



MCB Bank & Pakistan
...together for Life



Annual Report 2018





MCB Bank & Pakistan ...together for Life

Life thrives on togetherness, it cannot be conceived, cultivated, realize a purpose or reach fruition in silos. Just like MCB Bank and its customers, clients, stakeholders and shareholders, we have succeeded together, discovered opportunities as one and flourished to benefit mutually.

This year's MCB Bank Annual Report celebrates togetherness with a sense of gratitude and pride, the satisfaction that MCB Bank has only grown stronger over the course of more than 70 years with you... with Pakistan. From surpassing growth to attaining glory, from keeping promises to delivering profits, from achieving progress to bringing prosperity, from pledging reliance to cementing relationships and from securing strength to solidifying stability. This consistent progress is a function of continually making vital investments, to build our capabilities, our people, systems and products. With you, MCB Bank has become an exceptional bank with an extraordinary heritage and a promising future... with an assurance to being Together for Life.

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Vision

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

Mission

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



Strategic Objectives

- Delivering remarkable returns to stakeholders, sustainable performance, exceeding market and shareholder expectations
- Providing value added services through operational expansion, geography and upgraded system
- Building a corporate culture of equality, trust and team spirit as we remain dedicated to being a socially responsible organization

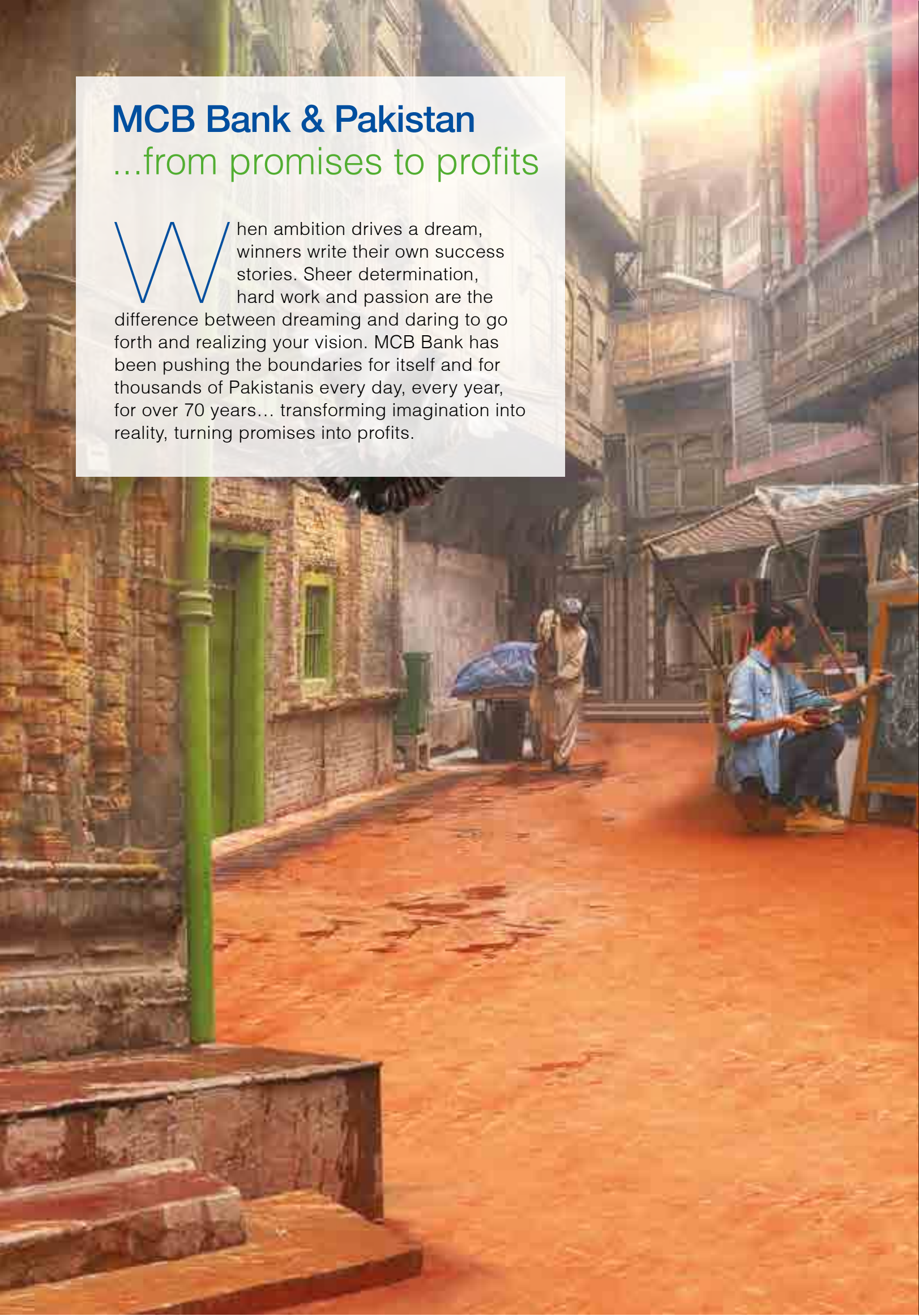




MCB Bank & Pakistan

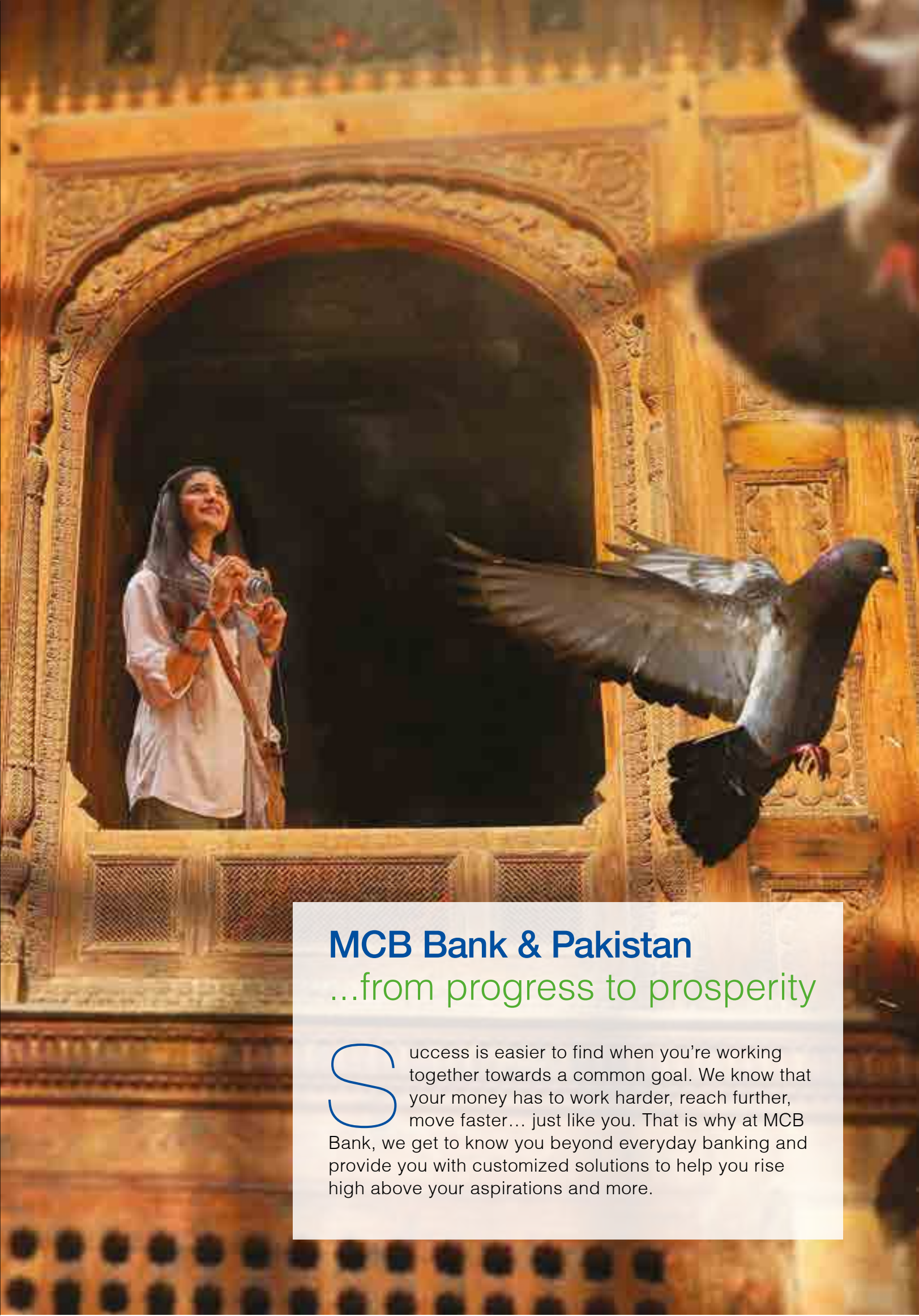
...from promises to profits

When ambition drives a dream, winners write their own success stories. Sheer determination, hard work and passion are the difference between dreaming and daring to go forth and realizing your vision. MCB Bank has been pushing the boundaries for itself and for thousands of Pakistanis every day, every year, for over 70 years... transforming imagination into reality, turning promises into profits.









MCB Bank & Pakistan

...from progress to prosperity

Success is easier to find when you're working together towards a common goal. We know that your money has to work harder, reach further, move faster... just like you. That is why at MCB Bank, we get to know you beyond everyday banking and provide you with customized solutions to help you rise high above your aspirations and more.

MCB Bank & Pakistan

...from reliance to relationships

We see the challenges of the present times as opportunities of a new age. Because we understand the financial partner you need is one who's seen you grow and watched you succeed. For over 70 years, MCB Bank has been serving the people of Pakistan with the same unshakable trust, year after year, generation after generation.





MCB Bank & Pakistan

...from growth to glory

Finding a bank with the right balance of strength and stability is what we aspire for in life. For over 70 years, MCB Bank has been offering solid financial ideas combined with the power of a personalized banking relationship. These are the seeds which bring out the best in you, so you can harvest the fruits of success with every glorious sunrise.



