



President & CEO, Meezan Bank Irfan Siddiqui

“Management Accountants equipped with latest concepts from the world of Financial and Accounting contribute towards the functioning of the bank by undertaking analysis which helps identify opportunities.”

ICMAP: Please tell us briefly about your Bank and its performance in the banking sector in terms of deposits, assets base, advances and profitability and what measures your bank has taken to enforce good governance practices for improving internal control and ensuring strong oversight?

IS: Meezan Bank, in its fourteenth year of operations, is not only the largest Islamic Bank in Pakistan but is now also the 7th largest commercial bank in Pakistan in terms of branch network with 551 branches in 143 cities. 123 new branches were added during the year – the highest number in the Bank’s history – and this continuous expansion has enabled the Bank to serve customers in every part of the country, commensurate with its Vision to ‘establish Islamic banking as banking of first choice’.

For its deposit customers, Meezan Bank offers a wide range of deposit products -current, savings and term deposit accounts to cater to the diverse saving needs of its customers. Furthermore, in addition to traditional ‘brick and mortar’ branches, the Bank also provides channels such as ATMs, Call Centre, Internet Banking, Mobile Banking, SMS Alerts and Debit Cards – often referred to as Alternate Distribution Channels (ADC), to enable its customers to do their banking transactions at their convenience. The Bank also provides a full range of financial services to large number of corporate clients including multinationals and public sector entities as well as SME customers for meeting their financing and other business needs. In addition, it offers a wide range of advisory services and

financing solutions including on & off Balance Sheet structured finance, project finance, syndications and Sukuk to cater both short and long term financing needs of its clientele through Shariah-compliant modes

Meezan Bank is also the pioneer in providing Shariah-compliant consumer financing in the country and offers various consumer asset products to its customers. The Bank is one of the most active and leading players in the country's consumer finance market.

Some of the significant achievements during the period include:

- Deposit base grew by an impressive 24% in 2015 against overall industry growth of 11.5%
- Net Financing Portfolio of the Bank grew by 18.4%, outpacing the average growth of the banking industry that grew by only 7.3%, reaching Rs 208 billion as compared to Rs. 176 billion a year earlier
- Total assets of the Bank grew by 22% to Rs. 532 billion (\$5.1 billion) on December 31, 2015 from Rs. 437 billion on December 31, 2014
- Total equity of the Bank now stands at Rs 25.6 billion, up from Rs 23.3 billion a year earlier
- Launch of the first ever Islamic Branchless Banking in the world - Meezan Upaisa
- The Bank has one of the lowest Non Performing Loan (NPL) ratio in the Pakistani banking industry and offers one of the highest coverage ratios at above 100% in the industry

Over the last decade, the Code of Corporate Governance promulgated by the Securities and Exchange Commission of Pakistan, and the very effective implementation of Prudential Regulations by the State Bank, have jointly contributed towards the establishment of international best practices within the banking industry of Pakistan. Management of the Bank has established and maintains 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. This is ensured through experienced and independent Board of Directors and a seasoned management team which overviews all the activities of the Bank through committees.

The control activities are closely monitored across the Bank through Compliance, Shariah and Internal Audit departments, which cover all banking activities in general and key risk areas in particular. In addition to the above, the Board of Directors has also formed an Audit Committee which has direct oversight responsibility to ensure the independence of the internal and external audit functions. 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 and also meets with external auditors prior to approval of half-yearly and annual results of the Bank. Based on the observations and weaknesses identified by the auditors - both internal and external, and the Compliance and Shariah audit teams, improvements are brought about by the management in internal controls to ensure non-recurrence of those exceptions and elimination of weaknesses to the maximum possible level.

ICMAP: How is your bank dealing with the issue of non-performing loans and what is the progress made in Corporate Rehabilitation Law (CRA)?

IS: Mounting NPLs are haunting Pakistani banking sector for a very long time and are the main impediment in the growth of private sector credit. The best way to deal with NPLs is to avoid them from happening and for that you need a very robust credit screening process, because once a financing goes bad there is very little a bank can do to recover the amount due to our tedious and inefficient legal process. Fortunately, with the blessings of Allah SWT, Meezan Bank has the second lowest infected portfolio in the industry, and we have a dedicated department to deal with all such accounts. Willful default cases are pursued aggressively through court process and circumstantial defaults are dealt in the totally different manner, where our teams engage with the customers to find ways and means to revive the business and settle bank financings.

