non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	2,593	-	(2,593)	-
Other appropriations									
Transfer to statutory reserve	-	-	3,046,415	-	-	(3,046,415)	-	-	-
Transactions with owners recognised directly in equity									
Issue of bonus shares	1,169,192	-	-	-	-	(1,169,192)	-	-	-
Final cash dividend for the year 2018 @ Rs 2 per share	-	-	-	-	-	(2,338,385)	-	-	(2,338,385)
First interim cash dividend for the year 2019 @ Re 1 per share	-	-	-	-	-	(1,169,192)	-	-	(1,169,192)
Second interim cash dividend for the year 2019 @ Re 1 per share	-	-	-	-	-	(1,286,112)	-	-	(1,286,112)
Third interim cash dividend for the year 2019 @ Re 1 per share	-	-	-	-	-	(1,286,112)	-	-	(1,286,112)
	-	-	-	-	-	(6,079,801)	-	-	(6,079,801)
Balance as at December 31, 2019	12,861,116	2,406,571	12,616,780	3,117,547	66,766	18,545,797	9,387,715	13,120	59,015,412
Profit after taxation for the year	-	-	-	-	-	22,165,606	-	-	22,165,606
Other Comprehensive income / (loss) for the year - net of tax	-	-	-	-	-	43,906	(3,845,364)	6,821	(3,794,637)
	-	-	-	-	-	22,209,512	(3,845,364)	6,821	18,370,969
Other appropriations									
Transfer to statutory reserve	-	-	2,216,561	-	-	(2,216,561)	-	-	-
Transactions with owners recognised directly in equity									
Issue of bonus shares	1,286,112	-	-	-	-	(1,286,112)	-	-	-
Final cash dividend for the year 2019 @ Rs 2 per share	-	-	-	-	-	(2,572,224)	-	-	(2,572,224)
Interim cash dividend for the year 2020 @ Rs 4 per share	-	-	-	-	-	(5,658,891)	-	-	(5,658,891)
	-	-	-	-	-	(8,231,115)	-	-	(8,231,115)
Balance as at December 31, 2020	14,147,228	2,406,571	14,833,341	3,117,547	66,766	29,021,521	5,542,351	19,941	69,155,266

*This represents reserve created under section 21(i)(b) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 50 and Annexure 1 form an integral part of these unconsolidated financial statements.



Riyadh S. A. Adrees
Chairman



Irfan Siddiqui
President & CEO



Faisal A. A. Al-Nassar
Director



Mubashar Maqbool
Director



Shabbir Hamza Khandwala
Chief Financial Officer

Unconsolidated Cash Flow Statement

For the year ended December 31, 2020

	Note	2020	2019
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		36,935,742	26,150,679
Less: Dividend income		(623,683)	(341,464)
		36,312,059	25,809,215
Adjustments for non-cash charges and other items:			
Depreciation		2,180,160	1,711,278
Amortization		222,545	254,597
Non cash items related to right-of-use assets		3,363,212	3,127,929
Provisions and write offs - net		8,210,297	4,186,430
Charge for defined benefit plan		413,509	384,532
Gain on sale of fixed assets		(155,392)	(102,905)
		14,234,331	9,561,861
		50,546,390	35,371,076
(Increase) / decrease in operating assets			
Due from financial institutions		(118,379,474)	(38,874,725)
Islamic financings and related assets		(27,088,977)	15,732,429
Other assets		(5,473,111)	(18,437,316)
		(150,941,562)	(41,579,612)
Increase / (decrease) in operating liabilities			
Bills payable		9,307,199	(6,563,736)
Due to financial institutions		52,453,250	5,639,579
Deposits and other accounts		321,851,420	147,102,170
Other liabilities		2,059,979	5,759,621
		385,671,848	151,937,634
		285,276,676	145,729,098
Contribution to defined benefit plan		(244,062)	(323,223)
Income tax paid		(12,165,464)	(9,324,903)
Net cash flow from operating activities		272,867,150	136,080,972
CASH FLOW FROM INVESTING ACTIVITIES			
Net (investments) / redemption in			
- available for sale securities		(203,783,110)	(116,445,527)
- held to maturity securities		(10,571,003)	28,000,000
- associated entities		(10,005)	-
Dividends received		615,506	341,726
Investments in fixed assets		(3,661,205)	(4,913,840)
Investments in intangible assets		(522,125)	(410,444)
Proceeds from sale of fixed assets		229,333	163,833
Net cash used in investing activities		(217,702,609)	(93,264,252)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(2,815,651)	(2,447,737)
Issuance of Sub-ordinated Sukuk - Tier II		4,000,000	-
Dividend paid		(8,226,110)	(6,080,617)
Net cash used in financing activities		(7,041,761)	(8,528,354)
Increase in cash and cash equivalents		48,122,780	34,288,366
Cash and cash equivalents at the beginning of the year	35	107,565,594	73,277,228
Cash and cash equivalents at the end of the year	35	155,688,374	107,565,594

The annexed notes 1 to 50 and Annexure 1 form an integral part of these unconsolidated financial statements.



Riyadh S. A. A.
Edrees
Chairman



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Faisal A. A. A.
Al-Nassar
Director



Mubashar Maqbool
Director



Shabbir Hamza
Khandwala
Chief Financial Officer

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Bank Limited (the Bank) was incorporated in Pakistan on January 27, 1997, as a public limited company under the Companies Act, 2017 (previously Companies Ordinance, 1984), and its shares are quoted on the Pakistan Stock Exchange Limited. The Bank was registered as an 'Investment Finance Company' on August 8, 1997, and carried on the business of investment banking as permitted under SRO 585(I)/87 dated July 13, 1987, in accordance and in conformity with the principles of Islamic Shariah. A 'Certificate of Commencement of Business' was issued to the Bank on September 29, 1997.
- 1.2 The Bank was granted a 'Scheduled Islamic Commercial Bank' license on January 31, 2002 and formally commenced operations as a Scheduled Islamic Commercial Bank with effect from March 20, 2002, on receiving notification in this regard from the State Bank of Pakistan (the SBP) under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities.
- 1.3 The Bank was operating through eight hundred and fifteen branches as at December 31, 2020 (2019: seven hundred and sixty branches). Its registered office is at Meezan House, C-25, Estate Avenue, SITE, Karachi, Pakistan.
- 1.4 Based on the financial statements of the Bank for the year ended December 31, 2019, the VIS Credit Rating Company Limited has reaffirmed the Bank's medium to long-term as 'AA+' and the short-term rating as "A1+" with stable outlook.

2 BASIS OF PRESENTATION

The Bank provides Islamic financing and related assets mainly through Murabaha, Istisna, Tijarah, Ijarah, Diminishing Musharakah, Running Musharakah, Bai Muajjal, Musawammah, Service Ijarah, Wakalah, Wakalah Tul Istithmar, and Refinance under Islamic Export Refinance Scheme as well as various long term refinancing facility of the State Bank of Pakistan respectively as briefly explained in note 6.3.

The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable if so directed by the Resident Shariah Board Member (RSBM) of the Bank.

3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements (here-in-after referred to as "financial statements") have been prepared in accordance with the 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 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities Exchange Commission of Pakistan (SECP).

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

3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated August 26, 2002 till further instructions. Further, SBP vide its BPRD Circular No. 04 of 2019 dated October 23, 2019 directed the banks in Pakistan to implement IFRS 9 'Financial Instruments' with effect from 01 January 2021. SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 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 SBP through various circulars.

3.3 The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposit' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these financial statements.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

3.3.1 IFRS10 "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 requirement of consolidation under section 228 of the 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.

3.4 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year

The Bank has adopted the following accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments were intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business. IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.
- IFRS 14 'Regulatory Deferral Accounts' permits an entity to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of standard and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required.
- IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which became effective during the year for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The above mentioned accounting standards and amendments of IFRSs did not have any material impact on these unconsolidated financial statements.

3.5 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

3.5.1 IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated October 23, 2019 directed the banks in Pakistan to implement IFRS 9 with effect from January 01, 2021. IFRS 9 replaced the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has complied with the requirement of BPRD Circular Letter No. 15 of 2020 regarding quarterly parallel run of IFRS 9 from July 01, 2020.

3.5.2 COVID-19-Related Rent Concessions (Amendment to IFRS 16)

The IASB has issued amendments to IFRS 16 (the amendments) to provide optional practical relief for lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

3.5.3 Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for accounting periods beginning on or after January 01, 2021:

Standard and Amendments	Effective date (accounting periods beginning on or after)
- IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract, (Amendments)	January 01, 2022
- Interest Rate Benchmark Reform – Phase 2	January 01, 2021
- Annual Improvement to IFRS standards 2018 - 2020	January 01, 2022
- IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	January 01, 2022
- IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 01, 2022
- IAS 1 - Classification of liabilities as current or non-current (Amendments)	January 01, 2022
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

The above standards, amendments and improvements are not expected to have any material impact on the financial statements of the Bank for the future periods.

Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standards	Effective date (accounting periods beginning on or after)
- IFRS 1 - First time adoption of IFRSs	January 01, 2004
- IFRS 17 - Insurance Contracts	January 01, 2023

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise judgments in the process of applying the Bank's accounting policies. The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgement was exercised in the application of the accounting policies are as follows:

- Classification of investments in accordance with the Bank's policy (notes 6.4 and 10);
- Provision against non-performing Islamic financing and related assets (notes 6.3.2 and 11);
- Impairment of investments in equity instruments (notes 6.4.5, 10 and 32);
- Accounting for defined benefit plan (notes 6.11 and 37);
- Depreciation / amortisation of fixed assets and intangible assets (notes 6.5, 12 and 13);
- Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.6, 19, 20 and 33); and
- Determination of the lease term and incremental fund acceptance rate for lease contracts of various properties used by the Bank's branches (notes 6.5.2, 12 and 20).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5 BASIS OF MEASUREMENT

5.1 These unconsolidated financial statements have been prepared under the historical cost convention except that certain available for sale investments, foreign currency balances, Non-banking assets acquired in satisfaction of claims and certain foreign foreign exchange commitments have been marked to market and carried at fair value in accordance with the requirements of the SBP. In addition, obligation in respect of staff retirement benefit and employees compensated leave balances are carried at present value as per actuarial valuation.

5.2 Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5.3 Rounding off

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these unconsolidated financial statements are set out below.

6.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks and balances with other banks in current and deposit accounts.

6.2 Due to / from financial institutions

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. Bai Muajjal with the Federal Government is classified as investment.

Musharaka / Mudaraba

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

Musharaka from the SBP under IERS

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

Mudaraba investment from the SBP under various long term Islamic refinance schemes

Under various long term Islamic refinance schemes of the SBP, the Bank accepts funds from the SBP which are received on Mudaraba basis for investment in general pool of the Bank. The profit of the pool is shared as per the announced profit sharing ratio of the pool and the weightages assigned to these investments.

6.3 Islamic financing and related assets

Murabaha

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

Ijarah

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received / receivable on Ijarah under Islamic Financial Accounting Standard - 2 'Ijarah' (IFAS 2) are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijarah of respective assets to mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method. Ijarah rentals outstanding are disclosed in 'other assets' on the Statement of Financial Position at amortized cost. Impairment of Ijarah assets is determined in accordance with the Prudential Regulations issued by the SBP. The provision for impairment of Ijarah assets is shown as part of 'Islamic financing and related assets'.

Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold by the customer on behalf of the Bank and the amount hence financed along with profit is paid to the Bank.

Tijarah

In Tijarah financing, the Bank purchases specific goods / commodities on cash basis from its customers which is then onward sold by the customer on behalf of the Bank and on subsequent sale, the financed amount along with profit is paid by the customer to the Bank.

Diminishing Musharakah

In Diminishing Musharakah financing, the Bank enters into Musharakah based on Shirkat-ul-milk for purchasing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers. The customers pay periodic profit as per the agreement for the utilisation of the Bank's Musharakah share and also periodically purchase the Bank's share over the tenure of the transaction.

Running Musharakah

In Running Musharakah financing, the Bank enters into financing with the customer based on Shirkatul Aqd or Business Partnership in the customer's operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah Period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half yearly / annual accounts of the customer.

Bai Muajjal

In Bai Muajjal financing, the Bank sells Shariah compliant sukuk on credit to customers. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

Service Ijarah

In Service Ijarah financing, the Bank provides financing by acquiring certain agreed services from the customer. After the purchase of services, the Bank appoints the customer to sell these services in the market over a period and provide a sale confirmation of such sale. The profit is only accrued from the date of receipt of such confirmation.

Wakalah

Wakalah is an agency or a delegated authority where the Muwakkil (principal) appoints the Wakil (agent) to carry out a specific job on behalf of the Muwakkil. Funds disbursed are initially recorded as 'Advance against Wakalah'. On culmination, the same are recorded as financing.

Wakalah tul Istithmar

In Wakalah tul Istithmar financing, the Bank enters into investment agency transaction with customer acting as an agent of the Bank. Under this mechanism, the funds disbursed are invested by the customer on behalf of the Bank and are recorded as financing upon their investment in the business. At the end of each quarter / half year / other defined period, the customer pays the provisional profit which is subject to adjustment upon actual declaration of wakala business performance by the agent.

Musawammah

In Musawammah financing, the Bank purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

6.3.1 Islamic financing and related assets are stated net of specific and general provisions against non-performing Islamic financing and related assets which are charged to the profit and loss account.

Funds disbursed, under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financing are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

6.3.2 Provision against non-performing Islamic financing and related assets

Specific provision

The Bank determines provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP.

General provision

In accordance with Prudential Regulations issued by the SBP, general provision against consumer financing and house financing are maintained at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages range from 0.5% to 2.5% for secured and 4% to 7% for unsecured portfolio.

In addition to the above mentioned requirements, the Bank has also maintained a general provision in respect of financing against potential losses as may be present in the portfolio. This provision is based on management's best estimate and is approved by the Board of Directors of the Bank.

The net provisions made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

6.3.3 Inventories

The Bank values its inventories at the lower of cost and net realisable value.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale.

6.4 Investments

6.4.1 Classification

The Bank classifies its investments as follows:

- Held for trading

These are investments which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

- **Held to maturity**

These are investments with fixed or determinable payments and maturity that the Bank has the positive intent and ability to hold till maturity.

- **Available for sale**

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

- **Associates**

Associates are all entities over which the Bank has significant influence but not control.

- **Subsidiary**

Subsidiary is an entity over which the Bank has control.

6.4.2 Regular way contracts

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

6.4.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

6.4.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

- **Held for trading**

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the net profit and loss for the year.

- **Held to maturity**

These are measured at amortised cost using the effective profit rate method, less any impairment loss recognised to reflect irrecoverable amount.

- **Available for sale**

In accordance with the requirements specified by the SBP, quoted securities (other than those classified as 'held to maturity' and 'investments in associates and subsidiary'), are subsequently re-measured to market value. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in other unquoted securities are valued at cost less impairment losses, if any.

Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the Statement of Other Comprehensive Income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period.

- **Investment in associates and subsidiary**

Investment in associates and subsidiary is carried at cost less accumulated impairment losses, if any.

6.4.5 Impairment

Available for sale and Held to maturity investments

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk certificates is made as per the Prudential Regulations issued by the SBP. In case of impairment in available-for-sale investments, the related loss previously reported in other comprehensive income is transferred to profit and loss for period. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

Investment in associates and subsidiary

In respect of investment in associates and subsidiary, the Bank reviews their carrying values at each reporting date to assess whether there is an indication of impairment. The amount of impairment loss would be determined based on the higher of value in use and fair value less cost to sell. Impairment loss is recognised in the profit and loss account.

6.5 Operating fixed assets

6.5.1 Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. Items of fixed assets costing Rs 20,000 or less are not capitalised and are charged off in the month of purchase. Profit or loss on disposal of fixed assets is included in the profit and loss account currently.

6.5.2 Right-of-use assets and Lease liabilities

At the inception of the contract, the Bank assesses whether a contract is, or contains, a lease. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within note 12 and are subject to impairment in line with the Bank's policy as described in note 6.5.8.

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental fund acceptance rate to measure lease liabilities.

6.5.3 Intangible assets

Intangible assets comprise of computer software. Intangible assets with definite useful lives are stated at cost less accumulated amortisation and impairment losses (if any).

6.5.4 Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognised 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 expenditure are charged to the profit and loss account as and when incurred.

6.5.5 Depreciation / amortisation

Depreciation / amortisation is charged to the profit and loss account by applying the straight line method in accordance with the rates specified in notes 12.2 and 13 whereby the depreciable value of an asset is written off over its estimated service life. The Bank charges depreciation / amortisation from the month of acquisition and upto the month preceding the disposal. Right-of-use assets are depreciated on a straight line basis over the lease term specified in note 12.3.

6.5.6 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

6.5.7 Useful lives and residual values

Useful lives and residual values are reviewed at each Statement of Financial Position date and adjusted if impact on depreciation / amortisation is significant.

6.5.8 Impairment

The Bank assesses at each Statement of Financial Position date whether there is any indication that the operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in the profit and loss account.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

6.6 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

The charge for current taxation is based on expected taxable income for the year at the current rates of taxation, after taking into consideration available tax credits, rebates, tax losses, etc. The charge for current tax also includes adjustments to tax payable in respect of previous years including those arising from assessments finalised during the year and are separately disclosed.

Deferred

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences relating to initial recognition of goodwill, initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

In making the estimates for current and deferred taxes, the management considers the income tax law and the decisions of appellate authorities on certain issues in the past.

6.7 Non-banking assets acquired in satisfaction of claims

The non banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. The useful lives are reviewed annually and adjusted, if appropriate. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of property, if any, is credited to the 'surplus on revaluation of assets' account in the statement of other comprehensive income. Any deficit arising on revaluation is taken to profit and loss account directly. On derecognition of the assets, the cumulative gain or loss previously reported in other comprehensive income is transferred directly to unappropriated profit in the statement of changes in equity. Legal fees, transfer cost and direct cost of acquiring title to property is charged to the profit and loss account.

6.8 Deposits

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

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors, however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of the Bank. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio between Rab-ul-Maal and Mudarib. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 50% of their profit as Incentive profits (Hiba).

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

6.9 Sub-ordinated Sukuk

The Bank records sub-ordinated sukuk initially at the amount of proceeds received. Profit accrued on sub-ordinated sukuk is charged to the profit and loss account.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

6.10 Pool Management

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

Under the general deposits pools, the Bank accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financing, investments and placements. When utilising investing funds, the Bank prioritizes the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to the Bank's customers and liquidity management respectively under the Musharakah / Mudaraba modes.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool along with related fee income, if any. The directly related costs comprise of depreciation on ijarah assets, takaful premium, documentation charges etc. No expense of general or administrative nature is charged to the pools. No provisions 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 Musharakah 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. During the year, the Bank has given General Hiba to the depositors of Rupee General Pool, keeping in view the prescribed guidelines of Pool Management provided by the SBP and with the approval of the Bank's Resident Shariah Board Member. However, Hiba are given at the sole discretion of the Bank without any contractual commitment and can be withdrawn or reduced by the Bank at its sole discretion.

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool. As per the Bank's policy, relatively low risk / secured financing transactions and assets are allocated to general depositors pool of Rupee, USD, GBP and Euro. The Bank maintains General Pools (Rupee, USD, EUR, GBP), FI Pools, IERS pool and Equity pool. The general pools are exposed to general credit risk, asset ownership risk and profit rate risk of the underlying assets involved.

General Pools:

For General Pools (Rupee, USD, EUR, GBP), the Bank allocates PKR financing to Corporate, Commercial, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business as mentioned in note 46.1.1.3. Investments in Sovereign Guaranteed Sukuk, and Bai Muajjal with State Bank of Pakistan, are also done through General Pools. All remunerative deposits are tagged to these general pools and their funds generated from the depositors are invested on priority basis. Investments from the SBP under various long term Islamic refinance schemes, and sub-ordinated sukuks are also remunerated through the Rupee General Pool. Due to limited investment options in USD, GBP and EURO pool, funds from foreign currency pools are invested in available International Sukuk, Shariah Compliant Nostro accounts, foreign currency financing and the remaining funds are taken out and invested in Rupee general pool as part of equity. In such cases return from Rupee General Pool is given back to foreign currency pools, so that returns can be passed on to foreign currency pool customers accordingly. The Bank as Mudarib in the general pools is responsible for financing costs / assets such as land, building, furniture, fixtures, computers and IT system from its own sources / equity.

IERS Pools:

The IERS pool assets comprise of sovereign guaranteed sukuk, and financing to / sukuk of mainly blue chip companies and exporters as allowed under the applicable rules and regulations, and as such are exposed to lower credit risk. The Musharakah with SBP under IERS is tagged to the IERS pool.

FI Pools:

The FI pool assets generally comprise of sovereign guaranteed sukuk and financing under diminishing musharakah mode only and the related liability of the FI pool comprise of Musharakah / Mudarabah from other banks and financial institutions. These pools are created to meet the liquidity requirements of the Bank.

Equity Pools:

All other assets including fixed assets, exposure in shares, Rupee bai-salam financing and subsidized financing to the Bank's employees are tagged to equity pool. To safeguard the interest of customers, all high risk investments are also done through equity pool.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

6.11 Staff retirement benefits

Defined benefit plan

The Bank operates an approved Gratuity Funded Scheme for its permanent employees. The scheme was approved by the tax authorities in April 2000. The liability recognised in respect of Gratuity Funded Scheme is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2020.

The Bank also operates End of Service Unfunded Defined Benefit Scheme as approved by the Board of Directors for the benefit of the founding President and Chief Executive Officer of the Bank. The defined benefit obligation for this benefit has been calculated by an independent actuary using the projected unit credit method. The valuation has been conducted as on December 31, 2020.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the Statement of Financial Position immediately, with a charge or credit to "Other Comprehensive Income" in the periods in which they occur. The actuarial valuations involve assumptions of discount rates, expected rates of return on assets, future salary increases and future inflation rates as disclosed in note 37.

Defined contribution plan

The Bank also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

6.12 Compensated absences

The Bank recognises liability in respect of employees compensated absences in the period in which these are earned upto the date of Statement of Financial Position. The provision is recognised on the basis of actuarial valuation using projected unit credit method.

6.13 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the date of Statement of Financial Position are considered as non adjusting events and are recorded in the financial statements in the year in which these are approved by the directors / shareholders as appropriate.

6.14 Foreign currency transactions

Transactions and balances

Foreign currency transactions are recorded in rupees at exchange rates prevailing on the date of transaction. Monetary assets, monetary liabilities and contingencies and commitments in foreign currencies except forward commitments (promises) are reported in Rupees at exchange rates prevalent on the date of Statement of Financial Position.

Forward commitments other than those with the SBP relating to the foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange commitments. Forward commitments with the SBP relating to foreign currency deposit, are valued at spot rate prevailing at the date of Statement of Financial Position. Exchange gains and losses are included in the current year profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange transactions are disclosed at the rates applicable at the reporting date. Contingent liabilities / commitments for letters of credit, and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

Translation gains and losses are included in the profit and loss account.

6.15 Provisions and contingent assets and liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

6.16 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as on-balance sheet transactions and related balances are disclosed under other assets and other liabilities.

6.17 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the approved accounting standards as applicable in Pakistan.

6.18 Revenue recognition

- i) Profit on Murabaha (including Commodity Murabaha) and Musawammah is recognised on an accrual basis. Profit on murabaha and musawammah transactions for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately upon the later date.
- ii) Rentals on Ijarah contracts are recognised as income on an accrual basis.
- iii) Profit on Bai Muajjal transaction is recognised on an accrual basis.
- iv) Profit on Diminishing Musharakah financing is recognised on an accrual basis.
- v) Profit on Running Musharakah financing is recognised on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.
- vi) Profit on Tijarah and Istisna financing is recognised on an accrual basis commencing from time of sale of goods till the realisation of sale proceeds by the Bank.
- vii) Profit on Service Ijarah is recognised on an accrual basis commencing from the date of confirmation of sale.
- viii) Profit on Wakalah tul Istithmar / Wakalah is recognized on an accrual basis and is commensurate with the Wakalah business performance/ work done by the agent.
- ix) Profit on Sukuk is recognised on an accrual basis. Where Sukuk (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity.
- x) Commission on letters of credit, acceptances and guarantees is recognised on receipt basis, except for commission on guarantees in excess of Rs 200,000 which is recognised over the period of the guarantee.
- xi) The Bank earns fee and commission income from certain non-funded banking services. The related fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has fully provided the service to the customer. Where the contract requires services to be provided over time, the income is recognised on a systematic basis over the life of the related service.
- xii) Dividend income is recognised when the Bank's right to receive dividend is established.
- xiii) Gain or loss on sale of investments is included in the profit and loss account.
- xiv) Gain or loss on disposal of fixed assets, intangible assets, ijarah assets and musharaka assets is taken to the profit and loss account in the period in which they arise.
- xv) Profit suspended in compliance with the Prudential Regulations issued by the SBP is recognized on receipt basis. Profit on rescheduled / restructured financing and investments is recognised as permitted by the SBP.

6.19 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. Operating segments are reported in a manner consistent with the internal reporting provided to the management. Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

6.19.1 Business segments

Corporate and Commercial Banking

It includes trade finance, export finance, project finance, Ijarah, guarantees and bills of exchange relating to its Corporate and Commercial customers, investment banking, syndications, IPO related activities (excluding investments), secondary private placements, underwriting and securitisation.

Retail Banking

It includes retail financing, deposits and banking services offered to its retail customers and small and medium enterprises.

Trading and Sales

It includes equity, foreign exchanges, commodities, own securities and placements.

Others

It includes functions which cannot be classified in any of the above segments.

6.19.2 Geographical segments

The Bank operates only in Pakistan.

6.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing profit after tax for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year. EPS is retrospectively adjusted for the effect of bonus shares issued.

Diluted EPS is calculated by dividing the net profit of Bank (after adjusting for return and related tax impact) on the convertible instruments by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Note	2020	2019
7 CASH AND BALANCES WITH TREASURY BANKS			
		Rupees in '000	
In hand			
- local currency		27,356,626	14,487,106
- foreign currencies		3,477,535	1,854,081
With the State Bank of Pakistan in			
- local currency current accounts	7.1	51,975,020	33,981,833
- foreign currency current accounts	7.1	8,542,148	6,609,487
With the National Bank of Pakistan in			
- local currency current accounts		42,518,016	35,077,734
National Prize Bonds	7.2	2,373,150	183,120
		136,242,495	92,193,361

7.1 These include local and foreign currency amounts required to be maintained by the Bank with the SBP as stipulated by the SBP. These accounts are non-remunerative in nature.

7.2 The bank, as a matter of Shariah principle, does not deal in prize bonds. These represent the national prize bonds received from customers for onward surrendering to SBP.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

8 BALANCES WITH OTHER BANKS	Note	2020	2019
Rupees in '000			
In Pakistan			
- in current accounts		7,055,015	7,723,912
- in deposit accounts	8.1	6,000,000	3,750,000
Outside Pakistan			
- in current accounts		2,234,338	1,876,378
- in deposit accounts	8.2	4,156,526	2,021,943
		<u>19,445,879</u>	<u>15,372,233</u>

8.1 The return on these balances is 7.25% (2019: 10.16%) per annum.

8.2 The return on these balances is 0.08% (2019: 1.56%) per annum.

9 DUE FROM FINANCIAL INSTITUTIONS - NET	Note	2020	2019
Rupees in '000			
Bai Muajjal:			
With Scheduled Banks / financial institution - Secured	9.1	327,277,079	208,096,873
With State Bank of Pakistan		-	13,682,452
With other Financial Institution		15,500	15,500
	9.2	327,292,579	221,794,825
Musharakah	9.3	6,800,000	1,910,000
Wakalah	9.4	7,991,720	-
Commodity Murabaha	9.5	26,066	26,066
		342,110,365	223,730,891
Provision against non-performing amounts due from financial institutions	9.6	(41,566)	(41,566)
		<u>342,068,799</u>	<u>223,689,325</u>

9.1 The average return on this product is 7.86% (2019: 13.05%) per annum. The balances have maturities ranging between January 2021 to July 2025 (2019: January 2020 to October 2020). These Bai Muajjal are secured against Federal Government securities received as collateral and having market value of Rs 331,235 million as at December 31, 2020 (2019: Rs 215,020 million).

	2020	2019
Rupees in '000		
9.2 Bai Muajjal Placements	359,456,164	240,471,829
Less: Deferred Income	(24,329,336)	(8,990,054)
Profit Receivable shown in other assets	(7,834,249)	(9,686,950)
Bai Muajjal Placements	<u>327,292,579</u>	<u>221,794,825</u>

9.3 The average return on this product is 7.15% (2019: 11.25%) per annum. The balances are maturing latest by March 2021 (2019: January 2020).

9.4 The average return on this product is 0.05% (2019: Nil) per annum. The balances are maturing latest by January 2021 (2019: Nil). These balances are placed outside Pakistan.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	Rupees in '000	
9.5 Particulars of due from financial institutions		
In local currency	334,118,645	223,730,891
In foreign currencies	7,991,720	-
	<u>342,110,365</u>	<u>223,730,891</u>

9.6 Category of classification	2020		2019	
	Non-performing due from financial institutions	Provision held	Non-performing due from financial institutions	Provision held
	Rupees in '000			
Loss	<u>41,566</u>	<u>41,566</u>	<u>41,566</u>	<u>41,566</u>

10 INVESTMENTS - NET

10.1 Investments by types

Note	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
Available for sale securities								
- Federal Government Securities	275,917,850	-	(380,076)	275,537,774	96,658,346	-	(213,851)	96,444,495
- Shares (including units of fund)	7,144,667	2,104,045	2,849,881	7,890,503	6,809,714	2,201,501	1,674,958	6,283,171
- Non Government Sukuk	126,106,990	79,348	5,504,818	131,532,460	101,427,363	162,883	12,662,650	113,927,130
- Foreign Securities	7,216,711	-	552,073	7,768,784	7,774,672	-	318,883	8,093,555
	<u>416,386,218</u>	<u>2,183,393</u>	<u>8,526,696</u>	<u>422,729,521</u>	<u>212,670,095</u>	<u>2,364,384</u>	<u>14,442,640</u>	<u>224,748,351</u>
Held to maturity securities								
- Federal Government Securities	10,571,003	-	-	10,571,003	-	-	-	-
In related parties								
Subsidiary (unlisted)								
- Shares	63,050	-	-	63,050	63,050	-	-	63,050
Associates (listed)								
- Units of funds	844,766	-	-	844,766	834,761	-	-	834,761
Total Investments	<u>427,865,037</u>	<u>2,183,393</u>	<u>8,526,696</u>	<u>434,208,340</u>	<u>213,567,906</u>	<u>2,364,384</u>	<u>14,442,640</u>	<u>225,646,162</u>

10.1.1 Details of investment in subsidiary and associates

	2020						
	Percentage of holding	Assets	Liabilities	Revenue	Profit after taxation	Total comprehensive income	Market Value (Net Assets Share)
	Rupees in '000						
Subsidiary (unlisted)							
Al Meezan Investment Management Limited	65%	4,661,885	1,048,994	1,832,936	794,611	770,570	N/A
Associates (listed and open ended)							
Meezan Balanced Fund	7%	4,566,990	148,860	426,334	288,668	288,668	294,444
Al Meezan Mutual Fund	8%	4,962,120	184,769	425,460	273,987	273,987	381,314
Meezan Islamic Fund	2%	32,004,508	1,036,984	3,107,765	2,184,977	2,184,977	737,899
Meezan Gold Fund	21%	479,711	12,080	112,078	95,964	95,964	96,116
KSE Meezan Index Fund	6%	2,596,853	60,028	246,060	203,294	203,294	143,974

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2019						
	Percentage of holding	Assets	Liabilities	Revenue	Profit after taxation	Total comprehensive income	Market Value (Net Assets Share)
Rupees in '000							
Subsidiary (unlisted)							
Al Meezan Investment Management Limited	65%	4,290,160	947,839	1,576,434	557,709	566,794	N/A
Associates (listed and open ended)							
Meezan Balanced Fund	6%	4,809,980	128,436	418,138	233,297	233,297	291,045
Al Meezan Mutual Fund	7%	5,237,358	200,705	191,547	12,091	12,091	358,384
Meezan Islamic Fund	2%	30,702,005	1,027,243	1,549,108	572,878	572,878	718,937
Meezan Gold Fund	22%	371,688	10,835	92,783	78,111	78,111	78,305
KSE Meezan Index Fund	7%	2,035,666	122,717	159,648	121,731	121,731	136,049

Subsidiary and associates are incorporated / registered in Pakistan. Shares in subsidiary are placed in custody account with Central Depository Company of Pakistan and cannot be sold without the prior approval of SECP in accordance with the SECP's circular No. 9 of 2006 dated June 15, 2006.

10.2 Investments by segments

	Note	2020				2019			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000									
Federal Government Securities									
- GoP Ijarah Sukuk	10.5.1 & 10.6	179,145,514	-	(380,076)	178,765,438	13,006,137	-	(213,851)	12,792,286
- Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)		106,876,904	-	-	106,876,904	83,652,209	-	-	83,652,209
- Pak Rupee Islamic Naya Pakistan Certificate		342,284	-	-	342,284	-	-	-	-
- US Dollars Islamic Naya Pakistan Certificate		124,151	-	-	124,151	-	-	-	-
		286,488,853	-	(380,076)	286,108,777	96,658,346	-	(213,851)	96,444,495
Shares									
Listed Companies	10.5.2	6,572,789	2,052,325	2,849,881	7,370,345	5,958,932	2,089,064	1,674,958	5,544,826
Unlisted Companies	10.5.3	571,878	51,720	-	520,158	850,782	112,437	-	738,345
		7,144,667	2,104,045	2,849,881	7,890,503	6,809,714	2,201,501	1,674,958	6,283,171
Non Government Sukuk									
Listed	10.2.1 & 10.5.4	111,737,601	-	5,504,818	117,242,419	84,700,000	-	12,662,650	97,362,650
Unlisted	10.5.4	14,369,389	79,348	-	14,290,041	16,727,363	162,883	-	16,564,480
		126,106,990	79,348	5,504,818	131,532,460	101,427,363	162,883	12,662,650	113,927,130
Foreign Securities									
Government Sukuk	10.5.5	4,807,602	-	432,693	5,240,295	4,666,473	-	259,952	4,926,425
Non Government Sukuk	10.5.5	2,398,720	-	119,380	2,518,100	3,097,810	-	58,931	3,156,741
Shares	10.5.5	10,389	-	-	10,389	10,389	-	-	10,389
		7,216,711	-	552,073	7,768,784	7,774,672	-	318,883	8,093,555
Associates									
Meezan Balanced Fund		161,345	-	-	161,345	161,345	-	-	161,345
Al Meezan Mutual Fund		312,371	-	-	312,371	302,366	-	-	302,366
Meezan Islamic Fund		221,050	-	-	221,050	221,050	-	-	221,050
Meezan Gold Fund		50,000	-	-	50,000	50,000	-	-	50,000
KSE Meezan Index Fund		100,000	-	-	100,000	100,000	-	-	100,000
		844,766	-	-	844,766	834,761	-	-	834,761
Subsidiary									
Al Meezan Investment Management Limited	10.7	63,050	-	-	63,050	63,050	-	-	63,050
Total Investments		427,865,037	2,183,393	8,526,696	434,208,340	213,567,906	2,364,384	14,442,640	225,646,162

10.2.1 This represents investment in Pakistan Energy Sukuk-I and Pakistan Energy Sukuk-II issued by Power Holding Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	Rupees in '000	
10.3 Provision against diminution in value of investments		
Opening balance	2,364,384	1,274,845
Charge / (reversals) for the year		
On available for sale securities		
- charge for the year on equity investments	290,244	1,385,492
- reversals for the year upon recovery on debt instruments	(16,548)	(7,752)
- reversals on disposals of equity investments	(387,700)	(288,201)
	(114,004)	1,089,539
Amount written off	(66,987)	-
Closing balance	2,183,393	2,364,384

10.4 Particulars of provision against Sukuk

Category of classification	2020		2019	
	Non-performing Investment	Provision held	Non-performing Investment	Provision held
	Rupees in '000			
Domestic				
Loss	79,348	79,348	162,883	162,883

10.5 Quality of Available for Sale Securities

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

	Cost	
	2020	2019
	Rupees in '000	
10.5.1 Federal Government Securities		
Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)	106,876,904	83,652,209
Government of Pakistan Ijarah Sukuk (Government Guaranteed)		
GIS VRR-18	10,513,101	-
GIS VRR-19	25,600,000	-
GIS VRR-20	16,916,800	-
GIS VRR-21	50,176,112	-
GIS FRR-04	10,295,021	-
GIS VRR-22	55,073,477	-
GOP Ijarah Sukuk - GISF-3	-	13,006,137
	168,574,511	13,006,137
Pak Rupee Islamic Naya Pakistan Certificate	342,284	-
US Dollars Islamic Naya Pakistan Certificate	124,151	-
	275,917,850	96,658,346
10.5.2 Shares - Listed		
Automobile Assembler	36,913	95,934
Construction and materials (cement)	1,072,117	930,380
Power Generation and Distribution	153,249	173,286
Oil and Gas Marketing Companies	480,866	791,579
Oil and Gas Exploration Companies	1,532,171	1,564,981
Fertilizers	577,403	535,578
Chemicals	427,294	385,910
Pharmaceuticals	837,521	490,964
Investment Companies	-	15,227
Modarabas	66,390	66,390
Technology and Communication	72,203	55,920
Paper and Board	667,628	306,866
Textile (Composite)	249,596	191,232
Glass and Ceramics	-	96,523
Vanaspati and Allied Industries	121,367	-
Engineering	278,071	258,162
	6,572,789	5,958,932

Notes to and forming part of the Unconsolidated Financial Statements

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10.5.3	Shares - Unlisted	Cost		Breakup value per share*	
		2020	2019	2020	2019
		Rupees in '000		Rupees	
	Sapphire Electric Company Limited	318,638	318,864	38.99	31.58
	Daewoo Pakistan Express Bus Service Limited	253,240	253,240	55.74	56.66
	Fatima Energy Limited	-	250,553	N/A	8.70
	Pak Kuwait Takaful Company Limited	-	28,125	N/A	0.60
		<u>571,878</u>	<u>850,782</u>		

* Based on latest available audited financial statements

10.5.4	Non Government Sukuk	Cost	
		2020	2019
		Rupees in '000	
	Listed		
	- Government guaranteed	111,737,601	84,700,000
	Unlisted		
	- Government guaranteed	10,503,470	11,690,970
	Unlisted		
	Credit Ratings		
	- AA / AA+, AA, AA-	1,280,000	1,800,000
	- A / A+, A, A-	2,506,571	3,073,510
	- Unrated	79,348	162,883
		<u>3,865,919</u>	<u>5,036,393</u>
		<u>126,106,990</u>	<u>101,427,363</u>

10.5.5	Foreign Securities Government Sukuk	Rating		Cost	
		2020	2019	2020	2019
				Rupees in '000	
	Saudi Arabia	A	A	796,581	771,178
	Qatar	Aa3	Aa3	803,530	780,524
	Indonesia	Baa2	Baa2	2,399,421	2,325,047
				<u>3,999,532</u>	<u>3,876,749</u>
	Non Government Sukuk - Unlisted				
	Credit Ratings				
	- Aa3 / A			1,597,680	2,320,891
	- A2			808,070	789,724
	- Baa1			801,040	776,919
				<u>3,206,790</u>	<u>3,887,534</u>
	Equity securities - Unlisted				
	S.W.I.F.T. SCRL			10,389	10,389
				<u>7,216,711</u>	<u>7,774,672</u>

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

Federal Government Securities - Government guaranteed	
GIS FRR-04	<u>10,571,003</u>

The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Rs 10,504 million (2019: Nil).

10.7	Investment in subsidiary	Cost		Breakup value per share*	
		2020	2019	2020	2019
		Rupees in '000		Rupees	
	Al Meezan Investment Management Limited	63,050	63,050	669.10	668.46

* Based on latest available audited financial statements

Notes to and forming part of the Unconsolidated Financial Statements

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11	ISLAMIC FINANCING AND RELATED ASSETS - NET	Note	2020	2019
			Rupees in '000	
	In Pakistan:			
	Murabaha financing and related assets			
	- Murabaha financing	11.1	7,292,120	8,633,318
	- Advances against Murabaha		2,986,634	4,902,247
	- Murabaha inventory		1,407,894	2,095,550
	- Financing under Islamic Export Refinance - Murabaha	11.2	873,321	369,441
	- Inventory under Islamic Export Refinance - Murabaha		17,779	-
	- Advance against Islamic Export Refinance - Murabaha		1,008,181	540,715
			13,585,929	16,541,271
	Running Musharakah financing			
	- Running Musharakah financing		102,571,519	129,472,197
	- Financing under Islamic Export Refinance - Running Musharakah		35,775,663	24,671,638
			138,347,182	154,143,835
	Istisna financing and related assets			
	- Istisna financing		3,925,839	4,684,962
	- Advances against Istisna		46,300,271	34,435,537
	- Istisna inventory		6,437,594	11,117,387
	- Financing under Islamic Export Refinance - Istisna		218,304	189,215
	- Advances under Islamic Export Refinance - Istisna		8,422,231	6,967,796
	- Inventory under Islamic Export Refinance - Istisna		2,723,453	975,428
			68,027,692	58,370,325
	Tijarah financing and related assets			
	- Tijarah financing		596,504	561,345
	- Tijarah inventory		7,507,389	11,032,825
	- Financing under Islamic Export Refinance - Tijarah		1,366,016	1,070,970
	- Inventory under Islamic Export Refinance - Tijarah		897,624	353,531
			10,367,533	13,018,671
	Musawammah financing and related assets			
	- Musawammah financing	11.3	13,798,171	11,009,024
	- Advances against Musawammah		7,613,522	5,759,913
	- Musawammah Inventory		14,209,318	9,618,012
	- Financing under Islamic Export Refinance - Musawammah	11.4	1,090,893	886,944
	- Advances under Islamic Export Refinance - Musawammah		45,000	123,500
	- Inventory under Islamic Export Refinance - Musawammah		994,771	45,000
			37,751,675	27,442,393
	Salam Financing and related assets			
	- Salam Financing		1,238,311	811,378
	- Advances against Salam		6,378,860	6,947,051
	- Salam Inventory		1,560,370	2,710,138
	- Advances under Islamic Export Refinance - Salam		496,820	-
			9,674,361	10,468,567
	Financing against bills			
	- Financing against bills - Salam		4,151,254	7,461,667
	- Advance against bills - Salam		1,738	1,738
			4,152,992	7,463,405
	- Bai Muajjal financing	11.5	1,633,373	1,474,998
	Ijarah financing and related assets			
	- Net investment in Ijarah		81,965	113,501
	- Net book value of assets/investment in Ijarah under IFAS 2		43,569,281	48,493,395
	- Net book value of assets/investment in Ijarah under IFAS 2 (SBP's ILTFF)		48,778	58,118
		11.6	43,700,024	48,665,014
	- Advances against Ijarah		6,210,281	3,727,830
	- Advances against Ijarah under SBP's ILTFF		-	118,905
			49,910,305	52,511,749
	Diminishing Musharakah financing and related assets			
	- Diminishing Musharakah financing - housing		12,556,621	13,232,142
	- Diminishing Musharakah financing - others		102,400,030	79,167,336
	- Diminishing Musharakah financing - SBP's ILTFF		7,595,493	1,955,071
	- Diminishing Musharakah financing - SBP's IRSPWS		4,481,268	-
	- Diminishing Musharakah financing - SBP's IFRE		182,955	-
	- Advances against Diminishing Musharakah		7,667,897	14,645,228
	- Advances against Diminishing Musharakah under SBP's IFRE		5,204,775	-
	- Advances against Diminishing Musharakah under SBP's IRFCC		172,913	-
	- Advances against Diminishing Musharakah under SBP's ITERF		676,621	-
	- Advances against Diminishing Musharakah under SBP's ILTFF		5,559,059	5,378,299
			146,497,632	114,378,076

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	Note	2020	2019
Rupees in '000			
- Musharakah financing		82,960	248,880
- Wakalah Tul Istithmar financing		21,156,433	-
- Advances against Wakalah Tul Istithmar		18,500,000	40,825,200
- Wakalah financing		45,000	250,000
- Advance against Service Ijarah		4,258,103	2,765,026
- Qard financing under SBP's IRSPWS		46,263	-
- Qard financing under SBP's IRFCC		440,310	-
- Labbaik (Qard for Hajj and Umrah)		856	4,672
- Staff financing	11.7	4,951,794	4,228,869
- Other financing	11.4	2,157,222	2,376,639
Gross Islamic Financing and Related Assets	11.8	531,587,615	506,512,576
Less: Provision against non-performing Islamic financing and related assets - Specific	11.10	(13,602,974)	(8,284,519)
Less: Provision against non-performing Islamic financing and related assets - General	11.10	(5,452,711)	(4,452,711)
Islamic financing and related assets - net of provision		512,531,930	493,775,346
11.1 Murabaha receivable - gross	11.1.1	7,610,201	9,171,941
Less: Deferred murabaha income	11.1.3	(112,171)	(198,327)
Profit receivable shown in other assets		(205,910)	(340,296)
Murabaha financing		7,292,120	8,633,318
11.1.1 Murabaha Sale Price		7,610,201	9,171,941
Murabaha Purchase Price		(7,292,120)	(8,633,318)
		318,081	538,623
11.1.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		8,633,318	8,021,609
Sales during the year		34,727,183	47,186,165
Adjusted during the year		(36,068,381)	(46,574,456)
Closing balance		7,292,120	8,633,318
11.1.3 Deferred murabaha income			
Opening balance		198,327	142,250
Arising during the year		921,798	1,800,684
Recognised during the year		(1,007,954)	(1,744,607)
Closing balance		112,171	198,327
11.2 Financing under Islamic Export Refinance - Murabaha - gross		893,589	382,945
Less: Deferred income		(5,106)	(836)
Profit receivable shown in other assets		(15,162)	(12,668)
Financing under Islamic Export Refinance - Murabaha		873,321	369,441
11.2.1 The movement in Islamic Export Refinance Murabaha financing during the year:			
Opening balance		369,441	344,573
Sales during the year		3,254,140	1,459,464
Adjusted during the year		(2,750,260)	(1,434,596)
Closing balance		873,321	369,441
11.2.2 Deferred Islamic Export Refinance murabaha income			
Opening balance		836	1,725
Arising during the year		42,170	17,106
Recognised during the year		(37,900)	(17,995)
Closing balance		5,106	836

Notes to and forming part of the Unconsolidated Financial Statements

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	2020	2019
	Rupees in '000	
11.3 Musawammah financing - gross	14,258,642	11,610,569
Less: Deferred income	(272,835)	(292,915)
Profit receivable shown in other assets	(187,636)	(308,630)
Musawammah financing	<u>13,798,171</u>	<u>11,009,024</u>
11.4 Financing under Islamic Export Refinance - Musawammah - gross	1,104,908	899,031
Less: Deferred income	(8,473)	(7,015)
Profit receivable shown in other assets	(5,542)	(5,072)
Financing under Islamic Export Refinance - Musawammah	<u>1,090,893</u>	<u>886,944</u>
11.5 Bai Muajjal financing - gross	2,477,558	1,701,154
Less: Deferred income	(107,351)	(146,846)
Profit receivable shown in other assets	(736,834)	(79,310)
Bai Muajjal financing	<u>1,633,373</u>	<u>1,474,998</u>
11.6 Net book value of assets / investments in Ijarah under IFAS 2 is net of depreciation of Rs 40,217 million (2019: Rs 35,450 million).		
11.7 This includes Rs 554 million (2019: Rs 487 million) representing profit free financing to staff advanced under the Bank's Human Resource Policies.		

11.8 Particulars of financing - gross

	2020	2019
	Rupees in '000	
In		
- local currency	517,234,025	493,186,199
- foreign currencies	14,353,590	13,326,377
	<u>531,587,615</u>	<u>506,512,576</u>

11.9 Islamic financing and related assets include Rs 14,933 million (2019: Rs 8,996 million) which have been placed under non-performing status as detailed below:

Category of classification	2020		2019	
	Non Performing Amount	Provision Held	Non Performing Amount	Provision Held
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	80,289	1,109	22,534	-
Substandard	790,278	165,158	557,679	132,042
Doubtful	966,160	425,586	446,866	212,837
Loss	13,096,746	13,011,121	7,968,640	7,939,640
	<u>14,933,473</u>	<u>13,602,974</u>	<u>8,995,719</u>	<u>8,284,519</u>

11.10 Particulars of provision against non-performing Islamic financing and related assets:

	2020			2019		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	8,284,519	4,452,711	12,737,230	6,771,530	2,927,711	9,699,241
Charge for the year	7,655,410	1,000,000	8,655,410	1,905,342	1,525,000	3,430,342
Less: Reversals	(314,555)	-	(314,555)	(357,571)	-	(357,571)
	7,340,855	1,000,000	8,340,855	1,547,771	1,525,000	3,072,771
Amount Written off	(2,022,400)	-	(2,022,400)	(34,782)	-	(34,782)
Closing balance	<u>13,602,974</u>	<u>5,452,711</u>	<u>19,055,685</u>	<u>8,284,519</u>	<u>4,452,711</u>	<u>12,737,230</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

11.10.1 The Bank maintains general provision in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and House Financing issued by the SBP.

In addition, the Bank has also maintained a general provision of Rs 5,050 million (2019: Rs 4,050 million) against financing made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

11.10.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financing. The accumulated benefit availed amounts to Rs 76.6 million (2019: Rs 33.4 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs 46.7 million (2019: Rs 21.7 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

11.10.3 Particulars of provision against non-performing financing:

	2020			2019		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	13,337,517	5,452,711	18,790,228	8,021,468	4,452,711	12,474,179
In foreign currencies	265,457	-	265,457	263,051	-	263,051
	<u>13,602,974</u>	<u>5,452,711</u>	<u>19,055,685</u>	<u>8,284,519</u>	<u>4,452,711</u>	<u>12,737,230</u>

11.11 Particulars of write offs	Note	2020	2019
		Rupees in '000	
Against provisions	11.10	2,022,400	34,782
Directly charged to profit and loss account		-	-
		<u>2,022,400</u>	<u>34,782</u>
Write offs Rs 500,000 and above - Domestic		2,018,509	34,782
Write offs below Rs 500,000 - Domestic		3,891	-
		<u>2,022,400</u>	<u>34,782</u>

11.11.1 Details of financing written off of Rs 500,000 and above

In term of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written off financing or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2020 is given as Annexure 1.

12 FIXED ASSETS	Note	2020	2019
		Rupees in '000	
Capital work-in-progress	12.1	3,230,914	3,185,241
Property and equipment	12.2	14,530,165	13,168,734
Right-of-use assets	12.3	5,807,272	6,930,440
		<u>23,568,351</u>	<u>23,284,415</u>

12.1 Capital work-in-progress

Advances to suppliers and contractors for:			
- civil works		2,171,132	2,171,210
- computer hardware		379,323	271,621
- purchase of vehicles		269,437	126,203
- office machines		272,364	552,430
- furniture and fixtures		138,658	63,777
		<u>3,230,914</u>	<u>3,185,241</u>

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12.2 Property and equipment

	2020						Total
	Leasehold Land	Buildings on leasehold land	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	
							Rupees in '000
At January 1, 2020							
Cost	4,801,374	1,832,632	6,587,594	783,078	6,578,906	2,221,608	22,805,192
Accumulated depreciation	-	599,436	3,336,510	437,313	4,459,616	803,583	9,636,458
Net book value	4,801,374	1,233,196	3,251,084	345,765	2,119,290	1,418,025	13,168,734
Year ended December 31, 2020							
Opening net book value	4,801,374	1,233,196	3,251,084	345,765	2,119,290	1,418,025	13,168,734
Additions	79,787	180,184	1,318,816	139,262	1,194,055	703,428	3,615,532
Net book value of disposals	-	-	(3,379)	(93)	(4,214)	(66,255)	(73,941)
Depreciation charge	-	(91,889)	(740,452)	(68,687)	(809,772)	(469,360)	(2,180,160)
Net book value as at December 31, 2020	4,881,161	1,321,491	3,826,069	416,247	2,499,359	1,585,838	14,530,165
Year ended December 31, 2020							
Cost	4,881,161	2,012,816	7,901,111	921,210	7,628,283	2,597,383	25,941,964
Accumulated depreciation	-	691,325	4,075,042	504,963	5,128,924	1,011,545	11,411,799
Net book value as at December 31, 2020	4,881,161	1,321,491	3,826,069	416,247	2,499,359	1,585,838	14,530,165
Rate of depreciation (percentage)	-	5	10	10	10 and 20	20	
	2019						Total
	Leasehold Land	Buildings on leasehold land	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	
							Rupees in '000
At January 1, 2019							
Cost	4,578,013	1,514,872	5,893,257	672,755	5,308,744	1,658,110	19,625,751
Accumulated depreciation	-	515,452	2,806,259	380,911	3,807,413	631,026	8,141,061
Net book value	4,578,013	999,420	3,086,998	291,844	1,501,331	1,027,084	11,484,690
Year ended December 31, 2019							
Opening net book value	4,578,013	999,420	3,086,998	291,844	1,501,331	1,027,084	11,484,690
Additions	223,361	234,545	694,379	111,988	1,281,083	827,679	3,373,035
Transfer from other assets	-	83,215	-	-	-	-	83,215
Net book value of disposals	-	-	(21)	(125)	(482)	(60,300)	(60,928)
Depreciation charge	-	(83,984)	(530,272)	(57,942)	(662,642)	(376,438)	(1,711,278)
Net book value as at December 31, 2019	4,801,374	1,233,196	3,251,084	345,765	2,119,290	1,418,025	13,168,734
Year ended December 31, 2019							
Cost	4,801,374	1,832,632	6,587,594	783,078	6,578,906	2,221,608	22,805,192
Accumulated depreciation	-	599,436	3,336,510	437,313	4,459,616	803,583	9,636,458
Net book value as at December 31, 2019	4,801,374	1,233,196	3,251,084	345,765	2,119,290	1,418,025	13,168,734
Rate of depreciation (percentage)	-	5	10	10	10 and 20	20	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use aggregating Rs 4,809 million (2019: Rs 4,134 million).