Core Values

Integrity

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

Innovation

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

Excellence

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

Customer Centricity

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

Respect

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





Awards

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

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

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

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

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

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

Best Islamic Loan Advisor, Pakistan
Project Finance House of the Year, Pakistan
Renewable Energy Deal of the year – Solar, Pakistan to MCB Bank Limited, MCB Bahrain, MCB Dubai
Oil and Gas Deal of the Year, Pakistan
Telecom Deal of the Year, Pakistan
Best Domestic Bank
Best Bank in Pakistan

Best Corporate Report Award 2017 - Winner

Best Investment Bank in Pakistan
1st - BCR Award 2016 - Banking Sector
Best Project Finance House in Pakistan
Project Finance House of the year in Pakistan
Renewable Energy deal of the year
Transport deal of the year
Best Regional Bank in South Asia for Belt & Road Initiative (BRI)
Best Bank in South Asia for Belt & Road Initiative (BRI)
Strongest Bank in Pakistan
Best Pakistan Deal, IPO of Pakistan Stock Exchange
Best Equity Pakistan IPO of Pakistan Stock Exchange
Runner Up - Corporate Finance House of the year
Certificate of Merit Best Presented Annual Accounts 2016-Banking Sector
Certificate of Merit SAARC Anniversary Awards for Corporate Governance

Best Bank in Pakistan 2016
Best Bank for Corporate Finance & Capital Market Development
Best Bank in Pakistan 2016
1st - BCR Award 2015 - Banking Sector
Most Innovative Investment Bank for Islamic Finance
Best Micro Finance Deal for National Rural Support Programme
Certificate of Merit Best Presented Annual Accounts 2015-Banking Sector
Certificate of Merit SAARC Anniversary Awards for Corporate Governance

Most Stable Bank of the year 2014
Best Bank in Pakistan 2015
1st - BCR Award 2014 - Banking Sector
Winner of Best Presented Annual Accounts 2014 - Banking Sector

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

2013 The Asset Triple A:	Best Domestic Bank - Pakistan
2013 The Asset Triple A:	Best Islamic Deal
2013 ICAP and ICMAP:	1st - BCR Award 2012 - Banking Sector
2013 LK Domain Registry Sri Lanka:	Best Website Award
2013 Lanka Clear Pvt. Limited:	T+1 Cheque Clearing Award
2013 SAFA Awards	Certificate of Merit Best Presented Annual Accounts 2012-Banking Sector
2012 The Asset Triple A:	
2012 Euromoney:	Best Domestic Bank - Pakistan
2012 NFEH:	Best Bank in Pakistan
2012 ICAP and ICMAP:	CSR Business Excellence Award "Best Media Coverage"
2012 World Finance:	2nd Best Corporate Report Award 2011 - Banking Sector
2012 Pakistan Centre for Philanthropy:	Best Commercial Bank - Pakistan
2012 SAFA Awards	PCP Corporate Philanthropy Award
	2nd Runner up Best Presented Annual Accounts 2011-Banking Sector
2011 CFA Association Pakistan:	
2011 CFA Association Pakistan:	Most Stable Bank of the Year
2011 Euromoney:	Best Bank of the Year
2011 ICAP / ICMAP:	Best Bank in Pakistan
2011 SAFA Awards	1st - BCR Award 2010 - Banking Sector
	Joint 2nd Runner up Best Presented Annual Accounts 2010-Banking Sector
2010 The Asian Banker:	
2010 The Asian Banker:	Strongest Bank in Pakistan
2010 MMT:	Leadership Achievement Award
2010 ICAP / ICMAP:	Best Bank Led MMT Service
2010 SAFA Awards	1st - BCR Award 2009 - Banking Sector
	Certificate of Merit Best Presented Annual Accounts 2009-Banking Sector
2009 Asiamoney:	
2009 The Asset:	Best Domestic Bank in Pakistan
	Best Domestic Bank in Pakistan
2008 Euromoney:	
2008 Euromoney:	
2008 Asiamoney:	Best Bank in Asia
	Best Bank in Pakistan
2006 Asiamoney:	Best Domestic Bank in Pakistan
2006 Euromoney:	
	Best Domestic Bank in Pakistan
2005 Asiamoney:	Best Bank in Pakistan
2005 Euromoney:	
	Best Domestic Bank in Pakistan
2004 Euromoney:	Best Bank in Pakistan
2004 Asiamoney:	
	Best Bank in Pakistan
2003 Euromoney:	Best Domestic Bank in Pakistan
2001 Euromoney:	Best Bank in Pakistan
2000 Euromoney:	Best Bank in Pakistan
	Best Bank in Pakistan







Products & Services

MCB Liability Products

MCB Bank offers a wide range of products and services hence ensuring ease and freedom for the customer to bank from any of the 1350+, branches across the country and a wide array of digital channels.

MCB Current Deposit Products

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

MCB Savings Deposit Products

MCB Bank offers a wide array of local and foreign currency savings products that cater to the short term investment and transactional needs. The Savings Deposit menu offers attractive profit rates on various savings products with multiple profit payment options.

MCB Term Deposit Products

MCB Term Deposits offer attractive short and medium to long term investment options with flexibility, convenience and security. With various tenor and multiple currency options, customers can choose the one that suits their needs. This is combined with multiple profit pay-out options and the added facility of being able to avail credit facility against their deposits.

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

- **MCB Smart Business Account:** A business account variant offering free services & transaction facilities at almost negligible average balance requirement. The account is targeted towards business entities in a more segmented and focused manner.

- **MCB Salary Club Account:** A unique product offering targeted towards organizations to manage payroll by getting the employee accounts opened with MCB Bank. MCB Salary Club Account has both Current and Savings variants on which the employees can avail various free benefits & discounts on different services.
- **MCB Ladies Account:** MCB Ladies Account is targeted specifically towards ladies with the main objective to create a niche for females of Pakistan and give them the freedom of managing their own finances with a sense of security and independence. This product offers various benefits including free Insurance with a unique blend of health, accident, critical illness and death coverage along with attractive discounts on other services. MCB Ladies Account holders also have an option to choose from 5 unique and colorful debit card designs with higher transaction limits along with an exclusive Cheque Book.
- **MCB Current Life Account:** A current account which offers Free Life insurance coverage of up to PKR 1 Million giving customers peace of mind by ensuring the security of their loved ones in case of an unforeseen event.
- **MCB Senior Citizens Account:** MCB Senior Citizens Account comes in both current and savings variants and aims to provide exclusive privileges in order for our elderly customers to take care of their financial needs with ease with discounts on a wide array of services.
- **MCB Pensioners Account:** MCB Pensioners Account comes in both Current and Savings Variants and allows the account holders to face the future with confidence and live to the fullest. This account is designed especially to cater to the financial needs of Pensioners and goes the extra mile to ensure peace of mind at this stage in their life. In addition, 50% discount on numerous services can be availed by opening up a MCB Pensioners Account.
- **MCB Asaan Account:** A current deposit account with simplified account opening requirements is designed to extend benefits of financial services to the unbanked segments of the society. This product aims to improve economic growth of potential customers under the financial inclusion initiative.
- **MCB 365 Savings Gold Account:** This account enables the customers to enjoy attractive returns on their deposit on a monthly basis along with making use of various self-service channels such as Internet Banking & Mobile Banking.
- **MCB Burqraftaar Remittance Account** is a promising product to serve home remittance consumers with security, convenience, and accessibility from a trusted medium. This account also provides a secure remittance inflow medium which will help the customer and the remitter with a unique withholding tax exemption on cash withdrawal. The account is targeted towards Remittance Beneficiaries, who are resident Pakistani's and rely on different mediums to receive funds with different risk associated mediums.
- **MCB Asaan Remittance Account** is another initiative by the SBP under the financial inclusion program to provide a secure home remittance inflow. The account is available in the current category only and is targeted towards the unbanked/under-banked remittance beneficiaries of Pakistan with simplified account opening requirements. This product not only increases the Bank's product portfolio but also fulfills its fiduciary responsibility of documenting the economy and creating saving habits amongst for its customers.

MCB E-Statements

MCB Bank's E-Statement initiative adds an additional layer of convenience for our digital savvy customers. Now there is no need to wait for postal deliveries as E-Statements are sent directly to your inbox making it easier to retrieve information when needed. They're safer, more secure & faster than traditional mailings and, of course, they're free.

MCB SME Card:

The MCB SME Card; the first of its kind card base clean lending product offering a working capital line to small enterprises (SEs) & medium enterprises (MEs). Introduction of this product challenges the conventional mindset for lending to SMEs and provides a new innovative approach.

The ideology behind introduction of this product is to support the SME sector of Pakistan that forms backbone of growing economies.

MCB Privilege Banking

Privilege Banking takes pleasure in taking you on

a journey of superior high-end customer services, rewarding in-branch experience, and a wider assortment of deposits, lending & wealth of products that are suited to meet your highest financial expectations. MCB Privilege customers experience unparalleled advantages that put them ahead of others. MCB Bank has nine dedicated Privilege Centers waiting to welcome you in Karachi, Lahore, Islamabad, Faisalabad, Rawalpindi and Multan with plans to expand to more locations.

MCB State Of The Art Up Mall Branches

MCB Bank reached another milestone by launching its first 7-Days open branches at Emporium and Packages Mall branches in Lahore that operate from Monday to Sunday with extended business hours. The initiative has been taken to cater to the financial needs of the customers and provides an avenue for the customers to enjoy banking services at their convenience. The initiative has proven to be a success and MCB Bank plans on opening more branches providing 7-Days banking facility to customers across the country.

MCB Agri Financing Products

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

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

MCB Bank fully supports all Government and State Bank of Pakistan initiatives for promotion and steady flow of credit to the farmers. This lends support to the national cause of food security for the people of Pakistan and to exploit the potential of agriculture sector. Efforts are made to enhance outreach to the growers through innovative lending including value

chains, processing units. MCB Bank will continue to support agriculture sector as a matter of its policy by remaining an active partner supporting progressive farmers by providing credit for all types of farm and non-farm activities. Micro credit need of small farmers is met through extending credit lines to NGOs supported through digital services, thus serving the cause of financial inclusion.

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

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

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

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

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

MCB Rupee Travellers Cheque

MCB Rupee Travellers Cheque is the best and safest alternate way of carrying cash. It can be used by travelers, businessmen or by the general public in meeting their day-to-day cash requirements while on the go. It is a safe and secure way to make payments because it gives the purchaser security that even if the cheque is lost it can be refunded. Unlike other types of funds/remittance transfer, which can only be drawn at a particular branch and can be encashed only at that branch, MCB Rupee Travellers Cheque can be encashed at any of our branches across the country.

MCB Consumer Lending Products

MCB Consumer Banking offers a full suite of consumer lending products to its valued customers. The Bank's current product portfolio consists of credit cards, auto loans, home loans, personal loans, secured personal loans and student personal loan (for LUMS MBA students). At MCB Bank, the ideology behind our innovative Consumer financing products focuses on meeting three of our client's objectives simultaneously, i.e. Affordability, Convenience and Lifestyle.

MCB Consumer Finance products enhance the overall life experience of our customers. MCB Bank works to collaborate with targeted brands and organizations to ensure that we provide premium value added services to our clients.

The MCB Consumer Banking Group is ably assisted by strong back office support which includes Operations, Service Quality, Internal Audit, Compliance and a Legal Team that work together to ensure that the Bank operates efficiently and in the best interest of its customers under the regulatory framework.

MCB Car4U

The Bank's auto financing service, MCB Car4U, provides a one-stop financing solution to help our customers obtain the automobile of their dreams. Customers are free to choose between used and new vehicles, both locally and foreign manufactured. MCB Car4U also allows the customers to finance up to three cars simultaneously from MCB Bank in line with their unique needs and requirements. Both loan and lease variants are offered under Car4U financing. MCB Car4U offers auto loans to customers in 1350+ of our branches across 85 cities. Both self-employed and salaried customers can apply for MCB Car4U Loan with ease. The Bank offers a competitive markup rate to all customers and also offers a discounted markup rate to its existing Branch Customers. Over the years,

the Bank has formed a strong network of auto-dealers, focusing on both new/used and imported car dealers so we can better facilitate our customers evolving needs... MCB Bank values its credible and expansive dealer network as one of the key pillars of its success in the auto finance business.

