MCB-ARIF HABIB
Savings and Investments Limited

ALHAMRA
BACHAT SHARIAT KE MUTABIQ

MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED
MINUTES OF THE 174TH MEETING OF THE BOARD OF DIRECTORS
HELD ON THURSDAY, MARCH 10, 2022 AT 03:30 P.M.
ADAMJEE HOUSE, I. I. CHUNDRIGAR ROAD, KARACHI AND VIA VIDEO LINK

IN ATTENDANCE

SR. NO.	NAME	INITIALS	DESIGNATION
1.	Mr. Haroun Rashid	HR	Chairman
2.	Mr. Nasim Beg	NB	Vice Chairman / Director
3.	Mr. Ahmed Jahangir	AJ	Director
4.	Mr. Kashif A. Habib	KAH	Director
5.	Mirza Qamar Beg	QB	Director
6.	Savail Meekal Hussain	SMH	Director
7.	Ms. Mavra Adil Khan	MAK	Director
8.	Mr. Muhammad Saqib Saleem	MSS	Chief Executive Officer
9.	Mr. Muhammad Asif Mehdi Ri:	MAR	Chief Operating and Financial Officer
10.	Mr. Altaf Ahmed Faisal	AAF	Company Secretary

INVITEES

11.	Mr. Muhammad Asim	MA	Chief Investment Officer

All directors attended the meeting through Zoom.

QUORUM

Welcoming the Board members at the 174th meeting of the Board of Directors, the Company Secretary declared the quorum being present.

AGENDA

1) To confirm the minutes of the 173rd meeting of the Board of Directors held on February 08, 2022;

2) To consider and approve placement of deposit in Micro Finance Banks in Aggressive Income Funds;

3) To ratify the resolutions approved through circulations by the Board of Directors from the date of last Board Meeting;

4) To ratify decisions made by the Investment Committees of various funds to apply mark-up/mark-down in the valuation of debt securities in accordance with the SECP Circular No. 001 of 2009;

5) Any other matter with the permission of the Chair.

AGENDA ITEM 1

TO CONFIRM THE MINUTES OF THE 173RD MEETING OF THE BOARD OF DIRECTORS HELD ON FEBRUARY 08, 2022

AAF informed the members that minutes of 173rd meeting were circulated within time and no comments have been received. Afterwards, the Board members passed the following resolutions;

> ***"RESOLVED THAT***
> *Minutes of the 173rd meeting of Board of Directors held on February 08, 2022 be and are hereby approved and the Chairman of the meeting be and is hereby authorized to sign the minutes as token of confirmation."*

AGENDA ITEM 2

TO CONSIDER AND APPROVE PLACEMENT OF DEPOSITS IN MICRO FINANCE BANKS IN AGGRESSIVE INCOME FUNDS

MSS started by briefing nature of Micro Finance banks. Considering the risk associated with Micro Finance Banks, MSS informed that for Income Funds SECP has adopted a conservative view and has allowed maximum exposure limit of 25% of net assets. However, sector specific Income Funds and Aggressive Income Funds can place 100 per cent (%) of their net assets with Micro Finance Banks. Recently, due to attractive returns from micro finance banks, net assets in financial-sector specific Funds have increased significantly. MSS apprised that since these financial sector Income Funds have placed significant deposits in micro finance banks, these Funds are offering better returns, therefore, recently many investors including savvy corporates and individuals have converted their investments from Money Market Funds to these Funds. MSS furthered that in future we expect more investors to re-allocate and convert their investments into these Funds, which will result in decline in Company's revenue and would reduce Company's profitability. On suggestion from NB regarding withdrawal of existing placements, MSS informed that currently about PKR 2.5 billion of net assets are placed in microfinance banks. On QB query, MSS guessimated that mutual funds may have placed deposits of around Rs. 60 billion in micro finance banks. On query from HR, MSS explained that the impact of decision of pursuing micro finance over KPIs of the Company would be gauged near to the year-end.

MA then started explaining microfinance industry and regulatory framework and informed members that currently assets of microfinance banks (MFBs) industry stands at Rs.582 billion with nine nation-wide banks and two province wide MFBs in Pakistan. On SMH query regarding Capital Adequacy Ratio (CAR) of the sector, MA informed that CAR stands at 18.3% compared to regulatory requirement of 15% whereas sector's Advance to Deposit Ratio stands at 65.8%. Thereafter, following slides were shared and discussed with the Board members:

i. Microfinance Non-Performing Loan Trend;
ii. Microfinance Advances Breakup. Significant advances have been made to Agriculture and Live Stock sectors which could pose significant risk of non-performing loans on occurrence of any natural disaster;

iii. Microfinance Sector Risks. Major risks include lack of any collateral and tricky liquidity management due to unavailability of SBP discount window unlike conventional banks; and
iv. Microfinance Industry Deposits, Assets Quality and Capital.