12.2.2 The bank has not carried out any revaluation of property and equipment at the recent date as the bank uses cost model for measurement of its property and equipment.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

12.2.3 Details of disposal of fixed assets to related parties or other persons having net book value of Rs 500,000 or above are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000					
Vehicles						
Honda Civic	2,563	1,367	1,196	1,626	MBL Staff Policy	Mr Wise ur Rehman (Executive, Ex-employee)
Toyota Corolla	2,154	862	1,292	1,525	MBL Staff Policy	Mr Khalid Ilyas (Executive, Ex-employee)
Toyota Corolla	1,884	1,099	785	1,016	MBL Staff Policy	Mr Arif Aslam Khan (Executive, Employee)
Toyota Corolla	1,864	1,149	715	1,080	MBL Staff Policy	Mr Muhammad Umar Khan Fareedy (Executive, Employee)
Honda City	1,519	937	582	817	MBL Staff Policy	Mr Manzoor Ahmed Ghori (Executive, Employee)
Suzuki Cultus	1,315	570	745	911	MBL Staff Policy	Mr Zamir Ahmed Jafri (Executive, Employee)
Suzuki Cultus	1,250	687	563	811	MBL Staff Policy	Mr Abdul Malik (Executive, Employee)
Toyota Land Cruiser	12,010	12,010	-	3,603	MBL Staff Policy	Mr Ariful Islam (Deputy Chief Executive Officer)
Toyota Estima	8,277	8,277	-	-	MBL Staff Policy	Mr Irfan Siddiqui (President and Chief Executive Officer)
Honda Civic	2,513	1,131	1,382	2,825	Negotiation	M/s Augmentech Business Solution
Honda BRV	1,950	845	1,105	2,156	Negotiation	Mr Aqeel Akhtar
Toyota Corolla	1,788	1,162	626	1,816	Negotiation	Mr Muhammad Imran
Honda City	1,740	493	1,247	1,958	Negotiation	M/s Augmentech Business Solution
Honda City	1,730	778	952	2,126	Negotiation	M/s VavaCars Pakistan
Honda City	1,547	877	670	1,669	Negotiation	M/s Augmentech Business Solution
Honda City	1,540	770	770	2,120	Negotiation	M/s Augmentech Business Solution
Honda City	1,540	641	899	2,186	Negotiation	M/s Augmentech Business Solution
Honda City	1,519	861	658	1,701	Negotiation	M/s Augmentech Business Solution
Honda City	1,380	437	943	1,578	Negotiation	M/s Augmentech (Carfirst)
Suzuki Cultus	1,451	339	1,112	1,521	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,451	387	1,064	1,634	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,438	863	575	1,615	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,410	470	940	1,555	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,385	485	900	1,647	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,385	415	970	1,402	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,385	231	1,154	1,558	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,340	335	1,005	1,555	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,340	514	826	1,537	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,315	504	811	1,407	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,315	548	767	1,388	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,315	460	855	1,498	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,315	460	855	1,501	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,275	552	723	1,457	Negotiation	Mr Naeem Ashraf
Suzuki Cultus	1,275	510	765	1,484	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,275	340	935	1,431	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,270	444	826	1,383	Negotiation	Mr Khuram Imtiaz
Suzuki Cultus	1,270	571	699	1,416	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	667	583	1,406	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	604	646	1,313	Negotiation	Mr Salman Khan
Suzuki Cultus	1,250	750	500	1,332	Negotiation	M/s Augmentech (Carfirst)
Suzuki Cultus	1,250	646	604	1,379	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	562	688	1,256	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	562	688	1,335	Negotiation	Mr Khuram Imtiaz
Suzuki Cultus	1,250	687	563	1,242	Negotiation	M/s United Transport Service
Suzuki Cultus	1,250	708	542	1,356	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,250	542	708	1,217	Negotiation	Syed Riaz Ahmed
Suzuki Cultus	1,250	667	583	1,260	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	604	646	1,138	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	562	688	1,350	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	604	646	1,285	Negotiation	Mr Usman Shahid
Suzuki Cultus	1,250	604	646	1,261	Negotiation	Mr Mohsin Abbas
Suzuki Cultus	1,250	646	604	1,415	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,250	604	646	1,251	Negotiation	M/s United Transport Service
Suzuki Cultus	1,250	604	646	1,427	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	646	604	1,455	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	687	563	1,357	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	646	604	1,456	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,250	604	646	1,411	Negotiation	Mr Sheraz Khan
Suzuki Cultus	1,250	562	688	1,457	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	604	646	1,284	Negotiation	Mr Usman Shahid
Suzuki Cultus	1,250	646	604	1,386	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	708	542	1,327	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,245	394	851	1,386	Negotiation	Mr Khuram Imtiaz
Suzuki Cultus	1,245	560	685	1,421	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,245	436	809	1,451	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,245	394	851	1,426	Negotiation	M/s Augmentech Business Solution
Honda City	1,868	685	1,183	1,827	Takaful Claim	M/s EFU General Insurance Limited
Suzuki Cultus	1,270	508	762	1,264	Takaful Claim	M/s EFU General Insurance Limited
	113,661	62,084	51,577	100,644		
Electrical, office and computer equipments						
Laptop	166	166	-	13	MBL Staff Policy	Mr Ariful Islam (Deputy Chief Executive Officer)
ATM Machines (Qty: 02)	1,501	401	1,100	-	Discard	
	1,667	567	1,100	13		
Leasehold improvements	4,616	1,769	2,847	2,991	Takaful Claim	M/s Adamjee Insurance Company Limited
Other disposals						
Vehicles	213,992	199,314	14,678	107,815		
Electrical, office and computer equipments	143,011	139,897	3,114	16,994		
Furniture and Fixtures	1,130	1,037	93	361		
Leasehold improvements	683	151	532	515		
	478,760	404,819	73,941	229,333		

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	2020		
	Cost	Accumulated Depreciation	Net Book Value
12.3 Right-of-use assets	Rupees in '000		
At January 1,	8,880,680	(1,950,240)	6,930,440
Additions during the year	1,265,167	-	1,265,167
Depreciation Charge	-	(2,388,335)	(2,388,335)
Derecognition during the year	(170,725)	170,725	-
At December 31,	<u>9,975,122</u>	<u>(4,167,850)</u>	<u>5,807,272</u>
Useful life			4 - 7 years

	2019		
	Cost	Accumulated Depreciation	Net Book Value
	Rupees in '000		
At January 1,	-	-	-
Recognized upon initial adoption of IFRS 16	7,940,336	-	7,940,336
Additions during the year	1,151,403	-	1,151,403
Depreciation Charge	-	(2,161,299)	(2,161,299)
Derecognition during the year	(211,059)	211,059	-
At December 31,	<u>8,880,680</u>	<u>(1,950,240)</u>	<u>6,930,440</u>
Useful life			1 - 7 years

	2020	2019
	Rupees in '000	
13 INTANGIBLE ASSETS		
Computer Software	745,513	614,572
Advance against computer software	334,448	165,809
	<u>1,079,961</u>	<u>780,381</u>
13.1 At January 1,		
Cost	1,977,981	1,660,942
Accumulated amortisation	1,363,409	1,108,812
Net book value	<u>614,572</u>	<u>552,130</u>
Year ended December 31,		
Opening net book value	614,572	552,130
Additions - directly purchased	353,486	317,039
Amortisation charge	(222,545)	(254,597)
Closing net book value	<u>745,513</u>	<u>614,572</u>
Year ended December 31,		
Cost	2,331,467	1,977,981
Accumulated amortisation	1,585,954	1,363,409
Net book value	<u>745,513</u>	<u>614,572</u>
Rate of amortisation (percentage)	10-20	10-20
Useful life	5 - 10 years	5 - 10 years

13.1.1 Included in cost of intangible assets are fully amortised items still in use aggregating Rs 1,092 million (2019: Rs 987 million).

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14 DEFERRED TAX ASSETS / (LIABILITIES)

	2020			
	At January 1,	Recognised in Profit and Loss	Recognised in OCI	At December 31,
	Rupees in '000			
Taxable temporary differences due to:				
Excess of accounting book values over tax written down values of owned assets	(390,837)	69,675	-	(321,162)
(Surplus) / deficit on revaluation of available for sale investments	(5,054,925)	-	2,070,580	(2,984,345)
Surplus on revaluation of Non-banking assets acquired in satisfaction of claims	(7,064)	-	(3,673)	(10,737)
	(5,452,826)	69,675	2,066,907	(3,316,244)
Deductible temporary differences due to:				
Provision for diminution / impairment in value of investments	906,906	103,026	-	1,009,932
Income not accrued due to non-culmination of financing	1,435,933	(387,396)	-	1,048,537
Provision against non-performing Islamic financing and related assets	109,358	1,364,794	-	1,474,152
Provision against non-banking assets acquired in satisfaction of claims and others	170,771	2,505	-	173,276
	2,622,968	1,082,929	-	3,705,897
	(2,829,858)	1,152,604	2,066,907	389,653

	2019			
	At January 1,	Recognised in Profit and Loss	Recognised in OCI	At December 31,
	Rupees in '000			
Taxable temporary differences due to:				
Excess of accounting book values over tax written down values of owned assets	(411,918)	21,081	-	(390,837)
Deficit / (surplus) on revaluation of available for sale investments	36,632	-	(5,091,557)	(5,054,925)
Surplus on revaluation of Non-banking assets acquired in satisfaction of claims	(11,928)	1,439	3,425	(7,064)
	(387,214)	22,520	(5,088,132)	(5,452,826)
Deductible temporary differences due to:				
Provision for diminution / impairment in value of investments	470,528	436,378	-	906,906
Income not accrued due to non-culmination of financing	812,904	623,029	-	1,435,933
Provision against non-performing Islamic financing and related assets	-	109,358	-	109,358
Provision against non-banking assets acquired in satisfaction of claims and others	86,718	84,053	-	170,771
	1,370,150	1,252,818	-	2,622,968
	982,936	1,275,338	(5,088,132)	(2,829,858)

Notes to and forming part of the Unconsolidated Financial Statements

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	Note	2020	2019
Rupees in '000			
15 OTHER ASSETS			
Profit / return accrued in local currency - net of provisions		40,953,826	34,765,016
Profit / return accrued in foreign currencies - net of provisions		79,029	76,791
Acceptances		8,488,266	9,033,110
Advances, deposits, advance rent and other prepayments	15.1	1,772,230	1,904,437
Non-banking assets acquired in satisfaction of claims	15.2	115,422	145,503
Receivables on account of sale of securities		16,956	-
Dividends receivable		8,177	-
Stamps		15,857	12,963
Security deposits		206,058	172,596
Advance for Investments		67,530	55,542
Other		323,949	405,575
		<u>52,047,300</u>	<u>46,571,533</u>
Provision against other assets	15.3.1	(53,923)	(74,686)
Other Assets (Net of Provision)		<u>51,993,377</u>	<u>46,496,847</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	23	30,678	20,184
Other Assets - total		<u>52,024,055</u>	<u>46,517,031</u>

15.1 This includes prepaid takaful aggregating Rs 926 million (2019: Rs. 971 million) which is being amortized over a period of one year.

	2020	2019
Rupees in '000		
15.2 Market value of Non-banking assets acquired in satisfaction of claims	<u>146,100</u>	<u>155,687</u>

Market value of the non-banking assets acquired in satisfaction of claims has been carried out by an independent valuer, M/s Joseph Lobo (Private) Limited based on prevailing market values determined through independent market inquiries from local active realtors and adjusted for the physical condition of the property as more detailed in note 40.3.

	2020	2019
Rupees in '000		
15.2.1 Non-banking assets acquired in satisfaction of claims		
Opening Balance	145,503	240,607
Addition	52,351	-
Depreciation	(1,744)	(471)
Transfer to fixed assets	-	(83,215)
Disposal	(80,688)	(11,418)
Closing Balance	<u>115,422</u>	<u>145,503</u>

	2020	2019
15.3 Provision held against other assets		
Acceptances	33,980	41,132
Others	19,943	23,554
Non-banking assets acquired in satisfaction of claims	-	10,000
	<u>53,923</u>	<u>74,686</u>

	2020	2019
15.3.1 Movement in provision held against other assets		
Opening balance	74,686	71,302
Charge for the year	5,521	49,999
Reversals during the year	(20,763)	(4,174)
Amount adjusted / written off during the year	(5,521)	(42,441)
Closing balance	<u>53,923</u>	<u>74,686</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020	2019
Rupees in '000			
16 BILLS PAYABLE			
In Pakistan		26,494,006	17,186,807
Outside Pakistan		-	-
		<u>26,494,006</u>	<u>17,186,807</u>
17 DUE TO FINANCIAL INSTITUTIONS			
In Pakistan		94,500,640	42,047,390
Outside Pakistan		-	-
		<u>94,500,640</u>	<u>42,047,390</u>
17.1 Details of due to financial institutions secured / unsecured			
Secured			
With State Bank of Pakistan			
Musharakah under Islamic Export Refinance Scheme	17.1.1	51,995,700	33,861,385
Investment under Islamic Long Term Financing Facility	17.1.2	12,567,944	7,268,122
Investment under Islamic Refinance Facility for Combating COVID-19	17.1.2	610,809	-
Investment under Islamic Financing for Renewal Energy	17.1.2	5,315,473	-
Investment under Islamic Temporary Economic Refinance Facility for Plant and Machinery	17.1.2	514,115	-
Investment under Islamic Refinance Scheme for payment of wages and salaries	17.1.2	4,527,531	-
		<u>75,531,572</u>	<u>41,129,507</u>
Other financial institutions	17.1.3	721,131	909,114
Unsecured			
Overdrawn nostro accounts		747,937	8,769
Other Musharakah	17.1.4	17,500,000	-
		<u>94,500,640</u>	<u>42,047,390</u>

- 17.1.1** These Musharakah are on a profit and loss sharing basis maturing between January 2021 to June 2021 and are secured against demand promissory notes executed in favor of SBP. A limit of Rs. 54,140 million (2019: Rs. 38,473 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme.
- 17.1.2** These Investment are on profit and loss sharing basis which has been invested in general pool of the Bank and are secured against demand promissory notes executed in favor of SBP.
- 17.1.3** These Musharakah are on profit and loss sharing basis. Under one such arrangement, a limit of USD 10 million has been allocated to the Bank by the Karandaaz.
- 17.1.4** These Musharakah are on profit and loss sharing basis with banks. The expected average return on these Musharakah is around 7.44% (2019: Nil) per annum. These balances are maturing in January 2021 (2019: Nil).

	2020	2019
Rupees in '000		
17.2 Particulars of due to financial institutions with respect to currencies		
In local currency	93,752,703	42,038,621
In foreign currencies	747,937	8,769
	<u>94,500,640</u>	<u>42,047,390</u>
17.3 Particulars of due to financial institutions		
Short - term	75,970,678	35,104,360
Long - term	18,529,962	6,943,030
	<u>94,500,640</u>	<u>42,047,390</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

18 DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
	Rupees in '000					
Customers						
- Current accounts - non-remunerative	465,573,842	24,180,026	489,753,868	312,409,384	20,464,919	332,874,303
- Savings deposits	415,280,740	33,825,435	449,106,175	318,577,677	26,796,248	345,373,925
- Fixed deposits	279,506,740	15,039,627	294,546,367	228,503,227	13,342,660	241,845,887
- Margin	10,603,578	5,957	10,609,535	4,949,165	8,692	4,957,857
	1,170,964,900	73,051,045	1,244,015,945	864,439,453	60,612,519	925,051,972
Financial institutions						
- Current accounts - non-remunerative	4,235,642	-	4,235,642	1,208,228	-	1,208,228
- Savings deposits	4,759,877	-	4,759,877	3,799,833	-	3,799,833
- Fixed deposits	1,419,070	-	1,419,070	2,519,081	-	2,519,081
	10,414,589	-	10,414,589	7,527,142	-	7,527,142
	1,181,379,489	73,051,045	1,254,430,534	871,966,595	60,612,519	932,579,114

	2020	2019
	Rupees in '000	
18.1 Composition of deposits		
- Individuals	859,471,523	628,758,131
- Government (Federal and Provincial)	13,812,127	20,376,156
- Public Sector Entities	22,175,212	14,838,591
- Banking Companies	23,348	34,475
- Non-Banking Financial Institutions	10,391,241	7,492,667
- Private Sector	348,557,083	261,079,094
	1,254,430,534	932,579,114
18.2 Particulars of deposits and other accounts in Pakistan		
- in local currency		
Mudaraba based deposits	706,015,724	556,561,420
Qard based deposits	475,363,765	315,405,175
	1,181,379,489	871,966,595
- in foreign currencies		
Mudaraba based deposits	48,865,062	40,138,908
Qard based deposits	24,185,983	20,473,611
	73,051,045	60,612,519
	1,254,430,534	932,579,114

18.3 Eligible deposits covered under deposit protection scheme (including call deposit receipts disclosed under bills payable) amount to Rs 1,016,635 million (2019: Rs 758,498 million).

	Note	2020	2019
		Rupees in '000	
19 SUB-ORDINATED SUKUK			
Additional Tier I Sukuk	19.1	7,000,000	7,000,000
Tier II Sukuk	19.2	11,000,000	7,000,000
		18,000,000	14,000,000

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

- 19.1 In August 2018, the Bank issued regulatory Shariah compliant unsecured, sub-ordinated privately placed Additional Tier I Sukuk based on Mudaraba of Rs 7,000 million as instrument of redeemable capital under section 66 of the Companies Act, 2017. The brief description of Additional Tier I sukuk is as follows:

Credit Rating	AA- (Double A minus) by VIS Credit Rating Company Limited.
Issue Date	August 01, 2018
Tenor	Perpetual
Profit payment frequency	Monthly in arrears
Redemption	Perpetual
Expected Periodic Profit Amount (Mudaraba Profit Amount)	The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Bank under the SBP guidelines of pool management. Last announced profit rate on the Sukuk is 9.23% per annum.
Call Option	The Bank may call Additional Tier I Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss Absorbency	The Additional Tier I Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-Clause	Profit and/or redemption amount can be held back in respect of the Additional Tier I Sukuk, upon directive of the SBP, if such payment will result in a shortfall in the Bank's minimum capital requirement, capital adequacy ratio requirement or leverage ratio requirement.

- 19.2 In September 2016 and January 2020, the Bank issued regulatory Shariah compliant unsecured, subordinated privately placed Tier II Sukuk based on Mudaraba of Rs 7,000 million and Rs 4,000 million respectively as instrument of redeemable capital under section 66 of the Companies Act, 2017. The brief description of Tier II sukuk is as follows:

Credit Rating	AA (Double A) by VIS Credit Rating Company Limited.
Issue Date	September 22, 2016 and January 09, 2020
Tenor	10 years from the issue date
Profit payment frequency	Semi-annually in arrears
Redemption	Bullet payment at the end of the tenth year
Expected Periodic Profit Amount (Mudaraba Profit Amount)	The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Bank under the SBP guidelines of pool management. Last announced profit rate on the Sukuk are 7.90% and 8.26% per annum respectively.
Call Option	The Bank may call Tier II Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss Absorbency	The Tier II Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-Clause	Profit and/or redemption amount can be held back in respect of the Tier II Sukuk upon directive of the SBP, if such payment will result in a shortfall in the Bank's minimum capital requirement, capital adequacy ratio requirement or leverage ratio requirement.

Notes to and forming part of the Unconsolidated Financial Statements

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	Note	2020	2019
Rupees in '000			
20 OTHER LIABILITIES			
Return on deposits and other dues			
- payable in local currency	20.1	3,942,766	6,434,891
- payable in foreign currencies		76,037	112,161
Unearned income		862,453	56,738
Accrued expenses	20.2	9,568,182	6,840,577
Current taxation (provision less payments)		9,675,304	5,894,386
Acceptances		8,488,266	9,033,110
Unclaimed dividends		21,219	16,214
Payable to defined benefit plan	37.3 & 37.15	663,141	561,242
Provision against off-balance sheet obligations	20.3	36,489	29,339
Charity payable	20.4	989	995
Security deposits against Ijarah		14,804,093	14,206,800
Payable on account of credit murabaha / ijarah / musawammah		8,419	60,307
Security deposits against lockers		136,804	117,792
Retention Money		-	70,687
Unrealised loss on forward foreign exchange commitments - net	20.5	162,055	368,207
Advance against future Diminishing Musharakah		119,358	67,227
Withholding taxes payable		233,744	152,711
Lease liability against right-of-use assets	20.6	6,474,235	7,049,842
Workers Welfare Fund payable	20.7	2,770,385	1,897,436
Others		935,078	629,011
		<u>58,979,017</u>	<u>53,599,673</u>

20.1 This includes Rs 216 million (2019: Rs 158 million) in respect of return accrued on acceptances from SBP under the Islamic Export Refinance Scheme and Rs 70.8 million (2019: Rs 25.0 million) in respect of return accrued on acceptances from the SBP under various Islamic Long Term Refinance Schemes.

20.2 This includes Rs 77.8 million (2019: Rs 2.5 million) in respect of payable to Al Meezan Investment Management Limited (Subsidiary).

	Note	2020	2019
Rupees in '000			
20.3 Provision against off-balance sheet obligations			
Opening balance		29,339	35,020
Charge / (reversal) for the year		7,150	(5,681)
Closing balance	20.3.1	<u>36,489</u>	<u>29,339</u>

20.3.1 This represents provision recognized against guarantees of non-performing customers.

	Note	2020	2019
Rupees in '000			
20.4 Reconciliation of charity payable			
Balance as at January 1		995	942
Additions during the year		96,297	64,226
Less: Transferred to charity savings account (included in deposits and other accounts)	20.4.1	(96,303)	(64,173)
Balance as at December 31		<u>989</u>	<u>995</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

20.4.1 Charity paid through savings account during the year is Rs 95.0 million (2019: Rs 49.9 million). Charity of Rs 100,000 or higher was paid to the following organizations:

	2020	2019
	Rupees in '000	
Ihsan Trust - Related Party	83,000	30,900
Lahore Businessmen Association For Rehabilitation of the Disabled	2,000	2,000
Rashid Memorial Welfare Organization	1,000	1,000
Medical Aid Foundation (Rahat Kada)	1,000	500
Rising Sun Education and Welfare Society	1,000	100
Prevention of Blindness Trust	500	500
Family Educational Services Foundation	500	500
Pakistan Disabled Foundation	500	-
Kiran Foundation	500	-
Akhuwat Islamic Microfinance	500	-
Murshid Hospital - Karachi	500	-
Pakistan's Childrens' Heart Foundation	500	-
Al-Mustafa Welfare Society - Karachi	400	-
Burhani Medical Welfare Association	300	300
Muhammadi Blood Bank	300	-
Karigar Training Institute	300	-
Zubaida Machiyara Trust	200	200
Al- Mustafa Trust Rawalpindi	200	200
Mercy Pak	200	200
Eye Donor Organization - Taxila	200	150
Behbud Association Karachi	200	-
Pakistan Navy Educational Trust	200	-
The Cancer Foundation - Karachi	200	-
Koohi Goth Hospital - Karachi	200	-
Nigheban Welfare Association	200	100
Superior Foundation and Research Centre	200	-
Aiwan-e-Sannat O Tijarat Hospital	100	100
Ali Hajveri Free Drug Bank - Lahore	100	-
Institute of Business Administration - Centre for Excellence in Islamic Finance	-	4,000
Learning Is For Everyone (L.I.F.E.) School	-	2,500
Health Promotion Foundation	-	500
World Memon Organization	-	500
Chhipa Welfare Association	-	500
Fatima Kidney Care Hospital	-	300
The Garage School	-	300
Frontier Foundation Welfare Hospital And Blood Transfusion Service	-	300
Pakistan Eye Bank	-	200
Parents Voice Association	-	200
Cancer Care Hospital and Research Centre	-	200
Memon Health and Education Foundation	-	200
Lady Dufferin Hospital	-	200
Manzil Education Organization	-	200
Centre For Development of Social Services	-	200
Khwendo Kor	-	200
Muslim Welfare Centre	-	200
Patients Aid Foundation - Jinnah Hospital	-	200
Care Foundation	-	200
Child Aid Association	-	200
Noor e Ali Trust (JS Academy of Deaf)	-	200
The Kidney Centre, Karachi	-	150
Welfare Society for Patient Care	-	150
Pakistan Association of Blind	-	100
Health Oriented Preventive Education	-	100
Jinnah Foundation	-	100
Poor Patient Aid Society - Civil Hospital	-	100
Okara Patients Welfare Association	-	100
Bait Ul Sukoon	-	100
Bunyard Foundation Lahore / Bunyard Literacy Community Council	-	100
Markaz e Umeed	-	100
Pakistan Association of Deaf	-	100
Saylani Welfare	-	100
SOS Children Village, Islamabad	-	100
SOS Children Village, Multan	-	100
SOS Children Village, Karachi	-	100
	<u>95,000</u>	<u>49,850</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

20.4.2 The balance in Charity's savings account is Rs 16.991 million (2019: Rs 14.705 million).

20.4.3 Charity was not paid to any organization in which a director or his spouse had any interest at any time during the year.

20.5 This is net off gain on forward foreign exchange commitments of Rs 1,811 million (2019: gain on forward foreign exchange commitments of Rs 2,169 million).

20.6 The carrying amounts of lease liability against right-of-use assets and the movement during the year are as follows:

	2020	2019
	Rupees in '000	
As at January 1,	7,049,842	-
Additions	1,265,167	8,530,949
Amortisation of lease liability against right-of-use assets	974,877	966,630
Payments	(2,815,651)	(2,447,737)
As at December 31,	<u>6,474,235</u>	<u>7,049,842</u>

20.7 The Bank has made full provision for Workers Welfare Fund (WWF) based on profit for the respective years (2008-2020). In 2016, the 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 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 be treated as conclusive. Accordingly, the Bank continues to maintain the provision in respect of WWF.

21 SHARE CAPITAL

21.1 Authorised capital

2020 (Number of Shares)	2019 (Number of Shares)		2020 Rupees in '000	2019 Rupees in '000
<u>2,572,180,000</u>	<u>2,572,180,000</u>	Ordinary shares of Rs 10 each	<u>25,721,800</u>	<u>25,721,800</u>
2020 (Number of Shares)	2019 (Number of Shares)		2020 Rupees in '000	2019 Rupees in '000
516,517,908	516,517,908	Ordinary shares	5,165,179	5,165,179
898,204,876	769,593,714	Fully paid in cash	8,982,049	7,695,937
<u>1,414,722,784</u>	<u>1,286,111,622</u>	Issued as bonus shares	<u>14,147,228</u>	<u>12,861,116</u>

21.2 Shareholding held by associated companies / entities are as follows:

Name of Shareholders	2020		2019	
	Number of shares held	Percentage of Shareholding	Number of shares held	Percentage of Shareholding
Noor Financial Investment Company, Kuwait	498,671,687	35.25%	453,337,898	35.25%
Pakistan Kuwait Investment Company (Private) Limited	424,416,829	30.00%	385,833,481	30.00%
Islamic Development Bank, Jeddah	131,907,872	9.32%	119,916,248	9.32%
CDC - Trustee Meezan Islamic Fund	15,015,306	1.06%	9,119,097	0.71%
CDC - Trustee Al Meezan Mutual Fund	1,728,955	0.12%	1,364,050	0.11%
CDC - Trustee Meezan Balanced Fund	1,087,273	0.08%	1,064,885	0.08%
CDC - Trustee KSE Meezan Index Fund	1,065,969	0.08%	675,000	0.05%
CDC - Trustee Meezan Asset Allocation Fund	615,807	0.04%	553,446	0.04%
CDC - Trustee Meezan Dedicated Equity Fund	415,505	0.03%	536,005	0.04%

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

22 RESERVES	Note	2020	2019
		Rupees in '000	
Share Premium		2,406,571	2,406,571
Statutory reserve	22.1	14,833,341	12,616,780
Non Distributable Capital Reserve - Gain on Bargain Purchase		3,117,547	3,117,547
General reserve		66,766	66,766
		20,424,225	18,207,664

22.1 Under section 21(i)(b) of the Banking Companies Ordinance, 1962, an amount not less than 10% of the profit is to be transferred to create a reserve fund.

23 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note	2020	2019
		Rupees in '000	
Available for sale securities			
- Listed shares		2,849,881	1,674,958
- Sukuk		5,676,815	12,767,682
		8,526,696	14,442,640
Non-banking assets acquired in satisfaction of claims	23.1	30,678	20,184
		8,557,374	14,462,824
Less: Deferred tax liability on			
- Available for sale securities		(2,984,345)	(5,054,925)
- Non-banking assets acquired in satisfaction of claims	23.1	(10,737)	(7,064)
		(2,995,082)	(5,061,989)
		5,562,292	9,400,835

23.1 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at January 1 - net of deferred tax	13,120	22,152
Recognised during the year net of deferred tax of Rs 3.673 million (2019: Rs 1.750 million)	6,821	3,250
Adjusted upon transfer to fixed assets during the year - net of deferred tax of Nil (2019: Rs 5.175 million)	-	(9,610)
Transferred to unappropriated profit in respect of disposal during the year - net of deferred tax of Nil (2019: Rs 1.397 million)	-	(2,593)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax of Nil (2019: Rs 0.042 million)	-	(79)
Surplus on revaluation as at December 31 - net of deferred tax	19,941	13,120

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

24	CONTINGENCIES AND COMMITMENTS	Note	2020	2019
Rupees in '000				
	-Guarantees	24.1	37,768,446	38,843,277
	-Commitments	24.2	736,693,486	711,444,851
	-Other contingent liabilities	24.3	1,802,000	1,802,000
			<u>776,263,932</u>	<u>752,090,128</u>
24.1	Guarantees:			
	Financial guarantees		1,629,063	8,598,348
	Performance guarantees		20,050,469	16,037,636
	Other guarantees		16,088,914	14,207,293
			<u>37,768,446</u>	<u>38,843,277</u>
24.2	Commitments:			
	Documentary letters of credit		151,668,892	98,437,653
	Commitments in respect of:			
	- forward foreign exchange transactions	24.2.1	187,071,597	267,088,452
	Commitments for acquisition of:			
	- fixed assets		305,288	514,594
	- intangible assets		387,064	257,790
	Other commitments	24.2.2	397,260,645	345,146,362
			<u>736,693,486</u>	<u>711,444,851</u>
	24.2.1 Commitments in respect of forward foreign exchange transactions			
	Purchase		108,885,191	151,033,720
	Sale		78,186,406	116,054,732
			<u>187,071,597</u>	<u>267,088,452</u>
	24.2.2 Other Commitments			
	Commitments in respect of financing	24.2.2.1	397,260,645	345,146,362
	24.2.1			
	The Bank makes commitments to extend credit (including to related parties) in the normal course of business but these being revocable commitments do not attract any significant penalty or the expense if the facility is unilaterally withdrawn, other than commitments in respect of syndicated / long term financing amounting to Rs 67,123 million (2019: Rs 88,634 million).			
24.3	Other contingencies			
	The Income Tax Department amended the deemed assessment orders of the Bank for prior years including the tax year 2019. The additions / disallowances were mainly due to allocation of expenses relating to dividends and capital gain, allowability of provision against loans and advances, provision against investments and provision against other assets. In the amended order for tax year 2015, additional issues with respect to the taxability of gain on bargain purchase and non-adjustment of loss pertaining to HSBC Bank Middle East – Pakistan Branches have also been raised. The Bank has obtained stay order from the High Court of Sindh against the demands raised through the amended order for the tax year 2015. Both the Bank and the department have filed appeals with the Appellate Authorities in respect of the aforementioned matters.			
	The management of the Bank, in consultation with its tax advisors, is confident that the decision in respect of the above matters would be in Bank's favour and accordingly no provision has been made in these unconsolidated financial statements with respect thereto. The additional tax liability in respect of gain on bargain purchase and non-adjustment of loss pertaining to HSBC Bank Middle East – Pakistan Branches is Rs 1,096 million and Rs 706 million respectively.			
25	PROFIT / RETURN EARNED ON FINANCING, INVESTMENTS AND PLACEMENTS	Note	2020	2019
Rupees in '000				
	On financing	25.1	48,073,060	54,737,673
	On investments in			
	- Available for sale securities		28,749,152	22,052,445
	- Held to maturity securities		321,156	145,799
	On deposits / placements with financial institutions		29,445,691	17,334,544
			<u>106,589,059</u>	<u>94,270,461</u>
25.1	The income on Ijarah under IFAS 2 is net off takaful of Rs 1,649 million (2019: Rs 1,787 million) recovered from customers.			

Notes to and forming part of the Unconsolidated Financial Statements

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26	PROFIT ON DEPOSITS AND OTHER DUES EXPENSED	Note	2020	2019
			Rupees in '000	
	Deposits and other accounts	26.1	37,230,390	43,742,331
	Sub-ordinated Sukuk		2,085,311	1,793,554
	Other Musharakahs / Mudarabas	26.2	1,449,590	1,228,565
	Amortisation of lease liability against right-of-use assets		974,877	966,630
			<u>41,740,168</u>	<u>47,731,080</u>

26.1 This includes conversion cost of Rs 1,984 million (2019: Rs 2,172 million) against foreign currency deposits.

26.2 This includes Rs 794 million (2019: Rs 592 million) paid / payable to SBP under Islamic Export Refinance Scheme and Rs 288 million (2019: Rs 86.7 million) paid / payable to SBP under the various Islamic Long Term Refinance Schemes.

27	FEE AND COMMISSION INCOME	Note	2020	2019
			Rupees in '000	
	Trade related fees and commissions		2,549,810	2,487,031
	Commission on guarantees		152,166	110,334
	Branch banking customer fees		989,343	1,472,109
	Credit processing related fees		105,093	108,098
	Debit card related fees		1,365,254	1,398,843
	Investment banking related fees		261,880	232,988
	Cash management fees		98,440	65,076
	Home remittance related fees		227,349	157,245
	Others		164,655	142,920
			<u>5,913,990</u>	<u>6,174,644</u>

28	GAIN / (LOSS) ON SECURITIES - NET	Note	2020	2019
	Realised	28.1	683,067	(417,599)
	28.1 Realised gain / (loss) on:			
	Non Government Sukuk (Pakistan Energy Sukuk)		1,064,446	42,000
	Listed Shares		(254,315)	(380,704)
	Unlisted Shares		(62,386)	-
	Federal Government Securities		(47,042)	(77,759)
	Other Securities		(17,636)	(1,136)
			<u>683,067</u>	<u>(417,599)</u>

29	OTHER INCOME	Note	2020	2019
	Gain on termination of			
	- Ijarah financing		503,555	380,404
	- Diminishing Musharakah financing		41,585	43,153
	Gain on sale of operating fixed assets		155,392	102,905
	Loss on disposal of non-banking assets		(10,000)	(2,529)
	Rental income		4,334	11,198
	Others		2,614	2,449
			<u>697,480</u>	<u>537,580</u>

Notes to and forming part of the Unconsolidated Financial Statements

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30 OPERATING EXPENSES	Note	2020	2019
		Rupees in '000	
Total compensation expense	30.1 & 30.2	15,272,678	12,739,695
Property expense			
Depreciation on right-of-use assets		2,388,335	2,161,299
Rent and taxes		93,988	111,361
Utilities cost (including electricity and diesel)		973,052	891,749
Security (including guards)		818,107	628,569
Repair and maintenance (including janitorial charges)		438,873	504,205
Depreciation		832,341	614,256
Others		64,677	52,325
		5,609,373	4,963,764
Information technology expenses			
Software maintenance		613,346	427,118
Hardware maintenance		302,812	296,132
Depreciation		388,561	325,402
Amortisation		222,545	254,597
Network charges		259,808	220,383
		1,787,072	1,523,632
Other operating expenses			
Stationery and printing (including debit card related cost)		816,249	918,842
Local transportation and car running		529,651	513,552
Depreciation on equipments, vehicles etc.		959,258	771,620
Legal and professional charges		146,595	117,509
NIFT and other clearing charges		183,619	125,654
Travelling and conveyance		81,970	139,876
Training and Development		29,256	78,097
Communication (including courier)		583,802	477,458
Marketing, advertisement and publicity		542,176	566,727
Donation	30.4	227,299	202,500
Fees, subscription and other charges		249,186	245,641
Brokerage and bank charges		248,003	177,843
Office supplies		261,257	268,908
Entertainment		57,731	89,646
Takaful expense		127,000	101,098
Repairs and maintenance		395,326	306,920
Security charges - cash transportation		458,898	370,823
Outsourced services costs	30.2	91,302	9,331
Auditors' Remuneration	30.3	20,254	11,024
Shariah Board's fees and allowances	39	33,442	27,133
Non-executive Directors' fee	39	69,668	57,418
Others		27,495	25,948
		6,139,437	5,603,568
		28,808,560	24,830,659
30.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		9,074,314	7,814,858
ii) Cash Bonus / Awards etc.		4,853,901	3,808,019
Charge for defined benefit plan		413,509	384,532
Contribution to defined contribution Plan		386,375	313,163
Compensated Absences		10,872	90,876
Others including EOBI, SESSI, uniform, sports etc.		533,707	328,247
Total compensation expense		15,272,678	12,739,695

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

30.2 Total cost for the year relating to outsourced activities is Rs 2,485 million (2019: Rs 1,958 million) entirely relating to companies incorporated in Pakistan and mainly on account of security guards, janitorial staff and courier services. This also includes portfolio management fee to Al Meezan Investment Management Limited (a related party) amounting to Rs 91.3 million (2019: Rs 9.3 million) as outsourced services costs disclosed separately under other operating expenses.

30.3 Auditors' remuneration	Note	2020	2019
		Rupees in '000	
Audit fee		5,500	4,400
Fee for interim review		900	800
Special certifications / review		11,116	4,096
		<u>17,516</u>	<u>9,296</u>
Sindh sales tax on services		1,401	851
Out of pocket expenses		1,337	877
		<u>20,254</u>	<u>11,024</u>

30.4 Donation

Meezan Bank Foundation	30.4.1	200,000	200,000
Ihsan Trust - Related Party		25,000	-
Alamgir Welfare Trust		1,200	-
Idara Al-Khair		1,064	-
The Kidney Centre		35	-
Learning Is For Everyone (L.I.F.E.) School		-	2,500
		<u>227,299</u>	<u>202,500</u>

30.4.1 The Bank, during the current year, has established Meezan Bank Foundation (the Foundation) and contributed Rs 200 million (2019: Rs 200 million). The purpose of the Foundation is to promote development and advance the welfare and well-being of the people of Pakistan. Certain key management personnel of the Bank have been appointed as trustees to manage the affairs of the Foundation.

31 OTHER CHARGES	Note	2020	2019
		Rupees in '000	
Penalties imposed by the State Bank of Pakistan		<u>93,232</u>	<u>82,275</u>
32 PROVISIONS AND WRITE OFFS - NET			
Provision against non-performing islamic financing and related assets - net	11.10	8,340,855	3,072,771
(Reversal) / provision against diminution in the value of investments	10.3	(114,004)	1,089,539
Other (reversal) / provision	32.1	(15,242)	45,825
Charge / (reversal) against off-balance sheet obligations	20.3	7,150	(5,681)
Recovery against written off financing	32.2	(8,462)	(16,024)
		<u>8,210,297</u>	<u>4,186,430</u>

32.1 This mainly represents recoveries against operational losses incurred by the Bank in the current or prior years.

32.2 This includes recoveries against financing written off by HSBC ME prior to its acquisition by the Bank.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

33 TAXATION	Note	2020	2019
		Rupees in '000	
Current			
- for the year		15,922,740	11,723,913
- for prior year		-	470,030
	33.1	15,922,740	12,193,943
Deferred			
- for the year		(1,152,604)	(1,275,338)
		14,770,136	10,918,605
33.1 The Bank has recognized super tax charge of Rs 1,621 million (2019: Rs 1,670 million) in the current year which is determined at the applicable tax rate of 4 percent on taxable income for the year.			
33.2 Relationship between tax expense and accounting profit	Note	2020	2019
		Rupees in '000	
Profit before taxation		36,935,742	26,150,679
Effects of:			
- Tax calculated at the applicable rate of 35%		12,927,510	9,152,738
- Super tax @ 4%		1,621,289	1,199,643
- Prior year Super tax		-	470,030
- Permanent differences		116,898	40,725
- Others		104,439	55,469
Tax charge for the year		14,770,136	10,918,605
34 BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		22,165,606	15,232,074
		(Number)	
Weighted average number of ordinary shares		1,414,722,784	1,414,722,784
		(Rupees)	
Basic and diluted earnings per share	34.1	15.67	Restated 10.77
34.1 The Bank has issued bonus shares during the year and accordingly the earnings per share for the comparative year has been restated.			
35 CASH AND CASH EQUIVALENTS	Note	2020	2019
		Rupees in '000	
Cash and balances with treasury banks	7	136,242,495	92,193,361
Balances with other banks	8	19,445,879	15,372,233
		155,688,374	107,565,594

Notes to and forming part of the Unconsolidated Financial Statements

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35.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2020		
	Sub-ordinated Sukuk	Lease liability against right-of-use assets	Dividend Payable
	Rupees in '000		
Balance as at January 1,	14,000,000	7,049,842	16,214
Changes from financing cash flows			
Issuance of Sub-ordinated Sukuk - Tier II	4,000,000	-	-
Payment against lease liability against right-of-use assets	-	(2,815,651)	-
Dividend paid	-	-	(8,226,110)
Total changes from financing cash flows	4,000,000	(2,815,651)	(8,226,110)
Other changes			
Addition to right-of-use-assets	-	1,265,167	-
Amortisation of lease liability against right-of-use assets	-	974,877	-
Cash dividend (Rs 6 per share)	-	-	8,231,115
	-	2,240,044	8,231,115
Balance as at December 31,	18,000,000	6,474,235	21,219

	2019		
	Sub-ordinated Sukuk	Lease liability against right-of-use assets	Dividend Payable
	Rupees in '000		
Balance as at January 1,	14,000,000	-	17,030
Changes from financing cash flows			
Payment against lease liability against right-of-use assets	-	(2,447,737)	-
Dividend paid	-	-	(6,080,617)
Total changes from financing cash flows	-	(2,447,737)	(6,080,617)
Other changes			
Addition to right-of-use-assets	-	8,530,949	-
Amortisation of lease liability against right-of-use assets	-	966,630	-
Cash dividend (Rs 5 per share)	-	-	6,079,801
	-	9,497,579	6,079,801
Balance as at December 31,	14,000,000	7,049,842	16,214

36 STAFF STRENGTH

	Note	2020	2019
(Number of Staff)			
Permanent		9,797	8,886
Contractual basis		886	1,140
Bank's own staff strength at the end of the year		10,683	10,026
Outsourced	36.1	1,740	1,623
Total Staff Strength		12,423	11,649

36.1 This excludes outsourced security guards and janitorial staff.

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37 DEFINED BENEFIT PLAN

37.1 Meezan Bank Gratuity Funded Scheme

The activities of the Gratuity Funded Scheme are governed by Meezan Bank Limited Staff Gratuity Fund established in 2000 under the provisions of a Trust Deed. Plan assets held in trust are governed by the Trust Deed as is the nature of the relationship between the Bank and the trustees and their composition. Responsibility for governance of the plan including the investment decisions lies with the Trustees. The Board of Trustees comprise of representatives of the Bank and scheme participants in accordance with the Fund's Trust Deed.

37.2 Relationship between tax expense and accounting profit	2020	2019
	(Number of Staff)	
Number of Employees eligible under the Gratuity Funded Scheme	9,611	8,788

37.3 Reconciliation of amount payable to defined benefit plan	2020	2019
	Rupees in '000	
Present value of defined benefit obligations	2,190,677	1,735,808
Fair value of plan assets	(1,886,514)	(1,491,746)
	304,163	244,062

37.4 Plan assets consist of the following:

	2020		2019	
	Rupees in '000	%	Rupees in '000	%
Meezan Aamdan Certificates	1,138,075	60.32	1,005,447	67.40
GoP Ijarah Sukuk	600,000	31.80	-	-
Mutual Funds managed by Al Meezan				
Investment Management Limited	127,936	6.78	120,510	8.08
Fatima Fertilizer Company Limited - Sukuk	2,943	0.16	5,886	0.39
Bank Islami Pakistan Limited -				
Additional Tier 1 Sukuk	5,000	0.27	5,000	0.34
Fixed deposit with Dubai Islamic Bank Limited	-	-	350,000	23.46
Savings account with Dubai Islamic Bank Limited	133	0.01	-	-
Savings account with Meezan Bank Limited	12,427	0.66	4,903	0.33
	1,886,514	100	1,491,746	100

37.5 The movement in the defined benefit obligation over the year is as follows:

	2020		
	Present Value of obligation	Fair Value of Plan Assets	Total
	Rupees in '000		
At January 1,	1,735,808	(1,491,746)	244,062
Current service cost	340,829	-	340,829
Return expense / (income)	220,122	(204,258)	15,864
	2,296,759	(1,696,004)	600,755
Remeasurements:			
- Return on plan assets, excluding amounts included in return (income) / expense above	-	(31,577)	(31,577)
- Experience gains	(20,953)	-	(20,953)
	(20,953)	(31,577)	(52,530)
	2,275,806	(1,727,581)	548,225
Contribution	-	(244,062)	(244,062)
Benefit payments	(85,129)	85,129	-
At December 31,	2,190,677	(1,886,514)	304,163

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	2019		Total
	Present Value of obligation	Fair Value of Plan Assets	
	Rupees in '000		
At January 1,	1,386,260	(1,063,037)	323,223
Current service cost	308,887	-	308,887
Return expense / (income)	182,129	(163,407)	18,722
	<u>1,877,276</u>	<u>(1,226,444)</u>	<u>650,832</u>
Remeasurements:			
- Return on plan assets, excluding amounts included in return expense / (income) above	-	(14,540)	(14,540)
- Experience gains	(69,007)	-	(69,007)
	<u>(69,007)</u>	<u>(14,540)</u>	<u>(83,547)</u>
	<u>1,808,269</u>	<u>(1,240,984)</u>	<u>567,285</u>
Contribution	-	(323,223)	(323,223)
Benefit payments	(72,461)	72,461	-
At December 31,	<u>1,735,808</u>	<u>(1,491,746)</u>	<u>244,062</u>

37.6 Charge for defined benefit plan (in respect of the Gratuity Funded Scheme)

	2020	2019
	Rupees in '000	
37.6.1 Cost recognised in profit and loss		
Current service cost	340,829	308,887
Net return cost	15,864	18,722
	<u>356,693</u>	<u>327,609</u>
37.6.2 Re-measurements recognised in OCI during the year		
Gain on obligation - Experience adjustment	(20,953)	(69,007)
Return on plan assets over expected return	(31,577)	(14,540)
Total re-measurements recognised in OCI	<u>(52,530)</u>	<u>(83,547)</u>

Total expense recognized in Profit and Loss Account amounted to Rs 413.509 million (2019: Rs 384.532 million) of which Rs 356.693 million (2019: Rs 327.609 million) pertains to approved Gratuity Funded Scheme and Rs 56.816 million (2019: Rs 56.923 million) pertains to End of Service Unfunded Defined Benefit Scheme. Total credit recognized in Other Comprehensive Income amounted to Rs 67.548 million (2019: credit of Rs 124.144 million) of which credit of Rs 52.530 million (2019: credit of Rs 83.547 million) pertains to Gratuity Funded Scheme and credit of Rs 15.018 million (2019: credit of 40.597 million) pertains to End of Service Unfunded Defined Benefit Scheme.

37.7 The plan assets and defined benefit obligations (in respect of the Gratuity Funded Scheme) are based in Pakistan.

	2020	2019
37.8 Principal actuarial assumptions		
Discount rate	10.25% p.a	13.00% p.a
Expected rate of increase in salaries	9.25% p.a	12.00% p.a
Expected rate of return on investments	10.25% p.a	13.00% p.a
Normal retirement age	60 years	60 years

37.9 Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables.

Notes to and forming part of the Unconsolidated Financial Statements

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37.10 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation - Increase / (Decrease)	
		Increase in assumption	Decrease in assumption
		Rupees in '000	
Discount rate	1%	(233,888)	278,126
Salary growth rate	1%	289,224	(246,661)
Withdrawal rate	10%	5,378	(5,603)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Statement of Financial Position.

37.11 The weighted average duration of the defined benefit obligation is 11.53 years.

37.12 Expected maturity analysis of undiscounted defined benefit obligation for the Gratuity Funded Scheme is as follows:

At December 31, 2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Rupees in '000					
Gratuity	155,108	87,371	328,588	9,468,126	10,039,193

37.13 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Contribution for the next year works out to Rs 368.437 million as per the actuarial valuation report of the Bank as of December 31, 2020.

37.14 Through its Gratuity Funded Scheme, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate sukuk yields; if plan assets underperform to the yield, this will create a deficit. The Fund believes that due to long-term nature of the plan liabilities and the strength of the Bank's support, the current investment strategy manages this risk adequately.
Changes in Sukuk yields	A decrease in corporate sukuk yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' sukuk holdings.
Inflation risk	The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. However plan assets are variable rate instruments and are re-priced at regular intervals to off set inflationary impacts.
Life expectancy / Withdrawal rate	The majority of the plans' obligations are to provide benefits on severance with the Bank on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

37.15 End of Service Unfunded Defined Benefit Scheme

The Bank also operates an End of Service Unfunded Defined Benefit Scheme for the founding President and Chief Executive Officer.

The charge in respect of current service cost is recognised based on expected period of future service. The net charge for the year of this benefit amounted to Rs 41.798 million. The charge of Rs 56.816 million has been recognized in the Profit and Loss Account and the credit / reversal of Rs 15.018 million has been recognized in Other Comprehensive Income. The present value of defined benefit obligation recognised in respect of this scheme amounts to Rs 358.978 million.

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The principal actuarial assumptions comprise of discount rate of 10.25 percent and salary increase rate of 10 percent. The retirement age used by the actuary is 66 years. The sensitivity of the defined benefit obligation due to a one percent change in discount rate would be Rs 1.617 million (in case the discount rate is increased) and Rs 1.639 million (in case the discount rate is decreased). These sensitivities are calculated using the same methodology as explained in note 37.10.

37.16 The disclosures made in notes 37.1 to 37.15 are based on the information included in the actuarial valuation reports of the Bank as of December 31, 2020.

38 DEFINED CONTRIBUTION PLAN

The Bank also operates a recognized contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

	2020	2019
	Rupees in '000	
Contribution from the Bank	386,375	313,163
Contribution from the employees	386,375	313,163
	<u>772,750</u>	<u>626,326</u>

39 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2020						
	Chairman	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
		Executives (other than CEO)	Non- Executives				
	Rupees in '000						
Fees and allowances	12,560	-	57,108	33,442	-	-	-
Managerial remuneration							
i) Fixed	-	-	-	-	76,147	313,441	355,927
ii) Cash Bonus	-	-	-	-	150,000	355,266	300,000
Charge for gratuity fund / EOSB	-	-	-	-	41,798	8,550	15,284
Contribution to defined contribution plan	-	-	-	-	-	10,533	19,004
Others	-	-	-	-	7,201	1,702	-
	<u>12,560</u>	<u>-</u>	<u>57,108</u>	<u>33,442</u>	<u>275,146</u>	<u>689,492</u>	<u>690,215</u>
Number of persons	<u>1</u>	<u>-</u>	<u>9</u>	<u>4</u>	<u>1</u>	<u>19</u>	<u>57</u>
	2019						
	Chairman	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
		Executives (other than CEO)	Non- Executives				
	Rupees in '000						
Fees and allowances	12,219	-	45,199	27,133	-	-	-
Managerial remuneration							
i) Fixed	-	-	-	-	70,506	288,201	316,399
ii) Cash Bonus	-	-	-	-	126,911	294,065	250,000
Charge for gratuity fund / EOSB	-	-	-	-	16,326	8,248	14,429
Contribution to defined contribution plan	-	-	-	-	-	9,743	17,116
Others	-	-	-	-	1,333	1,508	-
	<u>12,219</u>	<u>-</u>	<u>45,199</u>	<u>27,133</u>	<u>215,076</u>	<u>601,765</u>	<u>597,944</u>
Number of persons	<u>1</u>	<u>-</u>	<u>10</u>	<u>4</u>	<u>1</u>	<u>19</u>	<u>57</u>

Notes to and forming part of the Unconsolidated Financial Statements

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39.1 The Chief Executive, the key management personnel and certain material risk takers / controllers have been provided with free use of the Bank's cars.

39.2 The amount of cash bonus to the key management personnel and other material risk takers / controllers, is based on the management's best estimate.

39.3 Remuneration to Directors for participation in Board and Committee Meetings

		2020						
Sr. No.	Name of Director	Meeting Fees and Allowances						Total Amount
		For Board Meetings	For Board Committees				IFRS 9 Implementation Oversight Committee	
			Board Audit Committee	Risk Management Committee	Information Technology Committee	Human Resources and Remuneration Committee		
Rupees in '000								
1	Mr Riyadh S.A.A. Edrees (Chairman)	5,753	-	-	2,269	2,269	2,269	12,560
2	Mr Faisal A.A.A. Al-Nassar (Vice Chairman)	4,395	2,269	2,269	2,269	-	-	11,202
3	Mr Bader H.A.M.A. Al-Rabiah	3,518	1,950	-	-	-	-	5,468
4	Mr Mubashar Maqbool	3,479	-	2,258	2,258	-	-	7,995
5	Mr Basil Y.A.Y.R. AlBader	800	-	-	-	-	650	1,450
6	Mr Saad Fazil Abbasi	3,479	-	2,258	-	-	-	5,737
7	Mr Mohamed Guermazi	3,518	-	2,269	-	-	-	5,787
8	Mr Noorur Rahman Abid	3,479	2,258	-	-	2,258	-	7,995
9	Ms Nausheen Ahmad	3,479	-	-	-	2,258	-	5,737
10	Mr Atif Azim	3,479	-	-	2,258	-	-	5,737
		<u>35,379</u>	<u>6,477</u>	<u>9,054</u>	<u>9,054</u>	<u>6,785</u>	<u>2,919</u>	<u>69,668</u>

		2019						
Sr. No.	Name of Director	Meeting Fees and Allowances						Total Amount
		For Board Meetings	For Board Committees				IFRS 9 Implementation Oversight Committee	
			Board Audit Committee	Risk Management Committee	Information Technology Committee	Human Resources and Remuneration Committee		
Rupees in '000								
1	Mr Riyadh S.A.A. Edrees (Chairman)	10,997	-	-	-	1,222	-	12,219
2	Mr Faisal A.A.A. Al-Nassar (Vice Chairman)	6,752	939	1,080	-	-	-	8,771
3	Mr Bader H.A.M.A. Al-Rabiah	4,277	909	-	-	-	-	5,186
4	Mr Alaa A. Al-Sarawi	3,181	909	-	-	909	-	4,999
5	Mr Mubashar Maqbool	1,089	-	311	311	-	-	1,711
6	Mr Saad Fazil Abbasi	3,705	-	1,059	-	-	-	4,764
7	Mr Mohamed Guermazi	2,190	-	310	-	-	-	2,500
8	Mr Noorur Rahman Abid	4,261	1,217	-	594	1,217	-	7,289
9	Ms Nausheen Ahmad	3,271	-	-	-	624	-	3,895
10	Mr Atif Azim	2,183	-	-	624	-	-	2,807
11	Mr Mansur Khan	2,085	-	-	596	596	-	3,277
		<u>43,991</u>	<u>3,974</u>	<u>2,760</u>	<u>2,125</u>	<u>4,568</u>	<u>-</u>	<u>57,418</u>

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39.4 Remuneration to Members Shariah Board	2020			2019		
	Chairman	Resident Member	Non Resident Members	Chairman	Resident Member	Non Resident Members
	Rupees in '000					
Fee and allowances	-	5,691	27,751	-	2,912	24,221
Total number of persons	1	1	2	1	1	2

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(a) **Financial instruments in level 1**

Financial instruments included in level 1 comprise of investments in listed ordinary shares, listed sukuk, units of open end mutual fund and global sukuk bonds classified as available for sale.

(b) **Financial instruments in level 2**

Financial instruments included in level 2 comprise of GoP Ijarah sukuk classified as available for sale.

(c) **Financial instruments in level 3**

Currently, no financial instruments are classified in level 3.

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.

Valuation techniques used in determination of fair values

Item	Valuation approach and input used
GoP Sukuk	The fair value of GoP Ijarah Sukuk quoted are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from eight different pre-defined/ approved dealers / brokers.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by SBP.
Foreign Sukuk	The valuation has been determined through closing rates of Bloomberg.
Listed Securities	The valuation has been determined through closing rates of Pakistan Stock Exchange.
Mutual Funds	The valuation has been determined based on Net asset values declared by respective funds.