MCB Home Loan

Owning a home is a dream for many. At MCB Bank, we aim to help our customers to fulfill this lifelong ambition and turn their dream into reality. MCB Home Loans provides financing solutions for the purchase of a home as well as for a plot and construction thereon. To assist our customers at every stage of decision making and financing, we have placed teams of skilled professionals at multiple locations in the country.

MCB Credit Cards

MCB Credit Cards carry world class features that provide transactional & payment convenience to our customers across the globe. The cards are available in three different ranges i.e. Classic, Gold and Platinum to cater to the diverse needs of our distinguished customers.

Besides transactional convenience, these cards also offer payment flexibility / financial convenience to the customer such as 0% service fee on Installment Plans, transfer balances on a lower rate or even request for a Banker's Cheque in the customer's own name.

MCB Digital Banking Products and Services

MCB Debit Card

With global acceptance at more than 20 million merchants and 1.5 million ATMs worldwide; MCB Debit Cards is a way forward into the changing future of payments. MCB Bank is proud to have the latest dynamic chip-based Debit Cards which allow customers to have unmatched convenience, enhanced security and round-the-clock accessibility to their funds. MCB Debit Cards are accepted at 12,000+ ATMs and 45,000+ merchants nationwide, with promotional discount schemes designed to reward the user almost every time for shopping, dining, fuel and lodging etc. With an MCB Debit Card, one can forget the need to carry cash. The product proposition has been further enhanced with the launch of card variants like Platinum, Supplementary/ Gold Local across multiple international and local payment schemes which includes Visa, MasterCard and Paypak fulfilling various customer segment needs. MCB Bank is one of the handful of banks in Pakistan who have ventured to comply themselves with the PCI DSS which is considered to be the international bench

mark for card data security thus improving the overall product value proposition.

MCB ATMs

MCB Bank has the second largest ATM network in the country with 1300+ ATMs which includes more than 140+ off-site ATMs placed at commercial locations like malls, workplaces and hospitals etc., for consumers' convenience. The network covers 400+ cities across the country and is steadily growing. MCB Bank has one of the best ATM uptime rate across the industry, ensured by the presence of ATM monitoring teams working 24/7, periodic system health checks and timely hardware replacements. We take pride in the fact that our entire ATM network is equipped with anti-skimming and anti-malware solutions which helps in safeguarding customers. MCB ATMs provide our customers with 24-hours of convenience to withdraw cash, view mini-statement, utility bill payments, mobile top-ups, funds transfer and much more.

MCB CDMs

MCB Bank is one of the few selected banks in Pakistan which offers the service of Cash Deposit Machines (CDMs). They are an easy and time saving alternative to standing in queues for making deposits. All of our CDMs are available 24 hours a day and offer instant credit to your account. At MCB CDMs customers can make deposits, withdraw cash (up to their daily limit), transfer funds, utility bill payments, and credit card payments (for MCB Credit Cards only), get mini-statements and much more.

MCB Mobile

With the proposition "banking anywhere, anytime" MCB Mobile has proven and positioned itself as one of the most successful and highly sought after mobile banking service within a short span of time. MCB Mobile is an easy and secure way to transfer money, carry out balance inquiry, check mini-statements, buy top-ups, pay bills and much more. With a cumulative number of 500,000+ App downloads from both Apple's App Store and Google's Play Store the business is geared up to explore new possibilities across different verticals. So stay tuned for more!

MCB Internet Banking

MCB Internet Banking is a state-of-the-art online banking platform for our customers. With enhanced transactional limits, multi layered security, self-registration, friendly user interface and a host of functionalities/services. MCB Internet Banking has enabled the bank to deepen its Digital Banking footprint while allowing millions of its customers to manage and control their bank accounts; whenever

and wherever they want.

MCB Call Centre

The human voice is still valued as the most trusted and relevant form of communication medium by a majority of our clients. This has inspired us to constantly improve our service and upgrade our MCB Call Center to the world's best CISCO Platform. This proactive upgrade has enabled us to enhance service delivery across multiple channels while allowing us to address specific needs of our esteemed customers. MCB Call Center is equipped with 200+ trained professionals who offer a wide array of financial and non-financial services in multiple regional languages around the clock. The customers are further facilitated through self-services modes like Interactive Voice Response (IVR) and Telephonic Personal Identification Number (TPIN). The Call Center not only serves MCB Bank's existing customers but also cross-sells and up-sells a number of products and services as well.

MCB Lite

MCB Bank received its branchless banking license 7 years ago, and formally started its branchless journey with the launch of MCB Lite in 2014. MCB Lite mobile wallet allows customers to handle their daily transactions and payments in an efficient and real time manner from one's mobile phone. Moreover, to support foreign remittance, the enablement of Lite Remit feature has allowed customers to receive money directly into their Lite mobile wallet from anywhere in the world. MCB Lite is all set to now explore new fronts and expand its overall footprint across the branchless banking arena.

MCB Card Discounts

Caring for and giving back to our esteemed customers is what MCB Card Discounts is all about. MCB Bank is proud to have the best discount offers for our prized MCB (Debit, Credit, Prepaid and Lite) card holders. With a wide variety of discounts across all top retail merchants and brands ranging from dining, shopping and lodging. MCB Bank's motto i.e. 'Bank for Life' is truly personified through our MCB Card Discounts program. The year 2018 concluded with the bank onboarding more than 30+ top of the line discount partners for multiple strategic and long term discount deals.

MCB Alerts

MCB Bank is proud to offer its valued customers with alerts services comprising of SMS alerts. This service allows customers to keep track of all of their banking transactions through SMS notifications. By applying to this service, customers receive real time updates

whenever they conduct a transaction on any of their MCB bank accounts. It is a great way of staying updated about the transactions conducted on one's account(s).

Card Acquiring (POS)

MCB Bank has a strong POS Network of approximately 4500 merchants at key locations across Pakistan. Our Point of Sale (POS) network is fully compliant with EMV & UICC (international safety & quality standards) and accepts Visa, MasterCard, UPI, JCB and Paypak enabled cards from all over the world. The POS Acquiring business continues to grow due to deepening of merchant relationships, round the clock support, increased POS productivity and quality of deployments.

Internet Acquiring (MCB eGate)

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

CFIBG Products and Services

MCB Home Remittances has established its brand as MCB Burqraftaar within the remittance industry and is committed to contribute towards the national interest of promoting remittances through legal channels by continuously improving customer experience for Pakistanis across the globe. In 2018, MCB Bank has witnessed a growth of 34% in terms of volumes as compared to 2017. Our market share has increased phenomenally from 12% to 15% during the year, thus making MCB Bank the second largest remittance recipient bank in the country. MCB Burqraftaar is proud to deliver smiles to millions of Pakistanis throughout the year.

MCB Motherland Account: MCB offers Non-Resident Pakistanis the facility to open and operate an account in their home country while still residing abroad. It is

designed to allow transferring of funds to family and loved ones back home with the convenience of your own personal account.

MCB Transaction Banking: Transaction Banking Division (TBD) provides a wide range of value-added collection and payment services to large corporations through the Bank's vast network of real time branches. TBD provides structured and customized collection products enabling customers to realize their sales proceeds swiftly from across the country, supported by real-time MIS reports.

- **TBD - FI Cash Management:** We offer unique cash management solutions to our local Correspondent Banks and Non-Bank Financial Institutions to meet their particular requirements for fund collection, payment, reconciliation and reporting.

- **Online Fund Transfer (OFT):** This web based electronic fund transfer facility has been designed to enable large network of franchises / dealers / distributors to conduct real time branchless transactions through secured MCB website.

- **Dividend Warrant Management:** The Bank provides a complete and comprehensive dividend solution to customers through Electronic Transfers to Shareholders Accounts & processing of Warrants through MCB branches, followed by a complete reconciliation. Foreign dividends are also managed end to end by TBD.

- **Tejarat Card:** Tejarat card is a closed loop debit card designed for cash-less electronic transactions empowering businesses to conduct branchless transactions through Point of Sale (POS) terminal.

- **Sub Clearing Arrangement:** Micro finance banks that do not have operating licenses for clearing can now rely on MCB to act as their sub-clearing agent for processing transactions through NIFT.

- **Payment Station:** Corporate Payment Station "Pay Direct" offers a real-time comprehensive payment and transfer mechanism for corporate and large business entities. This allows our customers to virtually execute A2A, Cash Payments, Bankers Cheque, IBFT, RTGS and Report Printing.

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

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

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

Banker to the Issue for IPO's & Right Shares

We provide efficient & effective processing for both IPOs & Right Share Mandates. Our branches are well-trained in handling collections for both these products. Information mentioned in the forms is matched with funds collected and after reconciliation these are transferred to the respective company.

MCB Corporate Financing

MCB Corporate Financing provides access to diversified financing options, including working capital loans, term loans, trade finance services and investment banking.

MCB Project and Structured Finance

Finance structure, where the loan is tightly structured around the cash flows, risks are allocated amongst various stakeholders, and there is limited or no recourse to the sponsors.

MCB Syndicated Loans and Debt Capital Markets

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

MCB Quasi Equity / Hybrid Instruments

MCB Quasi Equity/Hybrid Instruments structure and place a category of debt that has some characteristics of equity such as being unsecured, subordinated or with a potential equity upside.

MCB Equity Capital Raising

MCB Equity Capital Raising relates to raising capital for our clients by offering common or preferred equity to public or private investors, through initial public offers, offers for sale, rights issues and private equity placements and underwriting of equity issues in the Capital Market.

MCB Advisory Services

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

MCB Sri Lanka - Products and Services

Current Account

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

Savings Account

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

Fixed Deposits

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

MCB Kidz Club

Children are the wealth of our nation. We offer ample encouragement and incentives to assure them of a future that's secure. MCB Kidz Club Account offers an attractive interest rate coupled with a wonderful gift scheme based on the account balance. This encourages parents and children to grow their account

balance in order to enjoy the financial return, as well as to collect gift items on reaching specific account balances.

Foreign Currency Accounts

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

MCB Smart Card

MCB Smart Card provides access to Savings / Current account 24 hours a day, right throughout the year. Our ATM connectivity extends to a sharing network with over 4000 ATMs Island wide via Lanka Pay, which is the largest common ATM network in the country.

Virtual Banking

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

Safe Deposit Lockers

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

MCB Personal Loan

MCB Personal Loan is designed to offer fast and convenient solutions for financial needs of individuals. The facility is exclusively offered for employees of preapproved list of companies. Customers can borrow up to 12 times of their monthly net salary subject to a maximum of LKR 3 M, repayable over 84 months. Further, our customers have the option of selecting a variable interest rate which is aligned with market fluctuations or to sign up with a fixed rate for the entire repayment period.

Vehicle Loan – Car4U

We offer leasing solutions to help our customers to drive the vehicle that they always have dreamt of. Our leasing packages come with competitive interest rates and different We offer leasing solutions to help our customers to drive the vehicle that they always have dreamt of. Our leasing packages come with competitive interest rates and different repayment tenures up to five years. Also we finance for both brand new and reconditioned vehicles to make the

leasing package more affordable for each customer.