MA imparted that the deposits of microfinance industry has grown by CAGR of 28.6% over the past five years. Considering inherent risks associated with the sector, the Research team after detailed analysis keeping in view the adequacy of their capital, good profitability and their ability to absorb risk and parent group have short-listed HBL Microfinance Bank and U Microfinance Bank.

MA then showed detailed performance of both these banks. MA apprised that HBL Microfinance Bank has shown phenomenal deposit growth of 48% in CY21 to PKR 91.3 billion and its advances increased by 36.5% to PKR 59 billion. MA added that CAR of HBL Microfinance Bank Limited and U Microfinance Bank stands at around 17% and 19% respectively. While showing Maturity Profile, MA informed that more than 90% of deposits of both these banks are of short-term nature whereas in case of advances 50% of HBL Microfinance Bank and about 78% of U Microfinance Bank are of short-term nature.

AJ opined that since the sector is based on advances without strong collateral, it pose a huge risk considering the current economic situation, and therefore, conservative view should be adopted which was agreed by all Board members. After detailed discussions, following resolutions were unanimously passed:

"RESOLVED THAT
Subject to the regulatory limits the placement of deposits in HBL Micro Finance Bank Limited up to 15% of the net assets be and is hereby approved."

FURTHER RESOLVED THAT
Deposits placed in Micro Finance Banks other than HBL Micro Finance Bank Limited be gradually reduced to zero."

AGENDA ITEM 3

TO RATIFY THE RESOLUTIONS APPROVED THROUGH CIRCULATIONS BY THE BOARD OF DIRECTORS FROM THE DATE OF LAST BOARD MEETING

MAR apprised the Board Members that the next agenda item is to ratify the transactions executed on behalf of Collective Investment Schemes and Management Company with Connected Persons circulated earlier to the Board Members. MAR informed the Board members that during the period from February 08, 2022 to March 09, 2022, resolutions relating to investment in shares of Adamjee Life Assurance Company Limited amounting to maximum of Rs.75 million offered through Book Building process in Pakistan Stock Market Fund; placement of cumulative amount of Rs. 950 million in TDRs of MIB by Al Hamra Daily Dividend Fund and Al Hamra Islamic Income Fund and sale of PIBs amounting to face value of 50 million each by Pakistan Sovereign Fund and MCB DCF to MCB Bank Limited were circulated. For ratifying following resolution was passed by the Board:

"RESOLVED THAT
The transactions executed on behalf of Collective Investment Schemes and Management Company with Connected Persons from February 08, 2022 to March 09, 2022 be and is/are hereby approved."

AGENDA ITEM 4

TO RATIFY DECISIONS MADE BY THE INVESTMENT COMMITTEES OF VARIOUS FUNDS TO APPLY MARK-UP/MARK-DOWN IN THE VALUATION OF DEBT SECURITIES IN ACCORDANCE WITH THE SECP CIRCULAR NO. 001 OF 2009

Regarding ratifying decisions made by Investment Committee with respect to application of mark-up/ mark-down in the valuation of debt securities from February 08, 2022 to March 09, 2022, as allowed in compliance with SECP Circular No. 01 of 2009, the Board members unanimously passed the following resolution:

"RESOLVED THAT
Decisions made by the Investment Committees of various funds to apply mark-up/mark-down in the valuation of debt securities in accordance with the SECP Circular No. 001 of 2009 for the period from February 08, 2022 to March 09, 2022 be and is/are hereby approved."

AGENDA ITEM 5

ANY OTHER MATTER WITH THE PERMISSION OF THE CHAIR.

INVESTMENT IN MUFAP (SELF REGULATORY ORGANIZATION)

MAR apprised Board members that the issue has been discussed initially in 164th Board of Directors meeting dated April 16, 2021 and approval was obtained for making investment upto maximum of 10% of MUFAP capital. MAR added that the Company has invested 26,500 share at Rs. 10 per share amounting to Rs. 265,000 in MUFAP. MAR furthered that an EOGM has been called on March 28, 2022 for election of directors. MAR added that Mr. Saqib Saleem may contest for the upcoming election of directors of MUFAP and incase he intends, following resolutions are being proposed which were agreed by all directors.

"RESOLVED THAT
"The name of Mr. Saqib Saleem as the contestant for the upcoming Election of Directors for MUFAP be and is hereby approved"

FURTHER RESOLVED THAT
"For EOGM to be held for election of directors on March 28, 2022 Mr. Muhammad Saqib Saleem be recommended to attend the EOGM."

There being no other item, the meeting was concluded with vote of thanks from the Chairman.

Prepared by	**Approved by**
Company Secretary	**Chairman**