Fair value of Islamic financing and related assets, other assets, other liabilities and fixed term deposits and other accounts 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 Islamic financing and related assets has been calculated in accordance with the Bank's accounting policy as stated in note 6.3.2.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these assets and liabilities are short term in nature or in the case of financings and deposits are frequently repriced.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

40.2 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

Recurring Fair Value Measurements	2020			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
ON BALANCE SHEET FINANCIAL INSTRUMENTS				
INVESTMENTS - NET				
Financial Assets				
Available for sale securities				
Ordinary shares - listed	7,370,345	-	-	7,370,345
Pakistan Energy Sukuk - listed	117,242,419	-	-	117,242,419
GoP Sukuk	-	178,765,438	-	178,765,438
Foreign Sukuk	7,758,395	-	-	7,758,395
OFF BALANCE SHEET FINANCIAL INSTRUMENTS				
Forward purchase of foreign exchange contracts	-	110,550,519	-	110,550,519
Forward sale of foreign exchange contracts	-	79,023,239	-	79,023,239

Recurring Fair Value Measurements	2019			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
ON BALANCE SHEET FINANCIAL INSTRUMENTS				
INVESTMENTS - NET				
Financial Assets				
Available for sale securities				
Ordinary shares - listed	5,544,826	-	-	5,544,826
Pakistan Energy Sukuk - listed	97,362,650	-	-	97,362,650
GoP Sukuk	-	12,792,286	-	12,792,286
Foreign Sukuk	8,083,166	-	-	8,083,166
OFF BALANCE SHEET FINANCIAL INSTRUMENTS				
Forward purchase of foreign exchange contracts	-	154,054,304	-	154,054,304
Forward sale of foreign exchange contracts	-	118,014,717	-	118,014,717

Investment in associates (listed - mutual funds) have market value of Rs 1,654 million (2019: Rs 1,583 million) which is being valued under level 1. These are carried at cost in the financial statements in accordance with the bank's accounting policy.

40.3 Fair value of non-financial assets

Non-banking assets acquired in satisfaction of claims have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 15. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

40.4 Financial assets not measured at fair value	Carrying Value	
	2020	2019
	Rupees in '000	
Cash and balances with treasury banks	136,242,495	92,193,361
Balances with other banks	19,445,879	15,372,233
Due from financial institutions - net	342,068,799	223,689,325
Investments - net	123,071,743	101,863,234
Islamic financing and related assets - net	512,531,930	493,775,346
Other assets - net	50,143,791	44,508,630

41 SEGMENT ANALYSIS

41.1 Segment Details with respect to Business Activities:

	2020					Total
	Corporate and Commercial banking	Retail banking	Trading and sales	Others	Inter-segment Eliminations	
	Rupees in '000					
Profit and Loss Account						
External Revenue	45,019,224	9,121,773	60,379,863	2,140,088	-	116,660,948
Inter segment revenue - net	-	78,194,290	-	139,241	(78,333,531)	-
Total Income	45,019,224	87,316,063	60,379,863	2,279,329	(78,333,531)	116,660,948
Segment direct expenses	3,974,561	65,443,256	913,020	1,184,072	-	71,514,909
Inter segment expense allocation	29,195,288	-	49,138,243	-	(78,333,531)	-
Total expenses	33,169,849	65,443,256	50,051,263	1,184,072	(78,333,531)	71,514,909
Provisions / (reversal) and write offs - net	8,015,719	292,034	(97,456)	-	-	8,210,297
Profit before tax	3,833,656	21,580,773	10,426,056	1,095,257	-	36,935,742
Statement of Financial Position						
Cash and Bank balances	-	143,297,510	12,390,864	-	-	155,688,374
Due from financial institutions - net	-	-	342,068,799	-	-	342,068,799
Investments - net	14,290,041	-	419,918,299	-	-	434,208,340
Net inter segment lending	-	1,089,397,906	-	868,671	(1,090,266,577)	-
Islamic financing and related assets - net	432,633,248	79,898,682	-	-	-	512,531,930
Others	13,944,482	28,793,829	34,323,709	-	-	77,062,020
Total Assets	460,867,771	1,341,387,927	808,701,671	868,671	(1,090,266,577)	1,521,559,463
Due to financial institutions	75,531,576	721,131	18,247,933	-	-	94,500,640
Deposits and other accounts	-	1,254,430,534	-	-	-	1,254,430,534
Subordinated Sukuk	18,000,000	-	-	-	-	18,000,000
Net inter segment borrowing	336,838,937	-	753,427,640	-	(1,090,266,577)	-
Others	9,550,700	74,783,251	270,401	868,671	-	85,473,023
Total liabilities	439,921,213	1,329,934,916	771,945,974	868,671	(1,090,266,577)	1,452,404,197
Equity	20,946,558	11,453,011	36,755,697	-	-	69,155,266
Total Equity and liabilities	460,867,771	1,341,387,927	808,701,671	868,671	(1,090,266,577)	1,521,559,463
Contingencies and Commitments	510,240,688	78,951,647	187,071,597	-	-	776,263,932

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	2019					Total
	Corporate and Commercial banking	Retail banking	Trading and sales	Others	Inter-segment Eliminations	
Rupees in '000						
Profit and Loss Account						
External Revenue	51,893,574	9,320,828	39,940,952	2,435,293	-	103,590,647
Inter segment revenue - net	-	75,722,753	-	197,777	(75,920,530)	-
Total Income	51,893,574	85,043,581	39,940,952	2,633,070	(75,920,530)	103,590,647
Segment direct expenses	3,276,695	68,331,140	842,189	803,514	-	73,253,538
Inter segment expense allocation	41,590,952	-	34,329,578	-	(75,920,530)	-
Total expenses	44,867,647	68,331,140	35,171,767	803,514	(75,920,530)	73,253,538
Provisions and write offs - net	2,943,899	145,240	1,097,291	-	-	4,186,430
Profit before tax	4,082,028	16,567,201	3,671,894	1,829,556	-	26,150,679
Statement of Financial Position						
Cash and Bank balances	-	100,667,273	6,898,321	-	-	107,565,594
Due from financial institutions - net	-	-	223,689,325	-	-	223,689,325
Investments - net	16,564,479	-	209,081,683	-	-	225,646,162
Net inter segment lending	-	792,265,062	-	529,069	(792,794,131)	-
Islamic financing and related assets - net	407,789,877	85,985,469	-	-	-	493,775,346
Others	18,646,459	28,202,430	23,732,938	-	-	70,581,827
Total Assets	443,000,815	1,007,120,234	463,402,267	529,069	(792,794,131)	1,121,258,254
Due to financial institutions	41,129,507	909,114	8,769	-	-	42,047,390
Deposits and other accounts	-	932,579,114	-	-	-	932,579,114
Subordinated Sukuk	14,000,000	-	-	-	-	14,000,000
Net inter segment borrowing	354,244,023	-	438,550,108	-	(792,794,131)	-
Others	10,310,734	62,323,490	453,045	529,069	-	73,616,338
Total liabilities	419,684,264	995,811,718	439,011,922	529,069	(792,794,131)	1,062,242,842
Equity	23,316,551	11,308,516	24,390,345	-	-	59,015,412
Total Equity and liabilities	443,000,815	1,007,120,234	463,402,267	529,069	(792,794,131)	1,121,258,254
Contingencies and Commitments	411,637,486	73,364,190	267,088,452	-	-	752,090,128

42 TRUST ACTIVITIES

The Bank provides trustee services in respect of Islamic Financing transactions. The services primarily includes holding of assets as security trustee on behalf of investors.

43 RELATED PARTY TRANSACTIONS

43.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes a subsidiary company, associated companies, retirement benefit funds, directors, and key management personnel and their close family members.

43.2 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 and other benefit to the key management personnel is determined in accordance with the terms of their appointment.

43.3 Subsidiary company

- Al Meezan Investment Management Limited

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43.4 Associates

Associates include mutual funds managed by Al Meezan Investment Management Limited and entities having common directorship with the Board. However, entities are not considered related party only if common director is an independent director working on both the Boards.

43.5 Key management personnel

- President and Chief Executive Officer
- Deputy Chief Executive Officer

43.6 Details of transactions with related parties and balances with them (other than those disclosed in respective notes) as at the year-end as are follows:

	Total		Subsidiary		Associates		Directors		Key Management Personnel		Other Related Parties	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Rupees in '000												
Islamic financing and related assets												
At January 1,	569,248	437,528	-	-	569,248	437,528	-	-	-	-	-	-
Addition during the year	9,859,061	3,458,959	-	-	9,859,061	3,458,959	-	-	-	-	-	-
Deletion during the year	(10,428,309)	(3,327,239)	-	-	(10,428,309)	(3,327,239)	-	-	-	-	-	-
At December 31,	-	569,248	-	-	-	569,248	-	-	-	-	-	-
Investments												
At January 1,	897,811	897,811	63,050	63,050	834,761	834,761	-	-	-	-	-	-
Addition during the year	1,468,680	-	-	-	1,468,680	-	-	-	-	-	-	-
Deletion during the year	(1,457,822)	-	-	-	(1,457,822)	-	-	-	-	-	-	-
At December 31,	908,669	897,811	63,050	63,050	845,619	834,761	-	-	-	-	-	-
Due from financial institutions												
At January 1,	24,985,377	-	-	-	24,985,377	-	-	-	-	-	-	-
Addition during the year	70,174,844	24,985,377	-	-	70,174,844	24,985,377	-	-	-	-	-	-
Deletion during the year	(58,488,933)	-	-	-	(58,488,933)	-	-	-	-	-	-	-
At December 31,	36,671,288	24,985,377	-	-	36,671,288	24,985,377	-	-	-	-	-	-

Balances pertaining to parties that were related at the beginning of the year but ceased to be related during any part of the current year are not reflected as part of the closing balance. However, new related parties have been added during the year. The same are accounted for through the movement presented above.

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	Total		Subsidiary		Associates		Directors		Key Management Personnel		Other Related Parties	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees in '000											
Deposits	9,921,195	5,164,559	18,292	10,349	5,078,362	1,171,564	28,185	95,662	428,646	171,382	4,367,710	3,715,602
Provision held against diminution in value of investments	527	-	-	-	527	-	-	-	-	-	-	-
Other Assets												
Profit receivable on financing / investments / placements	982,419	710,269	-	-	982,419	710,269	-	-	-	-	-	-
Fee and Other Receivable	31,661	24,011	27,319	22,408	1,314	1,603	-	-	-	-	3,028	-
Sub-ordinated Sukuk	578,000	568,000	-	-	578,000	568,000	-	-	-	-	-	-
Other Liabilities												
Payable to defined benefit plan	663,141	561,242	-	-	-	-	-	-	358,978	317,180	304,163	244,062
Accrued Expenses	477,762	202,500	77,762	2,500	-	-	-	-	-	-	400,000	200,000
Unearned Income	5,012	-	-	-	5,012	-	-	-	-	-	-	-
Contingencies and Commitments												
Letters of credit (unfunded)	-	26,076	-	-	-	26,076	-	-	-	-	-	-
Letters of Guarantee (unfunded)	1,066,377	100	100	100	1,066,277	-	-	-	-	-	-	-
Transactions, income and expenses												
Profit earned on financing / investments / placements	3,791,894	735,170	-	-	3,791,894	735,170	-	-	-	-	-	-
Fee and other income earned	167,561	117,417	112,561	99,691	54,841	17,726	18	-	85	-	56	-
Dividend income earned	382,457	65,000	325,000	65,000	57,457	-	-	-	-	-	-	-
Capital gain - net	31,190	-	-	-	31,190	-	-	-	-	-	-	-
Return on deposits / acceptance expensed	548,579	705,697	2,536	2,425	191,497	270,336	1,160	1,166	6,107	27,991	347,279	403,779
Recovery of expenses	3,028	2,616	-	-	-	-	-	-	-	-	3,028	2,616
Charge for defined benefit plan	304,163	244,062	-	-	-	-	-	-	-	-	304,163	244,062
Contribution to defined contribution plan	386,375	313,163	-	-	-	-	-	-	-	-	386,375	313,163
Contribution to staff benevolent fund	41,114	20,000	-	-	-	-	-	-	-	-	41,114	20,000
Fee expensed	245,447	9,331	91,302	9,331	154,145	-	-	-	-	-	-	-
Donation	225,000	200,000	-	-	-	-	-	-	-	-	225,000	200,000
Provision against diminution in the value of investments	7,480	-	-	-	7,480	-	-	-	-	-	-	-
Charity Paid	83,000	30,900	-	-	-	-	-	-	-	-	83,000	30,900
Purchase of fixed assets	378,731	-	-	-	378,731	-	-	-	-	-	-	-
Remuneration to key management personnel	432,661	352,828	-	-	-	-	-	-	432,661	352,828	-	-
Fee to non-executive directors (note 39)	69,668	57,418	-	-	-	-	69,668	57,418	-	-	-	-
Proceeds from sale of fixed assets having net book value of Nil	3,616	-	-	-	-	-	-	-	3,616	-	-	-

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44 CAPITAL ASSESSMENT AND ADEQUACY BASEL SPECIFIC

Capital structure

The State Bank of Pakistan (SBP) introduced updated guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated November 5, 2014. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP had specified a transitional period for implementing new standards which came to its end on December 31, 2019. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per requirements which were applicable last year.

44.1 Capital structure

Under Basel III framework, the Bank's regulatory capital has been analysed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, balance in share premium account, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), after regulatory deductions for investment in own shares, and book value of intangibles.
 - b) Additional Tier 1 capital (AT1), which includes perpetual, unsecured, subordinated, non-cumulative and contingent convertible Sukuk instrument issued by the Bank.
- Tier II capital, which includes sub-ordinated sukuk, general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of available for sale investments after deduction of indirect holding of own capital.

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

The required capital adequacy ratio is achieved by the Bank through:

- (a) Adequate level of paid up capital;
- (b) Adequate risk profile of asset mix;
- (c) Ensuring better recovery management; and
- (d) Maintaining acceptable profit margins

44.2 Capital adequacy ratio

The main objective of the capital management is to improve the financial position and strengthen the statement of financial position of the Bank to support the growth in business, provide protection to depositors and enhance shareholders' value.

The Bank's Board and the management is committed to maintaining a sound balance between depositors' liability and shareholders' funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor's about safety and security of their funds and at the same time provide impetus to the management to invest their depositors' funds into profitable ventures without compromising the risk profile of the Bank. The capital requirement of the Bank has been determined based on the projected growth plan to be achieved in the next 3 years in all areas of business operations. Further, it also takes into account a road map for capital enhancement as directed by the State Bank of Pakistan vide its various circulars issued from time to time.

The Bank prepares Annual Budget and Three Year Plan for purpose of the growth map and future direction. Bottom up approach is used to prepare annual budget and detailed deliberations are held while preparing Three Year Plan. The growth prospects takes into consideration prevailing economic and political factors in Pakistan and abroad.

In implementing current capital requirements the State Bank of Pakistan requires banks to maintain minimum Capital Adequacy Ratio (CAR) of 11.50% as of December 31, 2020 whereas CAR stood at 17.82% at the year ended December 31, 2020.

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The Bank calculates capital adequacy ratio for credit risk, market risk and operational risk based upon requirements under Basel Accord as per guidelines issued by the State Bank of Pakistan from time to time in this regard.

Sensitivity and stress testing of the Bank under different risk factors namely yield rate, forced sale value of collateral, non-performing financing and foreign exchange rate depicts that the Bank's capital adequacy ratio is above the regulatory requirements.

The Bank has taken into account credit risk, market risk and operational risk when planning its assets.

45 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2020	2019
	Rupees in '000	
Minimum Capital Requirement		
Paid-up capital (net of losses)	14,147,228	12,861,116
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	62,447,565	48,792,920
Eligible Additional Tier 1 Capital	7,000,000	7,000,000
Total Eligible Tier 1 Capital	69,447,565	55,792,920
Eligible Tier 2 Capital	21,385,064	15,831,790
Total Eligible Capital (Tier 1 + Tier 2)	90,832,629	71,624,710
Risk Weighted Assets		
Credit Risk	387,852,984	342,265,372
Market Risk	17,931,030	14,948,695
Operational Risk	103,835,365	74,650,912
Total	509,619,379	431,864,979
Common Equity Tier 1 Capital Adequacy ratio	12.25%	11.30%
Tier 1 Capital Adequacy Ratio	13.63%	12.92%
Total Capital Adequacy Ratio	17.82%	16.58%
Leverage Ratio		
Tier-1 Capital	69,447,565	55,792,920
Total Exposures	1,696,206,745	1,306,069,711
Leverage Ratio	4.09%	4.27%
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	275,456,729	173,028,388
Total Net Cash Outflow	104,609,841	90,017,680
Liquidity Coverage Ratio	263%	192%
Net Stable Funding Ratio		
Total Available Stable Funding	1,159,868,096	874,633,651
Total Required Stable Funding	645,362,258	536,584,783
Net Stable Funding Ratio	180%	163%

45.1 Full disclosure on Capital Adequacy, Leverage Ratio & Liquidity Requirements prepared as per SBP instructions is available at [https:// www.meezanbank.com](https://www.meezanbank.com)

46 RISK MANAGEMENT

The wide variety of the Bank's business activities require the Bank to identify, assess, measure, aggregate and manage risks effectively which are constantly evolving as the business activities expand in response to the Bank's strategy and growth. The Bank manages the risk through a framework of risk management encompassing policies and procedures, organisational structures, risk measurement and monitoring processes and techniques that are closely aligned with business activities of the Bank.

Risk management principles

- The Board of Directors (the Board) provides overall risk management supervision. The Board Risk Management Committee regularly reviews the Bank's risk profile.

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- The Bank has set up objectives and policies to manage the risks that arise in connection with the Bank's activities. The risk management framework and policies of the Bank are guided by specific objectives to ensure that comprehensive and adequate risk management tools and techniques are established to mitigate the salient risk elements in the operations of the Bank.
- The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent risk management framework.
- The structure of risk management function is closely aligned with the organisational structure of the Bank
- The risk management function is independent of the Bank's operations.

Risk management organisation

The Board Risk Management Committee comprises of four non-executive directors. One of the non-executive directors of the Bank chairs the Risk Management Committee.

Specialized Committees comprising of Senior Management team members perform their functions in line with the strategic direction set by the Board while ensuring that there is optimal balance between risk reward trade-off. The Committees include:

Name of the sub-committee	Chaired by
Credit Risk Management Committee (CRMC)	President & CEO
Asset and Liability Management Committee (ALCO)	President & CEO
Compliance & Operational Risk Management Committee (CORMC)	President & CEO

CRMC is responsible to oversee credit risk activities on bank wide basis while ensuring compliance with regulatory requirements and internal policies. Its responsibilities also include to provide support and guide front lines in managing their businesses, perform finance portfolio review, establish financing standards and benchmarks, maintain adequate industry diversification and decide upon provisioning. It is also required to delegate financing approving powers & prudential limits on large financing exposures. Credit Committee, a sub-committee of CRMC is the highest level body for approval of financing transactions.

ALCO is responsible for reviewing the Asset and Liability structure of the Bank, monitoring the liquidity situation and overall changing market scenario. Market and Liquidity risks are examined based on stress testing exercises and gap analysis. ALCO is also responsible for monitoring policy rate movements and taking necessary steps across various products to ensure that the overall profitability of the Bank is maximized without compromising on risk appetite. ALCO also ensures that the Banks' overall operations are fully compliant with regulatory framework for the business as provided by the State Bank of Pakistan.

The CORMC is responsible for overseeing compliance risk by reviewing the adequacy of controls in place to meet regulatory requirements. The Committee is responsible for promoting compliance culture in the Bank, facilitate in implementation of Compliance Program and oversee Money Laundering and Financing Terrorism risk. In addition, the Committee also oversees Operational Risk Framework by ensuring that policies and procedures are in place in all Key risk areas and by reviewing Key Risk Indicators. The Committee also monitors level of compliance of major unresolved and recurring issues pointed out in the Internal Audit, Shariah Audit and SBP Inspection Report.

The Bank's risk management, compliance, internal audit and legal departments support the risk management function. The role of the risk management department is to assess, measure, identify risks and established risk mitigants through a detailed policy and monitoring framework. The compliance department ensures that all the directives and guidelines issued by the SBP are being complied with in order to mitigate the compliance risk. The internal audit and BRR department reviews the compliance of internal control procedures with internal and regulatory standards.

During the year, the global economic environment including Pakistan has been severely affected by the COVID - 19 outbreak. To reduce the impact on businesses and economy in general, SBP has provided relief through reduction in SBP Policy Rate by 625 basis points. Other relief measures include the deferment of the repayment of principal amount of financing facility by one year, on case to case basis; reduction in the capital conservation buffer by 100 basis points to 1.5%; refinancing schemes for payment of wages and salaries; etc.

COVID - 19 has impacted banks in Pakistan through increase in overall credit risk, overall slowdown in the economic activity, challenges to continuity of business operations and managing cybersecurity threat. The Bank's management and Board is fully cognisant of the business challenges posed by the COVID - 19 outbreak and lock down imposed by the Government of Pakistan. The Bank continues its operations to serve customers through its branch network across Pakistan and the digital channels by observing the Government instructions and adopting all possible precautionary measures.

The Bank is also monitoring its credit risk exposure through its risk management function and assessment of the credit portfolio to identify customers or portfolios that may require additional risk management considerations. Subsequent to the emergence of the COVID - 19 situation and in line with SBP's directives, the Bank has rescheduled a number of financing facilities after review of the rescheduled proposals as per the established policies of the Bank. The impact of such rescheduling has also been assessed on credit risk and liquidity / maturity profile of the Bank and the Bank considers that the liquidity buffer and capital adequacy is sufficiently maintained at this stage.

Notes to and forming part of the Unconsolidated Financial Statements

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46.1 Credit risk management and structure

The Bank manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Financing Policy approved by the Board of Directors. A comprehensive financing procedural manual approved by the senior management is also in place. The Bank also ensures diversification of its portfolio into different business segments, products and sectors. Further, to avoid risk concentration; counterparty limits, counterparty group limits and industry concentration limits are also established, monitored and assessed in the light of changing counterparty and market conditions.

Watchlist procedure is also functioning which identifies financings with early warning indicators in respect of clients having the potential to become non performing. The risk management function also monitors the non-performing financing portfolio of the Bank and reports all significant matters to the Board Risk Management Committee.

The Bank takes into account the risk mitigating effect of the eligible collaterals for the calculation of capital requirement for credit risk. Use of Credit Risk Mitigation (CRM) resulted in the total credit risk weighted amount of Rs 387,852.984 million (2019: Rs 342,265.372 million).

Thus, use of CRM resulted in capital adequacy ratio of the Bank of 17.82%.

46.1.1 Segmental information

46.1.1.1 Due from financial institutions

Credit risk by public / private sector

	Gross amount due from financial institutions		Non-performing amount due from financial institution		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000					
Public / Government	220,505,494	163,347,061	-	-	-	-
Private	121,604,871	60,383,830	41,566	41,566	41,566	41,566
	342,110,365	223,730,891	41,566	41,566	41,566	41,566

46.1.1.2 Investment Sukuk / Islamic investment certificates

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000					
Automobile and transportation equipment	801,040	776,919	-	-	-	-
Cement	500,000	500,000	-	-	-	-
Chemical and Pharmaceuticals	29,348	45,896	29,348	45,896	29,348	45,896
Construction and allied industries	400,000	400,000	-	-	-	-
Federal Government Securities	286,488,853	96,658,346	-	-	-	-
Financial	2,234,251	2,986,023	-	-	-	-
Foreign Government Securities	3,999,532	3,876,749	-	-	-	-
Oil and Gas	3,650,000	4,350,000	-	-	-	-
Power (electricity)	121,499,141	95,989,072	-	-	-	-
Textile	200,000	266,987	50,000	116,987	50,000	116,987
	419,802,165	205,849,992	79,348	162,883	79,348	162,883

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000					
Public / Government	413,129,456	197,526,076	-	-	-	-
Private	6,672,709	8,323,916	79,348	162,883	79,348	162,883
	419,802,165	205,849,992	79,348	162,883	79,348	162,883

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46.1.1.3 Islamic financing and related assets

Credit risk by industry sector

	Gross amounts		Non-performing amounts		Provision held	
	2020	2019	2020	2019	2020	2019
Rupees in '000						
Agriculture, Feed Mills, Poultry, Dairy, Forestry and Fishing	7,032,514	6,532,725	455,498	54,637	443,552	53,338
Automobile and transportation equipment	16,104,491	17,428,237	76,090	642,232	72,548	642,232
Cement	14,086,522	14,735,150	-	-	-	-
Chemical and Pharmaceuticals	14,799,066	14,159,334	26,257	75,137	26,257	75,137
Construction and allied industries	30,350,924	21,959,860	790,748	462,354	509,068	139,135
Electronics and electrical appliances	6,427,477	5,556,206	1,571,139	-	1,571,139	-
Exports/Imports	1,335,641	2,424,536	205,372	155,324	205,372	155,324
Fertilizer	10,074,920	6,254,098	38,833	38,833	38,833	38,833
Financial	302,835	778,364	-	-	-	-
Food	89,124,773	106,554,649	1,441,009	999,984	1,204,694	972,992
Footwear and Leather garments	3,449,968	3,641,150	185,420	201,201	185,420	201,201
Individuals	50,751,450	49,641,378	810,131	383,905	342,959	241,345
Insurance	376,847	247,572	-	-	-	-
Mining and Quarrying	4,460,821	6,284,400	-	-	-	-
Oil and Gas	29,728,307	22,022,980	4,478,371	-	4,439,261	-
Paper, board and packaging	8,071,766	9,808,539	263,194	285,327	246,269	190,601
Power (electricity)	83,454,928	80,339,579	846,119	846,119	846,119	846,119
Services	8,930,861	7,979,122	128,390	24,220	45,919	21,909
Sugar	10,645,158	6,511,846	-	108,718	-	108,718
Textile	98,527,235	85,320,362	3,068,997	4,323,075	2,960,979	4,278,286
Transport, Storage and Communication	28,241,998	23,973,248	102,900	92,884	48,365	41,417
Wholesale and Retail Trade	11,363,017	10,940,491	249,441	153,068	220,656	140,868
Others	3,946,096	3,418,750	195,564	148,701	195,564	137,064
	531,587,615	506,512,576	14,933,473	8,995,719	13,602,974	8,284,519

Credit risk by public / private sector

	Gross amounts		Non-performing amounts		Provision held	
	2020	2019	2020	2019	2020	2019
Rupees in '000						
Public / Government	110,771,260	121,590,108	-	-	-	-
Private	420,816,355	384,922,468	14,933,473	8,995,719	13,602,974	8,284,519
	531,587,615	506,512,576	14,933,473	8,995,719	13,602,974	8,284,519

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46.1.1.4 Contingencies and Commitments

Credit risk by industry sector

	2020	2019
	Rupees in '000	
Agriculture, Feed Mills, Poultry, Dairy, Forestry and Fishing	6,728,469	3,888,017
Automobile and transportation equipment	21,979,189	10,379,265
Cement	5,595,616	2,205,610
Chemical and Pharmaceuticals	19,674,545	16,519,610
Construction and allied industries	27,017,488	20,041,620
Electronics and electrical appliances	5,788,689	5,637,909
Exports/Imports	3,492,684	1,114,977
Fertilizer	10,281,805	10,264,420
Financial	165,233,789	202,504,092
Food	108,466,363	48,788,281
Footwear and Leather garments	6,945,567	5,025,428
Individuals	23,826,893	20,880,737
Insurance	57,787	146,942
Mining and Quarrying	5,339,179	2,778,730
Oil and Gas	38,832,248	32,763,650
Paper, board and packaging	13,808,104	11,008,615
Power (electricity)	56,069,935	72,679,466
Services	50,038,364	43,451,226
Sugar	14,733,102	20,553,186
Textile	145,185,143	183,142,496
Transport, Storage and Communication	13,654,734	12,157,381
Wholesale and Retail Trade	21,553,831	18,985,405
Others	11,960,408	7,173,065
	<u>776,263,932</u>	<u>752,090,128</u>
Credit risk by public / private sector		
Public / Government	145,675,766	92,505,223
Private	630,588,166	659,584,905
	<u>776,263,932</u>	<u>752,090,128</u>

46.1.1.5 Concentration of Top 10 exposures

Top 10 exposures on the basis of total funded and non-funded exposures aggregated to Rs 294,251 million (2019: Rs 264,457 million) as follows:

	2020	2019
	Rupees in '000	
Funded Exposure	236,418,820	213,395,745
Non Funded Exposure	57,832,112	51,061,637
Total Exposure	<u>294,250,932</u>	<u>264,457,382</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 322,794 million (2019: Rs 326,544 million). None of the exposure against these top 10 customers is in classified stage.

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

Province / Region	2020						
	Disbursements		Utilization				
	Rupees in '000						
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
Punjab	288,963,818	288,963,818	-	-	-	-	-
Sindh	342,197,390	-	342,197,390	-	-	-	-
KPK including FATA	2,219,767	-	-	2,219,767	-	-	-
Balochistan	414,352	-	-	-	414,352	-	-
Islamabad	33,987,204	-	-	-	-	33,987,204	-
AJK including Gilgit-Baltistan	7,420	-	-	-	-	-	7,420
Total	667,789,951	288,963,818	342,197,390	2,219,767	414,352	33,987,204	7,420

Province / Region	2019						
	Disbursements		Utilization				
	Rupees in '000						
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
Punjab	263,517,532	263,517,532	-	-	-	-	-
Sindh	256,420,540	3,280,581	251,802,543	627,755	671,012	-	38,649
KPK including FATA	1,248,056	-	-	1,248,056	-	-	-
Balochistan	772,392	-	-	-	772,392	-	-
Islamabad	38,469,256	-	-	-	-	38,469,256	-
AJK including Gilgit-Baltistan	616,957	-	-	-	-	-	616,957
Total	561,044,733	266,798,113	251,802,543	1,875,811	1,443,404	38,469,256	655,606

46.1.2 Credit Risk - General Disclosures

The Bank has adopted Standardised Approach of Basel Accord for calculation of capital charge against credit risk. Therefore, risk weights for the credit risk related assets (on-balance sheet and off-balance sheet - market and non market related exposures) are assigned on basis of standardised approach.

The Bank is committed to further strengthen its risk management framework which will enable the Bank to move ahead for adopting Foundation Internal Ratings Based (IRB) approach of Basel II. Meanwhile, none of the Bank's assets class is subject to the Foundation IRB or advanced IRB approaches.

46.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach

Under standardised approach the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognised by the SBP for capital adequacy purposes. In this connection, the Bank utilises the credit ratings assigned by ECAIs and has recognised agencies such as PACRA (Pakistan Credit Rating Agency) and VIS Credit Rating Company which are also recognised by the SBP.

In case of foreign currency exposures against banks, ratings assigned by S&P, Fitch and Moody's have been applied. In case of exposure against banks, some banks have multiple ratings but those ratings do not result in mapping with different risk weights.

Types of Exposure and ECAI's used

Exposures	2020				
	VIS	PACRA	Standard & Poors (S&P)	Fitch	Moody's
Corporate	√	√	√	√	√
Banks	√	√	√	√	√
Public Sector Entities	√	√	-	-	-

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Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

Mapping to SBP Rating Grades

The alignment of the Alphanumerical scale of each agency used with risk buckets is as per instructions laid down by SBP under Basel III requirements.

46.1.2.2 Credit exposures subject to standardised approach

On-balance sheet Exposures	2020			2019		
	Amount Outstanding	Deduction Credit Risk Management	Net amount	Amount Outstanding	Deduction Credit Risk Management	Net amount
Rupees in '000						
Banks						
20%	358,361,628	263,477,510	94,884,118	213,139,950	172,015,972	41,123,978
50%	4,389,125	-	4,389,125	2,947,550	-	2,947,550
100%	636,571	-	636,571	665,142	-	665,142
150%	39,854	-	39,854	57,283	-	57,283
Unrated	507,829	-	507,829	11,872,860	-	11,872,860
Sovereigns						
0%	429,283,436	40,742,872	388,540,564	216,586,461	31,286,757	185,299,704
20%	377,248	-	377,248	-	-	-
50%	2,645,851	-	2,645,851	2,813,316	-	2,813,316
100%	810,878	-	810,878	213,088	-	213,088
Public Sector entities						
20%	24,345,616	18,706,251	5,639,365	28,487,673	18,750,845	9,736,828
Unrated (50%)	169,474,536	164,806,804	4,667,732	172,718,924	178,650,321	-
Corporate						
20%	109,938,196	600,000	109,338,196	94,332,322	1,557,502	92,774,820
50%	78,778,046	-	78,778,046	75,285,341	40,000	75,245,341
100%	9,084,886	-	9,084,886	11,258,273	-	11,258,273
Unrated 1 (100%)	79,496,684	7,640,852	71,855,832	71,775,088	5,959,663	65,815,425
Unrated 2 (125%)	72,466,512	13,131,857	59,334,655	62,331,059	10,532,509	51,798,550
Retails						
75%	57,582,003	11,660,567	45,921,436	58,377,604	11,778,165	46,599,439
Residential Mortgage						
35%	16,817,409	-	16,817,409	16,835,047	-	16,835,047
25%	12,526	2,806	9,720	-	-	-
Past Due						
50%	109,092	80,222	28,870	102,828	32,248	70,580
100%	1,154,223	58,144	1,096,079	613,339	22,146	591,193
150%	76,274	28,331	47,943	33,417	15,515	17,902
Total	1,416,388,423	520,936,216	895,452,207	1,040,446,565	430,641,643	615,736,319

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46.1.2.3 Credit Risk: Disclosures with respect to Credit risk mitigation for Standardised approach and IRB

The Bank obtains capital relief for both its on-balance and off-balance sheet non-market related exposures by using simple approach for credit risk mitigation (CRM). Off-balance sheet items under the simplified standardised approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardised approach the Bank has taken advantage of the cash collaterals available with the Bank in the form of security deposits, cash margins, certificates of islamic investment, monthly mudaraba certificate, saving accounts, guarantees, shares and Government securities.

Valuation and management of eligible collaterals for CRM is being done in accordance with the conditions laid down by the State Bank of Pakistan. Eligible collaterals for CRM purposes do not expose the Bank to price risk as they are in the form of cash/cash equivalent collaterals. Since eligible collaterals for CRM purposes are all in the form of cash/cash equivalent collaterals, they generally do not pose risk to the Bank in terms of change in their valuation due to changes in the market condition.

The credit equivalent amount of an off-balance sheet market related foreign exchange contracts are determined by using the current exposure (mark to market) method.

The total benefit of Rs 520,936.216 million was availed through CRM against total on-balance sheet exposure of Rs 1,518,763.572 million. Under off-balance sheet, total benefit of Rs 5,869.087 million was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs 660,285.090 million. In the year 2020, total CRM benefit was Rs 526,805.303 million as against amount of Rs 444,243.646 million in year 2019.

46.1.2.4 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz., industry, geography, and single / group borrower obligor. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single and group obligors. Within the SBP limits, the Bank has further defined limits to avoid excessive concentration of portfolio.

46.2 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects yield rate risk, currency risk and other price risks. Banks could be adversely affected by movements in market rates or prices such as benchmark rates, deposit rates, foreign exchange rates, equity prices and market conditions resulting in a loss to earnings and capital.

46.2.1 Equity position in the banking and trading book

The Bank classifies and values its investment portfolio in accordance with the directives of SBP as stated in note 6.4 to these financial statements.

Trading book

Held for trading and available for sale securities with trading intent;

- They are marked to market daily; and
- Any valuation difference is charged / credited to the profit and loss account in case of held for trading securities and to surplus on revaluation of investments - net of tax under equity in case of available for sale securities.

Banking book

Assets outside trading book are part of the banking book. These may include assets classified as available for sale and held to maturity investments.

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46.2.2 Balance sheet split by trading and banking books

	2020			2019		
	Banking Book	Trading Book	Total	Banking Book	Trading Book	Total
Rupees in '000						
Cash and balances with treasury banks	136,242,495	-	136,242,495	92,193,361	-	92,193,361
Balances with other banks	19,445,879	-	19,445,879	15,372,233	-	15,372,233
Due from financial institutions	342,068,799	-	342,068,799	223,689,325	-	223,689,325
Investments - net	425,993,229	8,215,111	434,208,340	219,266,575	6,379,587	225,646,162
Islamic financings and related assets - net	512,531,930	-	512,531,930	493,775,346	-	493,775,346
Fixed assets	23,568,351	-	23,568,351	23,284,415	-	23,284,415
Intangible assets	1,079,961	-	1,079,961	780,381	-	780,381
Deferred tax asset	389,653	-	389,653	-	-	-
Other assets - net	52,024,055	-	52,024,055	46,517,031	-	46,517,031
	<u>1,513,344,352</u>	<u>8,215,111</u>	<u>1,521,559,463</u>	<u>1,114,878,667</u>	<u>6,379,587</u>	<u>1,121,258,254</u>

The Bank uses a number of methods to monitor and control market risk exposures. One of the major tools used by the Bank to monitor and limit market risk is Value at Risk (VaR). VaR is defined as the estimated loss that will arise on a position or a portfolio over a particular (holding) period of time from an adverse market movement with a specific probability (confidence level). The VaR model used by the Bank takes 99% confidence level and assumes a 1 to 10 days holding period whilst using the historical simulation taking the data of the last three years. Daily VaR figures are circulated to the senior management and regular summaries are reported in ALCO meetings.

The VaR reports are complemented by various other position and sensitivity limit structures, including stress, sensitivity, gap and scenario analysis. The capital charge for market risk has been calculated by using Standardized Approach.

46.2.3 Foreign exchange risk

The foreign exchange risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. It refers to the impact of adverse movement in currency exchange rates on the value of open foreign currency position. The objectives of the foreign exchange risk management is to minimise the adverse impact of foreign exchange rate movements on the assets and liabilities mismatch (tenor and position) and maximise their earnings.

Whenever a commercial bank deals in foreign currency, it is exposed to risk of exchange rate. The Bank's assets and liabilities in foreign currencies give rise to foreign exchange risk which has to be managed by the Bank; this risk is mitigated by using different hedging techniques. Hedging is a way used by a bank to eliminate or minimize its risk exposures. Hedging can be done using different ways like gap analysis, hedging (forwards), assigning limits in terms of amount, tenor, currency, product, countries, counterparties etc. The Bank limits its currency exposure to the extent of statutory net open position prescribed by the SBP except in the cases where exemption is provided by the SBP. Foreign exchange open and mismatch positions are controlled through close monitoring and are marked to market on a daily basis.

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The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2020			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	Rupees in '000			
Pakistan Rupees	1,466,927,298	1,367,687,042	(30,698,785)	68,541,471
United States Dollars	50,675,767	73,698,896	23,493,413	470,284
Great Britain Pounds	1,105,980	5,515,751	4,444,939	35,168
Japanese Yen	44,123	7,527	(38,745)	(2,149)
Euro	1,360,494	4,531,456	3,183,628	12,666
Singapore Dollars	16,187	-	(9,075)	7,112
Australian Dollars	267,319	2,004	(261,988)	3,327
Canadian Dollars	3,193	1,552	-	1,641
United Arab Emirates Dirham	53,281	-	(43,514)	9,767
Swiss Francs	27,480	-	(22,686)	4,794
Saudi Riyal	20,037	-	-	20,037
Swedish Krona	6,290	-	-	6,290
Malaysian Ringgit	2,613	-	-	2,613
Hong kong Dollar	1,613	26	-	1,587
Thailand Bhat	1,038	-	-	1,038
Norwegian Krone	6,165	-	-	6,165
Danish Krone	14,009	-	-	14,009
Chinese Offshore Spot	2,750	-	-	2,750
Chinese Yuan	1,023,826	959,943	(47,187)	16,696
Total foreign currency exposure	54,632,165	84,717,155	30,698,785	613,795
Total currency exposure	1,521,559,463	1,452,404,197	-	69,155,266

	2019			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	Rupees in '000			
Pakistan Rupees	1,081,091,623	987,250,649	(34,978,988)	58,861,986
United States Dollars	37,480,391	66,756,731	29,327,718	51,378
Great Britain Pounds	706,604	4,516,282	3,838,766	29,088
Japanese Yen	48,430	4,449	(49,893)	(5,912)
Euro	1,177,207	3,234,587	2,089,398	32,018
Singapore Dollars	-	6,491	11,504	5,013
Australian Dollars	123,245	1,976	(141,022)	(19,753)
Canadian Dollars	21,101	1,470	(11,513)	8,118
United Arab Emirates Dirham	46,414	-	(42,157)	4,257
Swiss Francs	106,543	100,172	(1,599)	4,772
Saudi Riyal	19,479	-	-	19,479
Swedish Krona	3,244	-	-	3,244
Malaysian Ringgit	1,643	-	-	1,643
Hongkong Dollar	1,323	35	-	1,288
Thailand Bhat	1,177	-	-	1,177
Norwegian Krone	4,086	-	-	4,086
Danish Krone	36,194	-	(30,204)	5,990
Chinese Offshore Spot	2,488	-	-	2,488
Chinese Yuan	387,062	370,000	(12,010)	5,052
Total foreign currency exposure	40,166,631	74,992,193	34,978,988	153,426
Total currency exposure	1,121,258,254	1,062,242,842	-	59,015,412

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	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates				
- Profit and Loss Account	-	785	-	1,992
- Other Comprehensive Income	-	-	-	-

46.2.4 Equity position risk

Equity position risk is defined as the risk to earnings or capital arising from adverse changes in value of equity portfolios of Bank. The limits assigned to various individual scripts and total portfolio investments are fixed as per the guidelines issued by the SBP. The Bank invests in only Shariah compliant equities as advised by the Resident Shariah Board Member.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices				
- Profit and Loss Account	-	-	-	-
- Other Comprehensive Income	-	224,796	-	162,186

46.2.5 Yield / profit rate risk

Yield risk occurs when there is a mismatch between positions, which are subject to profit rate alterations within a particular time period. The Bank's financing, placement and investment activities give rise to profit rate risk. The effect of changes in profit rate is on the Bank's income, and resultant impact is on the Bank's net worth.

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

The Bank estimates changes in the market value of equity due to changes in the yield rates on on-balance sheet positions and their impact on capital adequacy ratio by conducting stress tests. It also assesses risk on earnings of the Bank by various shocks.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in discount rates measured at the discount rate at year end, with other factors remaining constant.				
- Profit and Loss Account	1,633,833	-	833,288	-
- Other Comprehensive Income	-	-	-	-

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46.2.6 Mismatch of yield rate sensitive assets and liabilities

Effective yield rate %	Total	2020									Non-yield bearing financial instruments
		Exposed to yield risk									
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
Rupees in '000											
On-balance sheet financial instruments											
Assets											
-	136,242,495	-	-	-	-	-	-	-	-	-	136,242,495
0.15	19,445,879	10,156,526	-	-	-	-	-	-	-	-	9,289,353
9.90	342,068,799	65,901,330	70,876,013	67,148,973	103,178,184	-	-	-	-	-	-
10.23	434,208,340	51,540,960	35,124,000	203,309,896	42,433,712	42,893,083	24,890,011	34,964,299	24,639,109	568,861	8,808,708
9.97	512,531,930	33,739,558	221,707,618	53,357,244	12,111,324	9,956,820	13,123,830	12,853,658	-	-	155,681,878
-	50,143,791	-	-	-	-	-	-	-	-	-	50,143,791
-	1,494,641,234	161,338,374	327,707,631	323,816,113	157,723,220	52,849,903	38,013,841	72,457,066	568,861	-	360,166,225
Liabilities											
-	26,494,006	-	-	-	-	-	-	-	-	-	26,494,006
2.45	94,500,640	93,554,757	74,809	103,910	19,227	-	-	-	-	-	747,937
3.68	1,254,430,534	716,779,258	33,558,528	223,000	4,320,000	-	-	-	-	-	499,549,748
11.64	18,000,000	18,000,000	-	-	-	-	-	-	-	-	-
-	43,156,624	-	-	-	-	-	-	-	-	-	43,156,624
-	1,436,581,804	828,334,015	33,633,337	326,910	4,339,227	-	-	-	-	-	569,948,315
-	58,059,430	(666,995,641)	294,074,294	323,489,203	153,383,993	52,849,903	38,013,841	72,457,066	568,861	-	(209,782,090)
Non financial assets											
-	23,588,351	-	-	-	-	-	-	-	-	-	-
-	1,079,961	-	-	-	-	-	-	-	-	-	-
-	389,653	-	-	-	-	-	-	-	-	-	-
-	1,880,264	-	-	-	-	-	-	-	-	-	-
-	26,918,229	-	-	-	-	-	-	-	-	-	-
Non financial liabilities											
-	15,822,393	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	15,822,393	-	-	-	-	-	-	-	-	-	-
-	69,155,266	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments											
-	108,885,191	-	-	-	-	-	-	-	-	-	108,885,191
-	78,186,406	-	-	-	-	-	-	-	-	-	78,186,406
-	30,698,785	-	-	-	-	-	-	-	-	-	30,698,785
Total yield risk rate sensitivity gap		(666,995,641)	294,074,294	323,489,203	153,383,993	52,849,903	38,013,841	72,457,066	568,861	-	(179,083,305)
Cumulative yield risk rate sensitivity gap		(666,995,641)	(372,921,347)	(49,432,144)	103,951,849	156,801,752	194,815,593	267,272,659	267,841,520	267,841,520	88,758,215

Effective yield rate %	Total	2019									Non-yield bearing financial instruments
		Exposed to yield risk									
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
Rupees in '000											
On-balance sheet financial instruments											
Assets											
-	92,193,361	-	-	-	-	-	-	-	-	-	92,193,361
0.80	15,372,233	5,771,943	-	-	-	-	-	-	-	-	9,600,290
11.31	223,689,325	53,211,438	67,361,553	31,204,048	71,912,286	-	-	-	-	-	-
11.17	225,646,162	738,367	100,397,792	25,583,255	775,240	42,433,712	42,185,876	4,350,115	1,990,434	-	7,191,371
12.36	493,775,346	166,792,950	72,353,643	50,157,224	13,757,900	7,517,591	10,606,330	16,840,760	3,401,060	-	152,347,888
-	44,508,630	-	-	-	-	-	-	-	-	-	44,508,630
-	1,095,185,057	226,514,698	240,112,988	106,944,527	86,445,426	49,951,303	52,792,206	21,190,875	5,391,494	-	305,841,540
Liabilities											
-	17,186,807	-	-	-	-	-	-	-	-	-	17,186,807
3.27	42,047,390	41,701,568	188,330	46,934	268	21,279	13,918	66,324	-	-	8,769
5.44	932,579,114	584,522,985	10,217,343	1,460,000	500,000	-	-	-	-	-	335,878,786
12.81	14,000,000	14,000,000	-	-	-	-	-	-	-	-	-
-	39,239,569	-	-	-	-	-	-	-	-	-	39,239,569
-	1,045,052,880	640,224,553	10,405,673	1,506,934	500,268	21,279	13,918	66,324	-	-	392,313,931
-	50,132,177	(413,709,855)	229,707,315	105,437,593	85,945,158	49,930,024	52,778,288	21,124,551	5,391,494	-	(86,472,991)
Non financial assets											
-	23,284,415	-	-	-	-	-	-	-	-	-	-
-	780,381	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	2,008,401	-	-	-	-	-	-	-	-	-	-
-	26,073,197	-	-	-	-	-	-	-	-	-	-
Non financial liabilities											
-	14,360,104	-	-	-	-	-	-	-	-	-	-
-	2,829,858	-	-	-	-	-	-	-	-	-	-
-	17,189,962	-	-	-	-	-	-	-	-	-	-
-	59,015,412	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments											
-	151,033,720	-	-	-	-	-	-	-	-	-	151,033,720
-	116,054,732	-	-	-	-	-	-	-	-	-	116,054,732
-	34,978,988	-	-	-	-	-	-	-	-	-	34,978,988
Total yield risk rate sensitivity gap		(413,709,855)	229,707,315	105,437,593	85,945,158	49,930,024	52,778,288	21,124,551	5,391,494	-	(51,493,403)
Cumulative yield risk rate sensitivity gap		(413,709,855)	(184,002,540)	(78,564,947)	7,380,211	57,310,235	110,088,523	131,213,074	136,604,568	136,604,568	85,111,165

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market profit rates on both its fair value and cash flow risks.

Profit margins may increase as a result of such changes but may reduce to losses in the event that unexpected movement arise.

46.3 Liquidity risk

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

The Bank's Board of Directors sets the Bank's policy for managing liquidity risk and entrusts accountability for supervision of the implementation of this strategy to senior management. Senior management exercises its responsibilities for managing market & liquidity risk through various committees including the Asset & Liability Management Committee (ALCO). Treasury department manages the Bank's liquidity position on a daily basis. The Bank's main approach of managing the liquidity risk is to make certain that it will always have adequate liquidity to meet its liabilities when they are due in normal and stressed scenarios without incurring any untoward expenditure or risking reputational harm. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

46.3.1 Maturities of assets and liabilities based on contractual maturities

		2020												
		Rupees in '000												
	Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 month	Upto 2 months	Upto 3 months	Over 3 to 6 months	Over 6 months to 1 Years	Over 1 to 2 Years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets														
Cash and balances with treasury banks	136,242,495	44,960,023	30,427,491	30,427,491	30,427,490	-	-	-	-	-	-	-	-	-
Balances with other banks	19,445,879	6,722,939	6,722,940	6,722,940	6,000,000	-	-	-	-	-	-	-	-	-
Due from financial institutions	342,068,799	-	24,865,400	31,986,379	9,046,551	16,725,267	54,750,746	67,148,973	103,178,184	-	-	-	-	-
Investments	434,208,340	294,813	1,474,069	1,720,179	3,906,283	-	-	1,385,424	43,674,168	45,343,995	28,256,236	34,964,239	-	-
Islamic financing and related assets	572,531,930	111,060,016	5,024,327	8,164,331	15,219,657	57,109,561	26,064,602	66,791,870	33,315,756	47,345,088	44,283,808	186,804,041	120,982,471	436,661
Fixed assets	23,568,351	12,107	72,386	84,451	205,096	465,048	467,867	1,139,718	2,316,860	4,538,324	2,813,284	53,447,249	30,604,145	14,101,320
Intangible assets	1,079,961	634	3,787	4,418	10,730	29,484	30,413	63,363	140,384	260,102	205,216	272,930	58,490	6,038,877
Deferred tax assets	388,653	1,082	6,494	7,577	17,318	32,471	32,471	97,413	194,827	10,306,969	-	1,511,741	-	90,117
Other assets	52,024,055	1,882,164	1,482,520	1,728,582	6,422,197	3,157,662	5,350,195	4,574,613	14,266,000	107,95,478	1,247,441	1,511,741	12,654	-
	1,321,558,483	164,943,778	70,059,414	74,124,608	71,258,322	76,919,493	86,826,414	141,201,574	197,086,189	107,95,478	76,805,985	279,860,727	154,020,506	20,666,975
Liabilities														
Bills payable	26,494,006	8,743,022	5,916,112	5,916,112	5,916,760	-	-	-	-	-	-	-	-	-
Due to financial institutions	94,500,640	373,969	17,884,177	7,731	1,477,081	11,116,619	19,814,444	21,553,828	3,742,829	1,573,167	1,936,551	4,145,237	5,816,546	5,058,461
Deposits and other accounts	1,254,430,534	958,685,397	24,860,133	20,206,143	41,681,589	34,653,377	31,466,918	39,273,875	52,600,763	17,440,552	6,183,847	13,417,823	13,950,117	-
Sub-ordinated Sukuk	18,000,000	-	-	-	-	-	-	-	-	-	-	-	11,000,000	7,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	58,079,017	212,801	3,619,837	1,450,551	3,331,274	5,705,047	5,748,257	10,941,152	9,159,686	4,988,155	2,834,708	3,540,344	7,447,105	-
	1,452,404,197	968,025,289	52,280,259	27,590,537	52,408,704	51,475,043	57,029,619	71,768,855	65,503,278	24,001,874	10,955,106	21,103,404	38,213,768	12,058,461
Net assets	69,155,286	(803,081,511)	17,779,155	46,544,071	18,849,618	25,444,450	29,796,795	69,432,719	131,582,911	83,793,604	65,850,879	258,747,323	115,806,738	8,608,514
Share capital	14,147,228													
Reserves	20,424,225													
Unappropriated profit	29,021,521													
Surplus on revaluation of assets	5,562,292													
	69,155,286													

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

2019

	Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 month	Upto 2 months	Upto 3 months	Over 3 to 6 months	Over 6 months to 1 Years	Over 1 to 2 Years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000														
Assets														
Cash and balances with treasury banks	92,193,361	30,423,808	20,589,851	20,589,851	20,589,851	46,811,741	20,549,812	-	-	-	-	-	-	-
Balances with other banks	15,372,233	6,186,116	6,186,117	-	3,000,000	-	-	-	71,912,286	-	-	-	-	-
Due from financial institutions	223,689,325	-	16,576,749	-	24,921,661	46,811,741	-	31,204,048	1,897,483	44,693,640	46,146,675	9,763,936	102,643,120	-
Investments	225,646,162	221,793	1,108,985	11,713,028	2,938,738	39,593,919	130,000	13,695,377	20,126,208	33,954,982	42,039,856	61,107,183	32,294,942	1,131,105
Islamic financing and related assets	493,775,346	134,023,901	10,432,916	5,070,508	14,227,764	21,639,592	405,675	1,001,011	2,132,839	3,998,401	3,802,204	3,248,083	2,504,964	17,619,774
Fixed assets	23,294,415	10,656	63,651	74,259	180,342	405,458	24,432	48,829	89,191	191,833	168,087	182,798	26,384	5,656,872
Intangible assets	780,381	527	3,154	3,679	8,935	24,432	24,432	-	-	-	-	-	-	-
Deferred tax assets	46,517,031	-	1,629,414	3,873,520	6,576,361	6,150,283	7,051,739	4,126,455	5,479,716	5,316,913	5,013,511	724,829	309,695	10,008
Other assets	1,121,258,254	171,121,788	56,589,817	42,800,155	72,444,272	92,985,833	49,801,250	111,709,521	101,547,723	88,165,689	97,168,333	75,026,829	137,779,105	24,317,759
Liabilities														
Bills payable	17,166,807	5,671,646	3,837,814	3,837,814	3,839,533	13,846,089	8,063,415	-	214,435	646,184	872,916	2,532,447	2,881,483	-
Due to financial institutions	42,047,390	232,531	230,832	163,416	586,610	16,546,989	15,699,382	11,765,032	29,381,382	54,734,432	7,516,851	11,633,489	16,898,075	-
Deposits and other accounts	932,579,114	688,766,008	18,571,404	18,614,941	33,059,099	16,546,989	15,699,382	20,855,042	29,381,382	54,734,432	7,516,851	11,633,489	16,898,075	-
Sub-ordinated Sukuk	14,000,000	-	-	-	-	-	-	-	-	-	-	-	7,000,000	7,000,000
Deferred tax liabilities	2,829,858	7,861	471,164	55,026	125,770	235,822	235,822	707,465	1,414,928	-	4,629,995	4,346,718	7,641,492	10,006
Other liabilities	53,599,673	165,793	3,850,581	1,404,334	2,474,682	5,802,861	4,894,309	8,734,846	6,051,191	3,503,865	4,629,995	4,346,718	7,641,492	10,006
Net assets	1,062,242,842	694,843,839	26,537,795	24,075,531	40,085,694	36,433,771	28,882,928	42,162,385	37,281,946	58,884,481	13,020,782	18,512,654	34,631,050	7,010,006
	59,015,412	(523,722,051)	30,052,022	18,924,624	32,358,578	56,552,062	20,919,322	69,547,136	64,285,777	29,281,388	84,147,571	56,514,175	103,248,055	17,307,753
Share capital	12,861,116	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	18,207,664	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	18,545,797	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	9,400,835	-	-	-	-	-	-	-	-	-	-	-	-	-
	59,015,412	-	-	-	-	-	-	-	-	-	-	-	-	-

Current and Savings deposits have been classified under maturity upto one day as these do not have any contractual maturity.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

46.3.2 Maturities of assets and liabilities based on expected maturities

	2020									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	136,242,495	136,242,495	-	-	-	-	-	-	-	-
Balances with other banks	19,445,879	19,445,879	-	-	-	-	-	-	-	-
Due from financial institutions	342,068,799	65,901,330	70,876,013	67,148,973	103,178,184	-	-	34,964,299	-	-
Investments	434,208,340	7,395,344	130,000	1,385,424	43,674,168	45,343,995	28,256,236	186,604,041	120,982,471	436,661
Islamic financing and related assets	512,531,930	65,518,501	105,266,824	87,352,150	49,086,079	62,871,854	44,283,808	53,447,249	30,604,145	14,101,320
Operating fixed assets	23,568,351	374,040	933,035	1,139,718	2,316,860	4,539,324	2,813,284	3,050,467	2,362,746	6,038,877
Intangible assets	1,079,961	19,569	59,897	63,363	140,394	260,102	205,216	272,930	58,490	-
Deferred tax assets	389,653	32,471	64,942	97,413	194,827	-	-	-	-	-
Other assets	52,024,055	11,506,463	8,507,857	4,574,813	14,266,000	10,306,969	1,247,441	1,511,741	12,654	90,117
	1,521,559,463	306,436,092	185,838,568	161,761,854	212,856,512	123,322,244	76,805,985	279,850,727	154,020,506	20,666,975
Liabilities										
Bills payable	26,494,006	26,494,006	-	-	-	-	-	-	-	-
Due to financial institutions	94,500,640	19,742,958	30,931,063	21,553,828	3,742,829	1,573,167	1,936,551	4,145,237	5,816,546	5,058,461
Deposits and other accounts	1,254,430,534	150,087,397	112,710,939	82,623,678	113,900,523	104,140,163	72,706,095	118,885,195	207,857,927	291,518,617
Sub-ordinated Sukuk	18,000,000	-	-	-	-	-	-	-	11,000,000	7,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	58,979,017	8,614,563	11,453,304	10,941,152	9,159,686	4,988,155	2,834,708	3,540,344	7,447,105	-
	1,452,404,197	204,938,924	155,095,306	115,118,658	126,803,038	110,701,485	77,477,354	126,570,776	232,121,578	303,577,078
Net assets	69,155,266	101,497,168	30,743,262	46,643,196	86,053,474	12,620,759	(671,369)	153,279,951	(78,101,072)	(282,910,103)
Share capital	14,147,228									
Reserves	20,424,225									
Unappropriated profit	29,021,521									
Surplus on revaluation of assets	5,562,292									
	69,155,266									
	2019									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	92,193,361	92,193,361	-	-	-	-	-	-	-	-
Balances with other banks	15,372,233	15,372,233	-	-	-	-	-	-	-	-
Due from financial institutions	223,689,325	53,211,438	67,361,553	31,204,048	71,912,286	-	-	-	-	-
Investments	225,646,162	5,544,826	130,000	13,695,377	1,897,483	44,693,640	46,146,675	9,763,936	102,643,120	1,131,105
Islamic financing and related assets	493,775,346	71,410,519	91,038,670	89,358,276	54,941,144	33,964,982	42,039,856	61,107,183	32,294,942	17,619,774
Operating fixed assets	23,284,415	328,908	811,133	1,001,011	2,032,839	3,998,401	3,802,204	3,248,083	2,504,964	5,556,872
Intangible assets	780,361	16,295	48,864	48,829	99,191	191,933	166,067	182,798	26,384	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	46,517,031	12,333,882	13,202,022	4,126,455	5,479,716	5,316,913	5,013,511	724,829	309,695	10,008
	1,121,258,254	250,411,462	172,592,242	139,433,996	136,362,659	88,165,869	97,168,333	75,026,829	137,779,105	24,317,759
Liabilities										
Bills payable	17,186,807	17,186,807	-	-	-	-	-	-	-	-
Due to financial institutions	42,047,390	1,213,389	21,911,504	11,765,032	214,435	646,184	872,916	2,532,447	2,891,483	-
Deposits and other accounts	932,579,114	119,385,214	68,589,546	54,872,846	77,557,953	122,536,448	59,556,140	94,176,651	168,674,435	167,229,881
Sub-ordinated Sukuk	14,000,000	-	-	-	-	-	-	-	7,000,000	7,000,000
Deferred tax liabilities	2,829,858	235,821	471,644	707,465	1,414,928	-	-	-	-	-
Other liabilities	53,599,673	7,895,390	10,787,170	8,734,846	6,051,191	3,503,865	4,628,995	4,346,718	7,641,492	10,006
	1,062,242,842	145,916,621	101,759,864	76,080,189	85,238,507	126,686,497	65,056,051	101,055,816	186,207,410	174,239,887
Net assets	59,015,412	104,494,841	70,832,378	63,353,807	51,124,152	(38,520,628)	32,110,282	(26,028,987)	(48,428,305)	(149,922,128)
Share capital	12,861,116									
Reserves	18,207,664									
Unappropriated profit	18,545,797									
Surplus on revaluation of assets	9,400,835									
	59,015,412									

Regarding behaviour of non-maturity deposits (non-contractual deposits), the Bank has carried out a behavioural study using the Value at Risk (VaR) methodology based on 5 years data. On the basis of its findings, 27.9% of current accounts and 15.4% of saving accounts are bucketed into 'Upto 1-Year maturity' whereas, 72.1% of current accounts and 84.6% of savings accounts are bucketed into maturities of above 1-Year.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

46.4 Operational risk

The Bank uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average positive annual gross income of the Bank over past three years with 15% as per guidelines issued by SBP under Basel II.