MCB Home Loan

MCB Home Loan opens doors to numerous financing options to help our customers to purchase, build or renovate their new/ existing home. Customers can borrow up to LKR 35Mn, repayable over maximum loan tenure of 25 years.

Remittances

Our customers can avail a comprehensive range of money transfer options including Pay Orders, Demand Drafts and Telegraphic Transfers. Furthermore, we always ensure our customers get the best exchange rates at conversion. As an International bank that has a wide correspondent network, our customers can be certain that their money is secure and reach its destination in the fastest time possible.

Trade Services

Empowering individuals and businesses to reach their highest potential is foremost on our minds, as we streamline and customize our processes and product portfolio. This is supported by maintaining a comprehensive range of trade products and services, offering convenient and secure modes to transact with their business partners. These include Letters of Credit (LC), Collections, LC Advising, various modes of Guarantees and Bonds.

SME & Corporate Financing

We offer diversified finance options for Small/Medium Entrepreneurs and Corporate customers to achieve success in their business. These financing options range from overdrafts, leasing for vehicle and machinery, working capital loans, term loans, trade finance solutions and structured project financing in order to cater to the evolving needs of our Business Banking customers.

UAE - Products and Services

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

MCB Current Deposit Account

It is designed to provide our wholesale customers with transactional convenience and flexibility. Choices of local (AED) and International currencies (USD/ GBP/EUR) are available at attractive options for our business customers with low minimum balance.

365 Savings Business Gold Account

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

Term Deposit

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

Demand Finance

It is financing for a fixed period repayable either in periodic installments or in lump sum, at a future date. An attractive option for our business customers that require financing against fixed assets such as Plant and Machinery, Land, Building etc.

Overdraft

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

Bills Discounting

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

Post-dated Cheque Discount Facility

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

Finance against Trust Receipts (FATR)

Financing against Trust Receipt enable our customer to honor the payment to their supplier by letting the bank pay on their behalf without reducing customer's credibility. The customer simply has to submit a Trust Receipt (TR) Letter which contains a statement of receiving the goods on Bank's behalf and promising

to pay the Bank on deferred basis.

Financing against Receivables

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

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

Guarantees

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

Internet Banking

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

Bahrain – Products and Services

MCB-Bahrain is engaged in various activities.

Syndicated Transactions

MCB-Bahrain actively participates in various regional transactions for Corporates, Financial Institutions and Sovereign entities. This may include both conventional and Islamic structured transactions. Moreover, the bank is engaged in risk sharing transactions with other reputed banks for confirmation/discounting of trade instruments.

Loans and Advances

MCB-Bahrain also provides loans & trade facilities to its bilateral clients. MCB Bahrain financed for short term or long term funded facilities to its own clients and is providing project specific financing in the region.

Trade Finance

MCB-Bahrain provides all types of trade finance facilities to its clients. Trade finance services range from opening of all types of L/Cs, advising, confirmation, discounting of L/Cs, documentary collection, bill discounting and issuance of bank guarantees. LC Reimbursement & Remittances: MCB-Bahrain also acts as reimbursement agent on behalf of MCB's branches in Pakistan, Dubai and Sri Lanka to make payments to various banks/beneficiaries all across the world against their respective L/Cs / remittances.

MCB Current Account

It is designed to provide our customers with transactional convenience and flexibility. Accounts are opened in international currencies (USD/GBP/EUR) with low minimum balance.

MCB Savings Account

MCB Bahrain offers saving accounts in International currencies (USD/GBP/EUR) to customers and offer attractive interest rate on deposits while giving the flexibility to use the funds for transactional needs as well. An attractive option for customers with high balance and require transactional flexibility.

Term Deposit

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

Fixed Income Investment

MCB-Bahrain has been investing in various fixed income securities like Sovereign bonds, Sukuk or any other fixed income products.

FX & Money Market (Treasury)

MCB Bahrain has its treasury and has built relationship with leading banks to full its borrowing / placement requirement. MCB Bahrain manages has its own funds management therefore, we do borrowing / placement / SWAP etc. of funds as per its liquidity position.

Correspondent Banking

MCB-Bahrain also initiates and develops business relationship with various banks within and outside Bahrain. The branch maintains its Nostro/accounts with

various reputed banks in different countries. The unit has its own SWIFT system to maintain correspondent relationship with banks in various countries.

MCB Trade Products

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

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

to MCB LCs on “Free of Cost” basis thus increasing acceptability of MCB’s Import LCs and facilitate import customers.

- **Europe LC Routing Program:** Under this program the branches of MCB’s partner bank located in UK will be handling LC transaction originated by MCB under special arrangements which includes advising, confirmations, bill discounting and UPAS transactions.

MCB Islamic Bank Limited

MCB Islamic Bank Limited (the “Bank”) is the wholly owned subsidiary of MCB Bank Limited and commenced its operations in 2015 with a nation-wide network of branches.

The aim of MCB Islamic Bank Limited is to be the first choice Shari’ah compliant financial services provider for the customers and to carry out business purely in accordance with Shari’ah principles with full conviction and devotion.

The Bank currently operates to provide Shari’ah compliant value added and innovative banking solutions for customers under the supervision of a Shari’ah Board chaired by the renowned Islamic scholar Professor Mufti Munib-Ur-Rehman.

The Bank focuses on building strong and lasting relationships, the Bank also delivers an experience that satisfies all types of customers across Corporate, Commercial, SME, Consumer, Agriculture and Micro sectors. The Bank offers wide range of Riba Free and Shari’ah compliant products for both personal and business needs.

The Bank is using the world’s renowned Oracle Flexcube as its Core Banking Software, the Bank offers different services and products to customers through a branch network of 176 branches backed by 179 On-Site and Off-Site network of ATMs. The Bank also offers EMV enabled Debit Cards, iOS and Android based native Mobile and Internet Banking services. Moreover, the Bank is fast developing its suite of Cash Management services for businesses.

The Bank is committed to share in the mutual benefits with the customers, staff and shareholders who participate in our business success under the highly skilled and seasoned management with the prime objective of ensuring our customers’ satisfaction.

Products and Services

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

Deposit Products

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

- | | |
|---|---|
| ■ MIB Hidayat Current Account | ■ MIB Asaan Current Account |
| ■ MIB Basic Banking Account | ■ MIB Hidayat Foreign Currency Account |
| ■ MIB Imaan Saving Account | ■ MIB Barkat Saving Account |
| ■ MIB Barkat Saving Plus Account | ■ MIB Barkat Saving Premium Account |
| ■ MIB Barkat Super Saving Account | ■ MIB Asaan Saving Account |
| ■ MIB Imaan Foreign Currency Saving Account | ■ MIB Atfaal Saving Account |
| ■ MIB Na’mat Plus Term Deposit | ■ MIB Na’mat Plus Foreign Currency Term |
| ■ MIB Aasoodgi Term Deposit | ■ MIB Na’mat Term Deposit |
| ■ MIB Financial Institutions Term Deposit | |

Digital Banking

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

- | | |
|----------------------------|---------------------|
| ■ MIB Qadar Cards | ■ MIB Phone Banking |
| ■ MIB Internet Banking | ■ MIB Mobile App |
| ■ SMS Notification Service | ■ MIB ATMs network |

Consumer Finance

MCB Islamic Bank offers Halal and RIBA Free Housing Finance (Rihayesh Finance) & Car Finance (MiCar) products to provide Shari’ah compliant housing and vehicle financing solutions to Individuals.

SME Banking

MCB Islamic Bank offers Shari'ah Compliant Financial solutions for Small and Medium sized enterprises. These products have been designed by industry professionals in close consultation and working with a team of Shari'ah experts. These products addresses, Murabaha Financing, Finished Goods Murabaha, Musharakah Export Finance – Foreign, Istisna Financing, Islamic Export Re-finance Scheme, Finished Goods Musawamah & Commodity Salam.

MCB Islamic Bank offer following SME Banking services:

- Short Term or Working Capital requirement facilities
- Long Term or Fixed Assets based facilities
- Trade or Guarantee facilities
- State Bank of Pakistan Refinancing Scheme

Microfinance

For fulfilling the needs of growing small / micro businesses in both Urban and Rural areas of Pakistan, MCB Islamic Bank Limited offers Murabaha Microfinance for Businessmen and women operating in a diversity of sectors. Through this financing facility, they can avail financing of up to PKR 500,000.

Commercial Banking

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

Commercial Financing is catering to financing needs of its customers in the following different manners:

- Trade Services
- Working Capital Finance
- Medium & Long Term Finance

Corporate Banking

MIB Corporate Banking team is focused on providing a range of diverse financial services (including tailor made solutions) to corporate clients (including multinational and public entities) by partnering with them and build long-term sustainable relationships.

Our dedicated teams within Corporate Banking are situated in offices located in Karachi, Lahore, Islamabad, Multan and Faisalabad. Our in-house

expertise of product specialists and Shari'ah scholars are well versed in providing Shari'ah-compliant financing solutions to meet our customer's credit, trade, foreign exchange, investment banking and various other business requirements in a hassle free, effective and efficient manner across a diverse range of industries.

Our Corporate Banking relationship teams also liaison with Treasury, Cash Management, Trade, Investment Banking and Consumer Banking departments to develop and deliver offerings that are used across diverse businesses.

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

■ **Working Capital Finance**

A complete product suite for extending Shari'ah Compliant products for working Capital Finance including Murabaha, Istisna, Finished Goods Murabaha, Commodity Salam, Finished Goods Musawamah, and Musharakah Running Finance for catering to balance sheet needs of Corporates / Commercial / MNCs for managing their day-to-day funding needs.

■ **Long-Term Finance**

For catering to Balance Sheet requirements under long-term financing, MIB has an array of medium to long term financing products which includes Corporate Ijarah & Corporate Diminishing Musharakah.

■ **Trade Services**

MIB also offers a range of import and export services to effectively manage customer's local and global supply chain needs and provides them a competitive edge. These facilities extend for both raw materials to fixed assets. Services that are offered include:

■ **Export Services**

- Bills for Collection under Export
- L/C Advising & Confirmation services
- Currency Salam (alternate for Export Discounting)
- Pre-shipment and Post-shipment financing on Islamic modes of financing

- **Import Services**
 - Letter of Credit
 - Import Financing

- **Bank Guarantees**

Cash Management Services

MIB has a significantly enhanced capability of receiving collections on behalf of Bank's customers, whereby we can support diverse requirements of our clients for receiving payments from their payers throughout the bank's branch network. This product encompasses the entire paper-based accounts receivable function.

MIB Services

MCB Islamic Bank Ltd. also offers various services to meet growing needs of its customers, some of which are as follows:

- MIB Remittance Service
- Shari'ah Services
- Cash Management
- FX Services
- PRISM Services

Corporate Information

Board Of Directors

Mian Mohammad Mansha	Chairman
Mr. S. M. Muneer	Vice Chairman
Mr. Muhammad Tariq Rafi	
Mian Umer Mansha	
Mrs. Iqraa Hassan Mansha	
Mr. Muhammad Ali Zeb	
Mr. Mohd Suhail Amar Suresh Bin Abdullah	
Mr. Nor Hizam Bin Hashim	
Mr. Yahya Saleem	
Mr. Salman Khalid Butt	
Mr. Imran Maqbool	President & CEO

Audit Committee

Mr. Yahya Saleem	Chairman
Mian Umer Mansha	Member
Mr. Muhammad Ali Zeb	Member
Mr. Nor Hizam Bin Hashim	Member

Chief Financial Officer

Mr. Hammad Khalid

Company Secretary

Mr. Fida Ali Mirza

Auditors

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

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

Principal/Registered Office

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

Contact Us:

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

Registrar's and Share Registration Office Head Office:

M/s. THK Associates (Pvt.) Limited
1st Floor, 40-C, Block 6, P.E.C.H.S.,
Karachi, Pakistan.