As far as the Corporate Rehabilitation Law is considered, we are of the opinion that banking industry needs some sort of legislations to deal with this chronic problem, however, it should not be one sided. Its enactment has been delayed for quite some time due to lack of consensus by the different parties involved. I think a law that resolves the problem of growing NPLs in the country without prejudice is the need of the hour.

ICMAP: Please explain your bank's policy towards SME financing. Could you share some statistics with regards to the bank's lending to the private sector, especially SMEs, during the last few years?

IS: Meezan Bank is very keen on expanding into financing the SME sector, which forms the backbone of any emerging economy. In the Pakistani banking scenario, this sector is comparatively less served, thus offering excellent opportunities to the banking sector for extending credit facilities, benefitting the industries in this sector as well as availing the banks an opportunity to expand their business. The comparatively higher returns offered in this sector, especially in the backdrop of continuously declining discount rate, also make it an attractive investment proposition for the Banks. ■

Meezan Bank's approach in extending SME financing has always been very prudent and we have diversified our portfolio into various sectors such as chemicals, textile, pharmaceuticals, cotton ginning, flour mills and rice husking etc, for effective risk management.

Recently, we have taken steps to facilitate the SME segment, such as program based financing through Karandaz and PMYBL scheme. Furthermore, we have delegated significant approval authority down the line to the Regional level and have also segregated SME staff from other segment staff, both in business and support departments, to enhance focus and improve the response time for this segment.

Following are the statistics of SME financing in the last three years.

Year	2013	2014	2015
Funded Outstanding	2.43 Billion	2.30 Billion	3.17 Billion
Non Funded Business	48.21 Billion	47.28 Billion	55.66 Billion

ICMAP: How do you see general emerging economic conditions in terms of challenges and opportunities and especially in the context of China-Pakistan Economic Corridor (CPEC)?

IS: CPEC would definitely have a positive impact on the economy of Pakistan as we are expecting unprecedented investment in all sectors of the economy. This would help us develop infrastructure, generate employment, help alleviate poverty and boost economic activity in the country. Successful implementation of CPEC Projects would also improve the overall investment climate in the country and would further strengthen Pakistan's case as an investment destination. Timely delivery of projects, law & order situation and ensuring political consensus would be the key challenges to overcome in this regard.

CPEC would make Pakistan become a conduit to international trade in ways never done before - promoting transport, logistics, ware-housing and communications industry directly. This would have a direct positive impact on our manufacturing and trading sectors, resulting in a higher economic growth rate.

ICMAP: Do you think that the banking industry in Pakistan is ready to capitalize on the opportunities of CPEC including massive liquidity and required financing appetite to meet the demand and is there any concrete measure have been taken in this regard?

IS: Yes - indeed. Banks in Pakistan are very well poised to contribute to CPEC and the banking industry is quite

capable of providing the necessary support for such a huge undertaking. Although it is not an issue to provide local currency liquidity to such projects; the ability of local banks to generate off-shore foreign currency financing could be a challenge. Furthermore, long term projects need long term funding which requires long term commitment. Also, support of international Credit Agencies and International Funding Agencies like ADB and IDB would be important as they have the much needed appetite for financing long-term infrastructure projects.

ICMAP: Is your bank foreseeing or in process of investment opportunity in any CPEC related projects such as construction of roads and motorways, energy and telecom projects etc.

IS: Yes - Meezan Bank is an active player in this regard and has already committed considerable exposure in terms of financing CPEC projects in various sectors. We feel that this would be a game changer for Pakistan and its economy and people, and we are well-positioned to benefit from this.

ICMAP: How do you see the role of Management Accountants in bringing operational efficiency in banks and also cost effectiveness in financial products offered to customers?

IS: Management Accountants equipped with latest concepts from the world of Financial And Accounting contribute towards the functioning of the bank by undertaking analysis which helps identify opportunities both from internal and external business environments through trend analysis, budgeting and market studies. Understanding costs and revenue streams across businesses and customer segments ensures that the bank allocates its resources for best possible deployment contributing positively for the benefit of all stakeholders.

ICMAP: How do you see the contribution of Management accountants under CPEC regime especially in the context of infrastructure projects, construction of roads and motorways, energy and telecom projects etc?

IS: For projects under CPEC, Accounting and Finance tools would help, through implementation of Management Accountancy, for Project Evaluation, determining long term returns from investments / liquidity deployment and evaluating viability of such investment - understanding economic benefit and its impact on our financial indicators and performance. In short, we would be able to make a better understood, well informed, quality decision through the use of Management Accountancy. ■