To reduce losses arising from operational risk, the Bank has strengthened its risk management framework by developing policies, strategies, guidelines and manuals. It also includes set up of functions like operational risk management, prevention of fraud and forgery and information security function, defining responsibilities of individuals, implementing four eye principle, enhancing security measures, improving efficiency and effectiveness of operations, outsourcing and improving quality of human resources through trainings and development.

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

47.1 The Bank managed following general and specific pools during the year:

2020							
General Remunerative (Savings and Fixed) Depositors' Pools	Profit Rate and weightage announcement period	Profit rate return earned - Average	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit rate return distributed to remunerative deposits (Savings and Fixed) - Average	Percentage of Mudarib Share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to remunerative deposits
				Rupees in '000			Rupees in '000
PKR Pool	Monthly	9.90%	50%	29,606,215	5.62%	13%	3,858,468
USD Pool	Monthly	3.23%	75%	1,006,277	0.81%	-	-
GBP Pool	Monthly	2.08%	90%	47,118	0.21%	-	-
EUR Pool	Monthly	1.42%	90%	14,152	0.14%	-	-
2019							
General Remunerative (Savings and Fixed) Depositors' Pools	Profit Rate and weightage announcement period	Profit rate return earned - Average	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit rate return distributed to remunerative deposits (Savings and Fixed) - Average	Percentage of Mudarib Share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to remunerative deposits
				Rupees in '000			Rupees in '000
PKR Pool	Monthly	11.62%	50%	25,610,676	7.88%	35%	8,987,680
USD Pool	Monthly	4.63%	75%	1,238,082	1.16%	-	-
GBP Pool	Monthly	2.21%	90%	44,400	0.22%	-	-
EUR Pool	Monthly	1.06%	90%	11,967	0.11%	-	-
2020							
Specific Pools	Profit Rate and weightage announcement period	Profit rate return earned	Profit Sharing Ratio	Investment ratio	Profit rate return distributed	Percentage of Mudarib Share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to remunerative deposits
Islamic Export Refinance (IERS) Musharaka Pool	Monthly	7.57%	-*	-*	1.90%	N/A	N/A
Inter Bank Musharaka / Mudaraba borrowing Pool	As required	14.88% - 5.24%	-*	-*	13.60% - 3.00%	N/A	N/A
Special Sharikah Certificate Musharaka / Mudaraba borrowing Pool	As required	16.55% - 5.24%	-*	-*	14.55% - 5.00%	N/A	N/A

* The profit sharing ratio and the investment ratio varies on case to case basis.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

2019							
Specific Pools	Profit Rate and weightage announcement period	Profit rate return earned	Profit Sharing Ratio	Investment ratio	Profit rate return distributed	Percentage of Mudarib Share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to remunerative deposits
Islamic Export Refinance (IERS) Musharaka Pool	Monthly	7.74%	-*	-*	2.06%	N/A	N/A
Inter Bank Musharaka / Mudaraba borrowing Pool	As required	14.88% - 5.24%	-*	-*	13.75% - 4.50%	N/A	N/A
Special Sharikah Certificate Musharaka / Mudaraba borrowing Pool	As required	16.85% - 5.24%	-*	-*	14.85% - 4.00%	N/A	N/A

* The profit sharing ratio and the investment ratio varies on case to case basis.

47.2 Following weightages have been assigned to different major products under the General pools during the year:

	Percentage to Total Mudaraba based Deposits		Maximum Weightage	Minimum Weightage	Maximum Weightage	Minimum Weightage
	2020	2019	2020	2020	2019	2019
PKR Pool						
Saving Accounts	24.93%	21.83%	0.39	0.31	0.65	0.39
Meezan Bachat Account	18.86%	17.63%	0.40	0.31	0.78	0.39
Karobari Munafa Account	9.36%	9.29%	0.60	0.31	1.00	0.39
Certificate of Islamic Investment	16.35%	16.23%	0.90	0.44	1.27	0.45
Meezan Aamdand Certificate	5.61%	7.15%	0.92	0.67	1.34	0.70
USD Pool						
Saving Accounts	4.09%	4.12%	0.45	0.45	0.45	0.45
Certificate of Islamic Investment	2.15%	2.37%	1.35	0.77	1.35	0.77
GBP Pool						
Saving Accounts	0.40%	0.41%	0.27	0.27	0.27	0.27
EUR Pool						
Saving Accounts	0.17%	0.21%	0.27	0.27	0.27	0.27

47.3 Allocation of Income and Expenses to Depositors' Pools

Following are material items of revenues, expenses, gains and losses

	2020	2019
	Rupees in '000	
Profit / return earned on islamic financing and related assets, investments and placements	99,278,491	88,429,444
Other Income (including other charges and interpool income)	3,446,880	5,267,122
Directly related costs attributable to pool	(1,701,049)	(1,844,037)

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2020

48 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and better presentation.

49 NON-ADJUSTING EVENT

The Board of Directors in their meeting held on February 18, 2021 has announced final cash dividend of Rs 2 per share (20%). The financial statements for the year ended December 31, 2020, do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2021.

50 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on February 18, 2021 by the Board of Directors of the Bank.



Riyadh S. A. A.
Edrees
Chairman



Irfan Siddiqui
President &
CEO



Faisal A. A. A.
Al-Nassar
Director



Mubashar Maqbool
Director



Shabbir Hamza
Khandwala
Chief Financial Officer

Statement Showing Written-Off Financing or Any Other Financial Relief of Rupees 500,000 or Above (Annexure 1)

During the year ended December 31, 2020

Rupees in '000

Statement showing written-off financing or any other financial relief of rupees 500,000 and above during the year ended December 31, 2020.

S. No.	Name and address of the borrower	Name of individuals / directors (with CNIC / Passport No)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2020				Principal written-off	Profit written-off	Other Financial Relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Dewan Farooque Motors Limited 7th floor, Block-A Finance & Trade Centre, Shahrah-e-faisal, Karachi	Dewan Muhammad Yousuf Farooqui 42301-6948978-9 Aziz-Ul-Haque 42301-8514003-5 Dewan Asim Mushfiq Farooqui 42301-4927084-9 Dewan Abdullah Ahmed 42301-7511974-1 Dewan Abdul Baqi Farooqui 42301-7130155-5 Maudood Ahmad Lodhi 42301-0853809-5 Haroon Iqbal 42301-9916370-5	Dewan Muhammad Umer Farooque Noor-Ul-Haque Dewan Muhammad Umer Farooque Dewan Muhammad Umer Farooque Dewan Muhammad Umer Farooque Aziz Ahmad Lodhi Mian Muhammad Sharif	560,545	-	-	560,545	560,545	-	-	560,545
2.	Dewan Salman Fibre Limited Dewan Centre, H-58, Margallah Road, F-7/2, Islamabad	Mansur-Ul-Haque 35202-9928995-7 Shahid Hussain Shera 42000-0474610-5 Muhammad Azimuddin 42301-2032996-3 Dewan Asim Mushfiq Farooqui 42301-4927084-9 Dewan Abdullah Ahmed 42301-7511974-1 Maudood Ahmad Lodhi 42301-0853809-5 Haroon Iqbal 42301-9916370-5	Abdul Haque Abdul Ghafoor Shera Muhammad Karimuddin Dewan Muhammad Umer Farooque Dewan Muhammad Umer Farooque Aziz Ahmad Lodhi Mian Muhammad Sharif	552,909	155,243	-	708,152	552,909	155,243	-	708,152
3.	Dewan Sugar Mills Limited 7th floor, Block - A Finance & Trade Centre, Shahrah-e-faisal, Karachi	Dewan Muhammad Yousuf Farooqui 42301-6948978-9 Dewan Abdul Rehman Farooqui 42301-0862043-3 Dewan Asim Mushfiq Farooqui 42301-4927084-9 Dewan Abdullah Ahmed 42301-7511974-1 Dewan Abdul Baqi Farooqui 42301-7130155-5 Maudood Ahmad Lodhi 42301-0853809-5 Haroon Iqbal 42301-9916370-5	Dewan Muhammad Umer Farooque Dewan Muhammad Salman Farooqui Dewan Muhammad Umer Farooque Dewan Muhammad Umer Farooque Aziz Ahmad Lodhi Mian Muhammad Sharif	108,718	-	-	108,718	108,718	-	-	108,718

Statement Showing Written-Off Financing or Any Other Financial Relief of Rupees 500,000 or Above (Annexure 1)

During the year ended December 31, 2020

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals / directors (with CNIC / Passport No)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2020				Principal written-off	Profit written-off	Other Financial Relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
4.	Dewan Textile Mills Limited 8 th floor, Block - A Finance & Trade Centre, Shahrah-e-faisal, Karachi	Dewan Muhammad Yousuf Farooqui 42301-6948978-9 Dewan Muhammad Hamza Farooqui 42301-7774672-3 Dewan Asim Mushfiq Farooqui 42301-4927084-9 Dewan Abdul Rehman Farooqui 42301-0862043-3 Dewan Abdul Baqi Farooqui 42301-7130155-5 Maudood Ahmad Lodhi 42301-0853809-5 Haroon Iqbal 42301-9916370-5	Dewan Muhammad Umer Farooque Dewan Muhammad Mushtaq Ahmed Dewan Muhammad Umer Farooque Dewan Muhammad Salman Farooqui Dewan Muhammad Umer Farooque Aziz Ahmad Lodhi Mian Muhammad Sharif	143,305	7,448	-	150,753	143,305	7,448	-	150,753
5.	Quetta Textile Mills Limited Ground floor, Nadir house, I.I. Chundrigar Road, Karachi	Khalid Iqbal 42301-0873877-9 Tariq Iqbal 41302-7567591-1 Danish Javed 42301-5939650-7 Asim Khalid 42301-8188578-3 Omer Khalid 42301-9761475-5 Tauqir Tariq 41303-8619417-3 Tabbassum Tariq 41303-4528730-8 Saima Asim 42301-8514052-4	Iqbal Iqbal Javed Iqbal Khalid Iqbal Khalid Iqbal Tariq Iqbal Tariq Iqbal Asim Khalid	307,495	8,035	-	315,530	307,495	8,035	-	315,530
6.	Acro Spinning & Weaving Mills Limited 5-KM, Manga Raiwind Road, Lahore	Hassan Akbar 31303-2437982-5 Ali Akber Sheikh 31303-7628391-1 Sheikh Muhammad Akmal 35202-1640087-9	Sheikh Muhammad Akbar Sheikh Muhammad Akbar Sheikh Muhammad Amjad	63,799	16,464	-	80,263	63,799	16,464	-	80,263
7.	Al-Rehmat Cotton Ginning Pressing Factory & Oil Mills Jhol Road, Sanghar	Rana Abdul Sattar 44205-1480619-1 Iftikhar Ahmed 44205-2146646-3	Rana Abdul Salam Abdul Ghafoor	5,064	1,376	-	6,440	-	1,376	-	1,376
8.	Haji Peer Buksh Fazal Rahim 6-7 3rd floor Trade Avenue Hasrat Mohani Road	Abid Ismail 42301-2122069-9 Nasir Ilyas 42301-5818397-1 Jawad Adil 42301-1081470-9	Muhammad Ibrahim Muhammad Ibrahim Muhammad Ibrahim	51,928	46,735	-	98,663	-	39,663	-	39,663

Statement Showing Written-Off Financing or Any Other Financial Relief of Rupees 500,000 or Above (Annexure 1)

During the year ended December 31, 2020

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals / directors (with CNIC / Passport No)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2020				Principal written-off	Profit written-off	Other Financial Relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
9.	Chaudhry Steel Re-Rolling Mills (Private) Limited 79 - Peco Road, Badami Bagh, Lahore	Chaudhry Muhammad Shafique 35202-0217025-7 Sarwa Sultana 35202-3779689-2 Khalid Pervaiz 35201-1221392-9	Chaudhry Noor Muhammad Chaudhry Muhammad Shafique Abdul Raheem	72,802	10,661	-	83,463	-	7,093	-	7,093
10.	Patel Food Industries F-456, S.I.T.E. Karachi	Irfan Patel 42201-3769388-5 Ashfaq Patel 42201-3759888-5	Abdul Ghaffar Patel Abdul Ghaffar Patel	4,950	34,127	-	39,077	-	34,127	-	34,127
11.	Maxco (Private) Limited Plot No. 254 & 255 Deh Dih Ebrahim Hyderi Korangi Creek Road Karachi	Syed Zubair Ahmed Gilani 42201-2324436-9 Massimo Pedio AA0076024	Syed Dilawar Pervaiz Gilani Paolo	268,888	-	-	268,888	268,888	-	-	268,888
12.	Muhammad Tariq House No. B-103, Block 8, Gulshan E Iqbal Karachi	42201-0421873-3	Ghulam Rasool	5,900	3,965	393	10,258	-	3,651	393	4,044
13.	Muhammad Ilyas Butt Flat # 704, Floor 7 th , Sea Brezee Hieghts, Block 2, Clifton, Karachi	42301-9917170-1	Abdul Latif Butt	3,453	2,135	284	5,872	-	2,135	284	2,419
14.	Anwar Kamal R-56, Gadab Town, Scheme 33, Gulazar-e-Hijri, Karachi	42501-9356421-5	Muhammad Anwar Khan	725	10	-	735	725	10	-	735
15.	Ejaz Ayub House B-III-356, Khurram Colony Muslim Town, Rawalpindi	37405-0547962-1	Sardar Mohammad Ayub	724	42	-	766	724	42	-	766
16.	Gohar Bashir P-705 Street No 6 Deepu Wala Bazar, Mansoorabad, Faisalabad	33100-9413397-7	Muhammad Bashir	884	60	-	944	884	60	-	944

Statement Showing Written-Off Financing or Any Other Financial Relief of Rupees 500,000 or Above (Annexure 1)

During the year ended December 31, 2020

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals / directors (with CNIC / Passport No)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2020				Principal written-off	Profit written-off	Other Financial Relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
17.	Malik Haroon Tabraiz Ne-252-G Street No 4 Chamanzar Colony, Rawalpindi	37405-0162672-1	Malik Amjad Tabraiz	1,432	-	-	1,432	1,432	-	-	1,432
18.	Muhammad Ashraf Chak No-365 Tandlian Wala, Faisalabad	33104-0144105-1	Ghulam Muhammad	702	145	-	847	702	145	-	847
19.	Muhammad Haroon House No. 1443 Street 6, Sikander Town G.T. Road Nishterabad, Peshawar	15401-7790997-3	Sial Badshah	613	15	-	628	613	15	-	628
20.	Nasarullah Khan House 93, Gulshan-e-Jami Model Colony, Karachi	42401-1977479-7	Muhammad Ramzan	1,090	67	-	1,157	1,090	67	-	1,157
21.	Pakgro Trans (Private) Limited 6-Hakim Sons Building, West Wharf Road, Karachi	Farooq Umar 42301-9529687-7 Noman Farooq 42301-2484014-1 Natasha Farooq 35201-8512958-0	Umar Farooq Umar Noman Farooq	754	42	-	796	754	42	-	796
22.	Parey Enterprises 177-A Block WAPDA Town, Lahore	Muhammad Tariq Hameed 249-62-500788	Muhammad Abdul Hameed	2,024	-	-	2,024	2,024	-	-	2,024
23.	Qaisar Nazir Chohan P-232-233, Kashmir Road, Amin Town, Faisalabad	61101-7455631-3	Muhammad Nazir Chohan	1,099	52	-	1,151	1,099	52	-	1,151
24.	Qamar Naveed P-205, Street # 01, Fareed Town, Jaranwala Road, Faisalabad	33100-5730308-9	Abdul Hameed Akhtar	850	61	-	911	850	61	-	911

Statement Showing Written-Off Financing or Any Other Financial Relief of Rupees 500,000 or Above (Annexure 1)

During the year ended December 31, 2020

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals / directors (with CNIC / Passport No)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2020				Principal written-off	Profit written-off	Other Financial Relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
25.	Riaz Ali Samtio Flat B-312, Bait Ul Hina, Block 18, Gulistan E Jauhar, Karachi	42201-3397702-5	Muhammad Hassan	1,045	61	-	1,106	1,045	61	-	1,106
26.	Zara Noorani Enterprises & Marbles House 451, Block D, Sector 15, Orangi Town, Karachi	Muhammad Haroon Rasheed Noorani 42401-3291468-9	Muhammad Rasheed	908	66	-	974	908	66	-	974
				2,162,606	286,810	677	2,450,093	2,018,509	275,856	677	2,295,042

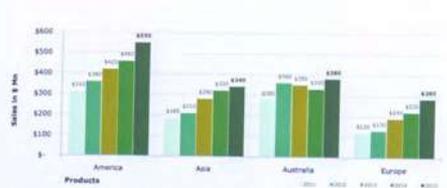
Performance



Period	1	2	3	4	5	6	7	8	9	10	11	12	13
2001													
2002													
2003													
2004													
2005													
2006													
2007													
2008													
2009													
2010													
2011													
2012													
2013													
2014													
2015													

INVESTMENT 2015

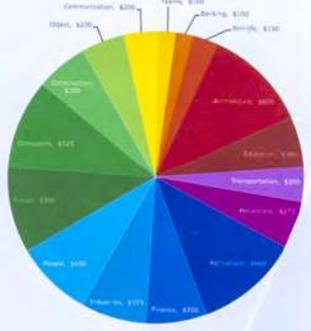
Investment - 2015 (by regions)



Region	2012	2013	2014	2015
America	\$ 360	\$ 420	\$ 460	\$ 550
Asia	\$ 280	\$ 320	\$ 340	\$ 400
Australia	\$ 220	\$ 330	\$ 380	\$ 450
Europe	\$ 220	\$ 285	\$ 320	\$ 380

Chart 1: 5-year Performance from Investment Comparison

Return on Investment - 2015



*Return on Investment of 2015

Category	Region	Rep
Com	East	Jordan
Com	Central	Evelyn
Com	Central	Jardin
Com	Central	Gil
Com	West	Sor
Com	West	A

INVESTMENT



CASH FLOW STATEMENT

	Q4	Q3	Q2	Q1
CASH FLOWS FROM OPERATIONS	2,372,599	1,184,122	1,126,919	1,113,811
Profit before taxation	290,832	252,712	207,944	201,538
Adjustments for:				
Depreciation and amortisation	17,758	4,731	4,674	4,000
Provision for doubtful debts and	130,542	102,536	87,584	95,170
Compensation and amortisation	(186,365)	(23,205)	(3,586)	(23,760)
Reversal of previous years' provisions	572	(116)	(159)	(1)
Unrealised foreign exchange	(67,512)	(136,592)	41,238	(141,200)
Profit on sale of investment	(25,207)	(25,585)	(25,916)	(26,000)
Profit on sale of fixed assets	(143,683)	(59,030)	(59,417)	(60,000)
Dividend income	(31,425)	(14,655)	(15,120)	(16,000)
Interest income	54,183	54,183	54,183	54,183
Interest expense	(617,796)	195,549	144,700	1,150,000
Operating profit before working capital changes	350,507	1,215,843	985,978	1,113,811
(Increase)/decrease in inventory	1,044,497	1,215,843	985,978	1,113,811
(Increase)/decrease in sundry debtors	(107,048)	(197,880)	(254,333)	(254,333)
(Increase)/decrease in other current assets and loans and advances	(306,132)	(148,166)	(220,817)	(220,817)
Increase/(decrease) in current liabilities and provisions	631,317	869,997	510,829	510,829
Cash generate from operations	2,372,599	1,184,122	1,126,919	1,113,811

Consolidated Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the members of Meezan Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Meezan Bank Limited (the Bank) and its subsidiary company, Al Meezan Investment Management Limited, (the Group) which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, 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 31 December 2020, and 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 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 Matters

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:

Key audit matter	How the matter was addressed in our audit
<p>1. Provision against Non Performing Islamic Financing</p> <p>The Group's financing portfolio represents 34.82% of its total assets as of 31 December 2020. A substantial portion of the financing portfolio include corporate finances to public sector entities and large to small size businesses operating in diverse sectors of the economy.</p> <p>Covid-19 pandemic which emerged during the year impacted the global economy and caused disruption to economic activities and businesses operating across a variety of sectors in Pakistan. Such circumstances potentially require the Group to evaluate its credit risk exposure which may have been impacted due to the current economic conditions.</p> <p>As per the Group's accounting policy (refer note 6.3.2 to the consolidated financial statements), the Group determines provisions against non-performing financings exposures in accordance with the requirements of Prudential Regulations of State Group of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the borrower's economic, financial and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against financings as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non- performing financings are included in note 6.3.2, 11.9 and 11.10 respectively to the consolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Group's process for identification and classification of non-performing financings. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired financings and declassification of accounts from non-performing to regular and vice versa, as the case may be. - We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; - In addition, we selected a representative sample of borrowers from the financings portfolios including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' consolidated financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower; - In respect of the level of general provision maintained by the Group, we discussed the approach and policy followed by the Group with the management. - We also assessed adequacy of disclosures as included in note 11 to the consolidated financial statements regarding the non-performing financings and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.

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Information Other than the Consolidated and unconsolidated Financial Statements and Auditors' Report 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 auditors' report 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, 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 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 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 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 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 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 auditors' report is Arslan Khalid.



Chartered Accountants

Place: Karachi

Date: 25 February 2021

Consolidated Statement of Financial Position

As at December 31, 2020

	Note	2020	2019
ASSETS			
Rupees in '000			
Cash and balances with treasury banks	7	136,243,103	92,193,877
Balances with other banks	8	19,479,207	15,414,833
Due from financial institutions - net	9	342,068,799	223,689,325
Investments - net	10	438,795,625	229,667,072
Islamic financing and related assets - net	11	512,531,930	493,775,346
Fixed assets	12	23,881,875	23,663,521
Intangible assets	13	1,091,512	800,532
Deferred tax asset	14	173,943	-
Other assets - net	15	52,294,842	46,910,457
		1,526,560,836	1,126,114,963
LIABILITIES			
Bills payable	16	26,494,006	17,186,807
Due to financial institutions	17	94,500,640	42,047,390
Deposits and other accounts	18	1,254,412,242	932,568,765
Sub-ordinated Sukuk	19	18,000,000	14,000,000
Deferred tax liabilities	14	-	3,008,451
Other liabilities	20	59,922,930	54,522,604
		1,453,329,818	1,063,334,017
NET ASSETS		73,231,018	62,780,946
REPRESENTED BY			
Share capital	21	14,147,228	12,861,116
Reserves	22	20,448,541	18,231,980
Unappropriated profit		31,808,445	21,117,202
Surplus on revaluation of assets - net of tax	23	5,562,292	9,400,835
		71,966,506	61,611,133
NON-CONTROLLING INTEREST	24	1,264,512	1,169,813
		73,231,018	62,780,946
CONTINGENCIES AND COMMITMENTS	25		

The annexed notes 1 to 51 and Annexure 1 form an integral part of these consolidated financial statements.



Riyadh S. A. A.
Edrees
Chairman



Irfan Siddiqui
President &
CEO



Faisal A. A. A.
Al-Nassar
Director



Mubashar Maqbool
Director



Shabbir Hamza
Khandwala
Chief Financial Officer

Consolidated Profit and Loss Account

For the year ended December 31, 2020

	Note	2020	2019
Rupees in '000			
Profit / return earned on Islamic financing and related assets, investments and placements	26	106,594,040	94,278,810
Profit on deposits and other dues expensed	27	41,764,718	47,746,059
Net spread earned		64,829,322	46,532,751
OTHER INCOME			
Fee and commission income	28	7,215,518	7,427,474
Dividend income		241,538	276,464
Foreign exchange income		2,153,669	2,684,097
Gain / (loss) on securities - net	29	752,566	(428,782)
Other income	30	697,570	535,615
		11,060,861	10,494,868
Total income		75,890,183	57,027,619
OTHER EXPENSES			
Operating expenses	31	29,269,286	25,454,005
Workers Welfare Fund	20.6	895,820	628,458
Other charges	32	93,232	82,275
Total other expenses		30,258,338	26,164,738
		45,631,845	30,862,881
Share of results of associates before taxation		368,580	301,295
Profit before provisions		46,000,425	31,164,176
Provisions and write offs - net	33	8,210,297	4,186,430
Extraordinary / unusual items		-	-
Profit before taxation		37,790,128	26,977,746
Taxation	34	15,115,265	11,198,107
Profit after taxation		22,674,863	15,779,639
Attributable to:			
Shareholders of the Holding company		22,396,750	15,584,441
Non-controlling interest	24	278,113	195,198
		22,674,863	15,779,639
Rupees			
			Restated
Basic and diluted earnings per share	35	15.83	11.02

The annexed notes 1 to 51 and Annexure 1 form an integral part of these consolidated financial statements.



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Al-Nassar
Director



Mubashar Maqbool
Director



Shabbir Hamza
Khandwala
Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

	Note	2020	2019
Rupees in '000			
Profit after taxation for the year attributable to:			
Shareholders of the Holding company		22,396,750	15,584,441
Non-controlling interest		278,113	195,198
		<u>22,674,863</u>	<u>15,779,639</u>
Other Comprehensive income			
Item that may be reclassified to profit and loss account in subsequent periods:			
(Deficit) / surplus on revaluation of investments	23	(5,915,944)	14,547,307
Deferred tax on revaluation of investments		2,070,580	(5,091,557)
		<u>(3,845,364)</u>	<u>9,455,750</u>
Item that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurements of defined benefit plan		33,690	133,229
Tax on remeasurements of defined benefit plan		(13,823)	(43,450)
Surplus / (deficit) on revaluation of non - banking assets	23	10,494	(9,785)
Deferred tax on revaluation of non - banking assets		(3,673)	3,425
		<u>26,688</u>	<u>83,419</u>
Other comprehensive (loss) / income for the year		<u>(3,818,676)</u>	<u>9,539,169</u>
Total comprehensive income for the year		<u>18,856,187</u>	<u>25,318,808</u>
Attributable to:			
Shareholders of the Holding company		18,586,488	25,120,429
Non-controlling interest	24	269,699	198,379
		<u>18,856,187</u>	<u>25,318,808</u>

The annexed notes 1 to 51 and Annexure 1 form an integral part of these consolidated financial statements.



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Director



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Khandwala
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Share capital	Capital reserves		Revenue reserves		Surplus / (deficit) on revaluation of		Non-controlling Interest	Total	
		Share premium	Statutory reserve*	Non-Distributable Capital Reserve - Gain on Bargain Purchase	General reserve	Unappropriated profit	Investments			Non-banking Assets
Rupees in '000										
Balance as at January 1, 2019	11,691,924	2,406,571	9,570,365	3,117,547	91,082	15,738,899	(68,035)	22,152	1,006,434	43,576,939
Profit after taxation for the year	-	-	-	-	-	15,584,441	-	-	195,198	15,779,639
Other Comprehensive income / (loss) for the year - net of tax	-	-	-	-	-	86,598	9,455,750	(6,360)	3,181	9,539,169
	-	-	-	-	-	15,671,039	9,455,750	(6,360)	198,379	25,318,808
Transfer from surplus in respect of incremental depreciation of Non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	79	-	(79)	-	-
Transfer from surplus upon disposal of Non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	2,593	-	(2,593)	-	-
Other appropriations										
Transfer to statutory reserve	-	-	3,046,415	-	-	(3,046,415)	-	-	-	-
Transactions with owners recognised directly in equity										
Issue of bonus shares	1,169,192	-	-	-	-	(1,169,192)	-	-	-	-
Final cash dividend for the year 2018 @ Rs 2 per share	-	-	-	-	-	(2,338,385)	-	-	-	(2,338,385)
First interim cash dividend for the year 2019 @ Re 1 per share	-	-	-	-	-	(1,169,192)	-	-	-	(1,169,192)
Second interim cash dividend for the year 2019 @ Re 1 per share	-	-	-	-	-	(1,286,112)	-	-	-	(1,286,112)
Third interim cash dividend for the year 2019 @ Re 1 per share	-	-	-	-	-	(1,286,112)	-	-	-	(1,286,112)
	-	-	-	-	-	(6,079,801)	-	-	-	(6,079,801)
Dividend payout by Subsidiary	-	-	-	-	-	-	-	-	(35,000)	(35,000)
Balance as at December 31, 2019	12,861,116	2,406,571	12,616,780	3,117,547	91,082	21,117,202	9,387,715	13,120	1,169,813	62,780,946
Profit after taxation for the year	-	-	-	-	-	22,396,750	-	-	278,113	22,674,863
Other Comprehensive income / (loss) for the year - net of tax	-	-	-	-	-	28,281	(3,845,364)	6,821	(8,414)	(3,818,676)
	-	-	-	-	-	22,425,031	(3,845,364)	6,821	269,699	18,856,187
Other appropriations										
Transfer to statutory reserve	-	-	2,216,561	-	-	(2,216,561)	-	-	-	-
Transactions with owners recognised directly in equity										
Issue of bonus shares	1,286,112	-	-	-	-	(1,286,112)	-	-	-	-
Final cash dividend for the year 2019 @ Rs 2 per share	-	-	-	-	-	(2,572,224)	-	-	-	(2,572,224)
Interim cash dividend for the year 2020 @ Rs 4 per share	-	-	-	-	-	(5,658,891)	-	-	-	(5,658,891)
	-	-	-	-	-	(8,231,115)	-	-	-	(8,231,115)
Dividend payout by Subsidiary	-	-	-	-	-	-	-	-	(175,000)	(175,000)
Balance as at December 31, 2020	14,147,228	2,406,571	14,833,341	3,117,547	91,082	31,808,445	5,542,351	19,941	1,264,512	73,231,018

* This represents reserve created under section 21(i)(b) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 51 and Annexure 1 form an integral part of these consolidated financial statements.

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Khandwala
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended December 31, 2020

	Note	2020	2019
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		37,790,128	26,977,746
Less: Dividend income		(241,538)	(276,464)
		37,548,590	26,701,282
Adjustments for non-cash charges and other items:			
Depreciation		2,234,327	1,763,927
Amortization		234,145	267,293
Provisions and write offs - net		8,210,297	4,186,430
Non cash items related to right-of-use assets		3,456,348	3,177,545
Charge for defined benefit plan		428,728	396,854
Gain on sale of fixed assets		(155,481)	(100,940)
Share of results of associates		(368,580)	(301,295)
		14,039,784	9,389,814
		51,588,374	36,091,096
Decrease / (increase) in operating assets			
Due from financial institutions		(118,379,474)	(38,874,725)
Islamic financing and related assets		(27,088,977)	15,732,429
Other assets		(5,350,472)	(18,418,008)
		(150,818,923)	(41,560,304)
(Decrease) / increase in operating liabilities			
Bills payable		9,307,199	(6,563,736)
Due to financial institutions		52,453,250	5,639,579
Deposits and other accounts		321,843,477	147,124,173
Other liabilities		2,058,638	5,851,030
		385,662,564	152,051,046
		286,432,015	146,581,838
Contribution to defined benefit plan		(269,307)	(338,731)
Income tax paid		(12,420,571)	(9,577,019)
Net cash flow from operating activities		273,742,137	136,666,088
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(214,561,913)	(88,792,633)
Dividend received		233,361	276,726
Investments in fixed assets		(3,710,722)	(5,002,083)
Investments in intangible assets		(525,125)	(422,869)
Proceeds from sale of fixed assets		229,430	171,503
Net cash used in investing activities		(218,334,969)	(93,769,356)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of Sub-ordinated Sukuk - Tier II		4,000,000	-
Payment of lease liability against right-of-use assets		(2,892,458)	(2,471,963)
Dividend paid to equity shareholders of the Bank		(8,226,110)	(6,080,617)
Dividend paid to non-controlling interest		(175,000)	(35,000)
Net cash used in financing activities		(7,293,568)	(8,587,580)
Increase in cash and cash equivalents		48,113,600	34,309,152
Cash and cash equivalents at the beginning of the year	36	107,608,710	73,299,558
Cash and cash equivalents at the end of the year	36	155,722,310	107,608,710

The annexed notes 1 to 51 and Annexure 1 form an integral part of these consolidated financial statements.

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Chief Financial Officer

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

1 THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- Meezan Bank Limited

Subsidiary Company

- Al Meezan Investment Management Limited

1.2 Meezan Bank Limited (the Bank / Holding company / MBL) was incorporated in Pakistan on January 27, 1997, as a public limited company under the Companies Act, 2017 (previously Companies Ordinance, 1984), and its shares are quoted on the Pakistan Stock Exchange Limited. The Bank was registered as an 'Investment Finance Company' on August 8, 1997, and carried on the business of investment banking as permitted under SRO 585(I)/87 dated July 13, 1987, in accordance and in conformity with the principles of Islamic Shariah. A 'Certificate of Commencement of Business' was issued to the Bank on September 29, 1997.

1.3 The Bank was granted a 'Scheduled Islamic Commercial Bank' license on January 31, 2002 and formally commenced operations as a Scheduled Islamic Commercial Bank with effect from March 20, 2002, on receiving notification in this regard from the State Bank of Pakistan (the SBP) under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities.

1.4 The Bank was operating through eight hundred and fifteen branches as at December 31, 2020 (2019: seven hundred and sixty branches). Its registered office is at Meezan House, C-25, Estate Avenue, SITE, Karachi, Pakistan.

1.5 Al Meezan Investment Management Limited (AMIML) ('the Subsidiary company') is involved in asset management, investment advisory, portfolio management, equity research, underwriting and corporate finance. The Bank holds 65% of the share capital of AMIML.

1.6 The Group's associates are as follows:

The Group considers the following open end funds managed by AMIML as its associates:

- Meezan Islamic Fund
- Meezan Balanced Fund
- Meezan Islamic Income Fund
- Al-Meezan Mutual Fund
- KSE Meezan Index Fund
- Meezan Sovereign Fund
- Meezan Tahaffuz Pension Fund
- Meezan Energy Fund
- Meezan Gold Fund
- Meezan Cash Fund
- Meezan Dedicated Equity Fund
- Meezan Strategic Allocation Fund
- Meezan Strategic Allocation Fund II
- Meezan Strategic Allocation Fund III
- Meezan Asset Allocation Fund
- Meezan Financial Planning Fund of Funds
- Meezan Rozana Amdani Fund
- Meezan Pakistan Exchange Traded Fund

The country of establishment in respect of all of the above funds is Pakistan. Further, all the above funds are individual open-end schemes and have been established by execution of trust deeds between AMIML and the Central Depository Company of Pakistan Limited (CDC) as the Trustee.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

2 BASIS OF PRESENTATION AND CONSOLIDATION

- 2.1 These consolidated financial statements have been prepared from the information available in the audited financial statements of the Meezan Bank Limited (Holding company) for the year ended December 31, 2020 and the condensed interim financial statements of Al Meezan Investment Management Limited (AMIML) for the six months period ended December 31, 2020 which have only been subjected to review but are not audited. AMIML prepares its annual financial statements up to June 30 each year. In preparing the consolidated profit and loss account for the year ended December 31, 2020 the results for the period from January 1, 2020 to June 30, 2020 have been calculated from the audited financial statements of AMIML for the year ended June 30, 2020 after eliminating the results for the six months period ended December 31, 2019.

These consolidated financial statements comprise of the consolidated statement of financial position as at December 31, 2020, 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 together with the notes forming part thereof for the year ended December 31, 2020.

The associates have been accounted for in these consolidated financial statements under the equity method of accounting on the respective basis as follows:

Entity	Source of information
Meezan Balanced Fund	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Al Meezan Mutual Fund Limited	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Meezan Islamic Fund	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Meezan Islamic Income Fund	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
KSE Meezan Index Fund	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Meezan Cash Fund	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Meezan Tahaffuz Pension - Equity Sub Fund	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Meezan Financial Planning Fund of Funds - Conservative	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Meezan Gold Fund	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Meezan Tahaffuz Pension - Gold Sub Fund	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Meezan Energy Fund	Financial statements for the the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Meezan Strategic Allocation Fund - MSAP II	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.
Meezan Rozana Amdani Fund	Financial statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

Meezan Strategic Allocation Fund III - Meezan Capital Preservation Plan - MCPP IX Financial Statements for the half years ended December 31, 2020 and 2019 (unaudited but subject to a limited review by its statutory auditors) and audited financial statements for the year ended June 30, 2020.

Meezan Pakistan Exchange Traded Fund Financial Statements for the period from October 5, 2020 to December 31, 2020 (unaudited but subject to a limited review by its statutory auditors).

- 2.2 Subsidiaries are those enterprises in which the Holding company directly or indirectly exercises control over investee, and / or beneficially owns or holds more than 50 percent of the voting securities or otherwise, has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiary are included in these consolidated financial statements from the date when the control commenced. The financial statements of AMIML have been consolidated on a line-by-line basis. The Group applies uniform accounting policies for similar transactions and events in similar circumstances except where specified otherwise.

Associates are entities over which the Group has a significant influence but not control over investee. The Group's share in an associate is the aggregate of the holding in that associate by the Holding company and by the Subsidiary. Investments in associates are accounted for under 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 associates. The profit and loss account reflects the Group's share of the results of operations of the associate. Any change in OCI of associates is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. These consolidated financial statements include the Group's share of income and expenses of associates from the date that significant influence commences until the date that such influence ceases.

Non-controlling interest is that part of the net results of operations and of net assets of the subsidiary attributable to interests which are not owned by MBL.

All material inter-group balances, transactions and resulting profits / losses have been eliminated.

3 STATEMENT OF COMPLIANCE

- 3.1 These consolidated financial statements (here-in-after referred to as "financial statements") have been prepared in accordance with the 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 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities Exchange Commission of Pakistan (SECP).

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

- 3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 'Financial Instruments' with effect from 01 January 2021. SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 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 SBP through various circulars.
- 3.3 The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposit' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these consolidated financial statements.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

3.3.1 IFRS10 "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 requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

3.4 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year

The Group has adopted the following accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments were intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business. IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.
- IFRS 14 'Regulatory Deferral Accounts' permits an entity to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of standard and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required.
- IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which became effective during the year for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The above mentioned accounting standards and amendments of IFRSs did not have any material impact on these consolidated financial statements.

3.5 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

3.5.1 IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated October 23, 2019 directed the banks in Pakistan to implement IFRS 9 with effect from January 01, 2021. IFRS 9 replaced the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Holding company has complied with the requirement of BPRD Circular Letter No. 15 of 2020 regarding quarterly parallel run of IFRS 9 from July 01, 2020.

3.5.2 COVID-19-Related Rent Concessions (Amendment to IFRS 16)

The IASB has issued amendments to IFRS 16 (the amendments) to provide optional practical relief for lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

3.5.3 Further, the following IFRSs as notified under the Companies Act, 2017 and the amendments thereto will be effective for accounting periods beginning on or after January 01, 2021:

Standard, Interpretations and Amendments	Effective date (accounting periods beginning on or after)
- IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract, (Amendments)	January 01, 2022
- Interest Rate Benchmark Reform – Phase 2	January 01, 2021
- Annual Improvement to IFRS standards 2018 - 2020	January 01, 2022
- IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	January 01, 2022
- IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 01, 2022
- IAS 1 - Classification of liabilities as current or non-current (Amendments)	January 01, 2022
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

The above standards, amendments and improvements are not expected to have any material impact on the consolidated financial statements of the group's future periods.

Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard, Interpretations and Amendments	Effective date (accounting periods beginning on or after)
- IFRS 1 - First time adoption of IFRSs	January 01, 2004
- IFRS 17 - Insurance Contracts	January 01, 2023

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 The preparation of the consolidated financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise judgements in the process of applying the Group's accounting policies. The significant accounting areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgement was exercised in the application of the accounting policies are as follows:

- Classification of investments in accordance with the Group's policy (notes 6.4 and 10);
- Provision against non-performing Islamic financing and related assets (notes 6.3.2 and 11);
- Impairment of investments in equity instruments (notes 6.4.5, 10 and 33);
- Accounting for defined benefit plan (notes 6.11 and 38);
- Depreciation / amortisation of fixed assets and intangible assets (notes 6.5, 12 and 13);
- Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.6, 14, 20 and 34); and
- Determination of the lease term and incremental fund acceptance rate for lease contracts of various properties used by the Group's branches (notes 6.5.2, 12 and 20).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5 BASIS OF MEASUREMENT

5.1 These consolidated financial statements have been prepared under the historical cost convention except that certain available for sale investments, held for trading investments, foreign currency balances, Non-banking assets acquired in satisfaction of claims and certain foreign exchange commitments have been marked to market and carried at fair value in accordance with the requirements of the SBP. In addition, obligation in respect of staff retirement benefit and employees compensated leave balances are carried at present value as per actuarial valuation.

5.2 Functional and Presentation Currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

5.3 Rounding off

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

6.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks and balances with other banks in current and deposit accounts.

6.2 Due to / from financial institutions

Bai Muajjal

In Bai Muajjal, the Group sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. Bai Muajjal with the Federal Government is classified as investment.

Musharaka / Mudaraba

In Musharaka / Mudaraba, the Group invests in the shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio.

Musharaka from State Bank of Pakistan under IERS

Under IERS, the Group accepts funds from the SBP under shirkat-ul-aqd to constitute a pool for investment in export refinance portfolio of the Group under the guidelines issued by the SBP. The profit of the pool is shared as per the agreed weightages between the partners.

Mudaraba investment from the SBP under various long term Islamic refinance schemes

Under various long term Islamic refinance schemes of the SBP, the Group accepts funds from the SBP which are received on Mudaraba basis for investment in general pool of the Group. The profit of the pool is shared as per the announced profit sharing ratio of the pool and the weightages assigned to these investments.

6.3 Islamic financing and related assets

Murabaha

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

Ijarah

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received / receivable 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. Ijarah rentals outstanding are disclosed in 'other assets' on the Consolidated Statement of Financial Position at amortized cost. Impairment of Ijarah assets is determined in accordance with the Prudential Regulations issued by the SBP. The provision for impairment of Ijarah assets is shown as part of 'Islamic financing and related assets'.

Istisna

In Istisna financing, the Group places an order to purchase some specific goods / commodities from its customers to be delivered to the Group within an agreed time. The goods are then sold by the customer on behalf of the Group and the amount hence financed along with profit is paid to the Group.

Tijarah

In Tijarah financing, the Group purchases specific goods / commodities on cash basis from its customers which is then onward sold by the customer on behalf of the Group and on subsequent sale, the financed amount along with profit is paid by the customer to the Group.

Diminishing Musharakah

In Diminishing Musharakah financing, the Group enters into Musharakah based on Shirkat-ul-milk for purchasing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers. The customers pay periodic profit as per the agreement for the utilisation of the Group's Musharakah share and also periodically purchase the Group's share over the tenure of the transaction.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

Running Musharakah

In Running Musharakah financing, the Group enters into financing with the customer based on Shirkatul Aqd or Business Partnership in the customer's operating business. Under this mechanism the customer can withdraw and return funds to the Group subject to his Running Musharakah Financing limit during the Musharakah Period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half yearly / annual accounts of the customer.

Bai Muajjal

In Bai Muajjal financing, the Group sells Shariah compliant sukuk on credit to customers. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Service Ijarah

In Service Ijarah financing, the Group provides financing by acquiring certain agreed services from the customer. After the purchase of services, the Group appoints the customer to sell these services in the market over a period and provide a sale confirmation of such sale. The profit is only accrued from the date of receipt of such confirmation.

Wakalah

Wakalah is an agency or a delegated authority where the Muwakkil (principal) appoints the Wakil (agent) to carry out a specific job on behalf of the Muwakkil. Funds disbursed are initially recorded as 'Advance against Wakalah'. On culmination, the same are recorded as financing.

Wakalah tul Istithmar

In Wakalah tul Istithmar financing, the Group enters into investment agency transaction with customer acting as an agent of the Group. Under this mechanism, the funds disbursed are invested by the customer on behalf of the Group and are recorded as financing upon their investment in the business. At the end of each quarter / half year / other defined period, the customer pays the provisional profit which is subject to adjustment upon actual declaration of wakala business performance by the agent.

Musawamah

In Musawamah financing, the Group purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

6.3.1 Islamic financing and related assets are stated net of specific and general provisions against non-performing Islamic financing and related assets which are charged to the consolidated profit and loss account.

Funds disbursed, under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financing are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the consolidated statement of financial position date are recorded as inventories.

6.3.2 Provision against non-performing Islamic financing and related assets

Specific provision

The Group determines provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP.

General provision

In accordance with Prudential Regulations issued by the SBP, general provision against consumer financing and house financing are maintained at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages range from 0.5% to 2.5% for secured and 4% to 7% for unsecured portfolio.

In addition to the above mentioned requirements, the Group has also maintained a general provision in respect of financing against potential losses as may be present in the portfolio. This provision is based on management's best estimate and is approved by the Board of Directors of the Holding company.

The net provisions made / reversed during the year is charged to the consolidated profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

6.3.3 Inventories

The Group values its inventories at the lower of cost and net realisable value.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

Cost of inventories represents actual purchases made by the Group / customers as an agent of the Group for subsequent sale.

6.4 Investments

6.4.1 Classification

The Group classifies its investments as follows:

- Held for trading

These are investments which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

- Held to maturity

These are investments with fixed or determinable payments and maturity that the Group has the positive intent and ability to hold till maturity.

- Available for sale

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

6.4.2 Regular way contracts

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

6.4.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the consolidated profit and loss account.

6.4.4 Subsequent measurement

Subsequent to initial recognition, investments are valued as follows:

- Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the net profit and loss for the year.

- Held to maturity

These are measured at amortised cost using the effective profit rate method, less any impairment loss recognised to reflect irrecoverable amount.

- Available for sale

In accordance with the requirements specified by the SBP, quoted securities (other than those classified as 'held to maturity'), are subsequently re-measured to market value. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in other unquoted securities are valued at cost less impairment losses, if any.

Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the Consolidated Statement of Other Comprehensive Income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in consolidated other comprehensive income is transferred to consolidated profit and loss for period.

6.4.5 Impairment

Available for sale and Held to maturity investments

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk certificates is made as per the Prudential Regulations issued by the SBP. In case of impairment in available-for-sale investments, the related loss previously reported in consolidated other comprehensive income is transferred to consolidated profit and loss for period. For investments classified as held to maturity, the impairment loss is recognised in the consolidated profit and loss account.

6.5 Operating fixed assets

6.5.1 Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. Items of fixed assets costing Rs 20,000 or less are not capitalised and are charged off in the month of purchase. Profit or loss on disposal of fixed assets is included in the profit and loss account currently.

6.5.2 Right-of-use assets and Lease liabilities

At the inception of the contract, the Group assesses whether a contract is, or contains, a lease. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within note 12 and are subject to impairment in line with the Group's policy as described in note 6.5.8.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental fund acceptance rate to measure lease liabilities.

6.5.3 Intangible assets

Intangible assets comprise of computer software. Intangible assets with definite useful lives are stated at cost less accumulated amortisation and impairment losses (if any).

6.5.4 Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognised 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 expenditure are charged to the consolidated profit and loss account as and when incurred.

6.5.5 Depreciation / amortisation

Depreciation / amortisation is charged to the consolidated profit and loss account by applying the straight line method in accordance with the rates specified in notes 12.2 and 13 whereby the depreciable value of an asset is written off over its estimated service life. The Group charges depreciation / amortisation from the month of acquisition and upto the month preceding the disposal. Right-of-use assets are depreciated on a straight line basis over the lease term specified in note 12.3.

6.5.6 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

6.5.7 Useful lives and residual values

Useful lives and residual values are reviewed at each Consolidated Statement of Financial Position date and adjusted if impact on depreciation / amortisation is significant.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

6.5.8 Impairment

The Group assesses at each Consolidated Statement of Financial Position date whether there is any indication that the operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in the consolidated profit and loss account.

6.6 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

The charge for current taxation is based on expected taxable income for the year at the current rates of taxation, after taking into consideration available tax credits, rebates, tax losses, etc. The charge for current tax also includes adjustments to tax payable in respect of previous years including those arising from assessments finalised during the year and are separately disclosed.

Deferred

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences relating to initial recognition of goodwill, initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

In making the estimates for current and deferred taxes, the management considers the income tax law and the decisions of appellate authorities on certain issues in the past.

6.7 Non-banking assets acquired in satisfaction of claims

The non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. The useful lives are reviewed annually and adjusted, if appropriate. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of property, if any, is credited to the 'surplus on revaluation of assets' account in the consolidated statement of other comprehensive income. Any deficit arising on revaluation is taken to profit and loss account directly. On derecognition of the assets, the cumulative gain or loss previously reported in consolidated other comprehensive income is transferred directly to unappropriated profit in the consolidated statement of changes in equity. Legal fees, transfer cost and direct cost of acquiring title to property is charged to the consolidated profit and loss account.

6.8 Deposits

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

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors, however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of the Holding company. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio between Rab-ul-Maal and Mudarib. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 50% of their profit as Incentive profits (Hiba).

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For the year ended December 31, 2020

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 are created at the Holding company's discretion and the Holding company can add, amend, transfer an asset to any other pool in the interests of the deposit holders.

6.9 Sub-ordinated Sukuk

The Group records sub-ordinated sukuk initially at the amount of proceeds received. Profit accrued on sub-ordinated sukuk is charged to the consolidated profit and loss account.

6.10 Pool Management

The Holding company operates general and specific pools for deposits and inter-bank funds accepted / acquired under Mudaraba and Musharakah modes.

Under the general deposits pools, the Holding company accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Holding company acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financing, investments and placements. When utilising investing funds, the Holding company prioritizes the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to the Holding company's customers and liquidity management respectively under the Musharakah / Mudaraba modes.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool along with related fee income, if any. The directly related costs comprise of depreciation on ijarah assets, takaful premium, documentation charges etc. No expense of general or administrative nature is charged to the pools. No provisions 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 Musharakah 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. During the year, the Holding company has given General Hiba to the depositors of Rupee General Pool, keeping in view the prescribed guidelines of Pool Management provided by the SBP and with the approval of the Holding company's Resident Shariah Board Member. However, Hiba are given at the sole discretion of the Holding company without any contractual commitment and can be withdrawn or reduced by the Holding company at its sole discretion.

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool. As per the Holding company's policy, relatively low risk / secured financing transactions and assets are allocated to general depositors pool of Rupee, USD, GBP and Euro. The Holding company maintains General Pools (Rupee, USD, EUR, GBP), FI Pools, IERS pool and Equity pool. The general pools are exposed to general credit risk, asset ownership risk and profit rate risk of the underlying assets involved.

General Pools:

For General Pools (Rupee, USD, EUR, GBP), the Holding company allocates PKR financing to Corporate, Commercial, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business as mentioned in note 47.1.1.3. Investments in Sovereign Guaranteed Sukuk, and Bai Muajjal with State Bank of Pakistan, are also done through General Pools. All remunerative deposits are tagged to these general pools and their funds generated from the depositors are invested on priority basis. Investments from the SBP under various long term Islamic refinance schemes, and sub-ordinated sukuk are also remunerated through the Rupee General Pool. Due to limited investment options in USD, GBP and EURO pool, funds from foreign currency pools are invested in available International Sukuk, Shariah Compliant Nostro accounts, foreign currency financing and the remaining funds are taken out and invested in Rupee general pool as part of equity. In such cases return from Rupee General Pool is given back to foreign currency pools, so that returns can be passed on to foreign currency pool customers accordingly. The Holding company as Mudarib in the general pools is responsible for financing costs / assets such as land, building, furniture, fixtures, computers and IT system from its own sources / equity.