Branch Office:

M/s. THK Associates (Pvt.) Limited
1st Floor, DYL Motorcycles Ltd. Office,
147-Q Block, Behind Emporium Mall,
Johar Town, Lahore, Pakistan.



Board of Directors







Mian Mohammad Mansha

Chairman

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

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

Mr. Mansha is also a committed philanthropist and provides regular support to numerous Pakistani charities and social causes. He has made significant contributions to the Saleem Memorial Trust Hospital and to Children's Hospital, Lahore

for the upgrade of their pediatric cardiac surgery facilities. In the past he has lent personal support to Shaukat Khanum Memorial Trust, Lahore Hospital Welfare Society, Mind Organization, Human Rights Society of Pakistan, Kidney Care Centre, The Citizens Foundation, Friends of Pakistan Institute of Cardiology Trust, Care Foundation, SOS Village, Lahore Model School Sant Nagar, Aziz Jahan Trust for the Blind and Altaf Mehmood Foundation among many others.

He was presented with Pakistan's Civil Award, the Sitara-e-Imtiaz, for his contributions to industrial development, in 2004.

Other Directorships:

- MCB-Arif Habib Savings and Investments Limited
- MCB Leasing CJSC Azerbaijan



S. M. Muneer
Vice Chairman

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

In addition, he has received the 'Sitara-e-Isaar' and the 'Sitara-e-Imtiaz' in 2006 and 2007 respectively by the President of Pakistan in recognition of his outstanding public services for the cause of humanity. His contributions and achievements go beyond the economic sphere into the education sector as well. He was awarded an Honorary PhD degree (Doctorate of Philosophy) in January, 2009 by the Governor of Sindh. He is former President of Federation of Pakistan Chamber of Commerce & Industry (FPCCI), Member of the Board of Governors of IoBM and Greenwich College, Karachi. He is on the Board of Shaukat Khanum Cancer Hospital, Lahore, The Kidney Centre Post Graduate Training Institute. He is Patron-in-Chief, Korangi Association of Trade and Industry (KATI), Kashif Iqbal Thalassaemia Care Centre, Trust (KITCC). Mr. S. M. Muneer is the Chairman of Chiniot Anjuman Islamia running many hospitals, maternity homes, schools & colleges in Karachi, Faisalabad and Chiniot. Mr. S. M. Muneer was awarded "Life Time Achievement Award" by the President of Pakistan in 2012, and also awarded Life Time Achievement Award in the same year in the City of Markham (Canada) by the Mayor Mr. Frank Scarpitti in the presence of Members of Parliament. Recently, he has been awarded Who's who recognition of Achievement Award in the field of Trade Politics by the National Council of Who's Who Pakistan in Karachi on December 29, 2018.

Other Directorships:

- Din Textile Mills Limited
- Din Leather (Pvt.) Limited
- Din Farm Products (Pvt.) Limited
- Din Industries Limited



Muhammad Tariq Rafi
Director

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

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

Other Directorships:

- Siddiqsons Limited
- Siddiqsons Tin Plate Limited
- Central Depository Co. of Pakistan Limited
- Triple Tree (Pvt) Limited (Ocean Tower)



Mian Umer Mansha Director

Mian Umer Mansha was elected as a Director on the Board of MCB Bank in November 1997 and served till September 2007. He was re-elected as a Director in Bank's 61st AGM held on March 27, 2009.

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

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

Other Directorships:

- Nishat Mills Limited
- Adamjee Insurance Company Limited
- Adamjee Life Assurance Company Limited
- Nishat Hotels & Properties Limited
- Nishat Developers (Pvt.) Limited
- Nishat (Raiwind) Hotels and Properties Limited
- Nishat Dairy (Pvt.) Limited
- Nishat Agriculture Farming (Pvt.) Limited
- Hyundai Nishat Motor (Pvt) Limited
- Nishat Agrotech (Pvt) Limited
- Nishat (Gulberg) Hotels and Properties Limited



Iqraa Hassan Mansha Director

Mrs. Iqraa Hassan Mansha has more than 08 years of diversified professional experience in Hotel Industry. She received her BSc Degree in International Politics from London School of Economics and MSc degree in International Relations from the University of London School of Oriental and African Studies (SOAS).

She is serving in the capacity of Chief Executive Officer of Nishat Hospitality (Private) Limited and as Director on the Board of following companies:

Other Directorships:

- Nishat Hotels and Properties Limited
- Nishat (Gulberg) Hotels and Properties Limited
- Nishat (Aziz Avenue) Hotels and Properties Limited
- Nishat (Raiwind) Hotels and Properties Limited
- Emporium Properties (Pvt) Limited
- Nishat Real Estates Development Company (Pvt) Limited
- Nishat Hospitality (Pvt) Limited



Muhammad Ali Zeb
Director

Mr. Zeb is currently the CEO and Managing Director of Adamjee Insurance Company Limited. He is fellow member of Institute of Chartered Accountants of Pakistan and has over 21 years of diversified professional experience in the fields of Finance, Insurance & Manufacturing. He also served as council member of Insurance Association of Pakistan and Pakistan Insurance Institute. Insurance Association of Pakistan elected him as the Chairman for the year 2014 in terms of its Constitution.

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

Other Directorships:

- Adamjee Insurance Co. Limited;
- Adamjee Life Assurance Company Limited;
- Nishat (Chunian) Limited.



Nor Hizam bin Hashim
Director

Mr. Hashim is serving as Director, Maybank since June 2016. He is a Chartered Accountant by profession and is registered with the Malaysian Institute of Accountants. He also holds Bachelor degrees in Jurisprudence with honours from the University of Malaya and in Commerce (majoring in Accounting, Finance and Economics) from the University of Western Australia. He has a vast experience spanning over a period of 30 years in senior advisory services, legal advisory services, strategic management of overseas investments and operational management of businesses both in public and private sector.

Between year 2007 and 2011, he was appointed as an Expert Officer to the Public Private Partnership Unit and Economic Planning Unit in the Prime Minister's Department, and contributed towards enhancing value attribute in public private partnership.

He also holds the office of director of "Badan Pengawas Pemegang Saham Minoriti Berhad" (also known as the "Minority Shareholders Watch Group") and of Maybank Islamic Berhad since December 2009 and October 2016 respectively.



Mohd Suhail Amar Suresh Bin Abdullah Director

Mr. Suhail has more than 30 years of global experience in various areas related to Corporate Strategy, Business Development & Marketing, Information Technology, Systems and Applications Architecture within the Banking and Telecommunications industries.

Mr. Suhail is the Group Chief Technology Officer and the Head of Maybank Shared Services for the Maybank Group. He is primarily responsible for transforming IT within Maybank and strengthening the in-house technical capability to support the Group's vision and aspirations. Mr. Suhail develops and leads the execution of the Group Technology strategies, systems and capabilities in collaboration with the Group Business to achieve business goals. Mr. Suhail's goal is to build differentiated regional strategic capabilities for the Group by leveraging technology as a competitive advantage, especially for enhanced customer experience, greater efficiency and cost advantage. Mr. Suhail previously served as the Group Chief Information Officer and Head of Virtual Banking & Payments in his tenure with the Maybank Group, where he led the evolution of the Digital Strategy roadmap and was responsible over the roll out of several key digital platforms and capabilities across multiple markets.

Prior to joining Maybank Group, Mr. Suhail was the Managing Director of Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear), a wholly owned subsidiary of Bank Negara Malaysia, responsible for the growth and success of the National e-payment infrastructure and services. He also served as the Group Managing Director of Malaysian Electronic Payment System Sdn. Bhd. (MEPS) and was responsible for accelerating the growth of MEPS as the centralized national switch. Mr. Suhail also held several senior positions in the Information Services Division of a commercial bank. Throughout his extensive career in other multinational organisations, Mr. Suhail oversaw overall technology investments and directed the implementation and integration of Technology services within the Asia Pacific region.

Presently, Mr. Suhail is a Director on the Board of MCB Bank Limited and a member of the Board's Business Strategy & Development Committee, Risk Management & Portfolio Review Committee and Information Technology Committee. He is also a member of Board Oversight Committee for Information Technology of Maybank Ageas Holding Berhad and a Director of MBB Labs Pvt. Ltd.

Mr. Suhail is a Fellow of the Malaysian Institute of Management and Associate of the Asian Institute of Chartered Bankers Association (formerly known as Institute of Bankers Malaysia-IBBM). He holds a Masters of Business Administration from Charles Sturt University, Australia.



Yahya Saleem Director

After graduating from the Lahore University of Management Sciences (LUMS), Mr. Yahya joined the family business as director of the Nishat Chunian Group with setting up a spinning mill in 1990. The company has since diversified into weaving, home textile, power generation and entertainment sectors. Today with a turnover of PKR 29.8 billion, NCL ranks amongst the top 5 textile companies in Pakistan.

The group ventured into the power business in 2007 with a 200 MW Independent Power Plant (IPP), Nishat Chunian Power Ltd. With a turnover of PKR 16.47 billion in 2015, the IPP provides electricity to the national grid. Both the companies are listed on the Pakistan Stock Exchange.

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

In 2015, he started a company by the name of NC Trading USA that is a Cotton trading company based in USA and actively sells US cotton in Pakistan. In 2017, NC Trading USA sold cotton worth USD 50 million to leading textile mills in Pakistan.



Salman Khalid Butt
Director

Mr. Salman Butt is an accomplished international business executive and ex-banker. He is currently a Dubai, U.A.E. based entrepreneur. He started his career with Citibank N.A. in 1985 and worked for 20 years as an international banker with Citibank N.A. and Samba Financial Group, holding several senior positions in Corporate and Investment Banking in Pakistan, Hong Kong, UK, Egypt and Saudi Arabia.

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

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



Imran Maqbool
President & CEO

Mr. Imran Maqbool serves as President & Chief Executive Officer of MCB Bank Limited. He is a seasoned professional with over three decades of diverse, international banking experience. Prior to his current role, he was the Head of Commercial Branch Banking Group, where he successfully managed the largest group of the Bank in terms of market diversity, size of the workforce, number of branches, on a countrywide basis and diversified spectrum of products. His earlier, multi-faceted assignments included heading Wholesale Banking Group–North, Special Assets Management and Islamic Banking. He was also posted as Country Head, MCB Sri Lanka.