IERS Pools:

The IERS pool assets comprise of sovereign guaranteed sukuk, and financing to / sukuk of mainly blue chip companies and exporters as allowed under the applicable rules and regulations, and as such are exposed to lower credit risk. The Musharakah with SBP under IERS is tagged to the IERS pool.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

FI Pools:

The FI pool assets generally comprise of sovereign guaranteed sukuk and financing under diminishing musharakah mode only and the related liability of the FI pool comprise of Musharakah / Mudarabah from other banks and financial institutions. These pools are created to meet the liquidity requirements of the Bank.

Equity Pools:

All other assets including fixed assets, exposure in shares, Rupee bai-salam financing and subsidized financing to the Holding company's employees are tagged to equity pool. To safeguard the interest of customers, all high risk investments are also done through equity pool.

6.11 Staff retirement benefits

Defined benefit plan of MBL

The Holding company operates an approved Gratuity Funded Scheme for its permanent employees. The scheme was approved by the tax authorities in April 2000. The liability recognised in respect of Gratuity Funded Scheme is the present value of the defined benefit obligation at the Consolidated Statement of Financial Position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2020.

The Holding company also operates End of Service Unfunded Defined Benefit Scheme as approved by the Board of Directors for the benefit of the founding President and Chief Executive Officer of the Holding company. The defined benefit obligation for this benefit has been calculated by an independent actuary using the projected unit credit method. The valuation has been conducted as on December 31, 2020.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the Consolidated Statement of Financial Position immediately, with a charge or credit to "Consolidated Other Comprehensive Income" in the periods in which they occur. The actuarial valuations involve assumptions of discount rates, expected rates of return on assets, future salary increases and future inflation rates as disclosed in note 38.

Defined contribution plan

The Group also operates a recognised contributory Provident Fund for all permanent employees. Equal monthly contributions are made, both by the Group and the employees, to the fund at a rate of 10% of basic salary.

6.12 Compensated absences

The Group recognises liability in respect of employees compensated absences in the period in which these are earned upto the date of Consolidated Statement of Financial Position. The provision is recognised on the basis of actuarial valuation using projected unit credit method.

6.13 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the date of Consolidated Statement of Financial Position are considered as non adjusting events and are recorded in the consolidated financial statements in the year in which these are approved by the directors / shareholders as appropriate.

6.14 Foreign currency transactions

Transactions and balances

Foreign currency transactions are recorded in rupees at exchange rates prevailing on the date of transaction. Monetary assets, monetary liabilities and contingencies and commitments in foreign currencies except forward commitments (promises) are reported in Rupees at exchange rates prevalent on the date of Consolidated Statement of Financial Position.

Forward commitments other than those with the SBP relating to the foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange commitments. Forward commitments with the SBP relating to foreign currency deposit, are valued at spot rate prevailing at the date of Consolidated Statement of Financial Position. Exchange gains and losses are included in the current year consolidated profit and loss account.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

Commitments

Commitments for outstanding forward foreign exchange transactions are disclosed at the rates applicable at the reporting date. Contingent liabilities / commitments for letters of credit, and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

Translation gains and losses are included in the consolidated profit and loss account.

6.15 Provisions and contingent assets and liabilities

Provision are recognised when the Group has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

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

6.16 Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as on-balance sheet transactions and related balances are disclosed under other assets and other liabilities.

6.17 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the approved accounting standards as applicable in Pakistan.

6.18 Revenue recognition

- i) Profit on Murabaha (including Commodity Murabaha) and Musawamah is recognised on an accrual basis. Profit on murabaha and musawamah transactions for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately upon the later date.
- ii) Rentals on Ijarah contracts are recognised as income on an accrual basis.
- iii) Profit on Bai Muajjal transaction is recognised on an accrual basis.
- iv) Profit on Diminishing Musharakah financing is recognised on an accrual basis.
- v) Profit on Running Musharakah financing is recognised on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.
- vi) Profit on Tijarah and Istisna financing is recognised on an accrual basis commencing from time of sale of goods till the realisation of sale proceeds by the Group.
- vii) Profit on Service Ijarah is recognised on an accrual basis commencing from the date of confirmation of sale.
- viii) Profit on Wakalah tul Istithmar / Wakalah is recognized on an accrual basis and is commensurate with the Wakalah business performance/ work done by the agent.
- ix) Profit on Sukuk is recognised on an accrual basis. Where Sukuk (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity.
- x) Commission on letters of credit, acceptances and guarantees is recognised on receipt basis, except for commission on guarantees in excess of Rs 200,000 which is recognised over the period of the guarantee.
- xi) The Group earns fee and commission income from certain non-funded banking services. The related fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The Group recognises fees earned on transaction-based arrangements at a point in time when the Group has fully provided the service to the customer. Where the contract requires services to be provided over time, the income is recognised on a systematic basis over the life of the related service.
- xii) Dividend income is recognised when the right to receive dividend is established.
- xiii) Gain or loss on sale of investments is included in the consolidated profit and loss account.
- xiv) Gain or loss on disposal of fixed assets, intangible assets, ijarah assets and musharaka assets is taken to the consolidated profit and loss account in the period in which they arise.
- xv) Profit suspended in compliance with the Prudential Regulations issued by the SBP is recognized on receipt basis. Profit on rescheduled / restructured financing and investments is recognised as permitted by the SBP.
- xvi) Remuneration from funds (management fee) is recognized based on the net asset value of the funds calculated on daily basis.

Notes to and forming part of the Consolidated Financial Statements

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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. Operating segments are reported in a manner consistent with the internal reporting provided to the management. Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

6.19.1 Business segments

Corporate and Commercial Banking

It includes trade finance, export finance, project finance, Ijarah, guarantees and bills of exchange relating to its Corporate and Commercial customers, investment banking, syndications, IPO related activities (excluding investments), secondary private placements, underwriting and securitisation.

Retail Banking

It includes retail financing, deposits and banking services offered to its retail customers and small and medium enterprises.

Asset Management

It includes asset management, investment advisory, portfolio management, etc.

Trading and Sales

It includes equity, foreign exchanges, commodities, own securities and placements.

Others

It includes functions which cannot be classified in any of the above segments.

6.19.2 Geographical segments

The Group operates only in Pakistan.

6.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing profit after tax for the year attributable to equity holders of the Holding company by the weighted average number of ordinary shares outstanding during the year. EPS is retrospectively adjusted for the effect of bonus shares issued.

Diluted EPS is calculated by dividing the net profit (after adjusting for return and related tax impact) on the convertible instruments by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

7	CASH AND BALANCES WITH TREASURY BANKS	Note	2020	2019
Rupees in '000				
	In hand			
	- local currency		27,357,178	14,487,566
	- foreign currencies		3,477,535	1,854,081
	With the State Bank of Pakistan in			
	- local currency current accounts	7.1	51,975,020	33,981,833
	- foreign currency current accounts	7.1	8,542,148	6,609,487
	With the National Bank of Pakistan in			
	- local currency current accounts		42,518,072	35,077,790
	National Prize Bonds	7.2	2,373,150	183,120
			136,243,103	92,193,877

7.1 These include local and foreign currency amounts required to be maintained by the Holding company with the SBP as stipulated by the SBP. These accounts are non-remunerative in nature.

7.2 The Group, as a matter of Shariah principle, does not deal in prize bonds. These represent the national prize bonds received from customers for onward surrendering to SBP.

Notes to and forming part of the Consolidated Financial Statements

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8	BALANCES WITH OTHER BANKS	Note	2020	2019
			Rupees in '000	
	In Pakistan			
	- in current accounts		7,088,343	7,764,509
	- in deposit accounts	8.1	6,000,000	3,752,003
	Outside Pakistan			
	- in current accounts		2,234,338	1,876,378
	- in deposit accounts	8.2	4,156,526	2,021,943
			<u>19,479,207</u>	<u>15,414,833</u>

8.1 The return on these balances is 7.25% (2019: 10.16%) per annum.

8.2 The return on these balances is 0.08% (2019: 1.56%) per annum.

9	DUE FROM FINANCIAL INSTITUTIONS - NET	Note	2020	2019
			Rupees in '000	
	Bai Muajjal:			
	With Scheduled Banks / financial institution - Secured	9.1	327,277,079	208,096,873
	With State Bank of Pakistan		-	13,682,452
	With other Financial Institution		15,500	15,500
		9.2	327,292,579	221,794,825
	Musharakah	9.3	6,800,000	1,910,000
	Wakalah	9.4	7,991,720	-
	Commodity Murabaha		26,066	26,066
		9.5	342,110,365	223,730,891
	Provision against non-performing amounts due from financial institutions	9.6	(41,566)	(41,566)
			<u>342,068,799</u>	<u>223,689,325</u>

9.1 The average return on this product is 7.86% (2019: 13.05%) per annum. The balances have maturities ranging between January 2021 to July 2025 (2019: January 2020 to October 2020). These Bai Muajjal are secured against Federal Government securities received as collateral and having market value of Rs 331,235 million as at December 31, 2020 (2019: Rs 215,020 million).

	2020	2019
	Rupees in '000	
9.2 Bai Muajjal Placements	359,456,164	240,471,829
Less: Deferred Income	(24,329,336)	(8,990,054)
Profit Receivable shown in other assets	(7,834,249)	(9,686,950)
Bai Muajjal Placements	<u>327,292,579</u>	<u>221,794,825</u>

9.3 The average return on this product is 7.15% (2019: 11.25%) per annum. The balances are maturing latest by March 2021 (2019: January 2020).

9.4 The average return on this product is 0.05% (2019: Nil) per annum. The balances are maturing latest by January 2021 (2019: Nil). These balances are placed outside Pakistan.

	2020	2019
	Rupees in '000	
9.5 Particulars of due from financial institutions		
In local currency	334,118,645	223,730,891
In foreign currencies	7,991,720	-
	<u>342,110,365</u>	<u>223,730,891</u>

	2020		2019	
	Non-performing due from financial institutions	Provision held	Non-performing due from financial institutions	Provision held
9.6 Category of classification	Rupees in '000			
Loss	41,566	41,566	41,566	41,566

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

10 INVESTMENTS - NET

10.1 Investments by types

Note	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
Available for sale securities								
- Federal Government Securities	275,917,850	-	(380,076)	275,537,774	96,658,346	-	(213,851)	96,444,495
- Shares (including units of fund)	7,144,667	2,104,045	2,849,881	7,890,503	6,809,714	2,201,501	1,674,958	6,283,171
- Non Government Sukuk	126,109,290	81,648	5,504,818	131,532,460	101,429,663	165,183	12,662,650	113,927,130
- Foreign Securities	7,216,711	-	552,073	7,768,784	7,774,672	-	318,883	8,093,555
	416,388,518	2,185,693	8,526,696	422,729,521	212,672,395	2,366,684	14,442,640	224,748,351
Held to maturity securities								
- Federal Government Securities	10,571,003	-	-	10,571,003	-	-	-	-
- Sukuk	24,710	-	-	24,710	49,707	-	-	49,707
	10,595,713	-	-	10,595,713	49,707	-	-	49,707
Associates (listed)								
- Units of funds	5,470,391	-	-	5,470,391	4,869,014	-	-	4,869,014
Total Investments	432,454,622	2,185,693	8,526,696	438,795,625	217,591,116	2,366,684	14,442,640	229,667,072

10.2 Investments by segments

Note	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
Federal Government Securities								
- GoP Ijarah Sukuk	179,145,514	-	(380,076)	178,765,438	13,006,137	-	(213,851)	12,792,286
- Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)	106,876,904	-	-	106,876,904	83,652,209	-	-	83,652,209
- Pak Rupee Islamic Naya Pakistan Certificate	342,284	-	-	342,284	-	-	-	-
- US Dollars Islamic Naya Pakistan Certificate	124,151	-	-	124,151	-	-	-	-
	286,488,853	-	(380,076)	286,108,777	96,658,346	-	(213,851)	96,444,495
Shares								
Listed Companies	6,572,789	2,052,325	2,849,881	7,370,345	5,958,932	2,089,064	1,674,958	5,544,826
Unlisted Companies	571,878	51,720	-	520,158	850,782	112,437	-	738,345
	7,144,667	2,104,045	2,849,881	7,890,503	6,809,714	2,201,501	1,674,958	6,283,171
Non Government Sukuk								
Listed	111,762,311	-	5,504,818	117,267,129	84,749,707	-	12,662,650	97,412,357
Unlisted	14,371,689	81,648	-	14,290,041	16,729,663	165,183	-	16,564,480
	126,134,000	81,648	5,504,818	131,557,170	101,479,370	165,183	12,662,650	113,976,837
Foreign Securities								
Government Sukuk	4,807,602	-	432,693	5,240,295	4,666,473	-	259,952	4,926,425
Non Government Sukuk	2,398,720	-	119,380	2,518,100	3,097,810	-	58,931	3,156,741
Shares	10,389	-	-	10,389	10,389	-	-	10,389
	7,216,711	-	552,073	7,768,784	7,774,672	-	318,883	8,093,555
Associates								
Meezan Balanced Fund	309,220	-	-	309,220	304,924	-	-	304,924
Al Meezan Mutual Fund	931,058	-	-	931,058	868,670	-	-	868,670
Meezan Islamic Fund	988,659	-	-	988,659	718,937	-	-	718,937
Meezan Strategic Allocation Fund - III - MCPPP-IX	80,977	-	-	80,977	76,253	-	-	76,253
Meezan Financial Planning Fund - Conservative	8,276	-	-	8,276	7,513	-	-	7,513
KSE Meezan Index Fund	1,130,226	-	-	1,130,226	730,063	-	-	730,063
Meezan Pakistan Exchange Traded Fund	10,740	-	-	10,740	-	-	-	-
Meezan Islamic Income Fund	51,630	-	-	51,630	-	-	-	-
Meezan Tahaffuz Pension - Gold sub-fund	50,424	-	-	50,424	41,355	-	-	41,355
Meezan Tahaffuz Pension - Equity sub-fund	131,589	-	-	131,589	118,719	-	-	118,719
Meezan Energy Fund	106,803	-	-	106,803	225,508	-	-	225,508
Meezan Gold Fund	96,116	-	-	96,116	78,305	-	-	78,305
Meezan Rozana Amdani Fund	1,574,673	-	-	1,574,673	1,698,767	-	-	1,698,767
	5,470,391	-	-	5,470,391	4,869,014	-	-	4,869,014
Total Investments	432,454,622	2,185,693	8,526,696	438,795,625	217,591,116	2,366,684	14,442,640	229,667,072

Notes to and forming part of the Consolidated Financial Statements

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10.2.1 This represents investment in Pakistan Energy Sukuk-I and Pakistan Energy Sukuk-II issued by Power Holding Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments.

	2020	2019
10.3 Provision against diminution in value of investments	Rupees in '000	
Opening balance	2,366,684	1,277,145
Charge / (reversals) for the year		
On available for sale securities		
- charge for the year on equity investments	290,244	1,385,492
- reversals for the year upon recovery on debt instruments	(16,548)	(7,752)
- reversals on disposals of equity investments	(387,700)	(288,201)
	(114,004)	1,089,539
Amount written off	(66,987)	-
Closing balance	2,185,693	2,366,684

10.4 Particulars of provision against Sukuk

Category of classification	2020		2019	
	Non-performing Investment	Provision held	Non-performing Investment	Provision held
	Rupees in '000			
Domestic				
Loss	81,648	81,648	165,183	165,183

10.5 Quality of Available for Sale Securities

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

10.5.1 Federal Government Securities	2020	2019
	Cost	
	Rupees in '000	
Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)	106,876,904	83,652,209
Government of Pakistan Ijarah Sukuk (Government Guaranteed)		
GIS VRR-18	10,357,190	-
GIS VRR-19	25,600,000	-
GIS VRR-20	16,916,800	-
GIS VRR-21	50,332,023	-
GIS FRR-04	10,295,021	-
GIS VRR-22	55,073,477	-
GOP Ijarah Sukuk - GISF-3	-	13,006,137
	168,574,511	13,006,137
Pak Rupee Islamic Naya Pakistan Certificate	342,284	-
US Dollars Islamic Naya Pakistan Certificate	124,151	-
	275,917,850	96,658,346

Notes to and forming part of the Consolidated Financial Statements

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10.5.5 Foreign Securities	Rating		Cost	
	2020	2019	2020	2019
Government Sukuk			Rupees in '000	
Saudi Arabia	A	A	796,581	771,178
Qatar	Aa3	Aa3	803,530	780,524
Indonesia	Baa2	Baa2	2,399,421	2,325,047
			3,999,532	3,876,749
Non Government Sukuk - Unlisted				
Credit Ratings				
- Aa3 / A			1,597,680	2,320,891
- A2			808,070	789,724
- Baa1			801,040	776,919
			3,206,790	3,887,534
Equity securities - Unlisted				
S.W.I.F.T. SCRL			10,389	10,389
			7,216,711	7,774,672
10.6 Particulars relating to Held to Maturity securities:				
		Note		
Federal Government Securities - Government guaranteed				
GIS FRR-04		10.6.1	10,571,003	-
Non Government Sukuk - Listed				
Fatima Fertilizer Company Limited		10.6.2	24,710	49,707

10.6.1 The market value of security as at December 31, 2020 amounted to Rs 10,504 million (2019: Nil).

10.6.2 The market value of security as at December 31, 2020 amounted to Rs 24.52 million (2019: Rs 49.42 million).

Notes to and forming part of the Consolidated Financial Statements

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10.7 Associates accounted for under the equity method of accounting

	Al Meezan Mutual Fund	Meezan Islamic Fund	Meezan Balanced Fund	Meezan Tahaffuz Pension - Gold Sub Fund	Meezan Tahaffuz Equity Sub Fund	KSE Meezan Index Fund	Meezan Islamic Income Fund	Meezan Rozana Aamdani Fund	Meezan Cash Fund	Meezan Gold Fund	Meezan Energy Fund	Meezan Strategic Allocation Fund - MSAP II	Meezan Financial Planning Fund of Funds - Conservative	Meezan Strategic Allocation Fund - II - MCPP-X	Meezan Pakistan Exchange Traded Fund	Total
Opening balance - January 1, 2019	1,135,372	1,239,256	284,938	34,059	112,431	462,754	315,642	300,353	52	64,150	161,205	78,944	6,857	-	-	4,196,013
Investment / (redemption) during the year	(291,471)	(564,166)	-	-	-	202,265	(309,123)	1,398,414	-	-	45,331	(71,996)	-	68,876	-	478,130
Share of profit / (loss) in associates - P&L	24,769	43,847	19,996	7,296	6,288	65,044	(4,098)	104,003	(52)	14,155	18,972	(6,948)	656	7,377	-	301,295
Dividend received	-	-	-	-	-	-	(2,421)	(104,003)	-	-	-	-	-	-	-	(106,424)
Closing balance - December 31, 2019	866,670	718,937	304,924	41,355	118,719	730,063	-	1,696,787	-	78,305	225,508	-	7,513	76,253	-	4,869,014
Investment / (redemption) during the year	52,327	233,368	647	-	-	293,750	50,205	(124,094)	-	-	(72,187)	-	-	2,715	10,015	446,746
Share of profit / (loss) in associates - P&L	33,562	79,492	20,362	9,069	12,870	106,413	1,425	127,404	-	17,811	(46,518)	-	763	5,202	725	368,580
Dividend received	(23,501)	(43,138)	(16,713)	-	-	-	-	(127,404)	-	-	-	-	-	(3,193)	-	(219,349)
Closing balance - December 31, 2020	931,058	988,659	309,220	50,424	131,589	1,130,226	51,630	1,574,673	-	96,116	106,803	-	8,276	80,977	10,740	5,470,391

Rupees in '000

Notes to and forming part of the Consolidated Financial Statements

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	Note	2020	2019
11 ISLAMIC FINANCING AND RELATED ASSETS - NET			
		Rupees in '000	
In Pakistan			
Murabaha financing and related assets			
- Murabaha financing	11.1	7,292,120	8,633,318
- Advances against Murabaha		2,986,634	4,902,247
- Murabaha inventory		1,407,894	2,095,550
- Financing under Islamic Export Refinance - Murabaha	11.2	873,321	369,441
- Inventory under Islamic Export Refinance - Murabaha		17,779	-
- Advance against Islamic Export Refinance - Murabaha		1,008,181	540,715
		13,585,929	16,541,271
Running Musharakah financing			
- Running Musharakah financing		102,571,519	129,472,197
- Financing under Islamic Export Refinance - Running Musharakah		35,775,663	24,671,638
		138,347,182	154,143,835
Istisna financing and related assets			
- Istisna financing		3,925,839	4,684,962
- Advances against Istisna		46,300,271	34,435,537
- Istisna inventory		6,437,594	11,117,387
- Financing under Islamic Export Refinance - Istisna		218,304	189,215
- Advances under Islamic Export Refinance - Istisna		8,422,231	6,967,796
- Inventory under Islamic Export Refinance - Istisna		2,723,453	975,428
		68,027,692	58,370,325
Tijarah financing and related assets			
- Tijarah financing		596,504	561,345
- Tijarah inventory		7,507,389	11,032,825
- Financing under Islamic Export Refinance - Tijarah		1,366,016	1,070,970
- Inventory under Islamic Export Refinance - Tijarah		897,624	353,531
		10,367,533	13,018,671
Musawammah financing and related assets			
- Musawammah financing	11.3	13,798,171	11,009,024
- Advances against Musawammah		7,613,522	5,759,913
- Musawammah Inventory		14,209,318	9,618,012
- Financing under Islamic Export Refinance - Musawammah	11.4	1,090,893	886,944
- Advances under Islamic Export Refinance - Musawammah		45,000	123,500
- Inventory under Islamic Export Refinance - Musawammah		994,771	45,000
		37,751,675	27,442,393
Salam Financing and related assets			
- Salam Financing		1,238,311	811,378
- Advances against Salam		6,378,860	6,947,051
- Salam Inventory		1,560,370	2,710,138
- Advances under Islamic Export Refinance - Salam		496,820	-
		9,674,361	10,468,567
Financing against bills			
- Financing against bills - Salam		4,151,254	7,461,667
- Advance against bills - Salam		1,738	1,738
		4,152,992	7,463,405
Bai Muajjal financing	11.5	1,633,373	1,474,998
Ijarah financing and related assets			
- Net investment in Ijarah	11.2	81,965	113,501
- Net book value of assets/investment in Ijarah under IFAS 2		43,569,281	48,493,395
- Net book value of assets/investment in Ijarah under IFAS 2 (SBP's ILTFF)	11.6	48,778	58,118
- Advances against Ijarah		43,700,024	48,665,014
- Advances against Ijarah under SBP's ILTFF		6,210,281	3,727,830
		-	118,905
		49,910,305	52,511,749
Diminishing Musharakah financing and related assets			
- Diminishing Musharakah financing - housing		12,556,621	13,232,142
- Diminishing Musharakah financing - others		102,400,030	79,167,336
- Diminishing Musharakah financing - SBP's ILTFF		7,595,493	1,955,071
- Diminishing Musharakah financing - SBP's IRSPWS		4,481,268	-
- Diminishing Musharakah financing - SBP's IFRE		182,955	-
- Advances against Diminishing Musharakah		7,667,897	14,645,228
- Advances against Diminishing Musharakah under SBP's IFRE		5,204,775	-
- Advances against Diminishing Musharakah under SBP's IRFCC		172,913	-
- Advances against Diminishing Musharakah under SBP's ITERF		676,621	-
- Advances against Diminishing Musharakah under SBP's ILTFF		5,559,059	5,378,299
		146,497,632	114,378,076
Musharakah financing		82,960	248,880
Wakalah Tul Istithmar financing		21,156,433	-
Advances against Wakalah Tul Istithmar		18,500,000	40,825,200
Wakalah financing		45,000	250,000
Advance against Service Ijarah		4,258,103	2,765,026
Qard financing under SBP's IRFCC		486,573	-
Labbaik (Qard for Hajj and Umrah)		856	4,672
Staff financing	11.7	4,951,794	4,228,869
Other financing	11.4	2,157,222	2,376,639
Gross Islamic Financing and Related Assets	11.8	531,587,615	506,512,576
Less: Provision against non-performing Islamic financing and related assets - Specific	11.10	(13,602,974)	(8,284,519)
Less: Provision against non-performing Islamic financing and related assets - General	11.10	(5,452,711)	(4,452,711)
Islamic financing and related assets - net of provision		512,531,930	493,775,346

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	Note	2020	2019
Rupees in '000			
11.1	Murabaha receivable - gross	7,610,201	9,171,941
	Less: Deferred murabaha income	(112,171)	(198,327)
	Profit receivable shown in other assets	(205,910)	(340,296)
	Murabaha financing	<u>7,292,120</u>	<u>8,633,318</u>
11.1.1	Murabaha Sale Price	7,610,201	9,171,941
	Murabaha Purchase Price	(7,292,120)	(8,633,318)
		<u>318,081</u>	<u>538,623</u>
11.1.2	The movement in Murabaha financing during the year is as follows:		
	Opening balance	8,633,318	8,021,609
	Sales during the year	34,727,183	47,186,165
	Adjusted during the year	(36,068,381)	(46,574,456)
	Closing balance	<u>7,292,120</u>	<u>8,633,318</u>
11.1.3	Deferred murabaha income		
	Opening balance	198,327	142,250
	Arising during the year	921,798	1,800,684
	Recognised during the year	(1,007,954)	(1,744,607)
	Closing balance	<u>112,171</u>	<u>198,327</u>
11.2	Financing under Islamic Export Refinance - Murabaha - gross	893,589	382,945
	Less: Deferred income	(5,106)	(836)
	Profit receivable shown in other assets	(15,162)	(12,668)
	Financing under Islamic Export Refinance - Murabaha	<u>873,321</u>	<u>369,441</u>
11.2.1	The movement in Islamic Export Refinance Murabaha financing during the year is as follows:		
	Opening balance	369,441	344,573
	Sales during the year	3,254,140	1,459,464
	Adjusted during the year	(2,750,260)	(1,434,596)
	Closing balance	<u>873,321</u>	<u>369,441</u>
11.2.2	Deferred Islamic Export Refinance murabaha income		
	Opening balance	836	1,725
	Arising during the year	42,170	17,106
	Recognised during the year	(37,900)	(17,995)
	Closing balance	<u>5,106</u>	<u>836</u>
11.3	Musawammah financing - gross	14,258,642	11,610,569
	Less: Deferred income	(272,835)	(292,915)
	Profit receivable shown in other assets	(187,636)	(308,630)
	Musawammah financing	<u>13,798,171</u>	<u>11,009,024</u>
11.4	Financing under Islamic Export Refinance - Musawammah - gross	1,104,908	899,031
	Less: Deferred income	(8,473)	(7,015)
	Profit receivable shown in other assets	(5,542)	(5,072)
	Financing under Islamic Export Refinance - Musawammah	<u>1,090,893</u>	<u>886,944</u>
11.5	Bai Muajjal financing - gross	2,477,558	1,701,154
	Less: Deferred income	(107,351)	(146,846)
	Profit receivable shown in other assets	(736,834)	(79,310)
	Bai Muajjal financing	<u>1,633,373</u>	<u>1,474,998</u>
11.6	Net book value of assets / investments in Ijarah under IFAS 2 is net of depreciation of Rs 40,217 million (2019: Rs 35,450 million).		
11.7	This includes Rs 554 million (2019: Rs 487 million) representing profit free financing to staff advanced under the Holding company's Human Resource Policies.		

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11.8 Particulars of financing - gross

	2020	2019
	Rupees in '000	
In		
- local currency	517,234,025	493,186,199
- foreign currencies	14,353,590	13,326,377
	<u>531,587,615</u>	<u>506,512,576</u>

11.9 Islamic financing and related assets include Rs 14,933 million (2019: Rs 8,996 million) which have been placed under non-performing status as detailed below:

Category of classification	2020		2019	
	Non Performing Amount	Provision Held	Non Performing Amount	Provision Held
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	80,289	1,109	22,534	-
Substandard	790,278	165,158	557,679	132,042
Doubtful	966,160	425,586	446,866	212,837
Loss	13,096,746	13,011,121	7,968,640	7,939,640
	<u>14,933,473</u>	<u>13,602,974</u>	<u>8,995,719</u>	<u>8,284,519</u>

11.10 Particulars of provision against non-performing Islamic financing and related assets:

	2020			2019		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	8,284,519	4,452,711	12,737,230	6,771,530	2,927,711	9,699,241
Charge for the year	7,655,410	1,000,000	8,655,410	1,905,342	1,525,000	3,430,342
Less: Reversals	(314,555)	-	(314,555)	(357,571)	-	(357,571)
	7,340,855	1,000,000	8,340,855	1,547,771	1,525,000	3,072,771
Amount Written off	(2,022,400)	-	(2,022,400)	(34,782)	-	(34,782)
Closing balance	<u>13,602,974</u>	<u>5,452,711</u>	<u>19,055,685</u>	<u>8,284,519</u>	<u>4,452,711</u>	<u>12,737,230</u>

11.10.1 The Group maintains general provision in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and House Financing issued by the SBP.

In addition, the Group has also maintained a general provision of Rs 5,050 million (2019: Rs 4,050 million) against financing made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

11.10.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Group has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financing. The accumulated benefit availed amounts to Rs 76.6 million (2019: Rs 33.4 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs 46.7 million (2019: Rs 21.7 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

11.10.3 Particulars of provision against non-performing financing:

	2020			2019		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	13,337,517	5,452,711	18,790,228	8,021,468	4,452,711	12,474,179
In foreign currencies	265,457	-	265,457	263,051	-	263,051
	<u>13,602,974</u>	<u>5,452,711</u>	<u>19,055,685</u>	<u>8,284,519</u>	<u>4,452,711</u>	<u>12,737,230</u>

	Note	2020	2019
		Rupees in '000	
11.11 Particulars of write offs			
Against provisions	11.10	2,022,400	34,782
Directly charged to profit and loss account		-	-
		<u>2,022,400</u>	<u>34,782</u>
Write offs Rs 500,000 and above - Domestic		2,018,509	34,782
Write offs below Rs 500,000 - Domestic		3,891	-
		<u>2,022,400</u>	<u>34,782</u>

11.11.1 Details of financing written off of Rs 500,000 and above

In term of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written off financing or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2020 is given as Annexure 1.

12	OPERATING FIXED ASSETS	Note	2020	2019
			Rupees in '000	
	Capital work-in-progress	12.1	3,230,914	3,185,241
	Property and equipment	12.2	14,650,738	13,293,965
	Right-of-use assets	12.3	6,000,223	7,184,315
			<u>23,881,875</u>	<u>23,663,521</u>

12.1 Capital work-in-progress

Advances to suppliers and contractors for:

- civil works	2,171,132	2,171,210
- computer hardware	379,323	271,621
- purchase of vehicles	269,437	126,203
- office machines	272,364	552,430
- furniture and fixtures	138,658	63,777
	<u>3,230,914</u>	<u>3,185,241</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

12.2 Property and equipment

	2020						Total
	Leasehold Land	Buildings on leasehold land	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	
	Rupees in '000						
At January 1, 2020							
Cost	4,801,374	1,832,632	6,587,594	859,082	6,773,276	2,305,545	23,159,503
Accumulated depreciation	-	599,436	3,336,510	494,742	4,600,808	834,042	9,865,538
Net book value	4,801,374	1,233,196	3,251,084	364,340	2,172,468	1,471,503	13,293,965
Year ended December 31, 2020							
Opening net book value	4,801,374	1,233,196	3,251,084	364,340	2,172,468	1,471,503	13,293,965
Additions	79,787	180,184	1,318,816	146,521	1,227,442	712,299	3,665,049
Net book value of disposals	-	-	(3,379)	(96)	(4,219)	(66,255)	(73,949)
Depreciation charge	-	(91,889)	(740,452)	(75,850)	(840,419)	(485,717)	(2,234,327)
Net book value as at December 31, 2020	4,881,161	1,321,491	3,826,069	434,915	2,555,272	1,631,830	14,650,738
Year ended December 31, 2020							
Cost	4,881,161	2,012,816	7,901,111	1,004,393	7,855,608	2,684,083	26,339,172
Accumulated depreciation	-	691,325	4,075,042	569,478	5,300,335	1,052,254	11,688,434
Net book value as at December 31, 2020	4,881,161	1,321,491	3,826,069	434,915	2,555,273	1,631,829	14,650,738
Rate of depreciation (percentage)	-	5	10	10	10, 20 and 33	20	
2019							
	Leasehold Land	Buildings on leasehold land	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Total
	Rupees in '000						
At January 1, 2019							
Cost	4,578,013	1,514,872	5,893,257	735,418	5,475,767	1,722,479	19,919,806
Accumulated depreciation	-	515,452	2,806,259	431,701	3,922,016	660,416	8,335,844
Net book value	4,578,013	999,420	3,086,998	303,717	1,553,751	1,062,063	11,583,962
Year ended December 31, 2019							
Opening net book value	4,578,013	999,420	3,086,998	303,717	1,553,751	1,062,063	11,583,962
Additions	223,361	234,545	694,379	125,329	1,321,289	862,375	3,461,278
Transfer	-	83,215	-	-	-	-	83,215
Net book value of disposals	-	-	(21)	(125)	(9,164)	(61,253)	(70,563)
Depreciation charge	-	(83,984)	(530,272)	(64,581)	(693,408)	(391,682)	(1,763,927)
Net book value as at December 31, 2019	4,801,374	1,233,196	3,251,084	364,340	2,172,468	1,471,503	13,293,965
Year ended December 31, 2019							
Cost	4,801,374	1,832,632	6,587,594	859,082	6,773,276	2,305,545	23,159,503
Accumulated depreciation	-	599,436	3,336,510	494,742	4,600,808	834,042	9,865,538
Net book value as at December 31, 2019	4,801,374	1,233,196	3,251,084	364,340	2,172,468	1,471,503	13,293,965
Rate of depreciation (percentage)	-	5	10	10	10,20 and 33	20	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use aggregating Rs 4,986 million (2019: Rs 4,276 million).

12.2.2 The group has not carried out any revaluation of property and equipment at the recent date as the group uses cost model for measurement of its property and equipment.

Notes to and forming part of the Consolidated Financial Statements

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12.2.3 Details of disposal of fixed assets to related parties or other persons having net book value of Rs 500,000 or above are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000					
Vehicles						
Honda Civic	2,563	1,367	1,196	1,626	MBL Staff Policy	Mr Wise ur Rehman (Executive, Ex-employee)
Toyota Corolla	2,154	862	1,292	1,525	MBL Staff Policy	Mr Khalid Ilyas (Executive, Ex-employee)
Toyota Corolla	1,884	1,099	785	1,016	MBL Staff Policy	Mr Arif Aslam Khan (Executive, Employee)
Toyota Corolla	1,864	1,149	715	1,080	MBL Staff Policy	Mr Muhammad Umar Khan Fareedy (Executive, Employee)
Honda City	1,519	937	582	817	MBL Staff Policy	Mr Manzoor Ahmed Ghori (Executive, Employee)
Suzuki Cultus	1,315	570	745	911	MBL Staff Policy	Mr Zamir Ahmed Jafri (Executive, Employee)
Suzuki Cultus	1,250	687	563	811	MBL Staff Policy	Mr Abdul Malik (Executive, Employee)
Toyota Land Cruiser	12,010	12,010	-	3,603	MBL Staff Policy	Mr Ariful Islam (Deputy Chief Executive Officer)
Toyota Estima	8,277	8,277	-	-	MBL Staff Policy	Mr Irfan Siddiqui (President and Chief Executive Officer)
Honda Civic	2,513	1,131	1,382	2,825	Negotiation	M/s Augmentech Business Solution
Honda BRV	1,950	845	1,105	2,156	Negotiation	Mr Aqeel Akhtar
Toyota Corolla	1,788	1,162	626	1,816	Negotiation	Mr Muhammad Imran
Honda City	1,740	493	1,247	1,958	Negotiation	M/s Augmentech Business Solution
Honda City	1,730	778	952	2,126	Negotiation	M/s VavaCars Pakistan
Honda City	1,547	877	670	1,669	Negotiation	M/s Augmentech Business Solution
Honda City	1,540	770	770	2,120	Negotiation	M/s Augmentech Business Solution
Honda City	1,540	641	899	2,186	Negotiation	M/s Augmentech Business Solution
Honda City	1,519	861	658	1,701	Negotiation	M/s Augmentech Business Solution
Honda City	1,380	437	943	1,578	Negotiation	M/s Augmentech (Carfirst)
Suzuki Cultus	1,451	339	1,112	1,521	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,451	387	1,064	1,634	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,438	863	575	1,615	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,410	470	940	1,555	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,385	485	900	1,647	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,385	415	970	1,402	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,385	231	1,154	1,558	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,340	335	1,005	1,555	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,340	514	826	1,537	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,315	504	811	1,407	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,315	548	767	1,388	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,315	460	855	1,498	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,315	460	855	1,501	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,275	552	723	1,457	Negotiation	Mr Naeem Ashraf
Suzuki Cultus	1,275	510	765	1,484	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,275	340	935	1,431	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,270	444	826	1,383	Negotiation	Mr Khuram Imtiaz
Suzuki Cultus	1,270	571	699	1,416	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	667	583	1,406	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	604	646	1,313	Negotiation	Mr Salman Khan
Suzuki Cultus	1,250	750	500	1,332	Negotiation	M/s Augmentech (Carfirst)
Suzuki Cultus	1,250	646	604	1,379	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	562	688	1,256	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	562	688	1,335	Negotiation	Mr Khuram Imtiaz
Suzuki Cultus	1,250	687	563	1,242	Negotiation	M/s United Transport Service
Suzuki Cultus	1,250	708	542	1,356	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,250	542	708	1,217	Negotiation	Syed Riaz Ahmed
Suzuki Cultus	1,250	667	583	1,260	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	604	646	1,138	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	562	688	1,350	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	604	646	1,285	Negotiation	Mr Usman Shahid
Suzuki Cultus	1,250	604	646	1,261	Negotiation	Mr Mohsin Abbas
Suzuki Cultus	1,250	646	604	1,415	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,250	604	646	1,251	Negotiation	M/s United Transport Service
Suzuki Cultus	1,250	604	646	1,427	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	646	604	1,455	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	687	563	1,357	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	646	604	1,456	Negotiation	M/s VavaCars Pakistan
Suzuki Cultus	1,250	604	646	1,411	Negotiation	Mr Sheraz Khan
Suzuki Cultus	1,250	562	688	1,457	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	604	646	1,284	Negotiation	Mr Usman Shahid
Suzuki Cultus	1,250	646	604	1,386	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,250	708	542	1,327	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,245	394	851	1,386	Negotiation	Mr Khuram Imtiaz
Suzuki Cultus	1,245	560	685	1,421	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,245	436	809	1,451	Negotiation	M/s Augmentech Business Solution
Suzuki Cultus	1,245	394	851	1,426	Negotiation	M/s Augmentech Business Solution
Honda City	1,868	685	1,183	1,827	Takaful Claim	M/s EFU General Insurance Limited
Suzuki Cultus	1,270	508	762	1,264	Takaful Claim	M/s EFU General Insurance Limited
	113,661	62,084	51,577	100,644		
Electrical, office and computer equipments						
Laptop	166	166	-	13	MBL Staff Policy	Mr Ariful Islam (Deputy Chief Executive Officer)
ATM Machines (Qty: 02)	1,501	401	1,100	-	Discard	
	1,667	567	1,100	13		
Leasehold improvements	4,616	1,769	2,847	2,991	Takaful Claim	M/s Adamjee Insurance Company Limited
Other disposals						
Vehicles	220,100	205,422	14,678	107,815		
Electrical, office and computer equipments	143,444	140,325	3,119	17,055		
Furniture and Fixtures	1,210	1,114	96	397		
Leasehold improvements	683	151	532	515		
	485,381	411,432	73,949	229,430		

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	2020		
	Cost	Accumulated Depreciation	Net Book Value
12.3 Right-of-use assets	Rupees in '000		
At January 1,	9,166,767	(1,982,452)	7,184,315
Additions during the year	1,270,293	-	1,270,293
Depreciation Charge	-	(2,454,385)	(2,454,385)
Derecognition during the year	(170,725)	170,725	-
At December 31,	<u>10,266,335</u>	<u>(4,266,112)</u>	<u>6,000,223</u>
Useful life	3 - 10 years		

	2019		
	Cost	Accumulated Depreciation	Net Book Value
	Rupees in '000		
At January 1,	-	-	-
Recognized upon initial adoption of IFRS 16	8,226,423	-	8,226,423
Additions during the year	1,151,403	-	1,151,403
Depreciation Charge	-	(2,193,511)	(2,193,511)
Derecognition during the year	(211,059)	211,059	-
At December 31,	<u>9,166,767</u>	<u>(1,982,452)</u>	<u>7,184,315</u>
Useful life	3 - 10 years		

	2020	2019
	Rupees in '000	
13 INTANGIBLE ASSETS		
Computer Software	757,064	634,723
Advance against computer software	334,448	165,809
	<u>1,091,512</u>	<u>800,532</u>
13.1 At January 1,		
Cost	2,058,362	1,728,898
Accumulated amortisation	1,423,639	1,156,346
Net book value	<u>634,723</u>	<u>572,552</u>
Year ended December 31,		
Opening net book value	634,723	572,552
Additions - directly purchased	356,486	329,464
Amortisation charge	(234,145)	(267,293)
Closing net book value	<u>757,064</u>	<u>634,723</u>
Year ended December 31,		
Cost	2,414,848	2,058,362
Accumulated amortisation	1,657,784	1,423,639
Net book value	<u>757,064</u>	<u>634,723</u>
Rate of amortisation (percentage)	10-20	10-20
Useful life	3 - 10 years	3 - 10 years

13.1.1 Included in cost of intangible assets are fully amortised items still in use aggregating Rs 1,147 million (2019: Rs 1,029 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

14 DEFERRED TAX ASSETS / (LIABILITIES)

	2020			
	At January 1,	Recognised in Profit and Loss	Recognised in OCI	At December 31,
	Rupees in '000			
Taxable temporary differences due to:				
Excess of accounting book values over tax written down values of owned assets	(387,701)	79,350	-	(308,351)
(Surplus) / deficit on revaluation of available for sale investments	(5,054,925)	-	2,070,580	(2,984,345)
Surplus on revaluation of Non-banking assets acquired in satisfaction of claims	(7,064)	-	(3,673)	(10,737)
Tax on accumulated profit of associates	(261,786)	(53,425)	-	(315,211)
	<u>(5,711,476)</u>	<u>25,925</u>	<u>2,066,907</u>	<u>(3,618,644)</u>
Deductible temporary differences due to:				
Provision for diminution / impairment in value of investments	916,943	103,026	-	1,019,969
Income not accrued due to non-culmination of financing	1,435,933	(387,396)	-	1,048,537
Provision against non-performing Islamic financing and related assets	109,358	1,364,794	-	1,474,152
Provision against non-banking assets acquired in satisfaction of claims and others	170,771	2,505	-	173,276
Provision against Workers Welfare Fund	31,809	6,633	-	38,442
Other	38,211	-	-	38,211
	<u>2,703,025</u>	<u>1,089,562</u>	<u>-</u>	<u>3,792,587</u>
	<u>(3,008,451)</u>	<u>1,115,487</u>	<u>2,066,907</u>	<u>173,943</u>
	2019			
	At January 1,	Recognised in Profit and Loss	Recognised in OCI	At December 31,
	Rupees in '000			
Taxable temporary differences due to:				
Excess of accounting book values over tax written down values of owned assets	(406,196)	18,495	-	(387,701)
(Deficit) / surplus on revaluation of available for sale investments	36,632	-	(5,091,557)	(5,054,925)
Surplus on revaluation of Non-banking assets acquired in satisfaction of claims	(11,928)	1,439	3,425	(7,064)
Tax on accumulated profit of associates	(232,303)	(29,483)	-	(261,786)
	<u>(613,795)</u>	<u>(9,549)</u>	<u>(5,088,132)</u>	<u>(5,711,476)</u>
Deductible temporary differences due to:				
Provision for diminution / impairment in value of investments	517,662	399,281	-	916,943
Income not accrued due to non-culmination of financing	812,904	623,029	-	1,435,933
Provision against non-performing Islamic financing and related assets	-	109,358	-	109,358
Provision against non-banking assets acquired in satisfaction of claims and others	86,718	84,053	-	170,771
Provision against Workers Welfare Fund	26,324	5,485	-	31,809
Others	38,211	-	-	38,211
	<u>1,481,819</u>	<u>1,221,206</u>	<u>-</u>	<u>2,703,025</u>
	<u>868,024</u>	<u>1,211,657</u>	<u>(5,088,132)</u>	<u>(3,008,451)</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020	2019
Rupees in '000			
15 OTHER ASSETS			
Profit / return accrued in local currency - net of provisions		40,953,826	34,765,016
Profit / return accrued in foreign currencies - net of provisions		79,029	76,791
Acceptances		8,488,266	9,033,110
Advances, deposits, advance rent and other prepayments	15.1	1,804,812	2,069,103
Non-banking assets acquired in satisfaction of claims	15.2	115,422	145,503
Receivables on account of sale of securities		16,956	-
Dividends receivable		8,177	-
Stamps		15,857	12,963
Security deposits		214,276	180,564
Advance for Investments		67,530	55,542
Other		714,164	786,595
		52,478,315	47,125,187
Provision against other assets	15.3.1	(214,151)	(234,914)
Other Assets (Net of Provision)		52,264,164	46,890,273
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	23	30,678	20,184
Other Assets - total		52,294,842	46,910,457

15.1 This includes prepaid takaful aggregating Rs 926 million (2019: Rs 971 million) which is being amortized over a period of one year.

	2020	2019
Rupees in '000		
15.2 Market value of Non-banking assets acquired in satisfaction of claims	146,100	155,687

Market value of the non-banking assets acquired in satisfaction of claims has been carried out by an independent valuer, M/s Joseph Lobo (Private) Limited based on prevailing market values determined through independent market inquiries from local active realtors and adjusted for the physical condition of the property as more detailed in note 41.3.

15.2.1 Non-banking assets acquired in satisfaction of claims	2020	2019
Rupees in '000		
Opening Balance	145,503	240,607
Addition	52,351	-
Depreciation	(1,744)	(471)
Transfer to fixed assets	-	(83,215)
Disposal	(80,688)	(11,418)
Closing Balance	115,422	145,503

15.3 Provision held against other assets	2020	2019
Acceptances	33,980	41,132
Others	180,171	183,782
Non banking assets acquired in satisfaction of claims	-	10,000
	214,151	234,914

15.3.1 Movement in provision held against other assets	2020	2019
Opening balance	234,914	231,530
Charge for the year	5,521	49,999
Reversals during the year	(20,763)	(4,174)
Amount adjusted / written off	(5,521)	(42,441)
Closing balance	214,151	234,914

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020	2019
Rupees in '000			
16	BILLS PAYABLE		
	In Pakistan	26,494,006	17,186,807
	Outside Pakistan	-	-
		<u>26,494,006</u>	<u>17,186,807</u>
17	DUE TO FINANCIAL INSTITUTIONS		
	In Pakistan	94,500,640	42,047,390
	Outside Pakistan	-	-
		<u>94,500,640</u>	<u>42,047,390</u>
17.1	Details of due to financial institutions secured / unsecured		
	Secured		
	With State Bank of Pakistan		
	Musharakah under Islamic Export Refinance Scheme	17.1.1 51,995,700	33,861,385
	Investment under Islamic Long Term Financing Facility	17.1.2 12,567,944	7,268,122
	Investment under Islamic Refinance Facility for Combating COVID-19	17.1.2 610,809	-
	Investment under Islamic Financing for Renewal Energy	17.1.2 5,315,473	-
	Investment under Islamic Temporary Economic Refinance Facility for Plant and Machinery	17.1.2 514,115	-
	Investment under Islamic Refinance Scheme for payment of wages and salaries	17.1.2 4,527,531	-
		75,531,572	41,129,507
	Other financial institutions	17.1.3 721,131	909,114
	Unsecured		
	Overdrawn nostro accounts	747,937	8,769
	Other Musharakah	17.1.4 17,500,000	-
		<u>94,500,640</u>	<u>42,047,390</u>

17.1.1 These Musharakah are on a profit and loss sharing basis maturing between January 2021 to June 2021 and are secured against demand promissory notes executed in favor of SBP. A limit of Rs 54,140 million (2019: Rs 38,473 million) has been allocated to the Holding company by SBP under Islamic Export Refinance Scheme.

17.1.2 These Investment are on profit and loss sharing basis which has been invested in general pool of the Holding company and are secured against demand promissory notes executed in favor of SBP.

17.1.3 These Musharakah are on Profit Loss sharing basis. Under one such arrangement, a limit of USD 10 million has been allocated to the Group by the Karandaaz.

17.1.4 These Musharakah are on Profit Loss sharing basis with banks. The expected average return on these Musharakah is around 7.44% (2019: Nil) per annum. These balances are maturing in January 2021 (2019: Nil).

	2020	2019
Rupees in '000		
17.2	Particulars of due to financial institutions with respect to currencies	
	In local currency	93,752,703
	In foreign currencies	747,937
		<u>94,500,640</u>
17.3	Particulars of due to financial institutions	
	Short - term	75,970,678
	Long - term	18,529,962
		<u>94,500,640</u>
		<u>42,047,390</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

18 DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
Rupees in '000						
Customers						
- Current accounts - non-remunerative	465,573,842	24,180,026	489,753,868	312,409,384	20,464,919	332,874,303
- Savings deposits	415,280,740	33,825,435	449,106,175	318,577,677	26,796,248	345,373,925
- Fixed deposits	279,506,740	15,039,627	294,546,367	228,503,227	13,342,660	241,845,887
- Margin	10,603,578	5,957	10,609,535	4,949,165	8,692	4,957,857
	1,170,964,900	73,051,045	1,244,015,945	864,439,453	60,612,519	925,051,972
Financial institutions						
- Current accounts - non-remunerative	4,217,350	-	4,217,350	1,208,228	-	1,208,228
- Savings deposits	4,759,877	-	4,759,877	3,789,484	-	3,789,484
- Fixed deposits	1,419,070	-	1,419,070	2,519,081	-	2,519,081
	10,396,297	-	10,396,297	7,516,793	-	7,516,793
	1,181,361,197	73,051,045	1,254,412,242	871,956,246	60,612,519	932,568,765

	2020	2019
	Rupees in '000	
18.1 Composition of deposits		
- Individuals	859,471,523	628,758,131
- Government (Federal and Provincial)	13,812,127	20,376,156
- Public Sector Entities	22,175,212	14,838,591
- Banking Companies	23,348	34,475
- Non-Banking Financial Institutions	10,372,949	7,482,318
- Private Sector	348,557,083	261,079,094
	1,254,412,242	932,568,765
18.2 Particulars of deposits and other accounts in Pakistan		
- in local currency		
Mudaraba based deposits	706,015,724	556,551,071
Qard based deposits	475,345,473	315,405,175
	1,181,361,197	871,956,246
- in foreign currencies		
Mudaraba based deposits	48,865,062	40,138,908
Qard based deposits	24,185,983	20,473,611
	73,051,045	60,612,519
	1,254,412,242	932,568,765

18.3 Eligible deposits covered under deposit protection scheme (including call deposit receipts disclosed under bills payable) amount to Rs 1,016,635 million (2019: Rs 758,498 million).

	Note	2020	2019
		Rupees in '000	
19 SUB-ORDINATED SUKUK			
Additional Tier I Sukuk	19.1	7,000,000	7,000,000
Tier II Sukuk	19.2	11,000,000	7,000,000
		18,000,000	14,000,000

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

- 19.1 In August 2018, the Holding company issued regulatory Shariah compliant unsecured, sub-ordinated privately placed Additional Tier I Sukuk based on Mudaraba of Rs 7,000 million as instrument of redeemable capital under section 66 of the Companies Act, 2017. The brief description of Additional Tier I sukuk is as follows:

Credit Rating	AA- (Double A minus) by VIS Credit Rating Company Limited.
Issue Date	August 01, 2018
Tenor	Perpetual
Profit payment frequency	Monthly in arrears
Redemption	Perpetual
Expected Periodic Profit Amount (Mudaraba Profit Amount)	The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Holding company under the SBP guidelines of pool management. Last announced profit rate on the Sukuk is 9.23% per annum.
Call Option	The Holding company may call Additional Tier I Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss Absorbency	The Additional Tier I Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-Clause	Profit and/or redemption amount can be held back in respect of the Additional Tier I Sukuk, upon directive of the SBP, if such payment will result in a shortfall in the Holding company's minimum capital requirement, capital adequacy ratio requirement or leverage ratio requirement.

- 19.2 In September 2016 and January 2020, the Holding company issued regulatory Shariah compliant unsecured, subordinated privately placed Tier II Sukuk based on Mudaraba of Rs 7,000 million and Rs 4,000 million respectively as instrument of redeemable capital under section 66 of the Companies Act, 2017. The brief description of Tier II sukuk is as follows:

Credit Rating	AA (Double A) by VIS Credit Rating Company Limited.
Issue Date	September 22, 2016 and January 09, 2020
Tenor	10 years from the issue date
Profit payment frequency	Semi-annually in arrears
Redemption	Bullet payment at the end of the tenth year
Expected Periodic Profit Amount (Mudaraba Profit Amount)	The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Holding company under the SBP guidelines of pool management. Last announced profit rate on the Sukuk are 7.90% and 8.26% per annum respectively.
Call Option	The Holding company may call Tier II Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss Absorbency	The Tier II Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-Clause	Profit and/or redemption amount can be held back in respect of the Tier II Sukuk upon directive of the SBP, if such payment will result in a shortfall in the Holding company's minimum capital requirement, capital adequacy ratio requirement or leverage ratio requirement.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

20 OTHER LIABILITIES	Note	2020	2019
Rupees in '000			
Return on deposits and other dues			
- payable in local currency	20.1	3,942,766	6,434,891
- payable in foreign currencies		76,037	112,161
Unearned income		862,453	56,738
Accrued expenses		9,552,063	6,850,647
Current taxation (provision less payments)		9,859,403	6,049,222
Acceptances		8,488,266	9,033,110
Unclaimed dividends		21,219	16,214
Payable to defined benefit plan	38.3 & 38.15	709,788	570,234
Provision against off-balance sheet obligations	20.2	86,718	79,568
Charity payable	20.3	989	995
Security deposits against Ijarah		14,804,093	14,206,800
Payable on account of credit murabaha / ijarah / musawammah		8,419	60,307
Security deposits against lockers		136,804	117,792
Retention money		-	70,687
Unrealised loss on forward foreign exchange contracts - net	20.4	162,055	368,207
Advance against future Diminishing Musharakah		119,358	67,227
Withholding taxes payable		237,501	155,278
Lease liability against right-of-use assets	20.5	6,685,258	7,305,460
Workers Welfare Fund payable	20.6	2,902,944	2,007,124
Others		1,266,796	959,942
		<u>59,922,930</u>	<u>54,522,604</u>

20.1 This includes Rs 216 million (2019: Rs 158 million) in respect of return accrued on borrowings from SBP under the Islamic Export Refinance Scheme and Rs 70.8 million (2019: Rs 25.0 million) in respect of return accrued on borrowings from SBP under the Islamic Long Term Financing Facility.

	Note	2020	2019
Rupees in '000			
20.2 Provision against off-balance sheet obligations			
Opening balance		79,568	85,249
Charge / (reversal) for the year		7,150	(5,681)
Closing balance	20.2.1	<u>86,718</u>	<u>79,568</u>

20.2.1 This represents provision recognized against guarantees of non-performing customers.

	Note	2020	2019
Rupees in '000			
20.3 Reconciliation of charity payable			
Balance as at January 1		995	942
Additions during the year		96,297	64,226
Less: Transferred to charity savings account (included in deposits and other accounts)	20.3.1	(96,303)	(64,173)
Balance as at December 31		<u>989</u>	<u>995</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

20.3.1 Charity paid through saving account during the year is Rs 95.0 million (2019: Rs 49.9 million). Charity of Rs 100,000 or higher was paid to the following organizations:

	2020	2019
	Rupees in '000	
Ihsan Trust - Related Party	83,000	30,900
Lahore Businessmen Association For Rehabilitation of the Disabled	2,000	2,000
Rashid Memorial Welfare Organization	1,000	1,000
Medical Aid Foundation (Rahat Kada)	1,000	500
Rising Sun Education and Welfare Society	1,000	100
Prevention of Blindness Trust	500	500
Family Educational Services Foundation	500	500
Pakistan Disabled Foundation	500	-
Kiran Foundation	500	-
Akhuwat Islamic Microfinance	500	-
Murshid Hospital - Karachi	500	-
Pakistan's Childrens' Heart Foundation	500	-
Al-Mustafa Welfare Society - Karachi	400	-
Burhani Medical Welfare Association	300	300
Muhammadi Blood Bank	300	-
Karigar Training Institute	300	-
Zubaida Machiyara Trust	200	200
Al- Mustafa Trust Rawalpindi	200	200
Mercy Pak	200	200
Eye Donor Organization - Taxila	200	150
Behbud Association Karachi	200	-
Pakistan Navy Educational Trust	200	-
The Cancer Foundation - Karachi	200	-
Koohi Goth Hospital - Karachi	200	-
Nigehban Welfare Association	200	100
Superior Foundation and Research Centre	200	-
Aiwan-e-Sannat O Tijarat Hospital	100	100
Ali Hajveri Free Drug Bank - Lahore	100	-
Institute of Business Administration - Centre for Excellence in Islamic Finance	-	4,000
Learning Is For Everyone (L.I.F.E.) School	-	2,500
Health Promotion Foundation	-	500
World Memon Organization	-	500
Chhipa Welfare Association	-	500
Fatima Kidney Care Hospital	-	300
The Garage School	-	300
Frontier Foundation Welfare Hospital And Blood Transfusion Service	-	300
Pakistan Eye Bank	-	200
Parents Voice Association	-	200
Cancer Care Hospital and Research Centre	-	200
Memon Health and Education Foundation	-	200
Lady Dufferin Hospital	-	200
Manzil Education Organization	-	200
Centre For Development of Social Services	-	200
Khwendo Kor	-	200
Muslim Welfare Centre	-	200
Patients Aid Foundation - Jinnah Hospital	-	200
Care Foundation	-	200
Child Aid Association	-	200
Noor e Ali Trust (JS Academy of Deaf)	-	200
The Kidney Centre, Karachi	-	150
Welfare Society for Patient Care	-	150
Pakistan Association of Blind	-	100
Health Oriented Preventive Education	-	100
Jinnah Foundation	-	100
Poor Patient Aid Society - Civil Hospital	-	100
Okara Patients Welfare Association	-	100
Bait Ul Sukoona	-	100
Bunyad Foundation Lahore / Bunyad Literacy Community Council	-	100
Markaz e Umeed	-	100
Pakistan Association of Deaf	-	100
Saylani Welfare	-	100
SOS Children Village, Islamabad	-	100
SOS Children Village, Multan	-	100
SOS Children Village, Karachi	-	100
	<u>95,000</u>	<u>49,850</u>

20.3.2 The balance in Charity's savings account is Rs 16.991 million (2019: Rs 14.705 million).

20.3.3 Charity was not paid to any organization in which a director or his spouse had any interest at any time during the year.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

20.4 This is net off gain on forward foreign exchange contracts of Rs 1,811 million (2019: gain on forward foreign exchange contracts of Rs 2,169 million).

20.5 The carrying amounts of lease liability against right-of-use assets and the movement during the year are as follows:

	2020	2019
	Rupees in '000	
As at January 1	7,305,460	-
Additions	1,270,293	8,793,389
Amortisation of lease liability against right-of-use assets	1,001,963	984,034
Payments	(2,892,458)	(2,471,963)
As at December 31	<u>6,685,258</u>	<u>7,305,460</u>

20.6 The Group has made full provision for Workers Welfare Fund (WWF) based on profit for the respective years (2008-2020). In 2016, the 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 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 be treated as conclusive. Accordingly, the Group continues to maintain the provision in respect of WWF.

21 SHARE CAPITAL

21.1 Authorised capital

2020 (Number of Shares)			2020 Rupees in '000	
<u>2,572,180,000</u>	<u>2,572,180,000</u>	Ordinary shares of Rs 10 each	<u>25,721,800</u>	<u>25,721,800</u>

2020 (Number of Shares)			2020 Rupees in '000	
<u>516,517,908</u>	<u>516,517,908</u>	Ordinary shares	<u>5,165,179</u>	<u>5,165,179</u>
<u>898,204,876</u>	<u>769,593,714</u>	Fully paid in cash	<u>8,982,049</u>	<u>7,695,937</u>
<u>1,414,722,784</u>	<u>1,286,111,622</u>	Issued as bonus shares	<u>14,147,228</u>	<u>12,861,116</u>

21.2 Shareholding held by associated companies / entities are as follows:

Name of Shareholders	2020		2019	
	Number of shares held	Percentage of Shareholding	Number of shares held	Percentage of Shareholding
Noor Financial Investment Company, Kuwait	498,671,687	35.25%	453,337,898	35.25%
Pakistan Kuwait Investment Company (Private) Limited	424,416,829	30.00%	385,833,481	30.00%
Islamic Development Bank, Jeddah	131,907,872	9.32%	119,916,248	9.32%
CDC - Trustee Meezan Islamic Fund	15,015,306	1.06%	9,119,097	0.71%
CDC - Trustee Al Meezan Mutual Fund	1,728,955	0.12%	1,364,050	0.11%
CDC - Trustee Meezan Balanced Fund	1,087,273	0.08%	1,064,885	0.08%
CDC - Trustee KSE Meezan Index Fund	1,065,969	0.08%	675,000	0.05%
CDC - Trustee Meezan Asset Allocation Fund	615,807	0.04%	553,446	0.04%
CDC - Trustee Meezan Dedicated Equity Fund	415,505	0.03%	536,005	0.04%

22 RESERVES

	Note	2020	2019
		Rupees in '000	
Share Premium		2,406,571	2,406,571
Statutory reserve	22.1	14,833,341	12,616,780
Non Distributable Capital Reserve - Gain on Bargain Purchase		3,117,547	3,117,547
General reserve		91,082	91,082
		<u>20,448,541</u>	<u>18,231,980</u>

22.1 Under section 21(i)(b) of the Banking Companies Ordinance, 1962, an amount not less than 10% of the profit is to be transferred to create a reserve fund.

Notes to and forming part of the Consolidated Financial Statements

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23	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note	2020	2019
	Available for sale securities		Rupees in '000	
	- Listed shares		2,849,881	1,674,958
	- Sukuk		5,676,815	12,767,682
			8,526,696	14,442,640
	Non-banking assets acquired in satisfaction of claims	23.1	30,678	20,184
			8,557,374	14,462,824
	Less: Deferred tax liability on			
	- Available for sale securities		(2,984,345)	(5,054,925)
	- Non-banking assets acquired in satisfaction of claims	23.1	(10,737)	(7,064)
			(2,995,082)	(5,061,989)
			5,562,292	9,400,835
23.1	Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
	Surplus on revaluation as at January 1 - net of deferred tax		13,120	22,152
	Recognised during the year net of deferred tax of Rs 3.673 million (2019: Rs 1.750 million)		6,821	3,250
	Adjusted upon transfer to fixed assets during the year - net of deferred tax of Nil (2019: Rs 5.175 million)		-	(9,610)
	Transferred to unappropriated profit in respect of disposal during the year - net of deferred tax of Nil (2019: Rs 1.397 million)		-	(2,593)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax of Nil (2019: Rs 0.042 million)		-	(79)
	Surplus on revaluation as at December 31 - net of deferred tax		19,941	13,120
24	NON-CONTROLLING INTEREST			
	Opening balance		1,169,813	1,006,434
	Share of profit for the year		278,113	195,198
	Remeasurements of defined benefit plan - net of tax (directly recognised in OCI)		(8,414)	3,181
	Dividend payout by Subsidiary		(175,000)	(35,000)
	Closing balance		1,264,512	1,169,813

	Percentage of holding	Assets	Liabilities	Revenue	Profit after taxation	Total comprehensive income	Market Value	
				Rupees in '000				
				2020				
24.1	Subsidiary (unlisted)							
	AI Meezan Investment Management Limited	65%	4,661,885	1,048,994	1,805,850	794,609	770,570	N/A
				2019				
	AI Meezan Investment Management Limited	65%	4,290,160	947,839	1,559,030	557,709	566,794	N/A

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

25 CONTINGENCIES AND COMMITMENTS	Note	2020	2019
Rupees in '000			
Guarantees	25.1	37,768,446	38,843,277
Commitments	25.2	736,693,486	711,444,851
Other contingent liabilities	25.3	1,802,000	1,802,000
		<u>776,263,932</u>	<u>752,090,128</u>
25.1 Guarantees:			
Financial guarantees		1,629,063	8,598,348
Performance guarantees		20,050,469	16,037,636
Other guarantees		16,088,914	14,207,293
		<u>37,768,446</u>	<u>38,843,277</u>
25.2 Commitments:			
Documentary letters of credit		151,668,892	98,437,653
Commitments in respect of:			
- forward foreign exchange contracts	25.2.1	187,071,597	267,088,452
Commitments for acquisition of:			
- fixed assets		305,288	514,594
- intangible assets		387,064	257,790
Other commitments	25.2.2	397,260,645	345,146,362
		<u>736,693,486</u>	<u>711,444,851</u>
25.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		108,885,191	151,033,720
Sale		78,186,406	116,054,732
		<u>187,071,597</u>	<u>267,088,452</u>
25.2.2 Other Commitments			
Commitments in respect of financing	25.2.2.1	397,260,645	345,146,362

25.2.2.1 The Group makes commitments to extend credit (including to related parties) in the normal course of business but these being revocable commitments do not attract any significant penalty or the expense if the facility is unilaterally withdrawn, other than commitments in respect of syndicated / long term financings amounting to Rs 67,123 million (2019: Rs 88,634 million).

25.3 Other contingencies

The Income Tax Department has amended the deemed assessment orders of the Holding company for prior years including the tax year 2019. The additions / disallowances were mainly due to allocation of expenses relating to dividends and capital gain, allowability of provision against loans and advances, provision against investments and provision against other assets. In the amended order for tax year 2015, additional issues with respect to the taxability of gain on bargain purchase and non-adjustment of loss pertaining to HSBC Bank Middle East – Pakistan Branches have also been raised. The Holding company has obtained stay order from the High Court of Sindh against the demands raised through the amended order for the tax year 2015. Both the Holding company and the department have filed appeals with the Appellate Authorities in respect of the aforementioned matters.

The management of the Holding company, in consultation with its tax advisors, is confident that the decision in respect of the above matters would be in Holding company's favour and accordingly no provision has been made in these consolidated financial statements with respect thereto. The additional tax liability in respect of gain on bargain purchase and non-adjustment of loss pertaining to HSBC Bank Middle East – Pakistan Branches is Rs 1,096 million and Rs 706 million respectively.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

26 PROFIT / RETURN EARNED ON FINANCINGS, INVESTMENTS AND PLACEMENTS	Note	2020	2019
		Rupees in '000	
On financing	26.1	48,073,060	54,737,673
On investments in			
- Available for sale securities		28,749,152	22,052,445
- Held to maturity securities		326,129	154,084
On deposits / placements with financial institutions		29,445,699	17,334,608
		<u>106,594,040</u>	<u>94,278,810</u>

26.1 The income on Ijarah under IFAS 2 is net off takaful of Rs 1,649 million (2019: Rs 1,787 million) recovered from customers.

27 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED	Note	2020	2019
		Rupees in '000	
Deposits and other accounts	27.1	37,227,854	43,739,906
Sub-ordinated Sukuk		2,085,311	1,793,554
Other Musharakahs / Mudarabas	27.2	1,449,590	1,228,565
Amortisation of lease liability against right-of-use assets		1,001,963	984,034
		<u>41,764,718</u>	<u>47,746,059</u>

27.1 This includes conversion cost of Rs 1,984 million (2019: Rs 2,172 million) against foreign currency deposits.

27.2 This includes Rs 794 million (2019: Rs 592 million) paid / payable to SBP under Islamic Export Refinance Scheme and Rs 288 million (2019: Rs 86.7 million) paid / payable to SBP under the different Islamic Long Term Refinance Schemes.

28 FEE AND COMMISSION INCOME	Note	2020	2019
		Rupees in '000	
Trade related fees and commissions		2,549,810	2,487,031
Management fees in respect of Mutual Funds		1,147,243	1,187,354
Commission on guarantees		152,166	110,334
Branch banking customer fees		989,343	1,472,109
Credit processing related fees		105,093	108,098
Debit card related fees		1,365,254	1,398,843
Investment banking related fees		261,880	232,988
Cash management fees		98,440	65,076
Home remittance related fees		227,349	157,245
Other		318,940	208,396
		<u>7,215,518</u>	<u>7,427,474</u>

29 GAIN / (LOSS) ON SECURITIES - NET	Note	2020	2019
Realised	29.1	752,566	(428,782)
29.1 Realised gain / (loss) on:			
Non Government Sukuk (Pakistan Energy Sukuk)		1,064,446	42,000
Listed Shares		(254,315)	(380,704)
Unlisted Shares		(62,386)	-
Federal Government Securities		(47,042)	(77,759)
Associates		69,499	(11,183)
Other Securities		(17,636)	(1,136)
		<u>752,566</u>	<u>(428,782)</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

30 OTHER INCOME	Note	2020	2019
		Rupees in '000	
Gain on termination of			
- Ijarah financing		503,555	380,404
- Diminishing Musharakah financing		41,585	43,153
Gain on sale of operating fixed assets		155,481	100,940
Loss on disposal of non-banking assets		(10,000)	(2,529)
Rental income		4,334	11,198
Others		2,615	2,449
		697,570	535,615
31 OPERATING EXPENSES			
Total compensation expense	31.1	16,104,064	13,400,938
Property expense			
Depreciation on right-of-use assets		2,454,385	2,193,511
Rent and taxes		95,145	174,415
Utilities cost (including electricity and diesel)		985,845	891,749
Security (including guards)		818,107	628,569
Repair and maintenance (including janitorial charges)		438,873	504,205
Depreciation		832,341	614,256
Others		64,677	52,325
		5,689,373	5,059,030
Information technology expenses			
Software maintenance		632,392	427,118
Hardware maintenance		302,812	296,132
Depreciation		412,105	325,402
Amortisation		234,145	267,293
Network charges		259,808	220,383
		1,841,262	1,536,328
Other operating expenses			
Stationery and printing (including debit card related cost)		820,991	924,134
Local transportation and car running		551,789	535,695
Depreciation on equipments, vehicles, etc.		989,881	824,269
Legal and professional charges		157,130	123,651
NIFT and other clearing charges		183,619	125,654
Travelling and conveyance		82,492	143,023
Training and Development		33,345	86,356
Communication (including courier)		615,072	506,946
Marketing, advertisement and publicity		571,913	604,876
Donation	31.4	227,299	202,500
Fees, subscription and other charges		184,339	276,235
Brokerage and bank charges		248,102	177,843
Office supplies		268,836	278,552
Entertainment		59,599	92,947
Takaful expense		137,280	101,098
Repairs and maintenance		408,802	332,259
Security charges - cash transportation		458,898	370,823
Auditors' Remuneration	31.3	21,202	11,789
Shariah Board's fees and allowances	40	33,442	27,133
Non-executive Directors' fee	40	69,668	57,418
Others		131,624	26,308
Reimbursement of expenses from associated funds to the subsidiary		(620,736)	(371,800)
		5,634,587	5,457,709
		29,269,286	25,454,005

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

31.1 Total compensation expense	2020	2019
	Rupees in '000	
Managerial Remuneration		
i) Fixed	9,628,197	8,357,135
ii) Cash Bonus / Awards etc.	5,060,639	3,851,727
Charge for defined benefit plan	428,728	396,854
Contribution to defined contribution Plan	409,649	332,266
Compensated Absences	16,498	90,996
Others including EOBI, SESSI, uniform, sports etc.	560,353	371,960
Total compensation expense	16,104,064	13,400,938

31.2 Total cost for the year relating to outsourced activities is Rs 2,485 million (2019: Rs 1,958 million) entirely relating to companies incorporated in Pakistan and mainly on account of security guards, janitorial staff and courier services.

31.3 Auditors' remuneration	Note	2020	2019
		Rupees in '000	
Audit fee		5,930	4,817
Fee for interim review		1,110	1,010
Special certifications / review		11,291	4,121
		18,331	9,948
Sindh sales tax on services		1,401	851
Out of pocket expenses		1,470	990
		21,202	11,789

31.4 Donation		2020	2019
Meezan Bank Foundation	31.4.1	200,000	200,000
Ihsan Trust - Related Party		25,000	-
Alamgir Welfare Trust		1,200	-
Idara Al-Khair		1,064	-
The Kidney Centre		35	-
Learning Is For Everyone (L.I.F.E.) School		-	2,500
		227,299	202,500

31.4.1 The Holding company, during the current year, has established Meezan Bank Foundation (the Foundation) and contributed Rs 200 million (2019: Rs 200 million). The purpose of the Foundation is to promote development and advance the welfare and well-being of the people of Pakistan. Certain key management personnel of the Holding company have been appointed as trustees to manage the affairs of the Foundation.

32 OTHER CHARGES	2020	2019
	Rupees in '000	
Penalties imposed by the State Bank of Pakistan	93,232	82,275

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

33	PROVISIONS AND WRITE OFFS - NET	Note	2020	2019
Rupees in '000				
	Provision against non-performing islamic financing and related assets - net	11.10	8,340,855	3,072,771
	(Reversal) / provision against diminution in the value of investments	10.3	(114,004)	1,089,539
	Other (reversal) / provision	33.1	(15,242)	45,825
	Charge / (reversal) against off-balance sheet obligations	20.2	7,150	(5,681)
	Recovery against written off financings	33.2	(8,462)	(16,024)
			8,210,297	4,186,430

33.1 This mainly represents recoveries against operational losses incurred by the Holding company in the current year or prior year.

33.2 This includes recoveries against financing written off by HSBC ME prior to its acquisition by the Holding company.

34	TAXATION	Note	2020	2019
Rupees in '000				
	Current			
	- for the year		16,186,687	11,939,734
	- for prior year		44,065	470,030
		34.1	16,230,752	12,409,764
	Deferred			
	- for the year		(1,115,487)	(1,211,657)
			15,115,265	11,198,107

34.1 The Holding company has recognized super tax charge of Rs 1,621 million (2019: Rs 1,670 million) in the current year which is determined at the applicable tax rate of 4 percent on taxable income for the year.

34.2	Relationship between tax expense and accounting profit	Note	2020	2019
Rupees in '000				
	Profit before taxation		37,790,128	26,977,746
	Effects of:			
	- Tax calculated at the applicable rate of 35%		13,226,546	9,442,212
	- Super tax		1,621,289	1,199,643
	- Prior year Super tax		-	470,030
	- Income subject to reduced rate of tax		(67,656)	(32,686)
	- Permanent differences		116,898	49,614
	- Others		218,188	69,294
	Tax charge for the year		15,115,265	11,198,107

35	BASIC AND DILUTED EARNINGS PER SHARE	Note	2020	2019
	Profit for the year		22,396,750	15,584,441
			(Number)	
	Weighted average number of ordinary shares		1,414,722,784	1,414,722,784
			(Rupees)	
	Basic and diluted earnings per share	35.1	15.83	Restated 11.02

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

35.1 The Holding company has issued bonus shares during the year and accordingly the earnings per share for the comparative year has been restated.

36 CASH AND CASH EQUIVALENTS	Note	2020	2019
		Rupees in '000	
Cash and balances with treasury banks	7	136,243,103	92,193,877
Balances with other banks	8	19,479,207	15,414,833
		<u>155,722,310</u>	<u>107,608,710</u>

36.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2020		
	Sub-ordinated Sukuk	Lease liability against right-of-use assets	Dividend Payable
	Rupees in '000		
Balance as at January 1,	14,000,000	7,305,460	16,214
Changes from financing cash flows			
Issuance of Sub-ordinated Sukuk - Tier II	4,000,000	-	-
Payment against lease liability against right-of-use assets	-	(2,892,458)	-
Dividend paid to equity shareholders of the Bank	-	-	(8,226,110)
Dividend paid to non-controlling interest	-	-	(175,000)
Total changes from financing cash flows	4,000,000	(2,892,458)	(8,401,110)
Other changes			
Addition to right-of-use-assets	-	1,270,293	-
Amortisation of lease liability against right-of-use assets	-	1,001,963	-
Cash dividend - equity shareholders of the Bank	-	-	8,231,115
Cash dividend - non-controlling interest	-	-	175,000
	-	2,272,256	8,406,115
Balance as at December 31,	<u>18,000,000</u>	<u>6,685,258</u>	<u>21,219</u>
	2019		
	Sub-ordinated Sukuk	Lease liability against right-of-use assets	Dividend Payable
	Rupees in '000		
Balance as at January 1,	14,000,000	-	17,030
Changes from financing cash flows			
Payment against lease liability against right-of-use assets	-	(2,471,963)	-
Dividend paid to equity shareholders of the Bank	-	-	(6,080,617)
Dividend paid to non-controlling interest	-	-	(35,000)
Total changes from financing cash flows	-	(2,471,963)	(6,115,617)
Other changes			
Addition to right-of-use-assets	-	8,793,389	-
Amortisation of lease liability against right-of-use assets	-	984,034	-
Cash dividend - equity shareholders of the Bank	-	-	6,079,801
Cash dividend - non-controlling interest	-	-	35,000
	-	9,777,423	6,114,801
Balance as at December 31,	<u>14,000,000</u>	<u>7,305,460</u>	<u>16,214</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

37 STAFF STRENGTH	Note	2020	2019
		(Number of Staff)	
Permanent		10,155	9,291
Contractual basis		1,115	1,436
Group's own staff strength at the end of the year		11,270	10,727
Outsourced	37.1	1,740	1,623
Total Staff Strength		13,010	12,350

37.1 This excludes outsourced security guards and janitorial staff.

38 DEFINED BENEFIT PLAN

38.1 Gratuity Funded Scheme of MBL

The activities of the Gratuity Funded Scheme are governed by Meezan Bank Limited Staff Gratuity Fund established in 2000 under the provisions of a Trust Deed. Plan assets held in trust are governed by the Trust Deed as is the nature of the relationship between the Bank and the trustees and their composition. Responsibility for governance of the plan including the investment decisions lies with the Trustees. The Board of Trustees comprise of representatives of the Bank and scheme participants in accordance with the Fund's trust deed.

38.2 Number of Employees under the Gratuity Funded Scheme	2020	2019
	(Number of Staff)	
Number of Employees eligible under the Gratuity Funded Scheme	9,611	8,788

38.3 Reconciliation of amount payable to defined benefit plan	2020	2019
	Rupees in '000	
Present value of defined benefit obligations	2,190,677	1,735,808
Fair value of plan assets	(1,886,514)	(1,491,746)
	304,163	244,062

38.4 Plan assets consist of the following:

	2020		2019	
	Rupees in '000	%	Rupees in '000	%
Meezan Aamdan Certificates	1,138,075	60.32	1,005,447	67.40
GoP Ijarah Sukuk	600,000	31.80	-	-
Mutual Funds managed by Al Meezan				
Investment Management Limited	127,936	6.78	120,510	8.08
Fatima Fertilizer Company Limited - Sukuk	2,943	0.16	5,886	0.39
Bank Islami Pakistan Limited -				
Additional Tier 1 Sukuk	5,000	0.27	5,000	0.34
Fixed deposit with Dubai Islamic Bank Limited	-	-	350,000	23.46
Savings account with Dubai Islamic Bank Limited	133	0.01	-	-
Savings account with Meezan Bank Limited	12,427	0.66	4,903	0.33
	1,886,514	100	1,491,746	100

Notes to and forming part of the Consolidated Financial Statements

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38.5 The movement in the defined benefit obligation over the year is as follows:

	2020		
	Present Value of obligation	Fair Value of Plan Assets	Total
	Rupees in '000		
At January 1,	1,735,808	(1,491,746)	244,062
Current service cost	340,829	-	340,829
Return expense / (income)	220,122	(204,258)	15,864
	<u>2,296,759</u>	<u>(1,696,004)</u>	<u>600,755</u>
Remeasurements:			
- Return on plan assets, excluding amounts included in return expense / (income) above	-	(31,577)	(31,577)
- Experience gains	(20,953)	-	(20,953)
	<u>(20,953)</u>	<u>(31,577)</u>	<u>(52,530)</u>
	<u>2,275,806</u>	<u>(1,727,581)</u>	<u>548,225</u>
Contribution	-	(244,062)	(244,062)
Benefit payments	(85,129)	85,129	-
At December 31,	<u>2,190,677</u>	<u>(1,886,514)</u>	<u>304,163</u>
	2019		
	Present Value of obligation	Fair Value of Plan Assets	Total
	Rupees in '000		
At January 1,	1,386,260	(1,063,037)	323,223
Current service cost	308,887	-	308,887
Return expense / (income)	182,129	(163,407)	18,722
	<u>1,877,276</u>	<u>(1,226,444)</u>	<u>650,832</u>
Remeasurements:			
- Return on plan assets, excluding amounts included in return expense / (income) above	-	(14,540)	(14,540)
- Experience gains	(69,007)	-	(69,007)
	<u>(69,007)</u>	<u>(14,540)</u>	<u>(83,547)</u>
	<u>1,808,269</u>	<u>(1,240,984)</u>	<u>567,285</u>
Contribution	-	(323,223)	(323,223)
Benefit payments	(72,461)	72,461	-
At December 31,	<u>1,735,808</u>	<u>(1,491,746)</u>	<u>244,062</u>

38.6 Charge for defined benefit plan (in respect of the Gratuity Funded Scheme)

	2020	2019
	Rupees in '000	
38.6.1 Cost recognised in profit and loss		
Current service cost	340,829	308,887
Net return cost	15,864	18,722
	<u>356,693</u>	<u>327,609</u>
38.6.2 Remeasurements recognised in OCI during the year		
Gain on obligation - Experience adjustment	(20,953)	(69,007)
Return on plan assets over expected return	(31,577)	(14,540)
Total remeasurements recognised in OCI	<u>(52,530)</u>	<u>(83,547)</u>

Total expense recognized in Consolidated Profit and Loss Account amounted to Rs 413.509 million (2019: Rs 384.532 million) of which Rs 356.693 million (2019: Rs 327.609 million) pertains to approved Gratuity Funded Scheme and Rs 56.816 million (2019: Rs 56.923 million) pertains to End of Service Unfunded Defined Benefit Scheme. Total credit recognized in Consolidated Other Comprehensive Income amounted to Rs 67.548 million (2019: credit of Rs 124.144 million) of which credit of Rs 52.530 million (2019: credit of Rs 83.547 million) pertains to Gratuity Funded Scheme and credit of Rs 15.018 million (2019: credit of Rs 40.597 million) pertains to End of Service Unfunded Defined Benefit Scheme.

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38.7 The plan assets and defined benefit obligations (in respect of the Gratuity Funded Scheme) are based in Pakistan.

38.8 Principal actuarial assumptions	2020	2019
Discount rate	10.25% p.a	13.00% p.a
Expected rate of increase in salaries	9.25% p.a	12.00% p.a
Expected rate of return on investments	10.25% p.a	13.00% p.a
Normal retirement age	60 years	60 years

38.9 Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables.

38.10 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
	Rupees in '000		
Discount rate	1%	(233,888)	278,126
Salary growth rate	1%	289,224	(246,661)
Withdrawal rate	10%	5,378	(5,603)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Consolidated Statement of Financial Position.

38.11 The weighted average duration of the defined benefit obligation is 11.53 years.

38.12 Expected maturity analysis of undiscounted defined benefit obligation for the Gratuity Funded Scheme is as follows:

At December 31, 2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	Rupees in '000				
Gratuity	155,108	87,371	328,588	9,468,126	10,039,193

38.13 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Contribution for the next year works out to Rs 368.437 million as per the actuarial valuation report of the Bank as of December 31, 2020.

38.14 Through its Gratuity Funded Scheme, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate sukuk yields; if plan assets underperform to the yield, this will create a deficit. The Fund believes that due to long-term nature of the plan liabilities and the strength of the Bank's support, the current investment strategy manages this risk adequately.
Changes in Sukuk yields	A decrease in corporate sukuk yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' sukuk holdings.
Inflation risk	The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. However plan assets are variable rate instruments and are re-priced at regular intervals to off set inflationary impacts.
Life expectancy / Withdrawal rate	The majority of the plans' obligations are to provide benefits on severance with the Bank on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

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38.15 End of Service Unfunded Defined Benefit Scheme

The Holding company also operates an End of Service Unfunded Defined Benefit Scheme for the founding President and Chief Executive Officer.

The charge in respect of current service cost is recognised based on expected period of future service. The net charge for the year of this benefit amounted to Rs 41.798 million. The charge of Rs 56.816 million has been recognized in the Consolidated Profit and Loss Account and the credit / reversal of Rs 15.018 million has been recognized in Consolidated Other Comprehensive Income. The present value of defined benefit obligation recognised in respect of this scheme amounts to Rs 358.978 million.

The principal actuarial assumptions comprise of discount rate of 10.25 percent and salary increase rate of 10 percent. The retirement age used by the actuary is 66 years. The sensitivity of the defined benefit obligation due to a one percent change in discount rate would be Rs 1.617 million (in case the discount rate is increased) and Rs 1.639 million (in case the discount rate is decreased). The sensitivity of the defined benefit obligation due to change in withdrawal rates would be higher by Nil (in case of ten percent increase in assumption) and lower by Nil (in case of ten percent decrease in assumption). These sensitivities are calculated using the same methodology as explained in note 38.10.

38.16 The disclosures made in notes 38.1 to 38.15 are based on the information included in the actuarial valuation report of the Holding company as of December 31, 2020.

39 DEFINED CONTRIBUTION PLAN

The Group also operates a recognized contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Group and the employees, to the fund at a rate of 10% of basic salary.

	2020	2019
	(Rupees in '000)	
Contribution from the Group	409,649	332,266
Contribution from the employee	409,649	332,266
	<u>819,298</u>	<u>664,532</u>

40 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL OF HOLDING COMPANY

	2020						
	Chairman	Directors Executives (other than CEO)	Non- Executives	Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Rupees in '000						
Fees and allowances	12,560	-	57,108	33,442	-	-	-
Managerial remuneration							
i) Fixed	-	-	-	-	76,147	313,441	355,927
ii) Cash Bonus	-	-	-	-	150,000	355,266	300,000
Charge for gratuity fund / EOSB	-	-	-	-	41,798	8,550	15,284
Contribution to defined contribution plan	-	-	-	-	-	10,533	19,004
Others	-	-	-	-	7,201	1,702	-
	<u>12,560</u>	<u>-</u>	<u>57,108</u>	<u>33,442</u>	<u>275,146</u>	<u>689,492</u>	<u>690,215</u>
Number of persons	<u>1</u>	<u>-</u>	<u>9</u>	<u>4</u>	<u>1</u>	<u>19</u>	<u>57</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

	2019						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	Rupees in '000						
Fees and allowances	12,219	-	45,199	27,133	-	-	-
Managerial remuneration							
i) Fixed	-	-	-	-	70,506	288,201	316,399
ii) Cash Bonus	-	-	-	-	126,911	294,065	250,000
Charge for gratuity fund / EOSB	-	-	-	-	16,326	8,248	14,429
Contribution to defined contribution plan	-	-	-	-	-	9,743	17,116
Others	-	-	-	-	1,333	1,508	-
	<u>12,219</u>	<u>-</u>	<u>45,199</u>	<u>27,133</u>	<u>215,076</u>	<u>601,765</u>	<u>597,944</u>
Number of persons	<u>1</u>	<u>-</u>	<u>10</u>	<u>4</u>	<u>1</u>	<u>19</u>	<u>57</u>

- 40.1 The Chief Executive, the key management personnel and certain material risk takers / controllers have been provided with free use of the Holding company's cars.
- 40.2 The amount of cash bonus to the key management personnel and other material risk takers / controllers, is based on the management's best estimate.
- 40.3 Remuneration to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Director	2020						Total Amount
		Meeting Fees and Allowances						
		For Board Meetings	For Board Committees				IFRS 9 Implementation Oversight Committee	
Board Audit Committee	Risk Management Committee		Information Technology Committee	Human Resources and Remuneration Committee				
		Rupees in '000						
1	Mr Riyadh S.A.A. Edrees (Chairman)	5,753	-	-	2,269	2,269	2,269	12,560
2	Mr Faisal A.A.A. Al-Nassar (Vice Chairman)	4,395	2,269	2,269	2,269	-	-	11,202
3	Mr Bader H.A.M.A. Al-Rabiah	3,518	1,950	-	-	-	-	5,468
4	Mr Mubashar Maqbool	3,479	-	2,258	2,258	-	-	7,995
5	Mr Basil Y.A.Y.R. AlBader	800	-	-	-	-	650	1,450
6	Mr Saad Fazil Abbasi	3,479	-	2,258	-	-	-	5,737
7	Mr Mohamed Guermazi	3,518	-	2,269	-	-	-	5,787
8	Mr Noorur Rahman Abid	3,479	2,258	-	-	2,258	-	7,995
9	Ms Nausheen Ahmad	3,479	-	-	-	2,258	-	5,737
10	Mr Atif Azim	3,479	-	-	2,258	-	-	5,737
		<u>35,379</u>	<u>6,477</u>	<u>9,054</u>	<u>9,054</u>	<u>6,785</u>	<u>2,919</u>	<u>69,668</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

		2019						
Sr. No.	Name of Director	Meeting Fees and Allowances						Total Amount
		For Board Meetings	For Board Committees				IFRS 9 Implementation Oversight Committee	
			Board Audit Committee	Risk Management Committee	Information Technology Committee	Human Resources and Remuneration Committee		
Rupees in '000								
1	Mr Riyadh S.A.A. Edrees (Chairman)	10,997	-	-	-	1,222	-	12,219
2	Mr Faisal A.A.A. Al-Nassar (Vice Chairman)	6,752	939	1,080	-	-	-	8,771
3	Mr Bader H.A.M.A. Al-Rabiah	4,277	909	-	-	-	-	5,186
4	Mr Alaa A. Al-Sarawi	3,181	909	-	-	909	-	4,999
5	Mr Mohamed Guermazi	2,190	-	310	-	-	-	2,500
6	Mr Saad Fazil Abbasi	3,705	-	1,059	-	-	-	4,764
7	Mr Mubashar Maqbool	1,089	-	311	311	-	-	1,711
8	Mr Noorur Rahman Abid	4,261	1,217	-	594	1,217	-	7,289
9	Ms Nausheen Ahmad	3,271	-	-	-	624	-	3,895
10	Mr Atif Azim	2,183	-	-	624	-	-	2,807
11	Mr Mansur Khan	2,085	-	-	596	596	-	3,277
		<u>43,991</u>	<u>3,974</u>	<u>2,760</u>	<u>2,125</u>	<u>4,568</u>	<u>-</u>	<u>57,418</u>

40.4 Remuneration to Members Shariah Board

	2020			2019		
	Chairman	Resident Member	Non Resident Members	Chairman	Resident Member	Non Resident Members
Rupees in '000						
Fee and allowances	-	5,691	27,751	-	2,912	24,221
Total number of persons	1	1	2	1	1	2

41 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(a) **Financial instruments in level 1**

Financial instruments included in level 1 comprise of investments in listed ordinary shares, listed sukuk, units of open end mutual fund and global sukuk bonds classified as available for sale.

(b) **Financial instruments in level 2**

Financial instruments included in level 2 comprise of GoP Ijarah sukuk classified as available for sale.

(c) **Financial instruments in level 3**

Currently, no financial instruments are classified in level 3.

The Group'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.

Notes to and forming part of the Consolidated Financial Statements

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Valuation techniques used in determination of fair values

Item	Valuation approach and input used
GoP Sukuk	The fair value of GoP Ijarah Sukuk quoted are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from eight different pre-defined/ approved dealers / brokers.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by SBP.
Global Sukuk Bonds	The valuation has been determined through closing rates of Bloomberg.
Listed Securities	The valuation has been determined through closing rates of Pakistan Stock Exchange.
Mutual Funds	The valuation has been determined based on Net asset values declared by respective funds.

Fair value of Islamic financing and related assets, other assets, other liabilities and fixed term deposits and other accounts 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 Islamic financing and related assets has been calculated in accordance with the Group's accounting policy as stated in note 6.3.2.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these assets and liabilities are short term in nature or in the case of financings and deposits are frequently repriced.

41.2 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

Recurring Fair Value Measurements	2020			Total
	Level 1	Level 2	Level 3	
	Rupees in '000			

ON BALANCE SHEET FINANCIAL INSTRUMENTS

Investments - Net

Financial Assets

Available for sale securities

Ordinary shares - listed	7,370,345	-	-	7,370,345
Pakistan Energy Sukuk - listed	117,242,419	-	-	117,242,419
GoP Sukuk	-	178,765,438	-	178,765,438
Foreign Sukuk	7,758,395	-	-	7,758,395

OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Forward purchase of foreign exchange contracts	-	110,550,519	-	110,550,519
Forward sale of foreign exchange contracts	-	79,023,239	-	79,023,239

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

Recurring Fair Value Measurements	2019			Total
	Level 1	Level 2	Level 3	
	Rupees in '000			
ON BALANCE SHEET FINANCIAL INSTRUMENTS				
Investments - Net				
Financial Assets				
Available for sale securities				
Ordinary shares - listed	5,544,826	-	-	5,544,826
Pakistan Energy Sukuk - listed	97,362,650	-	-	97,362,650
GoP Sukuk	-	12,792,286	-	12,792,286
Foreign Sukuk	8,083,166	-	-	8,083,166
OFF BALANCE SHEET FINANCIAL INSTRUMENTS				
Forward purchase of foreign exchange contracts	-	154,054,304	-	154,054,304
Forward sale of foreign exchange contracts	-	118,014,717	-	118,014,717

Investment in associates (listed - mutual funds) have market value of Rs 5,470 million (2019: Rs 4,869 million) as disclosed in note 10.7 to these consolidated financial statements which is being valued under level 1.

41.3 Fair value of non-financial assets

Non-banking assets acquired in satisfaction of claims have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 15. The valuations are conducted by the valuation experts appointed by the Group which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Group's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

41.4 Financial assets not measured at fair value	Carrying Value	
	2020	2019
	Rupees in '000	
Cash and balances with treasury banks	136,243,103	92,193,877
Balances with other banks	19,479,207	15,414,833
Due from financial institutions - net	342,068,799	223,689,325
Investments - net	127,659,028	101,015,130
Islamic financings and related assets - net	512,531,930	493,775,346
Other assets - net	50,414,578	44,902,056

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

42 SEGMENT ANALYSIS

42.1 Segment Details with respect to Business Activities:

	2020						Total
	Corporate and Commercial banking	Retail banking	Trading and sales	Asset Management	Others	Inter-segment Eliminations	
	Rupees in '000						
Profit and Loss Account							
External Revenue	45,019,224	9,121,773	60,054,863	1,800,094	2,027,527	-	118,023,481
Inter segment revenue - net	-	78,194,494	-	-	139,037	(78,333,531)	-
Total Income	45,019,224	87,316,267	60,054,863	1,800,094	2,166,564	(78,333,531)	118,023,481
Segment direct expenses							
Inter segment expense allocation	3,974,561	65,440,720	800,459	623,244	1,184,072	-	72,023,056
Total expenses	29,195,288	-	49,138,243	-	-	(78,333,531)	-
Provisions and write offs - net	33,169,849	65,440,720	49,938,702	623,244	1,184,072	(78,333,531)	72,023,056
Profit before tax	8,015,719	292,034	(97,456)	-	-	-	8,210,297
	3,833,656	21,583,513	10,213,617	1,176,850	982,492	-	37,790,128
Statement of Financial Position							
Cash and Bank balances	-	143,297,510	12,390,864	33,936	-	-	155,722,310
Due from financial institutions - net	-	-	342,068,799	-	-	-	342,068,799
Investments - net	14,290,041	-	419,918,299	4,587,285	-	-	438,795,625
Net inter segment lending	-	1,089,438,851	-	-	868,671	(1,090,307,522)	-
Islamic financings and related assets - net	432,633,248	79,898,682	-	-	-	-	512,531,930
Others	13,944,482	28,793,829	34,323,709	380,152	-	-	77,442,172
Total Assets	460,867,771	1,341,428,872	808,701,671	5,001,373	868,671	(1,090,307,522)	1,526,560,836
Due to financial institutions	75,531,576	721,131	18,247,933	-	-	-	94,500,640
Deposits and other accounts	-	1,254,412,242	-	-	-	-	1,254,412,242
Subordinated Sukuk	18,000,000	-	-	-	-	-	18,000,000
Net inter segment borrowing	336,838,937	-	753,427,640	-	-	(1,090,266,577)	-
Others	9,550,700	74,801,543	270,401	925,621	868,671	-	86,416,936
Total liabilities	439,921,213	1,329,934,916	771,945,974	925,621	868,671	(1,090,266,577)	1,453,329,818
Equity	20,946,558	11,453,011	36,755,697	4,075,752	-	-	73,231,018
Total Equity and liabilities	460,867,771	1,341,387,927	808,701,671	5,001,373	868,671	(1,090,266,577)	1,526,560,836
Contingencies and Commitments	510,240,688	78,951,647	187,071,597	-	-	-	776,263,932

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	2019						Total
	Corporate and Commercial banking	Retail banking	Trading and sales	Asset Management	Others	Inter-segment Eliminations	
	Rupees in '000						
Profit and Loss Account							
External Revenue	51,893,574	9,320,828	39,875,952	1,649,017	2,335,602	-	105,074,973
Inter segment revenue - net	-	75,722,753	-	-	197,777	(75,920,530)	-
Total Income	51,893,574	85,043,581	39,875,952	1,649,017	2,533,379	(75,920,530)	105,074,973
Segment direct expenses							
Inter segment expense allocation	41,590,952	-	34,329,578	-	-	(75,920,530)	-
Total expenses	44,867,647	68,229,024	35,171,767	759,375	803,514	(75,920,530)	73,910,797
Provisions and write offs - net	1,418,899	1,670,240	1,097,291	-	-	-	4,186,430
Profit before tax	5,607,028	15,144,317	3,606,894	889,642	1,729,865	-	26,977,746
Statement of Financial Position							
Cash and Bank balances	-	100,667,273	6,898,321	43,116	-	-	107,608,710
Due from financial institutions - net	-	-	223,689,325	-	-	-	223,689,325
Investments - net	16,564,479	-	209,081,683	4,020,910	-	-	229,667,072
Net inter segment lending	-	792,265,062	-	-	529,069	(792,794,131)	-
Islamic financings and related assets - net	407,789,877	85,985,469	-	-	-	-	493,775,346
Others	18,646,459	28,202,430	23,732,938	792,683	-	-	71,374,510
Total Assets	443,000,815	1,007,120,234	463,402,267	4,856,709	529,069	(792,794,131)	1,126,114,963
Due to financial institutions	41,129,507	909,114	8,769	-	-	-	42,047,390
Deposits and other accounts	-	932,579,114	-	-	-	-	932,579,114
Subordinated Sukuk	14,000,000	-	-	-	-	-	14,000,000
Net inter segment borrowing	354,244,023	-	438,550,108	-	-	(792,794,131)	-
Others	10,310,734	62,323,490	453,045	1,091,175	529,069	-	74,707,513
Total liabilities	419,684,264	995,811,718	439,011,922	1,091,175	529,069	(792,794,131)	1,063,334,017
Equity	23,316,551	11,308,516	24,390,345	3,765,534	-	-	62,780,946
Total Equity and liabilities	443,000,815	1,007,120,234	463,402,267	4,856,709	529,069	(792,794,131)	1,126,114,963
Contingencies and Commitments	411,637,486	73,364,190	267,088,452	-	-	-	752,090,128

43 TRUST ACTIVITIES

The Holding company provides trustee services in respect of Islamic Financing transactions. The services primarily includes holding of assets as security trustee on behalf of investors.

44 RELATED PARTY TRANSACTIONS

44.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes a subsidiary company, associated companies, retirement benefit funds, directors, and key management personnel and their close family members.

44.2 Transactions with related parties are entered 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 and other benefit to the key management personnel is determined in accordance with the terms of their appointment.

44.3 Associates

Associates include mutual funds managed by AMIML and entities having common directorship with the Board. However, entities are not considered related party only if common director is an independent director working on both the Boards.

44.4 Key management personnel

- President and Chief Executive Officer - Holding Company
- Deputy Chief Executive Officer - Holding Company

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44.5 Details of transactions with related parties and balances with them (other than those disclosed in respective notes) as at the year-end as are follows:

	Total		Associates		Directors		Key Management Personnel		Other Related Parties	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees in '000									
Islamic financing and related assets										
At January 1,	569,248	437,528	569,248	437,528	-	-	-	-	-	-
Addition during the year	9,859,061	3,458,959	9,859,061	3,458,959	-	-	-	-	-	-
Deletion during the year	(10,428,309)	(3,327,239)	(10,428,309)	(3,327,239)	-	-	-	-	-	-
At December 31,	-	569,248	-	569,248	-	-	-	-	-	-
Investments										
At January 1,	4,869,014	4,196,013	4,869,014	4,196,013	-	-	-	-	-	-
Addition during the year	1,058,125	2,027,279	1,058,125	2,027,279	-	-	-	-	-	-
Deletion during the year	(456,748)	(1,354,278)	(456,748)	(1,354,278)	-	-	-	-	-	-
At December 31,	5,470,391	4,869,014	5,470,391	4,869,014	-	-	-	-	-	-
Due from financial institutions										
At January 1,	24,985,377	-	24,985,377	-	-	-	-	-	-	-
Addition during the year	70,174,844	24,985,377	70,174,844	24,985,377	-	-	-	-	-	-
Deletion during the year	(58,488,933)	-	(58,488,933)	-	-	-	-	-	-	-
At December 31,	36,671,288	24,985,377	36,671,288	24,985,377	-	-	-	-	-	-

Balances pertaining to parties that were related at the beginning of the year but ceased to be related during any part of the current year are not reflected as part of the closing balance. However, new related parties have been added during the year. The same are accounted for through the movement presented above.

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	Total		Associates		Directors		Key Management Personnel		Other Related Parties	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees in '000									
Deposits	9,902,903	5,154,210	5,078,362	1,171,564	28,185	95,662	428,646	171,382	4,367,710	3,715,602
Provision held against diminution in value of investments	527	-	527	-	-	-	-	-	-	-
Other Assets										
Profit receivable on financing / investments / placements	982,419	710,269	982,419	710,269	-	-	-	-	-	-
Fee and Other Receivable	4,342	1,603	1,314	1,603	-	-	-	-	3,028	-
Sub-ordinated Sukuk	578,000	568,000	578,000	568,000	-	-	-	-	-	-
Other Liabilities										
Payable to defined benefit plan	663,141	570,234	-	-	-	-	358,978	317,180	304,163	253,054
Accrued Expenses	400,000	200,000	-	-	-	-	-	-	400,000	200,000
Unearned Income	5,012	-	5,012	-	-	-	-	-	-	-
Contingencies and Commitments										
Letters of credit (unfunded)	-	26,076	-	26,076	-	-	-	-	-	-
Letters of Guarantee (unfunded)	1,066,277	-	1,066,277	-	-	-	-	-	-	-
Transactions, income and expenses										
Profit earned on financing / investments / placements	3,791,894	735,170	3,791,894	735,170	-	-	-	-	-	-
Fee and other income earned	1,464,029	1,335,996	1,463,870	1,335,996	18	-	85	-	56	-
Dividend income earned	213,949	106,424	213,949	106,424	-	-	-	-	-	-
Capital gain / (loss) - net	69,499	(11,183)	69,499	(11,183)	-	-	-	-	-	-
Return on deposits / acceptance expensed	546,043	703,272	191,497	270,336	1,160	1,166	6,107	27,991	347,279	403,779
Recovery of expenses	3,028	2,616	-	-	-	-	-	-	3,028	2,616
Charge for defined benefit plan	395,038	263,625	-	-	-	-	-	-	395,038	263,625
Contribution to defined contribution plan	409,649	332,266	-	-	-	-	-	-	409,649	332,266
Contribution to staff benevolent fund	41,114	20,000	-	-	-	-	-	-	41,114	20,000
Fee expensed	154,145	-	154,145	-	-	-	-	-	-	-
Donation	225,000	200,000	-	-	-	-	-	-	225,000	200,000
Provision against diminution in the value of investments	7,480	-	7,480	-	-	-	-	-	-	-
Charity Paid	83,000	30,900	-	-	-	-	-	-	83,000	30,900
Purchase of fixed assets	378,731	-	378,731	-	-	-	-	-	-	-
Remuneration to key management personnel	432,661	352,828	-	-	-	-	432,661	352,828	-	-
Fee to non-executive directors (note 40)	69,668	57,418	-	-	69,668	57,418	-	-	-	-
Proceeds from sale of fixed assets having net book value of Nil	3,616	-	-	-	-	-	3,616	-	-	-

45 CAPITAL ASSESSMENT AND ADEQUACY BASEL SPECIFIC

Capital structure

The State Bank of Pakistan (SBP) has introduced updated guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated November 5, 2014. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP had specified a transitional period for implementing new standards which came to its end on December 31, 2019. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per requirements which were applicable last year.

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45.1 Capital structure

Under Basel III framework, the Group's regulatory capital has been analysed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, balance in share premium account, reserve for bonus issue, general reserves, unappropriated profits (net of losses) and minority interest, etc after regulatory deductions for investment in own shares; and book value of intangibles.
 - b) Additional Tier 1 capital (AT1), which includes perpetual, unsecured, subordinated, non-cumulative and contingent convertible Sukuk instrument issued by the Group.
- Tier II capital, which includes sub-ordinated sukuk, general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of available for sale investments after deduction of indirect holding of own capital.

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

The required capital adequacy ratio is achieved by the Group through:

- (a) Adequate level of paid up capital;
- (b) Adequate risk profile of asset mix;
- (c) Ensuring better recovery management; and
- (d) Maintaining acceptable profit margins.

45.2 Capital adequacy ratio

The main objective of the capital management is to improve the financial position and strengthen the statement of financial position of the Group to support the growth in business, provide protection to depositors and enhance shareholders' value.

The Holding company's Board and the management is committed to maintaining a sound balance between depositors' liability and shareholders' funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor's about safety and security of their funds and at the same time provide impetus to the management to invest their depositors' funds into profitable ventures without compromising the risk profile of the Holding company. The capital requirement of the Holding company has been determined based on the projected growth plan to be achieved in the next 3 years in all areas of business operations. Further, it also takes into account a road map for capital enhancement as directed by the SBP vide its various circulars issued from time to time.

The Holding company prepares Annual Budget and Three Year Plan for purpose of the growth map and future direction. Bottom up approach is used to prepare annual budget and detailed deliberations are held while preparing Three Year Plan. The growth prospects takes into consideration prevailing economic and political factors in Pakistan and abroad.

In implementing current capital requirements the SBP requires banks to maintain minimum Capital Adequacy Ratio (CAR) of 11.50% as of December 31, 2020 whereas CAR stood at 18.14% at the year ended December 31, 2020.

The Group calculates capital adequacy ratio for credit risk, market risk and operational risk based upon requirements under Basel Accord as per guidelines issued by the SBP from time to time in this regard.

Sensitivity and stress testing of the Group under different risk factors namely yield rate, forced sale value of collateral, non-performing financings and foreign exchange rate depicts that the Group's capital adequacy ratio is above the regulatory requirements.

The Group has taken into account credit risk, market risk and operational risk when planning its assets.

Notes to and forming part of the Consolidated Financial Statements

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46 CAPITAL ADEQUACY AND LEVERAGE RATIOS

	2020	2019
	Rupees in '000	
Minimum Capital Requirement		
Paid-up capital (net of losses)	14,147,228	12,861,116
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	65,401,113	51,558,453
Eligible Additional Tier 1 Capital	6,988,890	6,992,866
Total Eligible Tier 1 Capital	72,390,003	58,551,319
Eligible Tier 2 Capital	21,451,121	16,905,639
Total Eligible Capital (Tier 1 + Tier 2)	93,841,124	75,456,958
Risk Weighted Assets		
Credit Risk	387,752,003	342,898,741
Market Risk	23,726,555	19,624,994
Operational Risk	105,916,818	76,873,048
Total	517,395,376	439,396,783
Common Equity Tier 1 Capital Adequacy ratio	12.64%	11.73%
Tier 1 Capital Adequacy Ratio	13.99%	13.33%
Total Capital Adequacy Ratio	18.14%	17.17%
Leverage Ratio		
Tier-1 Capital	72,390,003	58,551,319
Total Exposures	1,804,424,208	1,363,702,150
Leverage Ratio	4.01%	4.29%

46.1 Full disclosure on Capital Adequacy & Leverage Ratio prepared as per SBP instructions is available at [https:// www.meezanbank.com](https://www.meezanbank.com)

47 RISK MANAGEMENT

The wide variety of the Group's business activities require the Group to identify, assess, measure, aggregate and manage risks effectively which are constantly evolving as the business activities expand in response to the Group's strategy and growth. The Group manages the risk through a framework of risk management encompassing policies and procedures, organisational structures, risk measurement and monitoring processes and techniques that are closely aligned with business activities of the Group.

Risk management principles

- The Board of Directors (the Board) provides overall risk management supervision. The Board Risk Management Committee regularly reviews the Holding company's risk profile.
- The Group has set up objectives and policies to manage the risks that arise in connection with the Group's activities. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management tools and techniques are established to mitigate the salient risk elements in the operations of the Group.
- The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent risk management framework.
- The structure of risk management function is closely aligned with the organisational structure of the Group.
- The risk management function is independent of the Group's operations.

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Risk management organisation

The Board Risk Management Committee comprises of four non-executive directors. One of the non-executive directors of the Holding company chairs the Risk Management Committee.

Specialized Committees comprising of Senior Management team members perform their functions in line with the strategic direction set by the Board of the Holding company while ensuring that there is optimal balance between risk reward trade-off. The Committees include:

Name of the sub-committee	Chaired by
Credit Risk Management Committee (CRMC)	President & CEO of the Holding company
Asset and Liability Management Committee (ALCO)	President & CEO of the Holding company
Compliance & Operational Risk Management Committee (CORMC)	President & CEO of the Holding company

CRMC is responsible to oversee credit risk activities on Group wide basis while ensuring compliance with regulatory requirements & internal policies. Its responsibilities also include to provide support and guide front lines in managing their businesses, perform finance portfolio review, establish financing standards and benchmarks, maintain adequate industry diversification and decide upon provisioning. It is also required to delegate financing approving powers & prudential limits on large financing exposures. Credit Committee, a sub-committee of CRMC is the highest level body for approval of financing transactions.

ALCO is responsible for reviewing the Asset and Liability structure of the MBL, monitoring the liquidity situation and overall changing market scenario. Market and Liquidity risks are examined based on stress testing exercises and gap analysis. ALCO is also responsible for monitoring policy rate movements and taking necessary steps across various products to ensure that the overall profitability of the MBL is maximized without compromising on risk appetite. ALCO also ensures that the MBL overall operations are fully compliant with regulatory framework for the business as provided by the SBP.