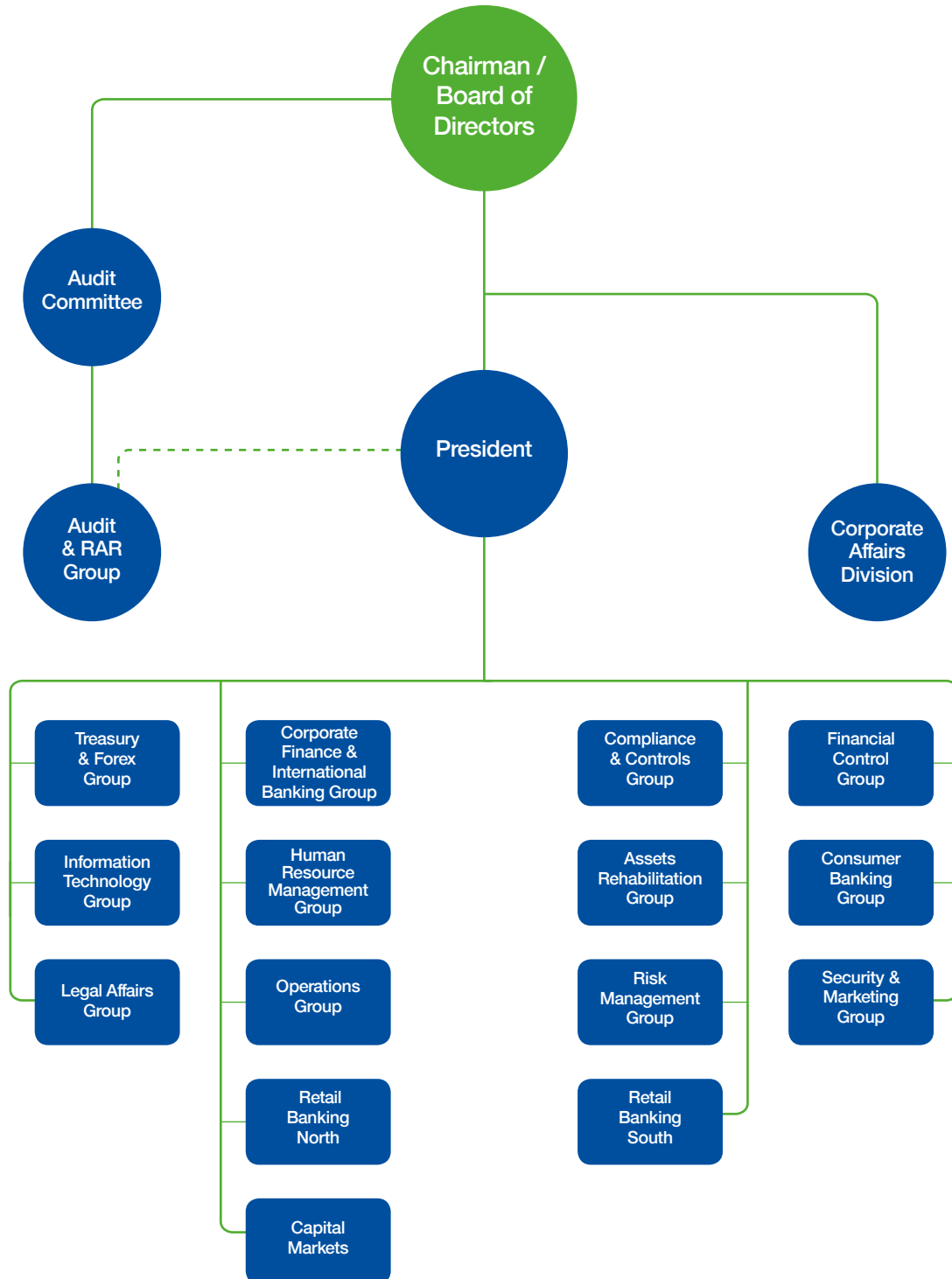
Before joining MCB Bank in 2002, Mr. Maqbool was associated with local banking operations of Bank of America and Citi Bank for over seventeen years where he worked in various senior management roles in respective banks.

Mr. Maqbool holds an MBA degree from the Institute of Business Administration (IBA-Karachi) as well as an MS in Management from the renowned Sloan School of Management (Massachusetts Institute of Technology) in the USA.

Other Directorships:

- Adamjee Insurance Company Limited
- MNET Services (Pvt) Limited
- MCB Financial Services Limited
- MCB Employees Foundation
- Pakistan Tobacco Company Limited
- Adamjee Life Assurance Company Limited

Organizational Structure



----- Administrative Reporting
 ————— Functional Reporting



Management Committee



- 1st Row (L to R) - Usman Hassan, Kamran Zaffar Muggo
2nd Row (L to R) - Faisal Ejaz Khan, M. Nauman Chughtai, Salman Y. Zaidi
3rd Row (L to R) - Muhtashim Ashai, Hammad Khalid



1st Row (L to R) - Imran Maqbool, Hassan Nawaz Tarar, Nadeem Afzal
2nd Row (L to R) - Syed Mudassar Hussain Naqvi, Laqa Sarwar, Zargham Khan Durrani
3rd Row (L to R) - Farid Ahmad, Azfar Alam Nomani

Other Senior Management



Fida Ali Mirza
Company Secretary



Malik Abdul Waheed
Advisor to Chairman



Shoaib Mumtaz
Country Head UAE



Aali Shafi
Country Head Sri Lanka



Muhammad Farooq Wasi
Group Head Audit & RAR



Entity Credit Rating

LONG TERM

AAA

SHORT TERM

A1+

Corporate Profile of the Bank

MCB Bank is one of the oldest banks of Pakistan, incorporated in 1947. It was privatized in 1991. MCB Bank is majority owned by Nishat group (~36%), a prominent business conglomerate, having diversified interests in Textiles, Cement, Banking, Insurance, Power Generation, Hotel Business, Agriculture, Dairy, and Paper Products. To accede to international capital markets, the Bank launched Global Depository Receipts (GDRs) in 2006. It was the first Pakistani Bank that got its GDRs listed on the London Stock Exchange. In 2008, the Bank entered into a strategic partnership with Maybank, Malaysia, which owns 18.78% stake in MCB through Maybank International Trust (Labuan) Berhad.

In 2017, Fullerton Financial Holdings (International) of Singapore through Bugis Investments (Mauritius) Pte Ltd acquired 5.49% stake in MCB under merger scheme of NIB Bank with and into MCB Bank Limited. During 2018, the Bank transferred business of its 90 branches to its wholly owned subsidiary MCB Islamic Bank Limited to capitalize opportunities for growth in Islamic Banking sector.

Subsidiaries

MCB Financial Services Limited

Holding: 100%

Profile: Float, administer and manage modaraba funds, modarabas and also acts as trustees of various mutual funds.

MNET Services (Private) Limited

Holding: 100%

Profile: Service providers for Electronic Transactions to financial institutions/banks including related services in Information Technology, software and data processing.

MCB Islamic Bank Limited

Holding: 100%

Profile: Objective of the Bank is to carry on Islamic Banking Business in Pakistan in accordance and in conformity with the principles of Islamic Shari'ah and in accordance with regulations and guidelines of the State Bank of Pakistan.

MCB - Arif Habib Savings & Investments Limited

Holding: 51.33%

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

"MCB Leasing" Closed Joint Stock Company, Azerbaijan

Holding: 99.94%

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

Financial & Management Services Pvt. Limited

Holding: 95.90%

Profile: It provides Financial & Management Services but company is fully provided and in dormant status.

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

Adamjee Insurance Company Limited

Holding: 20%

Euronet Pakistan (Private) Limited

Holding: 30%





Chairman's Review

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

Once again we are proud of how MCB Bank Limited has persevered and prospered in tough macroeconomic conditions. We have continued to burnish our reputation as a leader in the Pakistani Banking Sector. Our most valuable asset, our people, has been central to our continued success and we are sincerely grateful for their hard work and dedication.

2019 promises to be a year of opportunity provided we are ready to tackle our challenges head on. Infrastructure projects under CPEC are fast approaching completion and going forward need to be put to optimal utilization for realization of their full benefits to the economy during the industrialization/investment phase of the CPEC. The Government will have to ensure availability of power and other utilities to the industry, by ensuring proper transmission and distribution free of unnecessary bureaucratic controls and hurdles. This will particularly matter for the successful development of Special Economic Zones (SEZ) under next phase of CPEC. The government will have to continue its efforts to improve Pakistan's status on ease of doing business indicator, such as facilitating visa processing and adopting international best practices. A particular governmental focus will be very beneficial for promoting progress in manufacturing, power and agriculture sectors since they constitute the backbone of the economy.

Growth in different sectors of the economy has attracted major international companies towards Pakistan where they see excellent prospects; a huge consumer market, cheap labor and a strategic location. All these factors bode well and indicate the Pakistani economy is ready to prosper but only if it is allowed to fulfill its potential. The auto sector is a genuine

source of hope and has attracted many famed international manufacturers to make a direct investment in Pakistan. We anticipate that this rapidly maturing sector with its focus on localization can play a major role in generating economic activity, employment and exports in the long term. With the improving security situation, we are also seeing fresh interest developing in Pakistan's potential as a hub for international tourism. International air carriers are commencing operations in Pakistan after a long hiatus. Pakistan's diverse natural and cultural heritage has rich untapped potential around which tourism products can be developed. Efforts directed towards this sector will bring valuable foreign exchange, generate employment opportunities and boost our Nation's international image.

In the financial sector, there is ample room to capitalize on opportunities for growth. The Islamic Banking sector is one such area that is rich with potential. Pakistan's Islamic Banking network fuelled by a vigorous demand for dynamic Islamic financial solutions marches steadily onwards. The recent pertinent decision of the Government to launch PKR 200 billion in Sukuk bonds for the power sector breaks new ground for Islamic Banking. At MCB Bank, the transfer of 90 branches to our wholly owned subsidiary MCB Islamic Bank is indicative of our confidence in the promise of Islamic financing. We anticipate this sector will be central to efforts linked with boosting financial inclusion, particularly in rural localities.

As one of Pakistan's foremost financial institutions, MCB Bank Limited is poised to take full advantage of emerging prospects. It is worth noting the great role our Board of Directors play in the Bank's success. As always, the MCB Board has displayed great acumen and unmatched standards of ethical and professional conduct in the oversight and management of the organization. This dedication has proved to be invaluable for preserving the interests of our shareholders.

For the purpose of Board evaluation, a comprehensive criterion has been developed as per regulator's guidelines and international best practices. The Board has carried out self-evaluation and overall performance of the Board measured on the basis of approved criteria was excellent.

The Board has ensured good corporate governance by maintaining high levels of professional and business conduct, implementing effective internal controls and audit functions including risk management framework. It has successfully steered and executed the Bank's strategy while ensuring that the vision, mission and core values of the Bank are never compromised upon. It has also closely reviewed policy-related matters with long-term implications as per regulatory obligations which also meet the Bank's operational requirements. Sub-Committees have been duly constituted with a defined scope of work to ensure that they perform their prescribed functions precisely and efficiently as per their mandate and respective terms of reference.

Despite the challenges and opportunities we anticipate in the future, we are confident that the Bank will continue to move towards greater heights of success. With our diversified Board of Directors, innovative product portfolio, unparalleled emphasis on service and unflinching focus on excellence, we endeavor to succeed and thrive, no matter the conditions or environment.