The CORMC is responsible for overseeing compliance risk by reviewing the adequacy of controls in place to meet regulatory requirements. The Committee is responsible for promoting compliance culture in MBL, facilitate in implementation of Compliance Program and oversee Money Laundering and Financing Terrorism risk. In addition, the Committee also oversees Operational Risk Framework by ensuring that policies and procedures are in place in all Key risk areas and by reviewing Key Risk Indicators. The Committee also monitors level of compliance of major unresolved and recurring issues pointed out in the Internal Audit, Shariah Audit and SBP Inspection Report.

The Group's risk management, compliance, internal audit and legal departments support the risk management function. The role of the risk management department is to assess, measure, identify risks and established risk mitigants through a detailed policy and monitoring framework. The compliance department ensures that all the directives and guidelines issued by the SBP are being complied with in order to mitigate the compliance risk. The internal audit and BRR department reviews the compliance of internal control procedures with internal and regulatory standards.

During the year, the global economic environment including Pakistan has been severely affected by the COVID - 19 outbreak. To reduce the impact on businesses and economy in general, SBP has provided relief through reduction in SBP Policy Rate by 625 basis points. Other relief measures include the deferment of the repayment of principal amount of financing facility by one year, on case to case basis; reduction in the capital conservation buffer by 100 basis points to 1.5%; refinancing schemes for payment of wages and salaries; etc.

COVID - 19 has impacted banks in Pakistan through increase in overall credit risk, overall slowdown in the economic activity, challenges to continuity of business operations and managing cybersecurity threat. The Holding company's management and Board is fully cognisant of the business challenges posed by the COVID - 19 outbreak and lock down imposed by the Government of Pakistan. The Group continues its operations to serve customers through its branch network across Pakistan and the digital channels by observing the Government instructions and adopting all possible precautionary measures.

The Group is also monitoring its credit risk exposure through its risk management function and assessment of the credit portfolio to identify customers or portfolios that may require additional risk management considerations. Subsequent to the emergence of the COVID - 19 situation and in line with SBP's directives, the Group has rescheduled a number of financing facilities after review of the rescheduled proposals as per the established policies of the Group. The impact of such rescheduling has also been assessed on credit risk and liquidity / maturity profile of the Group and the Group considers that the liquidity buffer and capital adequacy is sufficiently maintained at this stage.

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47.1 Credit risk management and structure

The Group manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Financing Policy approved by the Board of Directors of the Holding company. A comprehensive financing procedural manual approved by the senior management is also in place. The Group also ensures diversification of its portfolio into different business segments, products and sectors. Further, to avoid risk concentration; counterparty limits, counterparty group limits and industry concentration limits are also established, monitored and assessed in the light of changing counterparty and market conditions.

Watchlist procedure is also functioning which identifies financings with early warning indicators in respect of clients having the potential to become non performing. The risk management function also monitors the non-performing financing portfolio of the Holding company and reports all significant matters to the Board Risk Management Committee.

The Group takes into account the risk mitigating effect of the eligible collaterals for the calculation of capital requirement for credit risk. Use of Credit Risk Mitigation (CRM) resulted in the total credit risk weighted amount of Rs 387,752.003 million (2019: Rs 342,898.741 million).

Thus, use of CRM resulted in capital adequacy ratio of the Group of 18.14%.

47.1.1 Segmental information

47.1.1.1 Due from financial institutions

Credit risk by public / private sector

	Gross amount due from financial institution		Non-performing amount due from financial institution		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000					
Public / Government	220,505,494	163,347,061	-	-	-	-
Private	121,604,871	60,383,830	41,566	41,566	41,566	41,566
	342,110,365	223,730,891	41,566	41,566	41,566	41,566

47.1.1.2 Investment in sukuk / islamic investment certificates

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000					
Automobile and transportation equipment	801,040	776,919	-	-	-	-
Cement	500,000	500,000	-	-	-	-
Chemical and Pharmaceuticals	29,348	45,896	29,348	45,896	29,348	45,896
Construction and allied industries	400,000	400,000	-	-	-	-
Federal Government Securities	286,488,853	96,658,346	-	-	-	-
Fertilizer	24,710	49,707	-	-	-	-
Financial	2,234,251	2,986,023	-	-	-	-
Foreign Government Securities	3,999,532	3,876,749	-	-	-	-
Oil and Gas	3,650,000	4,350,000	-	-	-	-
Power (electricity)	121,499,141	95,989,072	-	-	-	-
Textile	202,300	269,287	52,300	119,287	52,300	119,287
	419,829,175	205,901,999	81,648	165,183	81,648	165,183

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Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
Rupees in '000						
Public / Government	413,129,456	198,315,800	-	-	-	-
Private	6,699,719	7,586,199	81,648	165,183	81,648	165,183
	419,829,175	205,901,999	81,648	165,183	81,648	165,183

47.1.1.3 Islamic financing and related assets

Credit risk by industry sector

	Gross amounts		Non-performing amounts		Provision held	
	2020	2019	2020	2019	2020	2019
Rupees in '000						
Agriculture, Feed Mills, Poultry, Dairy, Forestry and Fishing	7,032,514	6,532,725	455,498	54,637	443,552	53,338
Automobile and transportation equipment	16,104,491	17,428,237	76,090	642,232	72,548	642,232
Cement	14,086,522	14,735,150	-	-	-	-
Chemical and Pharmaceuticals	14,799,066	14,159,334	26,257	75,137	26,257	75,137
Construction and allied industries	30,350,924	21,959,860	790,748	462,354	509,068	139,135
Electronics and electrical appliances	6,427,477	5,556,206	1,571,139	-	1,571,139	-
Exports/Imports	1,335,641	2,424,536	205,372	155,324	205,372	155,324
Fertilizer	10,074,920	6,254,098	38,833	38,833	38,833	38,833
Financial	302,835	778,364	-	-	-	-
Food	89,124,773	106,554,649	1,441,009	999,984	1,204,694	972,992
Footwear and Leather garments	3,449,968	3,641,150	185,420	201,201	185,420	201,201
Individuals	50,751,450	49,641,378	810,131	383,905	342,959	241,345
Insurance	376,847	247,572	-	-	-	-
Mining and Quarrying	4,460,821	6,284,400	-	-	-	-
Oil and Gas	29,728,307	22,022,980	4,478,371	-	4,439,261	-
Paper, board and packaging	8,071,766	9,808,539	263,194	285,327	246,269	190,601
Power (electricity)	83,454,928	80,339,579	846,119	846,119	846,119	846,119
Services	8,930,861	7,979,122	128,390	24,220	45,919	21,909
Sugar	10,645,158	6,511,846	-	108,718	-	108,718
Textile	98,527,235	85,320,362	3,068,997	4,323,075	2,960,979	4,278,286
Transport, Storage and Communication	28,241,998	23,973,248	102,900	92,884	48,365	41,417
Wholesale and Retail Trade	11,363,017	10,940,491	249,441	153,068	220,657	140,868
Others	3,946,096	3,418,750	195,564	148,701	195,563	137,064
	531,587,615	506,512,576	14,933,473	8,995,719	13,602,974	8,284,519

Credit risk by public / private sector

	Gross amounts		Non-performing amounts		Provision held	
	2020	2019	2020	2019	2020	2019
Rupees in '000						
Public / Government	110,771,260	121,590,108	-	-	-	-
Private	420,816,355	384,922,468	14,933,473	8,995,719	13,602,974	8,284,519
	531,587,615	506,512,576	14,933,473	8,995,719	13,602,974	8,284,519

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47.1.1.4 Contingencies and Commitments

Credit risk by industry sector

	2020	2019
	Rupees in '000	
Agriculture, Feed Mills, Poultry, Dairy, Forestry and Fishing	6,728,469	3,888,017
Automobile and transportation equipment	21,979,189	10,379,265
Cement	5,595,616	2,205,610
Chemical and Pharmaceuticals	19,674,545	16,519,610
Construction and allied industries	27,017,488	20,041,620
Electronics and electrical appliances	5,788,689	5,637,909
Exports/Imports	3,492,684	1,114,977
Fertilizer	10,281,805	10,264,420
Financial	165,233,789	202,504,092
Food	108,466,363	48,788,281
Footwear and Leather garments	6,945,567	5,025,428
Individuals	23,826,893	20,880,737
Insurance	57,787	146,942
Mining and Quarrying	5,339,179	2,778,730
Oil and Gas	38,832,248	32,763,650
Paper, board and packaging	13,808,104	11,008,615
Power (electricity)	56,069,935	72,679,466
Services	50,038,364	43,451,226
Sugar	14,733,102	20,553,186
Textile	145,185,143	183,142,496
Transport, Storage and Communication	13,654,734	12,157,381
Wholesale and Retail Trade	21,553,831	18,985,405
Others	11,960,408	7,173,065
	<u>776,263,932</u>	<u>752,090,128</u>

Credit risk by public / private sector

Public / Government	145,675,766	92,505,223
Private	630,588,166	659,584,905
	<u>776,263,932</u>	<u>752,090,128</u>

47.1.1.5 Concentration of Top 10 exposures

Top 10 exposures on the basis of total funded and non-funded exposures aggregated to Rs 294,251 million (2019: Rs 264,457 million) as follows:

	2020	2019
	Rupees in '000	
Funded Exposure	236,418,820	213,395,745
Non Funded Exposure	57,832,112	51,061,637
Total Exposure	<u>294,250,932</u>	<u>264,457,382</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 322,794 million (2019: Rs 326,544 million). None of the exposure against these top 10 customers is in classified stage.

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

		2020					
		Disbursements		Utilization			
		Rupees in '000					
Province / Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	288,963,818	288,963,818	-	-	-	-	-
Sindh	342,197,390	-	342,197,390	-	-	-	-
KPK including FATA	2,219,767	-	-	2,219,767	-	-	-
Balochistan	414,352	-	-	-	414,352	-	-
Islamabad	33,987,204	-	-	-	-	33,987,204	-
AJK including Gilgit-Baltistan	7,420	-	-	-	-	-	7,420
Total	667,789,951	288,963,818	342,197,390	2,219,767	414,352	33,987,204	7,420

		2019					
		Disbursements		Utilization			
		Rupees in '000					
Province / Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	263,517,532	263,517,532	-	-	-	-	-
Sindh	256,420,540	3,280,581	251,802,543	627,755	671,012	-	38,649
KPK including FATA	1,248,056	-	-	1,248,056	-	-	-
Balochistan	772,392	-	-	-	772,392	-	-
Islamabad	38,469,256	-	-	-	-	38,469,256	-
AJK including Gilgit-Baltistan	616,957	-	-	-	-	-	616,957
Total	561,044,733	266,798,113	251,802,543	1,875,811	1,443,404	38,469,256	655,606

47.1.2 Credit Risk - General Disclosures

The Group has adopted Standardised Approach of Basel Accord for calculation of capital charge against credit risk. Therefore, risk weights for the credit risk related assets (on-balance sheet and off-balance sheet - market and non market related exposures) are assigned on basis of standardised approach.

The Group is committed to further strengthen its risk management framework which will enable the Group to move ahead for adopting Foundation Internal Ratings Based (IRB) approach of Basel II. Meanwhile, none of the Group's assets class is subject to the Foundation IRB or advanced IRB approaches.

47.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach

Under standardised approach the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognised by the SBP for capital adequacy purposes. In this connection, the Bank utilises the credit ratings assigned by ECAIs and has recognised agencies such as PACRA (Pakistan Credit Rating Agency) and VIS Credit Rating Company which are also recognised by the SBP.

In case of foreign currency exposures against banks, ratings assigned by S&P, Fitch and Moody's have been applied. In case of exposure against banks, some banks have multiple ratings but those ratings do not result in mapping with different risk weights.

Types of Exposure and ECAI's used

		2020				
Exposures	VIS	PACRA	Standard & Poors (S&P)	Fitch	Moody's	
Corporate	√	√	√	√	√	
Banks	√	√	√	√	√	
Public Sector Entities	√	√	-	-	-	

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Use of ECAI Ratings

The Group prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

Mapping to SBP Rating Grades

The alignment of the Alphanumerical scale of each agency used with risk buckets is as per instructions laid down by SBP under Basel III requirements.

47.1.2.2 Credit exposures subject to standardised approach

On-balance Sheet Exposures	2020			2019		
	Amount Outstanding	Deduction Credit Risk Management	Net amount	Amount Outstanding	Deduction Credit Risk Management	Net amount
Rupees in '000						
Banks						
20%	358,394,956	263,477,510	94,917,446	213,182,550	172,015,972	41,166,578
50%	4,389,125	-	4,389,125	2,947,550	-	2,947,550
100%	636,571	-	636,571	665,142	-	665,142
150%	39,854	-	39,854	57,283	-	57,283
Unrated	507,829	-	507,829	11,872,860	-	11,872,860
Sovereigns						
0%	429,283,436	40,742,872	388,540,564	216,586,461	31,286,757	185,299,704
20%	377,248	-	377,248	-	-	-
50%	2,645,851	-	2,645,851	2,813,316	-	2,813,316
100%	810,878	-	810,878	213,088	-	213,088
Public Sector entities						
20%	24,345,616	18,706,251	5,639,365	28,487,673	18,750,845	9,736,828
Unrated (50%)	169,474,536	164,806,804	4,667,732	172,718,924	178,650,321	-
Corporate						
20%	109,962,906	600,000	109,362,906	94,382,029	1,557,502	92,824,527
50%	78,778,046	-	78,778,046	75,285,341	40,000	75,245,341
100%	9,084,886	-	9,084,886	11,258,273	-	11,258,273
150%	-	-	-	-	-	-
Unrated 1 (100%)	79,496,684	7,640,852	71,855,832	71,775,088	5,959,663	65,815,425
Unrated 2 (125%)	72,466,512	13,131,857	59,334,655	62,331,059	10,532,509	51,798,550
Retails						
75%	57,582,003	11,660,567	45,921,436	58,377,604	11,778,165	46,599,439
Residential Mortgage						
35%	16,817,409	-	16,817,409	16,835,047	-	16,835,047
25%	12,526	2,806	9,720	-	-	-
Past Due						
50%	109,092	80,222	28,870	102,828	32,248	70,580
100%	1,154,223	58,144	1,096,079	613,339	22,146	591,193
150%	76,274	28,331	47,943	33,417	15,515	17,902
Total	1,416,446,461	520,936,216	895,510,245	1,040,538,872	430,641,643	615,828,626

47.1.2.3 Credit Risk: Disclosures with respect to Credit risk mitigation for Standardised approach and IRB

The Group obtains capital relief for both its on-balance and off-balance sheet non-market related exposures by using simple approach for credit risk mitigation (CRM). Off-balance sheet items under the simplified standardised approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardised approach the Group has taken advantage of the cash collaterals available with the Group in the form of security deposits, cash margins, certificates of Islamic investment, monthly mudaraba certificate, saving accounts, guarantees, shares and Government securities.

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Valuation and management of eligible collaterals for CRM is being done in accordance with the conditions laid down by the State Bank of Pakistan. Eligible collaterals for CRM purposes do not expose the Group to price risk as they are in the form of cash/cash equivalent collaterals. Since eligible collaterals for CRM purposes are all in the form of cash/cash equivalent collaterals, they generally do not pose risk to the Group in terms of change in their valuation due to changes in the market condition.

The credit equivalent amount of an off-balance sheet market related foreign exchange contracts are determined by using the current exposure (mark to market) method.

The total benefit of Rs 520,936.216 million was availed through CRM against total on-balance sheet exposure of Rs 1,518,047.319 million. Under off-balance sheet, non-market related exposures; total benefit of Rs 5,869.087 million was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs 660,285.090 million. In the year 2020, total CRM benefit was Rs 526,805.303 million as against amount of Rs 444,243.646 million in year 2019.

47.1.2.4 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz., industry, geography, and single / group borrower obligor. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single and group obligors. Within the SBP limits, the Group has further defined limits to avoid excessive concentration of portfolio.

47.2 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects yield rate risk, currency risk and other price risks. Banks could be adversely affected by movements in market rates or prices such as benchmark rates, deposit rates, foreign exchange rates, equity prices and market conditions resulting in a loss to earnings and capital.

47.2.1 Equity position in the banking and trading book

The Group classifies and values its investment portfolio in accordance with the directives of SBP as stated in note 6.4 to these consolidated financial statements.

Trading book

Held for trading and available for sale securities with trading intent;

- They are marked to market daily; and
- Any valuation difference is charged / credited to the profit and loss account in case of held for trading securities and to surplus on revaluation of investments - net of tax under equity in case of available for sale securities.

Banking book

Assets outside trading book are part of the banking book. These may include assets classified as available for sale and held to maturity investments.

47.2.2 Balance sheet split by trading and banking books

	2020			2019		
	Banking Book	Trading Book	Total	Banking Book	Trading Book	Total
Rupees in '000						
Cash and balances						
with treasury banks	136,243,103	-	136,243,103	92,193,877	-	92,193,877
Balances with other banks	19,479,207	-	19,479,207	15,414,833	-	15,414,833
Due from financial institutions	342,068,799	-	342,068,799	223,689,325	-	223,689,325
Investments - net	425,954,889	12,840,736	438,795,625	219,253,232	10,413,840	229,667,072
Islamic financings and related assets - net	512,531,930	-	512,531,930	493,775,346	-	493,775,346
Fixed assets	23,881,875	-	23,881,875	23,663,521	-	23,663,521
Intangible assets	1,091,512	-	1,091,512	800,532	-	800,532
Deferred tax asset	173,943	-	173,943	-	-	-
Other assets - net	52,294,842	-	52,294,842	46,910,457	-	46,910,457
	1,513,720,100	12,840,736	1,526,560,836	1,115,701,123	10,413,840	1,126,114,963

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The Group uses a number of methods to monitor and control market risk exposures. One of the major tools used by the Group to monitor and limit market risk is Value at Risk (VaR). VaR is defined as the estimated loss that will arise on a position or a portfolio over a particular (holding) period of time from an adverse market movement with a specific probability (confidence level). The VaR model used by the Group takes 99% confidence level and assumes a 1 to 10 days holding period whilst using the historical simulation taking the data of the last three years. Daily VaR figures are circulated to the senior management and regular summaries are reported in ALCO meetings.

The VaR reports are complemented by various other position and sensitivity limit structures, including stress, sensitivity, gap and scenario analysis. The capital charge for market risk has been calculated by using Standardized Approach.

47.2.3 Foreign exchange risk

The foreign exchange risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. It refers to the impact of adverse movement in currency exchange rates on the value of open foreign currency position. The objectives of the foreign exchange risk management is to minimise the adverse impact of foreign exchange rate movements on the assets and liabilities mismatch (tenor and position) and maximise their earnings.

Whenever a commercial bank deals in foreign currency, it is exposed to risk of exchange rate. The Group's assets and liabilities in foreign currencies give rise to foreign exchange risk which has to be managed by the Group; this risk is mitigated by using different hedging techniques. Hedging is a way used by a Group to eliminate or minimize its risk exposures. Hedging can be done using different ways like gap analysis, hedging (forwards), assigning limits in terms of amount, tenor, currency, product, countries, counterparties etc. The Group limits its currency exposure to the extent of statutory net open position prescribed by the SBP except in the cases where exemption is provided by the SBP. Foreign exchange open and mismatch positions are controlled through close monitoring and are marked to market on a daily basis.

The analysis below represents the concentration of the Group's foreign currency risk for on and off balance sheet financial instruments:

	2020			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupees	1,471,928,671	1,368,612,663	(30,698,785)	72,617,223
United States Dollars	50,675,767	73,698,896	23,493,413	470,284
Great Britain Pounds	1,105,980	5,515,751	4,444,939	35,168
Japanese Yen	44,123	7,527	(38,745)	(2,149)
Euro	1,360,494	4,531,456	3,183,628	12,666
Singapore Dollars	16,187	-	(9,075)	7,112
Australian Dollars	267,319	2,004	(261,988)	3,327
Canadian Dollars	3,193	1,552	-	1,641
United Arab Emirates Dirham	53,281	-	(43,514)	9,767
Swiss Francs	27,480	-	(22,686)	4,794
Saudi Riyal	20,037	-	-	20,037
Swedish Krona	6,290	-	-	6,290
Malaysian Ringgit	2,613	-	-	2,613
Hong kong Dollar	1,613	26	-	1,587
Thailand Bhat	1,038	-	-	1,038
Norwegian Krone	6,165	-	-	6,165
Danish Krone	14,009	-	-	14,009
Chinese Offshore Spot	2,750	-	-	2,750
Chinese Yuan	1,023,826	959,943	(47,187)	16,696
Total foreign currency exposure	54,632,165	84,717,155	30,698,785	613,795
Total currency exposure	1,526,560,836	1,453,329,818	-	73,231,018

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	2019			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupees	1,085,948,332	988,341,824	(34,978,988)	62,627,520
United States Dollars	37,480,391	66,756,731	29,327,718	51,378
Great Britain Pounds	706,604	4,516,282	3,838,766	29,088
Japanese Yen	48,430	4,449	(49,893)	(5,912)
Euro	1,177,207	3,234,587	2,089,398	32,018
Singapore Dollars	-	6,491	11,504	5,013
Australian Dollars	123,245	1,976	(141,022)	(19,753)
Canadian Dollars	21,101	1,470	(11,513)	8,118
United Arab Emirates Dirham	46,414	-	(42,157)	4,257
Swiss Francs	106,543	100,172	(1,599)	4,772
Saudi Riyal	19,479	-	-	19,479
Swedish Krona	3,244	-	-	3,244
Malaysian Ringgit	1,643	-	-	1,643
Hongkong Dollar	1,323	35	-	1,288
Thailand Bhat	1,177	-	-	1,177
Norwegian Krone	4,086	-	-	4,086
Danish Krone	36,194	-	(30,204)	5,990
Chinese Offshore Spot	2,488	-	-	2,488
Chinese Yuan	387,062	370,000	(12,010)	5,052
Total foreign currency exposure	40,166,631	74,992,193	34,978,988	153,426
Total currency exposure	1,126,114,963	1,063,334,017	-	62,780,946

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates				
- Consolidated Profit and Loss Account	-	785	-	1,992
- Consolidated Other Comprehensive Income	-	-	-	-

47.2.4 Equity position risk

Equity position risk is defined as the risk to earnings or capital arising from adverse changes in value of equity portfolios of Group. The limits assigned to various individual scripts and total portfolio investments are fixed as per the guidelines issued by the SBP. The Group invests in only Shariah compliant equities as advised by the Resident Shariah Board Member.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices				
- Consolidated Profit and Loss Account	-	166,847	-	148,505
- Consolidated Other Comprehensive Income	-	224,795	-	162,186

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47.2.5 Yield / profit rate risk

Yield risk occurs when there is a mismatch between positions, which are subject to profit rate alterations within a particular time period. The Group's financing, placement and investment activities give rise to profit rate risk. The effect of changes in profit rate is on the Group's income, and resultant impact is on the Group's net worth.

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

The Group estimates changes in the market value of equity due to changes in the yield rates on on-balance sheet positions and their impact on capital adequacy ratio by conducting stress tests. It also assesses risk on earnings of the Group by various shocks.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in discount rates on Consolidated Profit and Loss measured at the discount rate at year end, with other factors remaining constant	1,634,096	-	959,913	-
- Consolidated Other Comprehensive Income	-	-	-	-

Rupees in '000

47.2.6 Mismatch of yield rate sensitive assets and liabilities

Effective yield rate %	Total	Exposed to yield risk									Non-yield bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	136,243,103	-	-	-	-	-	-	-	-	-	136,243,103
Balances with other banks	0.15	19,479,207	10,156,526	-	-	-	-	-	-	-	-	9,322,681
Due from financial institutions	9.90	342,068,799	65,901,330	70,876,013	67,148,973	103,178,184	-	-	34,964,299	-	-	-
Investments	10.23	438,795,625	51,540,960	35,124,000	203,309,896	42,458,422	42,893,063	24,890,011	24,639,109	568,861	-	13,371,283
Islamic financing and related assets	9.97	512,531,930	33,739,558	221,707,618	53,357,244	12,111,324	9,956,820	13,123,830	12,853,658	-	-	155,681,878
Other assets	-	50,414,578	-	-	-	-	-	-	-	-	-	50,414,578
		1,499,533,242	161,338,374	327,707,631	323,816,113	157,747,930	52,849,903	38,013,841	72,457,066	568,861	-	365,033,523
Liabilities												
Bills payable	-	26,494,006	-	-	-	-	-	-	-	-	-	26,494,006
Due to financial institutions	2.45	94,500,640	93,554,757	74,809	103,910	19,227	-	-	-	-	-	747,937
Deposits and other accounts	3.68	1,254,412,242	716,760,966	33,558,528	223,000	4,320,000	-	-	-	-	-	499,549,748
Sub-ordinated Sukuk	11.64	18,000,000	18,000,000	-	-	-	-	-	-	-	-	-
Other liabilities	-	44,100,537	-	-	-	-	-	-	-	-	-	44,100,537
		1,437,507,425	828,315,723	33,633,337	326,910	4,339,227	-	-	-	-	-	570,892,228
On-balance sheet gap		62,025,817	(666,977,349)	294,074,294	323,489,203	153,408,703	52,849,903	38,013,841	72,457,066	568,861	-	(205,858,705)
Non financial assets												
- Fixed assets		23,881,875	-	-	-	-	-	-	-	-	-	-
- Intangible assets		1,091,512	-	-	-	-	-	-	-	-	-	-
- Deferred tax asset		173,943	-	-	-	-	-	-	-	-	-	-
- Other assets		1,880,264	-	-	-	-	-	-	-	-	-	-
		27,027,594	-	-	-	-	-	-	-	-	-	-
Non financial liabilities												
- Other liabilities		15,822,393	-	-	-	-	-	-	-	-	-	-
- Deferred tax liabilities		-	-	-	-	-	-	-	-	-	-	-
		15,822,393	-	-	-	-	-	-	-	-	-	-
Total net assets		73,231,018										
Off-balance sheet financial instruments												
Forward purchase of foreign exchange contracts		108,885,191	-	-	-	-	-	-	-	-	-	108,885,191
Forward sale of foreign exchange contracts		78,186,406	-	-	-	-	-	-	-	-	-	78,186,406
Off-balance sheet gap		30,698,785	-	-	-	-	-	-	-	-	-	30,698,785
Total yield risk rate sensitivity gap			(666,977,349)	294,074,294	323,489,203	153,408,703	52,849,903	38,013,841	72,457,066	568,861	-	(175,159,920)
Cumulative yield risk rate sensitivity gap			(666,977,349)	(372,903,055)	(49,413,852)	103,994,851	156,844,754	194,858,595	267,315,661	267,884,522	267,884,522	92,724,602

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Effective yield rate %	2019										Non-yield bearing instruments financial	
	Total	Exposed to yield risk										
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	92,193,877	-	-	-	-	-	-	-	-	-	92,193,877
Balances with other banks	0.80	15,414,833	5,771,943	-	-	-	-	-	-	-	-	9,642,890
Due from financial institutions	11.31	223,689,325	53,211,438	67,361,553	31,204,048	71,912,286	-	-	-	-	-	-
Investments	11.17	229,667,072	901,250	100,397,792	25,682,538	773,340	42,433,712	42,147,026	4,189,364	1,873,040	-	11,269,010
Islamic financing and related assets	12.36	493,775,346	166,792,950	72,353,643	50,157,224	13,757,900	7,517,591	10,606,330	16,840,760	3,401,060	-	152,347,888
Other assets	-	44,902,056	-	-	-	-	-	-	-	-	-	44,902,056
		1,099,642,509	226,677,581	240,112,988	107,043,810	86,443,526	49,951,303	52,753,356	21,030,124	5,274,100	-	310,355,721
Liabilities												
Bills payable	-	17,186,807	-	-	-	-	-	-	-	-	-	17,186,807
Due to financial institutions	3.27	42,047,390	41,701,568	188,330	46,934	268	21,279	13,918	66,324	-	-	8,769
Deposits and other accounts	5.44	932,568,765	584,512,636	10,217,343	1,460,000	500,000	-	-	-	-	-	335,878,786
Sub-ordinated Sukuk	12.81	14,000,000	14,000,000	-	-	-	-	-	-	-	-	-
Other liabilities	-	40,162,500	-	-	-	-	-	-	-	-	-	40,162,500
		1,045,965,462	640,214,204	10,405,673	1,506,934	500,268	21,279	13,918	66,324	-	-	393,236,862
On-balance sheet gap		53,677,047	(413,536,623)	229,707,315	105,536,876	85,943,258	49,930,024	52,739,438	20,963,800	5,274,100	-	(82,861,141)
Non financial assets												
- Fixed assets		23,663,521	-	-	-	-	-	-	-	-	-	-
- Intangible assets		800,532	-	-	-	-	-	-	-	-	-	-
- Deferred tax asset		-	-	-	-	-	-	-	-	-	-	-
- Other assets		2,008,401	-	-	-	-	-	-	-	-	-	-
		26,472,454	-	-	-	-	-	-	-	-	-	-
Non financial liabilities												
- Other liabilities		14,360,104	-	-	-	-	-	-	-	-	-	-
- Deferred tax liabilities		3,008,451	-	-	-	-	-	-	-	-	-	-
		17,368,555	-	-	-	-	-	-	-	-	-	-
Total net assets		62,780,946										
Off-balance sheet financial instruments												
Forward Lending		151,033,720	-	-	-	-	-	-	-	-	-	151,033,720
Forward borrowings		116,054,732	-	-	-	-	-	-	-	-	-	116,054,732
Off-balance sheet gap		34,978,988	-	-	-	-	-	-	-	-	-	34,978,988
Total yield risk rate sensitivity gap			(413,536,623)	229,707,315	105,536,876	85,943,258	49,930,024	52,739,438	20,963,800	5,274,100	-	(47,902,153)
Cumulative yield risk rate sensitivity gap			(413,536,623)	(183,829,308)	(78,292,432)	7,650,826	57,580,850	110,320,288	131,284,088	136,558,188	136,558,188	88,656,035

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market profit rates on both its fair value and cash flow risks.

Profit margins may increase as a result of such changes but may reduce to losses in the event that unexpected movement arise.

47.3 Liquidity risk

Liquidity risk is the potential for loss to the Group arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

The Holding company's Board of Directors sets the policy for managing liquidity risk and entrusts accountability for supervision of the implementation of this strategy to senior management. Senior Management exercises its responsibilities for managing market & liquidity risk through various committees including the Asset & Liability Management Committee (ALCO). Treasury department manages the Holding company's liquidity position on a daily basis. The Holding company's main approach of managing the liquidity risk is to make certain that it will always have adequate liquidity to meet its liabilities when they are due in normal and stressed scenarios without incurring any untoward expenditure or risking reputational harm. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

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47.3.1 Maturities of assets and liabilities based on contractual maturities

		2020														
		Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 month	Upto 2 months	Upto 3 months	Over 3 to 6 months	Over 6 months to 1 Years	Over 1 to 2 Years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		Rupees in '000														
Assets																
Cash and balances with treasury banks	136,243,103	44,960,223	30,427,627	30,427,627	30,427,627	30,427,626	-	-	-	-	-	-	-	-	-	
Balances with other banks	19,479,207	9,756,267	3,729,940	3,729,940	3,729,940	6,000,000	-	-	-	-	-	-	-	-	-	
Due from financial institutions	342,088,789	-	24,665,400	24,665,400	31,986,379	9,049,551	54,750,746	67,148,973	103,718,184	43,284,314	45,999,608	30,161,619	34,964,298	-	-	
Investments	438,795,623	792,346	2,468,718	2,468,718	2,956,171	6,983,248	138,095	534,226	43,284,314	33,315,756	47,346,088	44,283,808	186,000,160	117,255,880	3,672,220	
Islamic financing and related assets	512,531,930	111,060,016	5,024,327	5,024,327	8,164,531	15,219,657	26,064,602	66,791,870	33,315,756	2,088,238	3,946,818	3,687,416	1,974,570	30,604,145	14,101,320	
Fixed assets	23,881,875	146,515	879,088	879,088	1,025,603	2,344,235	359,017	1,064,929	2,088,238	109,151	218,302	218,302	436,605	592,476	5,197,994	
Intangible assets	1,091,512	607	3,638	3,638	4,245	9,702	18,192	54,576	109,151	218,302	218,302	436,605	436,605	-	-	
Deferred tax assets	173,943	963	5,775	5,775	6,738	15,400	28,876	86,688	75,842	54,271	(43,142)	(43,142)	(86,284)	-	-	
Other assets	52,294,842	1,902,013	1,470,132	1,470,132	1,738,585	6,455,625	5,378,043	4,598,625	14,540,255	10,360,617	1,283,964	1,283,964	1,519,610	12,720	90,585	
	1,526,560,656	1,681,618,950	68,867,645	68,867,645	76,258,879	76,105,044	77,010,570	140,279,827	196,401,740	107,924,704	79,571,937	277,256,629	148,465,221	23,062,119	-	
Liabilities																
Bills payable	26,494,006	8,743,022	5,916,112	5,916,112	5,916,112	5,918,760	-	-	-	-	-	-	-	-	-	
Due to financial institutions	94,500,640	373,969	17,884,177	17,884,177	20,206,143	1,477,081	19,814,444	21,553,828	3,742,829	1,573,167	1,936,551	1,936,551	4,145,237	5,816,546	5,058,461	
Deposits and other accounts	1,254,412,242	938,696,397	24,860,133	24,860,133	20,206,143	41,663,297	31,466,918	39,273,875	52,800,763	17,440,552	6,183,847	6,183,847	13,417,823	13,950,117	-	
Sub-ordinated Sukuk	18,000,000	-	-	-	-	-	-	-	-	-	-	-	-	11,000,000	7,000,000	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities	59,922,900	216,308	3,677,770	3,677,770	1,473,766	3,384,568	5,840,253	11,116,257	9,306,280	5,067,987	2,880,075	3,597,004	7,566,290	-	-	
	1,453,329,818	968,028,696	52,339,192	52,339,192	27,603,792	52,443,726	57,121,615	71,943,960	65,619,872	24,081,706	11,000,073	21,160,064	21,160,064	38,332,953	12,058,461	
Net assets	73,231,018	(799,409,746)	16,528,453	16,528,453	48,655,127	23,661,318	29,618,956	68,335,867	130,781,868	83,842,998	68,571,864	256,096,566	110,132,268	11,000,000	11,000,000	
Share capital	14,147,228	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reserves	20,448,541	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unappropriated profit	31,808,445	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus on realisation of assets - net	5,562,292	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Non-controlling interest	1,264,512	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	73,231,018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

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2019

	Rupees in '000													
	Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 month	Upto 2 months	Upto 3 months	Over 3 to 6 months	Over 6 months to 1 Years	Over 1 to 2 Years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets														
Cash and balances with treasury banks	32,193,877	30,423,979	20,589,966	20,589,966	20,589,966	-	-	-	-	-	-	-	-	-
Balances with other banks	15,414,833	6,207,417	6,207,416	11,713,028	3,000,000	-	-	-	-	-	-	-	-	-
Due from financial institutions	223,889,325	-	16,576,749	1,938,535	2,492,166	46,811,741	20,549,812	31,204,046	71,912,266	44,326,455	46,560,745	8,866,106	101,048,351	3,672,220
Investments	229,667,072	716,367	1,896,535	2,212,624	5,057,426	39,593,919	21,639,592	61,633,801	20,126,708	33,964,982	42,089,856	61,107,183	32,294,942	17,619,774
Islamic financing and related assets	493,775,346	134,023,901	10,432,916	5,070,508	14,221,764	39,593,919	21,639,592	61,633,801	20,126,708	33,964,982	42,089,856	61,107,183	32,294,942	17,619,774
Fixed assets	23,663,521	15,336	92,017	107,353	245,379	635,557	458,934	1,364,771	2,682,055	5,205,811	4,868,921	1,893,218	789,590	5,104,779
Intangible assets	800,532	445	2,668	3,113	7,116	13,342	13,342	40,028	80,053	160,106	160,106	320,213	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	46,910,457	221,182	1,585,547	1,925,692	3,893,489	6,569,334	5,286,429	12,220,628	9,825,643	2,496,209	2,433,539	434,767	8,798	-
	1,126,114,963	171,608,627	57,383,814	41,622,484	71,942,801	93,622,693	48,690,341	119,682,565	105,594,969	86,153,563	86,183,167	72,721,487	134,121,681	26,396,775
Liabilities														
Bills payable	17,186,807	5,671,646	3,837,814	3,837,814	3,839,533	-	-	-	-	-	-	-	-	-
Due to financial institutions	42,047,390	232,531	230,832	163,416	596,610	13,846,069	8,063,415	11,765,032	214,435	646,184	672,916	2,532,447	2,891,483	-
Deposits and other accounts	982,565,765	688,755,659	18,571,404	18,614,941	33,059,089	16,546,939	15,599,382	20,955,042	29,591,392	54,734,482	7,519,851	11,663,489	16,888,075	-
Sub-ordinated Sukuk	14,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	3,008,451	8,357	50,141	58,499	133,707	250,705	250,705	752,113	1,504,224	-	-	-	-	-
Other liabilities	54,522,604	259,223	1,858,246	2,257,127	4,107,132	7,698,024	6,195,644	14,334,179	11,515,559	2,925,533	2,652,084	509,542	10,311	7,000,000
	1,063,334,017	694,927,416	24,548,437	24,931,797	41,726,081	38,343,817	30,109,146	47,206,396	42,815,610	58,306,149	11,243,851	14,675,478	26,689,869	7,000,000
Net assets	62,780,946	(523,318,789)	32,835,377	16,690,687	30,216,720	55,278,876	17,981,195	71,876,197	63,789,359	27,847,414	84,639,316	58,046,009	107,221,812	19,396,775
Share capital	12,861,116	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	18,231,980	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	21,117,202	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	9,400,835	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	1,169,813	-	-	-	-	-	-	-	-	-	-	-	-	-
	62,780,946	-	-	-	-	-	-	-	-	-	-	-	-	-

Current and Savings deposits have been classified under maturity upto one day as these do not have any contractual maturity.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

47.3.2 Maturities of assets and liabilities based on expected maturities

	2020									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
Assets										
Cash and balances with treasury banks	136,243,103	136,243,103	-	-	-	-	-	-	-	-
Balances with other banks	19,479,207	19,479,207	-	-	-	-	-	-	-	-
Due from financial institutions	342,068,799	65,901,330	70,876,013	67,148,973	103,178,184	-	-	34,964,299	-	-
Investments	438,795,625	11,957,919	130,000	1,385,424	43,698,878	45,343,995	28,256,236	186,604,041	120,982,471	436,661
Islamic financing and related assets	512,531,930	65,518,501	105,266,824	87,352,150	49,086,079	62,871,854	44,283,808	53,447,249	30,604,145	14,101,320
Operating fixed assets	23,881,875	4,395,440	913,593	1,064,929	2,098,238	3,946,819	3,697,416	1,974,970	592,476	5,197,994
Intangible assets	1,091,512	18,192	36,384	54,576	109,151	218,302	218,302	436,605	-	-
Deferred tax assets	173,943	14,496	28,993	43,489	86,965	-	-	-	-	-
Other assets	52,294,842	11,566,355	8,552,141	4,598,625	14,340,255	10,360,617	1,253,934	1,519,610	12,720	90,585
	1,526,560,836	315,094,543	185,803,948	161,648,166	212,597,750	122,741,587	77,709,696	278,946,774	152,191,812	19,826,560
Liabilities										
Bills payable	26,494,006	26,494,006	-	-	-	-	-	-	-	-
Due to financial institutions	94,500,640	19,742,958	30,931,063	21,553,828	3,742,829	1,573,167	1,936,551	4,145,237	5,816,546	5,058,461
Deposits and other accounts	1,254,412,242	150,069,105	112,710,939	82,623,678	113,900,523	104,140,163	72,706,095	118,885,195	207,857,927	291,518,617
Sub-ordinated Sukuk	18,000,000	-	-	-	-	-	-	-	11,000,000	7,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	59,922,930	8,752,432	11,636,605	11,116,257	9,306,280	5,067,987	2,880,075	3,597,004	7,566,290	-
	1,453,329,818	205,058,501	155,278,607	115,293,763	126,949,632	110,781,317	77,522,721	126,627,436	232,240,763	303,577,078
Net assets	73,231,018	110,036,042	30,525,341	46,354,403	85,648,118	11,960,270	186,975	152,319,338	(80,048,951)	(283,750,518)
Share capital	14,147,228	-	-	-	-	-	-	-	-	-
Reserves	20,448,541	-	-	-	-	-	-	-	-	-
Unappropriated profit	31,808,445	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	5,562,292	-	-	-	-	-	-	-	-	-
Non-controlling interest	1,264,512	-	-	-	-	-	-	-	-	-
	73,231,018	-	-	-	-	-	-	-	-	-
2019										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
Assets										
Cash and balances with treasury banks	92,193,877	92,193,877	-	-	-	-	-	-	-	-
Balances with other banks	15,414,833	15,414,833	-	-	-	-	-	-	-	-
Due from financial institutions	223,689,325	53,211,438	67,361,553	31,204,048	71,912,286	-	-	-	-	-
Investments	229,667,072	9,882,951	142,233	13,209,287	1,958,724	44,326,455	46,560,745	8,866,106	101,048,351	3,672,220
Islamic financing and related assets	493,775,346	71,410,519	91,038,670	89,358,276	54,941,144	33,964,982	42,039,856	61,107,183	32,294,942	17,619,774
Fixed assets	23,663,521	460,086	1,094,290	1,364,771	2,682,055	5,205,811	4,988,921	1,993,218	769,590	5,104,779
Intangible assets	800,532	13,345	26,684	40,026	80,054	160,106	160,106	320,211	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	46,910,457	5,541,348	11,743,352	11,332,940	16,371,033	719,468	647,574	544,649	10,093	-
	1,126,114,963	248,128,397	171,406,782	146,509,348	147,945,296	84,376,822	94,397,202	72,831,367	134,122,976	26,396,773
Liabilities										
Bills payable	17,186,807	17,186,807	-	-	-	-	-	-	-	-
Due to financial institutions	42,047,390	1,213,389	21,911,504	11,765,032	214,435	646,184	872,916	2,532,447	2,891,483	-
Deposits and other accounts	932,568,765	119,374,865	68,589,546	54,872,846	77,557,953	122,536,448	59,556,140	94,176,651	168,674,435	167,229,881
Sub-ordinated Sukuk	14,000,000	-	-	-	-	-	-	-	7,000,000	7,000,000
Deferred Tax liabilities	3,008,451	250,704	501,410	752,113	1,504,224	-	-	-	-	-
Other liabilities	54,522,604	8,481,728	13,893,668	14,334,178	11,515,559	2,925,534	2,852,084	509,542	10,311	-
	1,063,334,017	146,507,493	104,896,128	81,724,169	90,792,171	126,108,166	63,281,140	97,218,640	178,576,229	174,229,881
Net assets	62,780,946	101,620,904	66,510,654	64,785,179	57,153,125	(41,731,344)	31,116,062	(24,387,273)	(44,453,253)	(147,833,108)
Share capital	12,861,116	-	-	-	-	-	-	-	-	-
Reserves	18,231,980	-	-	-	-	-	-	-	-	-
Unappropriated profit	21,117,202	-	-	-	-	-	-	-	-	-
Deficit on revaluation of investments	9,400,835	-	-	-	-	-	-	-	-	-
Non-controlling interest	1,169,813	-	-	-	-	-	-	-	-	-
	62,780,946	-	-	-	-	-	-	-	-	-

Regarding behaviour of non-maturity deposits (non-contractual deposits), the Holding company has carried out a behavioural study using the Value at Risk (VaR) methodology based on 5 years data. On the basis of its findings, 27.9% of current accounts and 15.4% of saving accounts are bucketed into 'Upto 1-Year maturity' whereas, 72.1% of current accounts and 84.6% of savings accounts are bucketed into maturities of above 1-Year.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

47.4 Operational risk

The Group uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average positive annual gross income of the Holding company over past three years with 15% as per guidelines issued by SBP under Basel II.

To reduce losses arising from operational risk, the Holding company has strengthened its risk management framework by developing policies, strategies, guidelines and manuals. It also includes set up of functions like operational risk management, prevention of fraud and forgery and information security function, defining responsibilities of individuals, implementing four eye principle, enhancing security measures, improving efficiency and effectiveness of operations, outsourcing and improving quality of human resources through trainings and development.

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

48.1 The Holding company managed following general and specific pools during the year:

2020							
General Remunerative (Savings and Fixed) Depositors' Pools	Profit Rate and weightage announcement period	Profit rate return earned - Average	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit rate return distributed to remunerative deposits (Savings and Fixed) - Average	Percentage of Mudarib Share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to remunerative deposits
				Rupees in '000			Rupees in '000
PKR Pool	Monthly	9.90%	50%	29,606,215	5.62%	13%	3,858,468
USD Pool	Monthly	3.23%	75%	1,006,277	0.81%	-	-
GBP Pool	Monthly	2.08%	90%	47,118	0.21%	-	-
EUR Pool	Monthly	1.42%	90%	14,152	0.14%	-	-

2019							
General Remunerative (Savings and Fixed) Depositors' Pools	Profit Rate and weightage announcement period	Profit rate return earned - Average	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit rate return distributed to remunerative deposits (Savings and Fixed) - Average	Percentage of Mudarib Share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to remunerative deposits
				Rupees in '000			Rupees in '000
PKR Pool	Monthly	11.62%	50%	25,610,676	7.88%	35%	8,987,680
USD Pool	Monthly	4.63%	75%	1,238,082	1.16%	-	-
GBP Pool	Monthly	2.21%	90%	44,400	0.22%	-	-
EUR Pool	Monthly	1.06%	90%	11,967	0.11%	-	-

2020							
Specific Pools	Profit Rate and weightage announcement period	Profit rate return earned	Profit Sharing Ratio	Investment ratio	Profit rate return distributed	Percentage of Mudarib Share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to remunerative deposits
Islamic Export Refinance (IERS) Musharaka Pool	Monthly	7.57%	-*	-*	1.90%	N/A	N/A
Inter Bank Musharaka / Mudaraba borrowing Pool	As required	14.88% - 5.24%	-*	-*	13.60% - 3.00%	N/A	N/A
Special Sharikah Certificate Musharaka / Mudaraba borrowing Pool	As required	16.55% - 5.24%	-*	-*	14.55% - 5.00%	N/A	N/A

* The profit sharing ratio and the investment ratio varies on case to case basis.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

2019							
Specific Pools	Profit Rate and weightage announcement period	Profit rate return earned	Profit Sharing Ratio	Investment ratio	Profit rate return distributed	Percentage of Mudarib Share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to remunerative deposits
Islamic Export Refinance (IERS) Musharaka Pool	Monthly	7.74%	-*	-*	2.06%	N/A	N/A
Inter Bank Musharaka / Mudaraba borrowing Pool	As required	14.88% - 5.24%	-*	-*	13.75% - 4.50%	N/A	N/A
Special Sharikah Certificate Musharaka / Mudaraba borrowing Pool	As required	16.85% - 5.24%	-*	-*	14.85% - 4.00%	N/A	N/A

* The profit sharing ratio and the investment ratio varies on case to case basis.

48.2 Following weightages have been assigned to different major products under the General pools during the year:

	Percentage to Total Mudaraba based Deposits		Maximum Weightage	Minimum Weightage	Maximum Weightage	Minimum Weightage
	2020	2019	2020	2020	2019	2019
PKR Pool						
Saving Accounts	24.93%	21.83%	0.39	0.31	0.65	0.39
Meezan Bachat Account	18.86%	17.63%	0.40	0.31	0.78	0.39
Karobari Munafa Account	9.36%	9.29%	0.60	0.31	1.00	0.39
Certificate of Islamic Investment	16.35%	16.23%	0.90	0.44	1.27	0.45
Meezan Aamdand Certificate	5.61%	7.15%	0.92	0.67	1.34	0.70
USD Pool						
Saving Accounts	4.09%	4.12%	0.45	0.45	0.45	0.45
Certificate of Islamic Investment	2.15%	2.37%	1.35	0.77	1.35	0.77
GBP Pool						
Saving Accounts	0.40%	0.41%	0.27	0.27	0.27	0.27
EUR Pool						
Saving Accounts	0.17%	0.21%	0.27	0.27	0.27	0.27

48.3 Allocation of Income and Expenses to Depositors' Pools

Following are material items of revenues, expenses, gains and losses

	2020	2019
	Rupees in '000	
Profit / return earned on islamic financing and related assets, investments and placements	99,278,491	88,429,444
Other Income (including other charges and interpool income)	3,446,880	5,267,122
Directly related costs attributable to pool	(1,701,049)	(1,844,037)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2020

49 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements, wherever necessary, to facilitate comparison and better presentation.

50 NON-ADJUSTING EVENT

The Board of Directors of the Holding company in their meeting held on February 18, 2021 has announced final cash dividend of Rs 2 per share (20%). The consolidated financial statements for the year ended December 31, 2020, do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2021.

51 DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on February 18, 2021 by the Board of Directors of the Holding company.



Riyadh S. A. A.
Edrees
Chairman



Irfan Siddiqui
President &
CEO



Faisal A. A. A.
Al-Nassar
Director



Mubashar Maqbool
Director



Shabbir Hamza
Khandwala
Chief Financial Officer

Consolidated Statement Showing Written-Off Financing or Any Other Financial Relief of Rupees 500,000 or Above (Annexure 1)

During the year ended December 31, 2020

Rupees in '000

Consolidated statement showing written-off financing or any other financial relief of rupees 500,000 and above during the year ended December 31, 2020.

S. No.	Name and address of the borrower	Name of individuals / directors (with CNIC / Passport No)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2020				Principal written-off	Profit written-off	Other Financial Relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Dewan Farooque Motors Limited 7th floor, Block-A Finance & Trade Centre, Shahrah-e-faisal, Karachi	Dewan Muhammad Yousuf Farooqui 42301-6948978-9 Aziz-Ul-Haque 42301-8514003-5 Dewan Asim Mushfiq Farooqui 42301-4927084-9 Dewan Abdullah Ahmed 42301-7511974-1 Dewan Abdul Baqi Farooqui 42301-7130155-5 Maudood Ahmad Lodhi 42301-0853809-5 Haroon Iqbal 42301-9916370-5	Dewan Muhammad Umer Farooque Noor-Ul-Haque Dewan Muhammad Umer Farooque Dewan Muhammad Umer Farooque Dewan Muhammad Umer Farooque Aziz Ahmad Lodhi Mian Muhammad Sharif	560,545	-	-	560,545	560,545	-	-	560,545
2.	Dewan Salman Fibre Limited Dewan Centre, H-58, Margallah Road, F-7/2, Islamabad	Mansur-Ul-Haque 35202-9928995-7 Shahid Hussain Shera 42000-0474610-5 Muhammad Azimuddin 42301-2032996-3 Dewan Asim Mushfiq Farooqui 42301-4927084-9 Dewan Abdullah Ahmed 42301-7511974-1 Maudood Ahmad Lodhi 42301-0853809-5 Haroon Iqbal 42301-9916370-5	Abdul Haque Abdul Ghafoor Shera Muhammad Karimuddin Dewan Muhammad Umer Farooque Dewan Muhammad Umer Farooque Aziz Ahmad Lodhi Mian Muhammad Sharif	552,909	155,243	-	708,152	552,909	155,243	-	708,152
3.	Dewan Sugar Mills Limited 7th floor, Block - A Finance & Trade Centre, Shahrah-e-faisal, Karachi	Dewan Muhammad Yousuf Farooqui 42301-6948978-9 Dewan Abdul Rehman Farooqui 42301-0862043-3 Dewan Asim Mushfiq Farooqui 42301-4927084-9 Dewan Abdullah Ahmed 42301-7511974-1 Dewan Abdul Baqi Farooqui 42301-7130155-5 Maudood Ahmad Lodhi 42301-0853809-5 Haroon Iqbal 42301-9916370-5	Dewan Muhammad Umer Farooque Dewan Muhammad Salman Farooqui Dewan Muhammad Umer Farooque Dewan Muhammad Umer Farooque Aziz Ahmad Lodhi Mian Muhammad Sharif	108,718	-	-	108,718	108,718	-	-	108,718

Consolidated Statement Showing Written-Off Financing or Any Other Financial Relief of Rupees 500,000 or Above (Annexure 1)

During the year ended December 31, 2020

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals / directors (with CNIC / Passport No)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2020				Principal written-off	Profit written-off	Other Financial Relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
4.	Dewan Textile Mills Limited 8 th floor, Block - A Finance & Trade Centre, Shahrah-e-faisal, Karachi	Dewan Muhammad Yousuf Farooqui 42301-6948978-9 Dewan Muhammad Hamza Farooqui 42301-7774672-3 Dewan Asim Mushfiq Farooqui 42301-4927084-9 Dewan Abdul Rehman Farooqui 42301-0862043-3 Dewan Abdul Baqi Farooqui 42301-7130155-5 Maudood Ahmad Lodhi 42301-0853809-5 Haroon Iqbal 42301-9916370-5	Dewan Muhammad Umer Farooque Dewan Muhammad Mushtaq Ahmed Dewan Muhammad Umer Farooque Dewan Muhammad Salman Farooqui Dewan Muhammad Umer Farooque Aziz Ahmad Lodhi Mian Muhammad Sharif	143,305	7,448	-	150,753	143,305	7,448	-	150,753
5.	Quetta Textile Mills Limited Ground floor, Nadir house, I.I. Chundrigar Road, Karachi	Khalid Iqbal 42301-0873877-9 Tariq Iqbal 41302-7567591-1 Danish Javed 42301-5939650-7 Asim Khalid 42301-8188578-3 Omer Khalid 42301-9761475-5 Tauqir Tariq 41303-8619417-3 Tabbassum Tariq 41303-4528730-8 Saima Asim 42301-8514052-4	Iqbal Iqbal Javed Iqbal Khalid Iqbal Khalid Iqbal Tariq Iqbal Tariq Iqbal Asim Khalid	307,495	8,035	-	315,530	307,495	8,035	-	315,530
6.	Acro Spinning & Weaving Mills Limited 5-KM, Manga Raiwind Road, Lahore	Hassan Akbar 31303-2437982-5 Ali Akber Sheikh 31303-7628391-1 Sheikh Muhammad Akmal 35202-1640087-9	Sheikh Muhammad Akbar Sheikh Muhammad Akbar Sheikh Muhammad Amjad	63,799	16,464	-	80,263	63,799	16,464	-	80,263
7.	Al-Rehmat Cotton Ginning Pressing Factory & Oil Mills Jhol Road, Sanghar	Rana Abdul Sattar 44205-1480619-1 Iftikhar Ahmed 44205-2146646-3	Rana Abdul Salam Abdul Ghafoor	5,064	1,376	-	6,440	-	1,376	-	1,376
8.	Haji Peer Buksh Fazal Rahim 6-7 3rd floor Trade Avenue Hasrat Mohani Road	Abid Ismail 42301-2122069-9 Nasir Ilyas 42301-5818397-1 Jawad Adil 42301-1081470-9	Muhammad Ibrahim Muhammad Ibrahim Muhammad Ibrahim	51,928	46,735	-	98,663	-	39,663	-	39,663

Consolidated Statement Showing Written-Off Financing or Any Other Financial Relief of Rupees 500,000 or Above (Annexure 1)

During the year ended December 31, 2020

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals / directors (with CNIC / Passport No)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2020				Principal written-off	Profit written-off	Other Financial Relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
9.	Chaudhry Steel Re-Rolling Mills (Private) Limited 79 - Peco Road, Badami Bagh, Lahore	Chaudhry Muhammad Shafique 35202-0217025-7 Sarwa Sultana 35202-3779689-2 Khalid Pervaiz 35201-1221392-9	Chaudhry Noor Muhammad Chaudhry Muhammad Shafique Abdul Raheem	72,802	10,661	-	83,463	-	7,093	-	7,093
10.	Patel Food Industries F-456, S.I.T.E. Karachi	Irfan Patel 42201-3769388-5 Ashfaq Patel 42201-3759888-5	Abdul Ghaffar Patel Abdul Ghaffar Patel	4,950	34,127	-	39,077	-	34,127	-	34,127
11.	Maxco (Private) Limited Plot No. 254 & 255 Deh Dih Ebrahim Hyderi Korangi Creek Road Karachi	Syed Zubair Ahmed Gilani 42201-2324436-9 Massimo Pedio AA0076024	Syed Dilawar Pervaiz Gilani Paolo	268,888	-	-	268,888	268,888	-	-	268,888
12.	Muhammad Tariq House No. B-103, Block 8, Gulshan E Iqbal Karachi	42201-0421873-3	Ghulam Rasool	5,900	3,965	393	10,258	-	3,651	393	4,044
13.	Muhammad Ilyas Butt Flat # 704, Floor 7 th , Sea Brezee Hieghts, Block 2, Clifton, Karachi	42301-9917170-1	Abdul Latif Butt	3,453	2,135	284	5,872	-	2,135	284	2,419
14.	Anwar Kamal R-56, Gadab Town, Scheme 33, Gulazar-e-Hijri, Karachi	42501-9356421-5	Muhammad Anwar Khan	725	10	-	735	725	10	-	735
15.	Ejaz Ayub House B-III-356, Khurram Colony Muslim Town, Rawalpindi	37405-0547962-1	Sardar Mohammad Ayub	724	42	-	766	724	42	-	766
16.	Gohar Bashir P-705 Street No 6 Deepu Wala Bazar, Mansoorabad, Faisalabad	33100-9413397-7	Muhammad Bashir	884	60	-	944	884	60	-	944

Consolidated Statement Showing Written-Off Financing or Any Other Financial Relief of Rupees 500,000 or Above (Annexure 1)

During the year ended December 31, 2020

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals / directors (with CNIC / Passport No)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2020				Principal written-off	Profit written-off	Other Financial Relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
17.	Malik Haroon Tabraiz Ne-252-G Street No 4 Chamanzar Colony, Rawalpindi	37405-0162672-1	Malik Amjad Tabraiz	1,432	-	-	1,432	1,432	-	-	1,432
18.	Muhammad Ashraf Chak No-365 Tandlian Wala, Faisalabad	33104-0144105-1	Ghulam Muhammad	702	145	-	847	702	145	-	847
19.	Muhammad Haroon House No. 1443 Street 6, Sikander Town G.T. Road Nishterabad, Peshawar	15401-7790997-3	Sial Badshah	613	15	-	628	613	15	-	628
20.	Nasarullah Khan House 93, Gulshan-e-Jami Model Colony, Karachi	42401-1977479-7	Muhammad Ramzan	1,090	67	-	1,157	1,090	67	-	1,157
21.	Pakgro Trans (Private) Limited 6-Hakim Sons Building, West Wharf Road, Karachi	Farooq Umar 42301-9529687-7 Noman Farooq 42301-2484014-1 Natasha Farooq 35201-8512958-0	Umar Farooq Umar Noman Farooq	754	42	-	796	754	42	-	796
22.	Parey Enterprises 177-A Block WAPDA Town, Lahore	Muhammad Tariq Hameed 249-62-500788	Muhammad Abdul Hameed	2,024	-	-	2,024	2,024	-	-	2,024
23.	Qaisar Nazir Chohan P-232-233, Kashmir Road, Amin Town, Faisalabad	61101-7455631-3	Muhammad Nazir Chohan	1,099	52	-	1,151	1,099	52	-	1,151
24.	Qamar Naveed P-205, Street # 01, Fareed Town, Jaranwala Road, Faisalabad	33100-5730308-9	Abdul Hameed Akhtar	850	61	-	911	850	61	-	911

Consolidated Statement Showing Written-Off Financing or Any Other Financial Relief of Rupees 500,000 or Above (Annexure 1)

During the year ended December 31, 2020

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals / directors (with CNIC / Passport No)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2020				Principal written-off	Profit written-off	Other Financial Relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
25.	Riaz Ali Samtio Flat B-312, Bait Ul Hina, Block 18, Gulistan E Jauhar, Karachi	42201-3397702-5	Muhammad Hassan	1,045	61	-	1,106	1,045	61	-	1,106
26.	Zara Noorani Enterprises & Marbles House 451, Block D, Sector 15, Orangi Town, Karachi	Muhammad Haroon Rasheed Noorani 42401-3291468-9	Muhammad Rasheed	908	66	-	974	908	66	-	974
				2,162,606	286,810	677	2,450,093	2,018,509	275,856	677	2,295,042



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Pattern of Shareholding

As at December 31, 2020

No. of Shareholders	No. of Shares		'Shares held'	Percentage
	From	To		
857	1	100	30,311	0.0021%
836	101	500	270,698	0.0191%
644	501	1000	508,795	0.0360%
1230	1001	5000	3,043,491	0.2151%
365	5001	10000	2,696,171	0.1906%
180	10001	15000	2,245,720	0.1587%
100	15001	20000	1,755,183	0.1241%
79	20001	25000	1,766,378	0.1249%
59	25001	30000	1,629,130	0.1152%
36	30001	35000	1,178,985	0.0833%
35	35001	40000	1,298,213	0.0918%
24	40001	45000	1,023,026	0.0723%
33	45001	50000	1,582,039	0.1118%
9	50001	55000	471,227	0.0333%
14	55001	60000	811,941	0.0574%
11	60001	65000	687,517	0.0486%
20	65001	70000	1,349,749	0.0954%
8	70001	75000	574,561	0.0406%
12	75001	80000	929,866	0.0657%
8	80001	85000	660,986	0.0467%
5	85001	90000	437,261	0.0309%
6	90001	95000	556,235	0.0393%
8	95001	100000	785,647	0.0555%
5	100001	105000	515,795	0.0365%
8	105001	110000	865,115	0.0612%
3	110001	115000	340,800	0.0241%
5	115001	120000	584,420	0.0413%
2	120001	125000	250,000	0.0177%
9	125001	130000	1,147,973	0.0811%
5	130001	135000	662,374	0.0468%
4	135001	140000	550,212	0.0389%
3	140001	145000	423,636	0.0299%
3	145001	150000	448,500	0.0317%
4	150001	155000	612,060	0.0433%
4	155001	160000	631,395	0.0446%
4	160001	165000	655,713	0.0463%
2	165001	170000	338,606	0.0239%
2	170001	175000	343,492	0.0243%
1	175001	180000	179,305	0.0127%
3	180001	185000	544,450	0.0385%
1	185001	190000	187,084	0.0132%
1	190001	195000	193,655	0.0137%
3	195001	200000	594,220	0.0420%
4	200001	205000	806,997	0.0570%
1	205001	210000	207,850	0.0147%
1	210001	215000	211,629	0.015%
2	215001	220000	437,289	0.0309%
3	220001	225000	674,800	0.0477%
1	225001	230000	227,560	0.0161%
1	235001	240000	235,100	0.0166%
1	240001	245000	243,760	0.0172%
2	245001	250000	496,492	0.0351%
2	250001	255000	504,654	0.0357%
1	255001	260000	259,106	0.0183%
2	260001	265000	522,846	0.0370%
2	265001	270000	537,520	0.0380%
3	275001	280000	833,675	0.0589%
1	285001	290000	289,300	0.0204%
2	290001	295000	582,902	0.0412%
1	295001	300000	297,305	0.0210%
1	300001	305000	301,000	0.0213%
1	310001	315000	310,055	0.0219%
1	315001	320000	318,202	0.0225%
1	320001	325000	323,084	0.0228%
1	325001	330000	329,995	0.0233%
1	330001	335000	330,200	0.0233%
1	335001	340000	339,240	0.0240%
1	340001	345000	342,752	0.0242%
1	345001	350000	346,500	0.0245%
1	355001	360000	358,850	0.0254%
1	365001	370000	365,460	0.0258%
2	370001	375000	747,364	0.0528%
1	375001	380000	376,540	0.0266%
1	410001	415000	410,472	0.0290%
2	415001	420000	832,955	0.0589%
1	430001	435000	435,000	0.0307%
1	435001	440000	440,000	0.0311%
1	440001	445000	442,232	0.0313%
1	455001	460000	459,800	0.0325%
1	460001	465000	462,750	0.0327%
1	485001	490000	486,136	0.0344%
1	510001	515000	514,300	0.0364%
1	520001	525000	522,764	0.0370%
1	530001	535000	531,355	0.0376%
1	535001	540000	539,519	0.0381%
1	540001	545000	543,400	0.0384%
2	545001	550000	1,100,000	0.0778%
2	550001	555000	1,101,074	0.0778%
1	555001	560000	559,900	0.0396%

No. of Shareholders	No. of Shares		'Shares held'	Percentage
	From	To		
2	560001	565000	1,124,990	0.0795%
1	580001	585000	583,000	0.0412%
3	595001	600000	1,794,801	0.1269%
1	610001	615000	612,462	0.0433%
1	615001	620000	615,807	0.0435%
1	670001	675000	670,912	0.0474%
1	700001	705000	703,000	0.0497%
1	705001	710000	708,854	0.0501%
1	710001	715000	710,600	0.0502%
1	730001	735000	732,948	0.0518%
1	745001	750000	750,000	00.053%
1	780001	785000	781,798	0.0553%
1	790001	795000	794,455	0.0562%
2	805001	810000	1,615,499	0.1142%
2	810001	815000	1,625,387	0.1149%
1	815001	820000	819,256	0.0579%
1	830001	835000	832,700	0.0589%
1	850001	855000	853,013	0.0603%
1	885001	890000	888,800	0.0628%
1	955001	960000	958,652	0.0678%
2	970001	975000	1,944,316	0.1374%
1	985001	990000	989,968	00.070%
1	990001	995000	993,950	0.0703%
2	995001	1000000	2,000,000	0.1414%
1	1000001	1005000	1,003,046	0.0709%
1	1005001	1010000	1,005,012	0.0710%
1	1065001	1070000	1,065,969	0.0753%
1	1070001	1075000	1,072,960	0.0758%
1	1075001	1080000	1,076,913	0.0761%
1	1085001	1090000	1,087,273	0.0769%
1	1090001	1095000	1,092,900	0.0773%
1	1110001	1115000	1,112,650	0.0786%
1	1120001	1125000	1,121,119	0.0792%
2	1125001	1130000	2,256,861	0.1595%
1	1135001	1140000	1,138,839	0.0805%
1	1205001	1210000	1,210,000	0.0855%
3	1215001	1220000	3,655,849	0.2584%
1	1295001	1300000	1,300,000	0.0919%
1	1330001	1335000	1,331,000	0.0941%
1	1340001	1345000	1,341,381	0.0948%
1	1360001	1365000	1,360,292	0.0962%
1	1445001	1450000	1,445,933	0.1022%
1	1450001	1455000	1,450,633	0.1025%
1	1500001	1505000	1,504,173	0.1063%
1	1590001	1595000	1,595,000	0.1127%
1	1600001	1605000	1,601,120	0.1132%
1	1610001	1615000	1,613,172	0.1140%
1	1645001	1650000	1,650,000	0.1166%
1	1725001	1730000	1,728,955	0.1222%
1	1815001	1820000	1,818,396	0.1285%
1	1895001	1900000	1,898,170	0.1342%
1	2005001	2010000	2,009,205	0.1420%
1	2020001	2025000	2,024,924	0.1431%
1	2030001	2035000	2,031,950	0.1436%
2	2215001	2220000	4,434,958	0.3135%
1	2330001	2335000	2,332,000	0.1648%
2	2495001	2500000	5,000,000	0.3534%
1	2530001	2535000	2,534,457	0.1791%
1	2565001	2570000	2,570,000	0.1817%
1	2585001	2590000	2,585,165	0.1827%
1	2755001	2760000	2,755,392	0.1948%
1	2815001	2820000	2,819,444	0.1993%
1	2880001	2885000	2,883,673	0.2038%
1	3280001	3285000	3,281,898	0.2320%
1	3430001	3435000	3,434,779	0.2428%
1	3445001	3450000	3,447,720	0.2437%
1	4100001	4105000	4,103,332	00.290%
1	4130001	4135000	4,130,399	0.2920%
1	4465001	4470000	4,469,190	0.3159%
1	4535001	4540000	4,539,920	0.3209%
1	4540001	4545000	4,540,237	0.3209%
1	4910001	4915000	4,914,415	0.3474%
1	6660001	6665000	6,661,910	0.4709%
1	7850001	7855000	7,854,240	0.5552%
1	8005001	8010000	8,005,812	0.5659%
1	8740001	8745000	8,741,588	0.6179%
1	9075001	9080000	9,077,666	0.6417%
2	11655001	11660000	23,310,904	1.6477%
1	12570001	12575000	12,572,006	0.8887%
1	13705001	13710000	13,707,000	0.9689%
1	14290001	14295000	14,291,750	1.0102%
1	15015001	15020000	15,015,306	1.0614%
1	15540001	15545000	15,540,603	1.0985%
1	16065001	16070000	16,065,500	1.1356%
1	16490001	16495000	16,494,650	1.1659%
1	131905001	131910000	131,907,872	9.3239%
1	424415001	424420000	424,416,829	30.000%
1	498670001	498675000	498,671,687	35.2487%
4815			1,414,722,784	100.0000

Categories of Shareholders

For the year ended December 31, 2020

Particulars	2020			2019		
	Number of Shareholders	Shares held	Percentage	Number of Shareholders	Shares held	Percentage
Directors, Chief Executive, their spouse and minor children	7	15,726,183	1.11%	8	14,094,533	1.10%
Associated Companies, undertakings and related parties	9	1,074,925,203	75.98%	9	972,400,110	75.61%
Banks, Development Financial Institutions and Non Banking Finance Companies	18	14,487,681	1.02%	12	3,081,696	0.24%
Insurance Companies	11	16,454,787	1.16%	8	27,609,509	2.15%
Modaraba and Mutual Funds	71	33,180,214	2.35%	56	36,914,564	2.87%
General Public						
a. Local	3,940	65,907,045	4.66%	2,054	49,948,238	3.88%
b. Foreign	494	10,273,511	0.73%	153	8,173,497	0.64%
Others	265	183,768,160	12.99%	234	173,889,475	13.52%
Total	4,815	1,414,722,784	100.00%	2,534	1,286,111,622	100.00%

Additional Information as at December 31, 2020

Particulars	2020			2019		
	Number of Shareholders	Shares held	Percentage	Number of Shareholders	Shares held	Percentage
Associated Companies & Shareholders with more than 10% shareholding						
Noor Financial Investment Co, Kuwait	1	498,671,687	35.25%	1	453,337,898	35.25%
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	1	424,416,829	30.00%	1	385,833,481	30.00%
Islamic Development Bank, Jeddah	1	131,907,872	9.32%	1	119,916,248	9.32%
CDC Trustee Meezan Islamic Fund	1	15,015,306	1.06%	1	9,119,097	0.71%
CDC Trustee Meezan Balanced Fund	1	1,087,273	0.08%	1	1,064,885	0.08%
CDC Trustee Meezan Dedicated Equity Fund	1	415,505	0.03%	1	536,005	0.04%
CDC Trustee Meezan Asset Allocation Fund	1	615,807	0.04%	1	553,446	0.04%
CDC - Trustee Al Meezan Mutual Fund	1	1,728,955	0.12%	1	1,364,050	0.11%
CDC - Trustee KSE Meezan Index Fund	1	1,065,969	0.08%	1	675,000	0.05%
Directors, Chief Executive, their spouse and minor children						
Mr. Noorur Rahman Abid	1	4,520,680	0.32%	1	3,665,262	0.28%
Ms. Nausheen Ahmad	1	605	0.00%	1	550	0.00%
Mr. Atif Azim	1	2,750	0.00%	1	500	0.00%
Mr. Irfan Siddiqui	1	4,540,237	0.32%	1	4,127,490	0.32%
Executives	40	4,529,684	0.32%	23	3,273,187	0.25%
Public Sector Companies, Corporations, Banks, DFI's, NBFC's, Insurance Companies, Modaraba, Mutual Funds and other Organizations	365	247,890,842	17.52%	310	241,495,244	18.78%
General Public	4,397	78,312,783	5.54%	2,188	61,149,279	4.75%
Total	4,815	1,414,722,784	100.00%	2,534	1,286,111,622	100.00%

Glossary

AAOIFI

Accounting and Auditing Organization for Islamic Financial Institutions.

Al-'Aqd

Contract

Al-Bai

A contract of sale which is exchange of thing of value with another thing of value with mutual consent.

Al-Bai' Al-Mu'ajjal

It is a contract of sale in which the seller allows the buyer to pay the price of a commodity at a future date in lump sum or in instalments.

Al-'Ijtihad

Endeavour of an Islamic jurist to derive or formulate a rule of law pertaining to a matter not explicitly mentioned in the Shariah sources.

Al-Kafalah

A contract of surety in which a person adds to his responsibility or liability on behalf of another person in respect of a demand for a loan or debt.

Bai' Al-Dain

Sale of debt.

Bai' Al-'Inah

A contract of sale, where a person sells an asset on credit and then buys back at a less price for cash.

Bai' Al-'Istijrar

A form of sale whereby the buyer keeps on taking the goods from the seller as and when needed without settling the price and then settles the account later on.

Bai' Al-Murabahah

Sale of goods with an agreed price by disclosing cost and profit.

Bai' Al-Musawamah

Sale of goods at a negotiated price without mentioning the cost to the buyer.

Bai Al-Salam

It is a kind of sale of specified homogenous goods in which full payment is in advance spot while the delivery of goods is deferred to a future date.

Bai' Al-Tawliyah

A contract of sale in which the seller agrees to sell a product at his cost by disclosing the cost.

Bai' Al-Wad'iyah

A sales contract in which a seller informs the buyer his actual cost and then gives a further discount on it.

Charity

Means monetarily helping those in need. In IBIs in order to mitigate the risk of delayed payment customer undertakes to pay an amount to IBI as charity in case of delay in payment which the IBI shall donate on behalf of the customer.

Diminishing Musharakah

It is a financing product being practiced by IBIs in which Bank and customer participate in joint ownership of a property. The share of the bank is divided into number of units and the units owned by the Bank are rented to the customer. Customer purchases these units from bank at periodic intervals, thereby increasing his/her share in the undivided property until all the units are purchased by the customer.

Fatwa

A decree by a competent Shariah scholar qualified to issue decrees (mufti) on a matter giving an opinion about the position of a matter in the light of the Shariah rules and principles.

Gharar

It means any element of absolute or excessive uncertainty in a contract

Hiba

Gift/Transfer of ownership of an asset without any consideration.

Ijara/Ijarah

Letting on lease; technically, sale of a definite usufruct in exchange for a definite reward; commonly used for wages. It also refers to a mode of financing adopted by Islamic banks. It is an arrangement under which an Islamic bank leases equipment, a building etc. to a client against an agreed rental for a definite period.

Ijma'

Consensus of the Islamic jurists (mujtahidin) on a certain Shariah issue. after the demise of the Holy Prophet (P.B.U.H.)

Islamic Banking

Banking in consonance with the ethics and value system of Islam as compared to conventional banking that conducts its business of borrowing and lending on the basis of interest.

Islamic Credit Card

It is an Shariah compliant credit card whereby no riba is involved.

Istisna'a/Istisna

It is a kind of sale where a purchaser orders to a manufacturer to manufacture a specific commodity for the purchaser. It is necessary for the validity of Istisna that the price is fixed with the consent of the parties and that necessary specification of the commodity (intended to be manufactured) is fully settled between them.

Mudarabah

An agreement between two or more persons whereby one or more of them provide finance, while the other provides entrepreneurship and management to carry on the business venture whether trade, industry or service, with the objective of earning profits. They share the profit in an agreed proportion. The loss is borne only by the financier(s) in proportion to their share in total capital.

Mudarabah Al-Muqayyadah

A contract of Mudarabah in which certain conditions like place, season, commodities, credit and techniques of trade are stipulated by the provider of the capital (rabb al-mal).

Mudarabah Al-Mutlaqah

A contract of Mudarabah that does not bind the mudarib about the place, time, season, commodities, credit or techniques of trade.

Mudarib

A working partner; the partner who provides entrepreneurship and management in a Mudarabah agreement.

Musha'

Undivided ownership of two or more persons in an asset.

Parallel istisna

If the seller, after entering into a Istisna contract with buyer, enters into another separate and independent Istisna contract with a third party to manufacture goods of same specification then this arrangement is called Parallel Istisna

Parallel Salam

If the seller, after entering into a Salam contract with buyer, enters into another separate and independent Salam contract with a third party to acquire goods of same quality then this arrangement is called Parallel Salam.

Qard Al-Hasan

A loan with the stipulation to return the principal sum in the future without any increase.

Qimar

Qimar means gambling. Technically, it is an arrangement in which possession of a property is contingent upon the happening of an uncertain event.

Qiyas

To apply a recognized rule of Shariah expressly mentioned in the Holy Quran and Sunnah to a similar situation by way of analogy.

Rabb-ul-Maal

A person who invests capital in a Mudarabah.

Rahn

To pledge or lodge a real or corporeal property of material value, in accordance with the law, as security for a debt or financial obligation, so as to make it possible for the creditor to regain the debt or some portion of the goods or property in case of default.

Riba

Any monetary or non-monetary agreed benefit to the lender on a contract of loan

Shariah Audit

Audit of the operations of an Islamic financial institution to assess the extent to which the institution adhered to the requirements of the Shariah.

Shariah Supervisory Board

Committee of Islamic scholars in Islamic Banks for guidance and supervision and whose decisions are binding upon the bank.

Shariah

Shariah means a pathway to be followed and can further be explained as a set of divine injunctions and laws that regulates every aspect of human beings in their individual and collective lives.

Shariah-compliant

An act or activity that complies with the requirements of the Shariah, or Islamic law.

Shirkah al-'aqd

A joint enterprise formed for conducting some business in which all the partners share the profit according to a specific ratio while the loss is shared according to the ratio of contribution.

Shirkah al-milk

It means joint ownership of two or more persons in a particular property without commercial intention.

Sukuk/ Sukook

Sukuk are certificates of equal value representing undivided shares in ownership of tangible asset, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity.

Takaful

Islamic Insurance. A scheme of mutual support based on Islamic concept of waqf, wakalah or Mudarabah that provides insurance to individuals against hazards of falling into unexpected and dire need.

Tabarru'

It is a gift, the basic purpose of which is to seek the pleasure of Allah

Tijarah Financing

Sale & Agency based financing facility for customers who sell finished goods on credit basis. This facility enables customers to sell their finished goods stock to the Bank to meet their working capital requirements and enjoy the benefits of cash sales.

Wakalah

A contract of agency in which one person appoints someone else to perform a certain task on his behalf, usually against a certain fee.

Waqf

In Arabic language the word Waqf means preventing something from movement. In Shariah terminology, Waqf refers to making a property invulnerable to any disposition that leads to transfer of ownership and donating the usufruct of that property to beneficiaries.

Zakah (zakat)

A certain portion of wealth levied on Muslims having wealth above an exemption limit (nisab) at a rate fixed by the Shariah to purify wealth. Zakat is one of the five pillars of Islam. The objective is to take away a part of the wealth of the well-to-do and to distribute it among the poor and the needy.

Notice of 25th Annual General Meeting

Notice is hereby given that the 25th Annual General Meeting of the Members of Meezan Bank Limited (the "Bank") will be held Insha-Allah on Monday, March 29, 2021 at 9:30 a.m. at Meezan House C-25, Estate Avenue, SITE, Karachi, Pakistan, (physical and virtual meeting) to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 24th Annual General Meeting held on March 26, 2020.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank, Audited Consolidated Accounts for the year ended December 31, 2020 together with the Auditors' Report, Directors' Report and Chairman's Review Report thereon.
3. To appoint auditors of the Bank for the year ending December 31, 2021 and to fix their remuneration. The present auditors, M/s EY Ford Rhodes., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To consider and, if thought fit, approve as recommended by the Board of Directors, final cash Dividend at the rate of Rs. 2 per share i.e. 20% in addition to Rs. 4 per share i.e. 40% interim cash Dividend already declared/paid alongwith 10% Bonus Shares for the year December 31, 2020.

SPECIAL BUSINESS

5. To consider and, if deemed fit, approve the Employees Share Option Scheme (ESOS) of the Bank and to pass the following resolutions as Special Resolutions, with or without amendments:

"RESOLVED that as recommended by the Board of Director of Meezan Bank Limited, the Employees Share Option Scheme (ESOS) as presented before the shareholders, be and is hereby approved and adopted and the Bank is hereby authorized to implement the ESOS, subject to procurement of regulatory approval(s) required for implementation of ESOS.

RESOLVED FURTHER THAT the Bank's Human Resources, Remuneration and Compensation Committee (Compensation Committee) is hereby authorized to make such modifications to the ESOS as may be directed by the Securities and Exchange Commission of Pakistan and such modifications (if any) shall also be deemed to have been approved by the shareholders of the Bank through this resolution.

RESOLVED FURTHER THAT the Bank is hereby authorized to issue and allocate 70,736,139 (Seventy Million Seven Hundred and Thirty-Six Thousand and One Hundred Thirty-Nine) new ordinary shares of the Bank of Rs. 10 each (representing 5% of the existing paid up share capital of the Bank and which may be adjusted upwards to account for any issuance of shares by way of bonus, rights and/or other than rights) by way of issuing new shares without a rights offering to the existing shareholders of the Bank pursuant to the Section 83 of the Companies Act, 2017.

RESOLVED FURTHER THAT the Chief Executive Officer and/or the Company Secretary of the Bank be and is hereby authorized to, singly, to initiate the regulatory approval process and do all acts, deeds and things, and to sign the required necessary documents in the matter with regard to the ESOS."

6. To consider and if thought fit, pass the following special resolution, with or without modification, to increase the authorized share capital of the Bank from PKR 25,721,800,000/- to PKR 28,294,400,000 by creation of 2,829,440,000 new ordinary shares of PKR. 10/- each:

"RESOLVED THAT the authorized share capital of the Bank be increased from Rs. 25,721,800,000/- (Rupees Twenty-Five Billion Seven Hundred Twenty-One Million Eight Hundred Thousand only) to Rs. 28,294,400,000 (Rupees Twenty Eight Billion Two Hundred Ninety four Million four Hundred Thousand only) subject to completion of all legal formalities and necessary approvals and that the shareholders be and are hereby recommended to approve, as and by way of a special resolution, the amendments in the Memorandum of Association of the Bank for the increase in the authorized share capital, as set out below:

Clause V of the Memorandum of Association be and is hereby amended to read as follows:

"The share capital of the company is Rs. 28,294,400,000 (Rupees Twenty Eight Billion Two Hundred Ninety Four Million Four Hundred Thousand only) divided into 2,829,440,000 (Two Billion Eight Hundred Twenty Nine Million Four Hundred Forty Thousand) ordinary shares of Rs. 10/- each (Rupees ten each) with the power to increase or reduce the capital and to divide the shares in the capital for the time being into several classes."

FURTHER RESOLVED THAT the Chief Executive Officer or Deputy Chief Executive Officer or Company Secretary (the "Authorised Representatives") be and are hereby severally authorized to complete all legal formalities required under the applicable laws, rules, regulations etc. for the increase in the authorized capital of the Bank."

7. To approve the remuneration paid/payable to the Chairman and Non-Executive Directors of the Bank for the year ended December 31, 2020 for attending Board Meetings and Meetings of the Committees formed by the Board and to approve and ratify the revision to the Director's Remuneration Policy (approved in the 24th Annual General Meeting) and to pass the following resolutions as an ordinary resolutions:

"Resolved that the remuneration paid / payable to the Chairman and Non-Executive Directors of the Bank for the year ended December 31, 2020 for attending Board Meetings and Meetings of the Committees formed by the Board, as disclosed in note 39 of the Audited Financial Statements of the Bank be and is hereby approved."

“Further resolved that the following resolution of the Board of Directors of the Bank passed on May 5, 2020 is ratified and approved.”

“RESOLVED that payment of normal fee for attending the Board Meeting through video conference be and is hereby approved, till the time the COVID-19 related travel restrictions exist.”

8. To transact any other business with the permission of the Chair.

Statement of Material Facts under Section 134(3) of the Companies Act, 2017 (“Act”) pertaining to the above-mentioned Special Businesses is annexed to this Notice of Annual General Meeting circulated to the members of the Bank.

By Order of the Board



Muhammad Sohail Khan
Company Secretary

Karachi
February 18, 2021

Notes:

i) CLOSURE OF SHARE TRANSFER BOOKS

The Members’ Register will remain closed from March 22, 2021 to March 29, 2021 (both days inclusive). Transfer received at the Share Registrar office, by the close of business on March 19, 2021 will be treated in time for the purpose of entitlement to receive the 20% cash dividend and attend, vote and speak in the Annual General Meeting.

ii) COVID-19 RELATED CONTINGENCY PLANNING FOR ANNUAL GENERAL MEETING

- SECP Circular No. 5 of 2020, dated March 17, 2020 requires modification of the usual planning of the Annual General Meeting for the well-being and safety of members. The members are encouraged to attend and vote in the Annual General Meeting via Zoom Link. According, members are requested to get themselves registered by sending their particulars at the designated email address agm@meezanbank.com giving particulars as per the below table by the close of business hours (5:00 PM) on March 24, 2021.

Name of Shareholders/Proxy	CNIC / Passport No.	Folio No./CDC Participant ID No.	Cell No.	Email Address
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- Link to video connectivity will be sent to the shareholders on their email addresses after necessary verification from the records.
 - Shareholders will be able to log-in and participate in the Annual General Meeting proceedings through their smartphones or computer devices.
 - The login facility will be opened from 09:00 a.m. till the end of meeting on March 29, 2021 enabling the participants to join the proceedings which will start at 09:30 a.m. sharp, Insha-Allah.
 - In addition to the above, Shareholders can also give their suggestions/comments on the proposed agenda of Annual General Meeting by emailing at the designated email address agm@meezanbank.com
- iii) Copies of the Minutes of the 24th Annual General Meeting held on March 26, 2020 of Meezan Bank Limited are available for inspection by Members as required under Section 152 of the Companies Act, 2017.

For Attending the General Meeting:

- A member entitled to attend the Annual General Meeting may appoint any other member as his/her proxy to attend the meeting through video-link. A proxy form is enclosed.
- 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 Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (“CNIC”) or original passport at the time of attending the Annual General Meeting.
- In case of a 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 Annual General Meeting.

VIDEO CONFERENCE FACILITY FOR ATTENDING GENERAL MEETINGS

If the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 07 days prior to date of Annual General Meeting, the Bank will arrange a video conference facility in that city subject to availability of such facility in that city.

To avail this facility, a request to be submitted to the registered address of the Bank 07 days before holding of the Annual General Meeting.

POSTAL BALLOT FACILITY

In case the Poll is demanded by the shareholders under Section 143 of the Companies Act 2017, the Company shall consider postal Balloting facility for voting, under the Companies (Postal Ballot) Regulations, 2018.

AVAILABILITY OF ANNUAL ACCOUNTS ON BANK'S WEBSITE

As required under Section 223 (7) of the Companies Act 2017, audited Financial Statements of the Bank have been uploaded on website of the Bank which can be downloaded from the Banks website-www.meezanbank.com/financial-information

TRANSMISSION OF ANNUAL AUDITED FINANCIAL STATEMENTS THROUGH CD:

The Bank has circulated Annual Financial statements to its members through CD at their registered address. A printed copy of the above referred statements can be provided to members upon request. The request form is available on the website of the Bank and may be accessed by clicking the link <https://www.meezanbank.com/wp-content/themes/mbi/downloads/Annual-Report-Request-Form.pdf>

TRANSMISSION OF ANNUAL REPORTS THROUGH E-MAIL:

The SECP through SRO No. 787(I)2014 and SRO 470(I) of 2016 dated September 8, 2014, and May 31, 2016, respectively has provided an option for shareholders to receive Audited Financial Statements along with the notice of Annual General Meeting electronically through Email/CD/DVD/USB/ in hard copy. Hence, members who are interested in receiving the Annual Reports and notice of Annual General meeting electronically in future are requested to send their email addresses on the consent form placed on the Banks website, to the Bank's Share Registrar.

THE FOLLOWING CIRCULARS / NOTIFICATIONS REQUIRE SPECIAL ATTENTION OF THE SHAREHOLDERS:

PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE (E-DIVIDEND MANDATE) - MANDATORY

Under section 242 of the Companies Act, 2017, and Regulation No. 4 of the Companies (Distribution of Dividends) Regulations, 2017 it is mandatory for a listed company to pay cash dividend to shareholders only through electronic mode directly into the bank account designated by the entitled shareholders.

In order to receive dividend directly into bank account, shareholders whose IBAN are not updated are requested to fill the 'E-Dividend Mandate Form' available on Bank's website and send it duly completed and signed along with a copy of valid CNIC to the Bank's Share registrar, THK Associates (Pvt.) Ltd., Plot No. 32-C, Jami Commercial Street 2, D.H.A. Phase VII, Karachi -75500, Pakistan UAN 111-000-322, (in case of physical shares)

In case shares are held in CDC then the "E-Dividend Mandate Form" must be submitted directly to shareholder(s) broker/participant/CDC account services.

Shareholders can directly register for e-Dividend Services by visiting CDC Portal: <https://eservices.cdcaccess.com.pk/public/index.xhtml>

E-Dividend Mandate Form

Folio Number/CDC Sub Account Number	
Name of Shareholder	
Title of the Bank Account	
International Bank Account Number (IBAN)	
Name of Bank	
Branch Name, Branch Code, Address	
Cell and Landline number	
CNIC/ Passport No. (Attach copy)	
Signature of Shareholder	

SUBMISSION OF VALID CNIC COPY (MANDATORY)

In terms of Regulation No. 06 of the Companies (Distribution of Dividends) Regulations, 2017 read with Section 243(3) of the Companies Act, 2017, listed Companies are entitled to withhold payment of dividend, if shareholders have not provided copies of their valid Computerized National Identity Cards ("CNIC")/ Passport Number as well as complete and valid details of designated bank accounts (IBAN) for direct credit of cash dividend.

The shareholders are therefore requested to submit a copy of their valid CNIC/NTN/Passport Number within ten (10) days from the date of this Notice to the Bank's Registrar and Share Transfer Agent/CDC (as the case may be). In case the same have already been provided, then these instructions may be ignored.

The shareholder while sending CNIC must quote their respective folio numbers and names for identification purpose.

TAX IMPLICATION ON DIVIDENDS

The Government of Pakistan has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies/banks. These rates are as per law.

To enable the Bank to make tax deduction on the amount of Cash Dividend, all the members whose names are not entered into the Federal Board of Revenue's (FBR), Active Tax-Payers List (ATL), despite the fact that they are tax return filers, are advised to make sure that their names are entered into ATL, before the date of book closure for cash dividend; otherwise, tax on their cash dividend will be deducted as non-filer.

TAX ON JOINT SHAREHOLDING

All shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Shares Registrar, in writing as follows:

Folio/CDS	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

The required information must reach our Shares Registrar by the close of business (5:00 pm) on March 24, 2021 otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder(s) and tax will be deducted according to the proportionate holding of each shareholder as clarified by the FBR vide its clarification letter No. I(54) Exp/2014-132872-R dated September 25, 2014.

TAX EXEMPTION CERTIFICATE

Shareholders claiming tax exemption under clause 47(B) of Part IV of the Second Schedule of Income Tax Ordinance, 2001 are requested to provide a valid exemption certificate under section 159 (1) of the Income Tax Ordinance, 2001 latest by March 19, 2021 to our Shares Registrar before the date of Book closure as required vide FBR clarification letter No. 1(43)DG (WHT) / 2008-Vol.II-66417-R dated May 12, 2015.

INTIMATION OF CHANGE OF ADDRESS AND DECLARATION OF NON-DEDUCTION OF ZAKAT

Members are requested to immediately notify regarding the change, if any, in their registered and/or e-mail addresses, in writing and their declaration for the non-deduction of Zakat (if applicable), to the Share Registrar and Transfer Agent of the Bank i.e. THK Associates (Pvt.) Ltd., Plot No. 32-C, Jami Commercial Street 2, D.H.A. Phase VII, Karachi -75500, Pakistan, UAN 111-000-322 (in case of Physical scrips) whereas Members/CDC Account holders are requested to contact their CDC Participant/CDC Account Services for the same, but no later than close of business hours (05:00 p.m.) March 24, 2021.

DEPOSIT OF PHYSICAL SHARES IN CDC ACCOUNT:

As per Section 72 of the Companies Act 2017, every listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e. May 30, 2017.

The Shareholders having physical shareholding are encouraged to open CDC sub-account with any of the brokers or investors Account directly with CDC to place their physical shares into scrip less form, this will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange.

UN-CLAIMED DIVIDENDS / SHARES

The shareholders are hereby informed that in accordance with section 244 of the Companies Act, 2017 and the unclaimed shares, Modaraba certificates, Dividend, other instruments and undistributed Assets Regulations, 2017, the companies are required to deposit cash dividends to the credit of the Federal Government and shares to the Commission, which are undelivered/unclaimed for a period of three (3) years or more from the date it is due and payable.

STATEMENTS OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 IN RESPECT OF SPECIAL BUSINESS

These statements set out the material facts concerning the resolutions contained in items (5), (6) and (7) of the Notice pertaining to the special business to be transacted at the Annual General Meeting of the Bank to be held on March 29, 2021.

1. Approval of Meezan Employees Share Option Scheme (ESOS)

The Board of Directors of Meezan Bank Limited in its 92nd meeting held on October 20, 2020 approved to initiate “Meezan Bank Employees Share Option Scheme” (“Scheme”) for employees of the Bank, subject to all regulatory approvals including Securities and Exchange Commission of Pakistan, shareholders’ approval through ordinary resolution etc.

The Scheme will be structured in accordance with all applicable laws including Companies Act, 2017, Companies (Further Issue of Shares) Regulations, 2020 etc. Soft copy of the scheme is being sent to the shareholders in CD, enclosed with the Notice of AGM.

The Board of Directors of the Bank have no vested interest, directly or indirectly in the above business save to the extent of their shareholding of the Bank.

2. Increase in Authorized Capital of the Bank

The Board of Directors of Meezan Bank in its meeting held on February 18, 2021 has approved an increase in its authorized capital. Due to the locking of authorized share capital for the Bank’s Tier I and Tier II Capital, the available room in authorized capital for further issue of share capital has been reduced. Therefore, in order to meet the future requirements of capital for continued growth and expansion of the Bank and for issuance of shares under the Employees Shares Option Scheme approved by the Board in its last meeting, the authorized capital may be increased within the allowable limit of Rs. 28.294 billion.

The Bank’s existing authorized capital is Rs. 25,721,800,000/- (Pak Rupees Twenty-Five Billion Seven Hundred Twenty-One Million Eight Hundred Thousand only) divided into 2,572,180,000 (Two Billion Five Hundred Seventy-Two Million One Hundred Eighty Thousand) ordinary share of Rs. 10 each.

It is proposed to increase the share capital of the Bank up to Rs. 28,294,455,680 (Rupees Twenty-Eight Billion Two Hundred Ninety-Four Million Four Hundred Fifty-Five Thousand Six Hundred Eighty only) divided into 2,829,440,000 (Two Billion Eight Hundred Twenty-Nine Million Four Hundred Forty Thousand) ordinary shares of Rs. 10/- each (Rupees ten each) by Rs. 2,572,600,000 (Rupees Two Billion Five Hundred Seventy-Two Million Six Hundred Thousand only) divided into 257,260,000 (Two Hundred Fifty-Seven Million Two Hundred Sixty Thousand) ordinary shares of Rs. 10/- each (Rupees ten each).

Under section 85(1) of the Companies Act, 2017, the Bank may alter the condition of the memorandum so as to interalia increase its share capital by such amount as it thinks expedient and such powers are exercisable by the shareholders through special resolution.

The Board of Directors of the Bank have no vested interest, directly or indirectly in the above business, save to the extent of their shareholding of the Bank.

3. Directors’ Remuneration

In term of SBPs’ BPRD Circular No. 3 of 2019 dated August 17, 2019 the Directors’ Remuneration paid to the Non-Executive Directors for attending the Committees and Board meetings held during the year - 2020 requires approval (which is permissible on post facto basis) of the shareholders in Annual General Meeting.

In the 24th Annual General Meeting of the Bank held on March 26, 2020, the shareholders of Meezan Bank, had approved the Directors’ Remuneration Policy which had provided that in case of physical attendance, the directors would be paid the full fee for attending board meetings and if they attend the board meetings through video-link, they would be paid 50% of the meeting fee.

Due to COVID-19 pandemic, travel bans were imposed, and the directors were unable to attend the board meetings physically. On May 5, 2020, the board of directors of Meezan Bank resolved that the directors would be paid the full fee for attending board meetings through video-link till the time the travel restrictions due to COVID-19 are in force.

Accordingly, the resolution of the shareholders is required for the approval and ratification of the payment of above fee.

The non-executive directors are interested in the payment of remuneration and the remaining members of the Board have no interest in the matter.



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Meezan Bank Limited

E-Dividend Mandate Form

According to Section 242 of Companies Act, 2017 and Circular No. 18/2017 dated August 1, 2017 issued by Securities and Exchange Commission of Pakistan (SECP), from November 1, 2017 all listed companies are to pay dividend only through electronic mode directly into the bank accounts designated by the entitled shareholders.

In view of above, Shareholder(s) are advised to provide their complete bank account / IBAN detail as per format given below required under clause 7,8 and 9 (ii) of the Companies (Distribution of Dividends) Regulations, 2017 issued under S.R.O.1145 (I) / 2017 dated November 06, 2017 by SECP enabling us to comply with the above Section/Circular.

For physical Shareholder(s): THK Associates (Pvt) Limited, Plot No. 32-C Jami Commercial Street 2, DHA, Phase VII, Karachi-75500, Pakistan.

For CDC Account holder (s) in case of CDC account holder / Sub-account holder, please provide said details to CDC / to respective member Stock Exchange.

Company Secretary

E-Dividend Mandate Details

It is requested that all my cash Dividend amounts declared by the Bank may be credited into the following bank account:

Folio Number / CDC Participants ID A/c No.	
Name of Shareholder	
Title of the Bank Account	
Bank Account Number (Complete) / IBAN	
Bank's Name, Branch Name, Branch Code and Address	
Cell Number	
Landline Number, if any	
Email Address	
CNIC Number/ Passport Number (in case of foreign Shareholder) (attach copy)	

It is stated that the above mentioned information is correct, that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar/Participant/CDC Investor Account Services as soon as these occur.

Signature of Shareholder

(Please affix company stamp in case of a corporate entity)

Note:

Please provide complete IBAN, after checking with your concerned bank branch to enable electronic credit directly into your bank account.

The payment of cash dividend will be processed on the basis of the IBAN alone. Meezan Bank is entitled to rely on the IBAN information as per your instructions (provided by you). The Bank shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay or failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and /or due to any event beyond the control of the Bank.

میزان بینک لمیٹڈ

ای ڈیوڈنڈ مینڈیٹ فارم

کمپنیز ایکٹ، 2017 کی شق 242 اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر نمبر 18/2017 بتاریخ یکم اگست، 2017 کے ذریعے تمام لسٹڈ کمپنیوں کو ہدایت کی گئی ہے کہ یکم نومبر، 2017 کے بعد سے ادا ہونے والے ڈیوڈنڈ کی رقم الیکٹرانک طریقہ کار سے براہ راست شیئر ہولڈرز کی طرف سے فراہم کردہ بینک اکاؤنٹ میں منتقل کی جائے۔

درج بالا ہدایات کے پیش نظر، آپ سے گزارش کی جاتی ہے کہ اپنے مکمل ”انٹرنیشنل بینک اکاؤنٹ نمبر (IBAN)“ کی تفصیل درج ذیل نمونہ کے مطابق کمپنی کو فراہم کریں۔ جس کی ہدایت 6 نومبر، 2017 کو SECP نے جاری کردہ SRO 1145(I)/2007 میں Companies (Distribution of Dividends) Regulations, 2017 کی شق 7، 8 اور 9(ii) کے مطابق کی ہے، تاکہ ہم درج بالا شق پر عمل پیرا ہو سکیں۔ سی ڈی سی اکاؤنٹ ہولڈر/ سب اکاؤنٹ ہولڈر یہ تفصیل متعلقہ ممبر اسٹاک ایکسچینج کو مہیا کریں۔

فزیبل شیئر ہولڈرز کے لئے
ٹی بیج کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پلاٹ نمبر C-32، جامی کمرشل اسٹریٹ 2، ڈی ایچ اے، فیڑ VII، کراچی-75500، پاکستان
سی ڈی سی اکاؤنٹ ہولڈرز کے لئے
اگر آپ سی ڈی سی اکاؤنٹ ہولڈر/ سب اکاؤنٹ ہولڈر ہیں تو برائے مہربانی نیچے دی گئی تفصیلات سی ڈی سی/ اسٹاک ایکسچینج کے معزز ممبر کو فراہم کریں۔

کمپنی سیکریٹری

ای ڈیوڈنڈ مینڈیٹ کی تفصیل:

درخواست کی جاتی ہے کہ بینک کی جانب سے اعلان کردہ میرے ڈیوڈنڈ کی تمام رقم مندرجہ ذیل بینک اکاؤنٹ میں منتقل کی جائے:

فولیو نمبر/ سی ڈی سی پارٹیشنس آئی ڈی نمبر:	
شیئر ہولڈر کا نام:	
بینک اکاؤنٹ جس نام سے ہے:	
مکمل بینک اکاؤنٹ نمبر (IBAN):	
بینک کا نام، برانچ کا نام، کوڈ اور پتہ:	
موبائل نمبر:	
فون نمبر (اگر ہے):	
ای میل:	
کمپیوٹرائزڈ شناختی کارڈ نمبر/ پاسپورٹ نمبر (اگر غیر ملکی شیئر ہولڈر ہوتو) (کاپی منسلک کریں):	

بیان کیا جاتا ہے کہ درج بالا معلومات درست ہیں، اور یہ کہ میں درج بالا معلومات میں کوئی تبدیلی واقع ہونے کی صورت میں کمپنی اور متعلقہ شیئر رجسٹرار پارٹیشنس آئی ڈی سی انویسٹرا کاؤنٹ سرور کو فوری طور پر مطلع کروں گا/گی۔

دستخط شیئر ہولڈر

(برائے مہربانی کارپوریٹ ادارے کی صورت میں کمپنی کی مہر ثبت کریں)

نوٹ: برائے مہربانی اپنے اکاؤنٹ میں براہ راست الیکٹرانک کریڈٹ کا اہل بننے کے لئے اپنا مکمل IBAN، اپنی متعلقہ بینک برانچ سے تصدیق کے بعد فراہم کریں۔

نقد ڈیوڈنڈ کی ادائیگی کی کارروائی صرف IBAN کی بنیاد پر کی جائے گی۔ میزان بینک کو صرف آپ کی ہدایات کے مطابق IBAN کی (آپ کی جانب سے فراہم کردہ) معلومات پر انحصار کرنے کا اختیار ہے۔ میزان بینک اس معاہدہ کے تحت اپنی کسی بھی ذمہ داری کی ادائیگی میں غلطی یا تاخیر یا ناکامی کی وجہ سے بلا واسطہ یا واسطہ ہونے والے کسی بھی ضرر، نقصان، ذمہ داری یا دعویٰ کے لئے جوابدہ نہیں ہوگا اگر یہ آپ کی جانب سے ادائیگی کی غلط ہدایات اور/یا بینک کے کنٹرول سے باہر کسی واقعہ کی وجہ سے پیش آئے ہوں۔



FORM OF PROXY

The Company Secretary
Meezan Bank Limited
Meezan House C-25,
Estate Avenue S.I.T.E,
Karachi, Pakistan.

I/We _____ of _____ being a member(s) of Meezan Bank Limited and holder of _____ ordinary shares as per Share Register Folio No. _____ and/or CDC Investor Account No. / Participant I.D No. _____ and Sub Account No. _____ do hereby appoint _____ of _____ as my/our proxy to vote and act for me/us on my/our behalf at the 25th Annual General Meeting of Meezan Bank Ltd. to be held on Monday, March 29, 2021 at 9:30 a.m. at Meezan House, C-25, Estate Avenue, S.I.T.E., Karachi, Pakistan and at any adjournment thereof.

Signed this _____ day of _____ 2021.

Please affix
revenue
stamp of
appropriate
value

Signature of Member(s)/Attorney

The Signature should agree with the specimen registered with the Company

Witness 1

Witness 2

Signature: _____

Signature: _____

Name: _____

Name: _____

Address: _____

Address: _____

CNIC or Passport No: _____

CNIC or Passport No: _____

NOTES:

- Proxies in order to be effective must be received by the Company not later than 48 hours before the time of the meeting.
- A member entitled to attend and vote at the Meeting may appoint another person as his/her proxy to exercise all or any of his rights to attend, speak and vote for him/her.
- Members are required to timely notify any change in their address to Bank's Shares Registrar THK Associates (Pvt.) Ltd. Plot No. 32-C Jami Commercial Street 2, DHA, Phase VII, Karachi-75500, Pakistan.
- Shareholders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
- If any member appoints more than one proxy and more than one instruments of proxies for any one meeting are deposited with the Company, all such instruments of proxy shall be rendered invalid.

- 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 Meeting.

For Appointing Proxies:

- The Proxy form be signed by the appointer or his attorney duly authorized in writing, or if the appointer is a body corporate, be under its seal or be signed by an officer or any attorney duly authorized by it.
- 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 regulations, shall submit the proxy form as per the above requirement.
- In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted along with proxy form to the Company.
- The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- Attested copies of CNIC or the passports of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.

For Attending the Meeting:

- In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.

Please affix
correct
postage

The Company Secretary
Meezan Bank Limited
Meezan House, C-25,
Estate Avenue, SITE,
Karachi, Pakistan.



نمائندگی فارم

جناب کمپنی سیکریٹری
میزان بینک لمیٹڈ
میزان ہاؤس، ۲۵-C
اسٹیٹ ایونیو، سائٹ، کراچی، پاکستان۔

میں/ہم _____ کا/کے _____ بحیثیت رکن میزان بینک لمیٹڈ
اور شیئر رجسٹر فوئیو نمبر _____ ایسی ڈی سی انویسٹرا کاؤنٹ نمبر/سی ڈی سی پارٹنیشنپ آئی ڈی نمبر _____
اور ذیلی اکاؤنٹ نمبر _____ کے مطابق _____ عمومی حصص کا/کے مالک، _____
کے/کی _____

کو اپنا/ہمارا نمائندہ مقرر کرتا ہوں/کرتی ہوں/کرتے ہیں اور
میزان بینک لمیٹڈ کے ۲۹ مارچ ۲۰۲۱ بروز پیر بوقت ۹:۳۰ بجے صبح کو میزان ہاؤس، ۲۵-C، اسٹیٹ ایونیو، سائٹ، کراچی، پاکستان میں منعقد ہونے والے ۲۵ ویں سالانہ اجلاس عام
یا اس کے ملتوی شدہ اجلاس میں شرکت کرنے اور اپنی/ہماری جگہ ووٹ دینے کا اہل قرار دیتا ہوں/دیتی ہوں/دیتے ہیں۔

براہ کرم مناسب قیمت
والے ریونیو اسٹیپ
چسپاں کریں۔

دستخط _____ ویں روز _____ ۲۰۲۱ کو کئے گئے۔

رکن (اراکین) کے دستخط

دستخط بینک میں رجسٹرڈ
نمونے سے مطابقت رکھنے چاہئے۔

گواہ 2:

گواہ 1:

دستخط _____

دستخط _____

نام _____

نام _____

پتہ _____

پتہ _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

2 کارپوریٹ ادارے کی صورت میں، اجلاس کے وقت بورڈ آف ڈائریکٹرز کی قرارداد یا پورا آف انارنی، مجمع شخصی دستخط
کے پیش کرنا ہوں گی (تا وقتیکہ پہلے فراہم نہ کی گئی ہو)۔

نوٹس: 1- نمائندگی کا تقرر نامہ مؤثر ہونے کے لئے اجلاس سے کم از کم 48 گھنٹے پہلے کمپنی کو موصول ہونا چاہئے۔

نمائندوں کی تقرری کے لئے (Proxies):

2- سالانہ اجلاس میں حاضر ہونے اور ووٹ دینے کا حق دار کوئی بھی ممبر کسی دوسرے ممبر کو اجلاس میں حاضر ہونے اور رائے
اور ووٹ دینے کے اپنے کسی ایک یا تمام حقوق استعمال کرنے کے لئے اپنی/اپنا نمائندہ مقرر کر سکتا ہے۔

1- نمائندگی فارم تقرری کنندہ یا اس کے انارنی کی جانب سے دستخط شدہ اور تحریری طور پر تصدیق شدہ ہو، یا اگر تقرری کنندہ کوئی
کاروباری ادارہ ہو تو فارم پر اس کی مہر ثبت ہو اور اسکی جانب سے قانونی طور پر مقررہ مجاز افسر یا انارنی کے دستخط ہوں۔

3- ممبران سے درخواست ہے کہ اپنے پتے میں کسی بھی قسم کی تبدیلی کی صورت میں بینک کے شیئر رجسٹرار THK
ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پلاٹ نمبر C-32، جامی کمرشل اسٹریٹ 2، ڈی ایچ اے، فیئر VII، کراچی-75500،
پاکستان کو فوراً مطلع کریں۔

2- انفرادی صورت میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/یا جن کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور
ان کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق آپ لوڈ ہوں، مندرجہ بالا شرائط کے مطابق پر کسی فارم جمع
کرائیں گے۔

4- مزید برآں، شیئر ہولڈرز کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ سرکلر 1 مجریہ 26 جنوری
2000 میں فراہم کردہ ہدایات کی پیروی کرنی ہوگی۔

3- کارپوریٹ اداروں کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد یا پورا آف انارنی امیدوار کے شخصی دستخط کے ساتھ
کمپنی کو پر کسی فارم کے ساتھ جمع کروانی ہوگی (تا وقتیکہ پہلے فراہم نہ کی گئی ہو)۔

5- اگر کوئی ممبر ایک سے زائد نمائندے مقرر کرتا ہے اور کسی ایک اجلاس کے لئے ایک سے زائد پر کسی فارم موصول
ہوتے ہیں، ایسی صورت میں تمام پر کسی فارم غیر مؤثر سمجھے جائیں گے۔

4- جن دو افراد سے پر کسی فارم کی تصدیق کروانی جائے گی ان کے نام، پتے کمپیوٹرائزڈ قومی شناختی کارڈ نمبر فارم
میں درج کیے جائیں گے۔

اجلاس میں شرکت کرنے کے لئے:

5- اصل مالکان اور ان کے نمائندوں کی کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول پر کسی فارم کے ساتھ
منسلک کی جائیں گی۔

1 انفرادی صورت میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/یا جن کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور ان
کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق آپ لوڈ ہوں، کو اجلاس میں شرکت کے وقت اصل قومی شناختی کارڈ

6- نامزد شخص کو اجلاس میں شرکت کے وقت اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوں گے۔

(CNIC) یا اصل پاسپورٹ دکھانا ہوگا۔

برائے مہربانی
درست ڈاک ٹکٹ
چسپاں کریں

محترم کمپنی سیکریٹری
میزان بینک لمیٹڈ
میزان ہاؤس C-25، اسٹیٹ ایونیو
سائٹ، کراچی، پاکستان



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reader application for your phone.



Meezan Bank
The Premier Islamic Bank

Head Office: Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.

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www.meezanbank.com