Mian Mohammad Mansha
Chairman
MCB Bank Limited



President's Review

Our reputation is our most treasured asset and the foundation upon which we have built our Bank and its legacy of excellence. We know that the only way to protect and improve our reputation is to exceed our valued customers' expectations, meet our commitments, innovate in our business and deliver tangible results. By best understanding and embracing our customers' needs we have over the years succeeded in building stronger and lasting relationships and raising the benchmark for quality in the Pakistan banking sector.

2018 was another year of great challenges and adverse economic conditions but our numbers demonstrate the tenacity of our capable leadership team to deliver coveted financial results. The sustainable growth in our profitability and financial position depicts our customers' faith in our innovative financial solutions and the dedication and hard work of our passionate and talented teams. We have a history of delivering outstanding results and making our stakeholders truly believe that MCB is their Bank for Life.

Our track record of delivering superior returns to all our stakeholders continued this year as well. During 2018, our financial performance and balance sheet strength allowed us to return significant capital to our shareholders in the form of dividends, which totaled Rs. 18.96 billion. MCB Bank reported a profit before tax of Rs. 32.1 billion (+3%) and profit after tax of Rs. 21.4 billion (-5%) while the assets of the Bank grew by 12% to Rs.1.5 trillion over last year. In comparison with 2017, net interest income grew to Rs. 46 billion registering a growth of 8%, with Return on Assets (ROA) and Return on Equity (ROE) of 1.5% and 15.5%, respectively. Our results reflect the underlying strength and earning potential of the Bank, which we believe will bear even more fruitful results next year in a rising interest rate environment.

Our capital is at industry-leading levels and significantly above the requirements of the regulator, which is indicative of our institutional strength and fiscal health. We continue to prudently manage risk throughout the Bank while maintaining a strong risk management culture. Being on the front line against financial crime, we at MCB Bank take our responsibility to our customers and stakeholders seriously and ensure meticulously that every activity passes through a stringent compliance filter. Exceptional efforts have been made in reducing the size and volume of the portfolio of questionable transactions with continuing improvements in credit quality across major consumer, commercial and corporate portfolios.

Our deposit base, with a 91% concentration in CASA, is one of the highest in the banking industry and demonstrates the loyalty of our customers, which has been earned through premium banking services and growing accessibility to our matchless banking solutions through our wide branch and ATM network. Trade and Home Remittance businesses have also contributed significantly to our formidable fiscal performance, as in 2018 MCB Bank witnessed a growth of 34% in terms of Home Remittance volumes, which also positively impacted our market share that increased phenomenally from 12% to 15% during the year. Due to this, we are proud to be the leading recipients of remittances in the banking industry. Another first, was the significant performance of our MCB Cash Management services, which crossed an annual volume of PKR 1.6 trillion in 2018 which is the highest ever in the history of the Bank.

MCB remained active throughout Pakistan, UAE and Sri Lanka through our diverse network of 1,400 branches (including 13 sub-branches) and more than 1,300 ATMs. Another major leap by MCB Bank during 2018 was the transfer of 90 branches from MCB Bank Limited to our wholly owned subsidiary MCB Islamic Bank Limited. This was in acknowledgement of our customers' desire to satisfy their growing need of financial solutions that conform with Shari'ah rulings and our confidence in the potential of the Islamic Banking industry in the country. We continue to explore investment opportunities within and outside Pakistan in order to further expand our local and international footprint while strengthening our outreach beyond our existing network. We believe that there are significant opportunities for MCB in the medium to long term across our entire footprint and beyond.

Our efforts to improve the internal operational environment of MCB Bank were recognized at many different forums. The strength of our Bank was reaffirmed by the Pakistan Credit Rating Agency (PACRA), which maintained our credit ratings at AAA [Triple A] for long term and A1+ [A one plus] for short term. Our performance was acknowledged by various local and international entities, including Asiamoney who honoured MCB as the "Best Domestic Bank of the Year 2018" while FinanceAsia conferred upon MCB the "Best Bank in Pakistan 2018" award. For the sixth consecutive year, the joint committee of Institute of Chartered Accountants of Pakistan & Institute of Cost and Management Accountants of Pakistan (ICAP/ICMAP) awarded MCB Bank with the "Best Corporate Report" award in Financial Sector category for MCB's 2017 Annual Report. These and many other awards encourage us to continue to pursue the strategies that have served us and our stakeholders well throughout our rich history.

Our results are demonstrative of the competent execution of well-defined strategies and provide us assurance that we are indeed on the right track to achieve and deliver on future goals and milestones. We are proud to carry a balanced mix of resources to generate consistent value for our stakeholders. MCB is well positioned to benefit from the gradual transformation that is taking place in the banking landscape with due focus on the delivery of the existing infrastructure. Macroeconomic imbalances have made the operating environment more demanding for financial institutions; however, based on our forward looking and proactive approach we are well poised to

deliver in even trying circumstances. We remain committed to providing tailored financial products to our vast customer base while safeguarding them from ever-growing global cyber security threats. Such a challenging operating environment encourages us to be more responsive and innovative in our efforts to meet and exceed customer expectations.

We are moving today into a smart world driven by data and technology and the banking industry has been at the forefront of this change. This makes it incumbent for us to keep abreast of the latest developments that are driving change in the banking sector in this highly competitive and fast changing business environment. Our Digital Banking platform has created one of the most vibrant, secure and flexible payment ecosystems in the sector and provides transactional convenience to our large customer base.

We highly value the trust that our customers place in us as this has been achieved through decades of consistent results and continuous improvement in our service quality levels. In 2018, our customer base expanded to 7.8 million accounts which is further testament to our customers' confidence in MCB. We have performed well in our Consumer Lending segment as depicted by 17% YoY growth in credit card portfolio and increase in Auto loans respectively. As one of our key income drivers, the Bank has been strategically focused on Bancassurance which touched new highs in the year 2018.

Our employees are undoubtedly the core asset of our Bank and I acknowledge their hard work and dedication in elevating our profile. During the year, employees' development and trainings remained our highest priority as the commitment and professionalism of our team is our distinct strategic advantage. We are acutely aware of the importance of retaining and attracting the best talent.

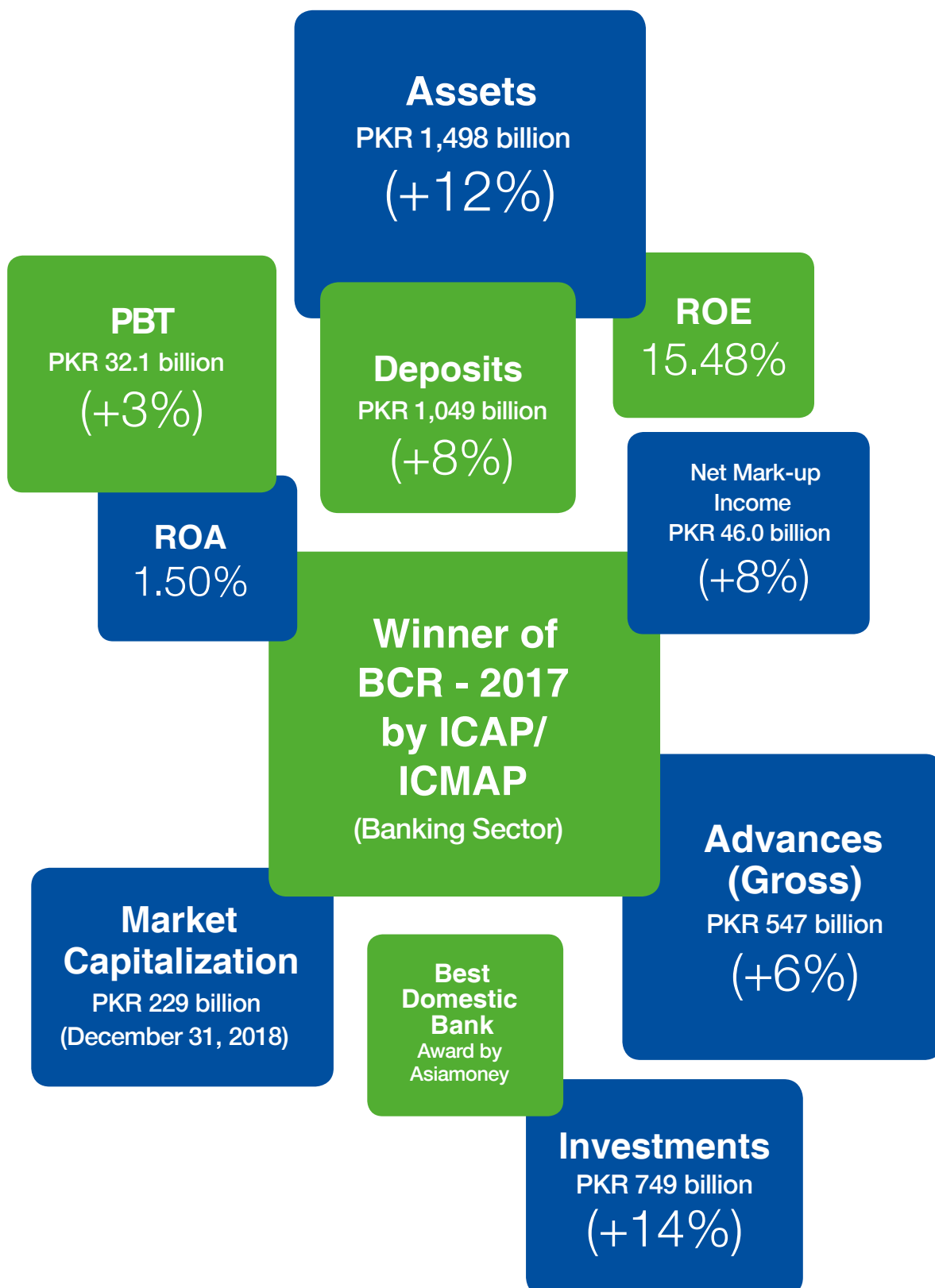
The current economic turbulence, commodity price fluctuations, tax reforms, current account deficit, law and order situation, etc. are amidst the many challenges facing the economy and the banking sector. However, with the best professional management and a proactive approach, we possess the ability to take MCB to even greater new highs. We are determined to fulfill our customer needs and ensure our brand promise: 'Bank for Life'.

Lastly, I would like to acknowledge the guidance of the Chairman, Board of Directors and foreign partners for their contributions in making 2018 yet another profitable year for MCB. The dedication and hard work of our team strengthens our belief that we are One Bank and One Team. The confidence of our customers is our pride and we are passionate to serve them with increased diligence and interest. With our energy, team work, commitment and unity of purpose, I have no doubt that we will always go the extra mile to meet and exceed the expectations of our shareholders, customers, employees and regulators.

Imran Maqbool
President & CEO
MCB Bank Limited

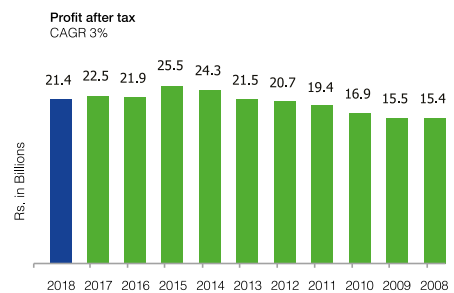
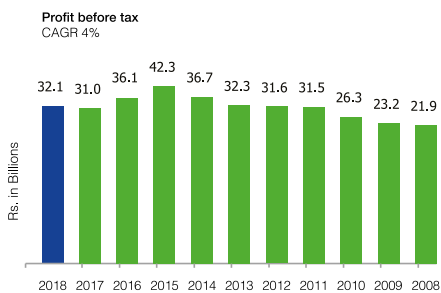
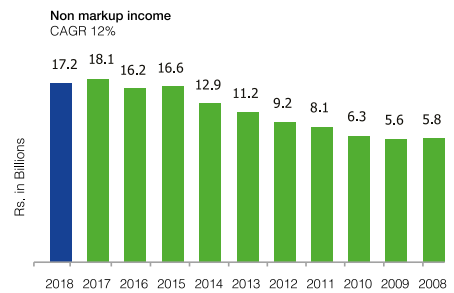
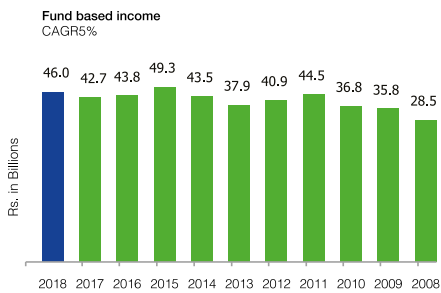
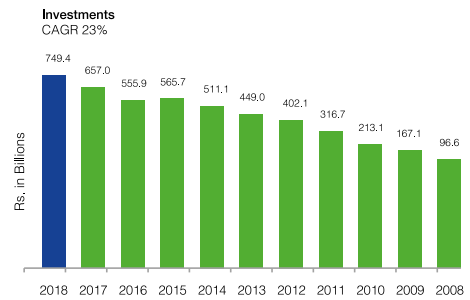
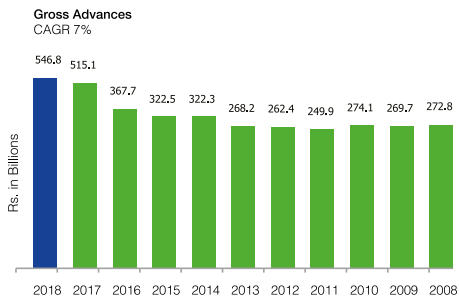
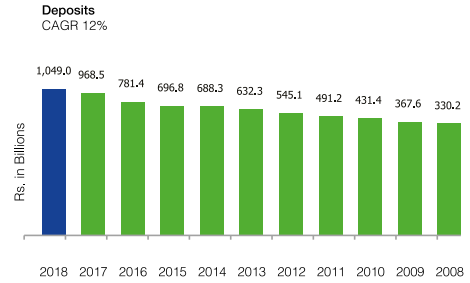
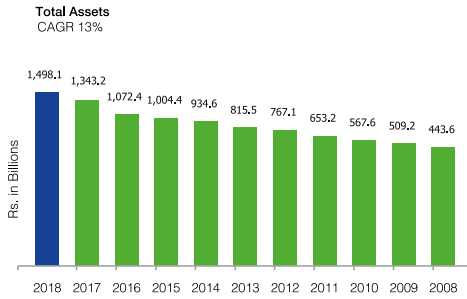
Highlights

2018



Financial Performance 2008 - 2018

10 Years Trend



Forward Looking Statement

The Annual Report-2018 of MCB Bank Limited carries forward looking statements in its different sections. Since there are uncertainties related to occurrence of the future events, those should be read in conjunction for decision making by the users of the Annual Report. Forward looking statements contain words such as 'expect', 'anticipate, believe, seek, will, may, would, presume, assure, hope, so on and so forth. A forward-looking statement naturally addresses matters that are, to certain degrees, uncertain and may not happen. In most cases, a forward-looking statement is made in respect of Bank's expected income, earnings, business growth, horizontal expansion, cost structure, capital structure, dividends etc. Such a statement is made based on some assumptions about future events which may or may not happen.

Pakistan economy future outlook

As 2018 comes to a close, all global economic forecasters have revised down the expected economic performance of the country citing shrinking foreign exchange reserves and a high debt burden amongst other factors. The World Bank, International Monetary Fund (IMF) and the Asian Development Bank have brought down the GDP growth forecast by 2-3%. Reputable credit rating agencies Moody's and Fitch Ratings have downgraded Pakistan to the lower end of the highly speculative grade. However, the central bank and the government have taken measures to correct the imbalances in the economy. Going into the year 2019, we believe that these steps will help contain aggregate demand and put the economy on a long-term growth trajectory again.

MCB future outlook

Despite fragile economic conditions resulting in subdued business activity, the Bank is committed to deliver exceptional results to its shareholders in 2019. We are committed in expanding our network of branches to meet our valuable customers' expectations with parallel investment on the digital infrastructure. We would continue to improve our asset quality, increasing low cost deposit base, deploying cost efficient techniques and increasing contribution from non-markup segment. We are exceedingly focused in increasing low cost CASA base to increment our net interest margins.

Credit appetite being a mainstream business line of the Bank, instigate us to avail all righteous opportunities that fall within the risk appetite defined by the institution. We would remain dynamic and persistent in retail banking, corporate banking, SME financing and agricultural credit. We are deepening the consumer market penetration through increased focus on consumer product lending.

Recovery from infected portfolio would remain one of the key targets in 2019. We would continue adding products and services to our menu and anticipate significant growth in our non-fund based income. Our special emphasis is on increasing our digital banking range to align ourselves with the ever changing business dynamics. Our dedicated team of professionals would take every possible opportunity to serve our esteemed customers.

We are committed in maintaining our status of one of the leading banks operating in Pakistan through enriched service quality, financially viable tailored products to meet requirements of our esteemed customer and translating the underlying financial strength of the entity into profits.

Our employees are undoubtedly the core asset of our Bank and we acknowledge their hard work and dedication in elevating our Bank. Employees' development and trainings would remain our foremost priority as committed and professional team is our strategic advantage. We would acutely remain conscious in retaining and attracting the best talent.

A well-outlined business strategy is essential for the success and sustainability of any business venture. Without one, organizations can lack direction, efficiency and profitability. MCB has the right strategy in place to deliver superior returns to our shareholders. We would remain aligned with our strategic objectives in order to meet our valuable stakeholders' expectations.

Uncertainties that could affect the Bank's resource, revenues and operations

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

Discount rate / Monetary Policy: Based on different assessment parameters, the State Bank of Pakistan can change the monetary policy rate. Any decrease in the discount rate will result in lower net interest income and reduce the profitability of the Bank. Impact of 1% change in interest rate is around Rs. 2.6 billion on profit and loss account of the Bank.

Inflation: Inflation is considered as a key determinant of policy rate change. Any uptick in the inflation statistics will have a material impact on the monetary policy rate along with other drivers. With higher discount rates, the Banks will be able to invest in high yielding assets, thus resulting in increased profitability.

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

Corporate Tax rate: Any increase in corporate tax rate or continuation of super tax will adversely impact the profitability of the Bank.

Economic, technological, political, regulatory & social risks are detailed in risks and opportunities section of this report.

Status of projects disclosed in the forward-looking statement of previous year:

Details of last year projects	Status
Implementation of new ATM controller and Card Hosting system	In process
Revamp of Lahore call center	Completed
Launch of Master Debit Card	Completed
Home remittance in mobile wallets	In process
Demerger of 90 branches from MCB Bank Limited	Completed

Performance of the Bank against forward-looking disclosure of 2018 as presented in Annual Report 2017

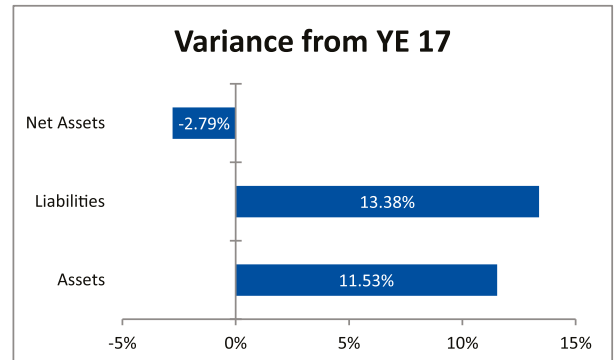
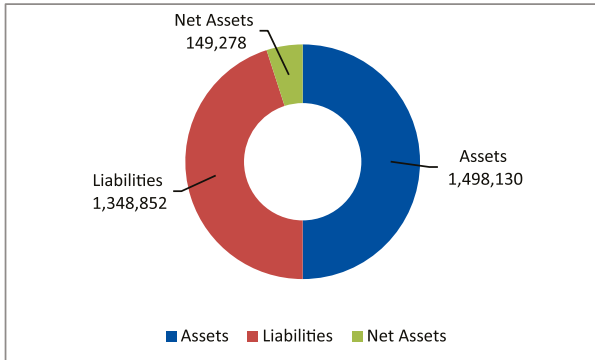
Forward-looking disclosure for 2018 as presented in annual report 2017	Performance of the Bank in 2018 against forward-looking disclosure
<p>Going into the year 2018, we are optimistic about the outlook for the local economy. Although inflation is expected to rise owing to higher international oil prices, greater aggregate demand and the depreciation of the PKR versus the dollar, we expect the economy to continue its growth momentum. The benefits of the China Pakistan Economic Corridor (CPEC) and other infrastructure projects will be more increasingly felt during the year as they inch closer to completion. Moreover, the depreciation of the currency will also help address the external imbalances of the country, improving the country's export competitiveness and reducing imports.</p> <p>Despite adverse indications relating to the external current account, trade balance, and anticipated interest rate volatility, the Bank is committed to delivering exceptional results to its shareholders in 2018. We are committed to expanding our network of branches to meet our valuable shareholders' expectations. We would continue improving our asset quality, increasing deposit base, deploying cost-efficient techniques and increasing contribution from non-markup. We are exceedingly focused on increasing low-cost CASA base to increment our net interest margins.</p> <p>Credit appetite being a mainstream business line of the Bank, carries a strategic focus to avail all opportunities that fall within the risk appetite defined by the institution. We would remain dynamic and persistent in retail banking, corporate banking, SME financing and agricultural credit. We are deepening the consumer market penetration through increased focus on consumer lending.</p> <p>Recovery from infected portfolio would remain one of the key targets in 2018. We would continue adding products and services to our menu and anticipate significant growth in our non-fund based income.</p>	<p>MCB Bank Limited was marked as the bank with highest profitability numbers for the year 2018. On an unconsolidated basis, the Profit Before Tax (PBT) of the Bank grew by 3% over last year and was reported at Rs. 32.06 billion.</p> <p>During the calendar year 2018, the significant change in the macro-economic factors made the operating environment more challenging with discount rate registering a steep increase of 425 bps in absolute terms. Based on the anticipated interest rate movement, the Bank focused on asset base with shorter maturities, resulting in 8% increase in net interest income over last year. On the gross markup income side, the Bank reported an increase of Rs. 9.2 billion over last year. Analysis of the interest earning assets highlights that income on advances increased by Rs. 10 billion, primarily on account of improved average advances volume of Rs. 83 billion coupled with increased yield of 92bps. On the investment side, gross markup income decreased by Rs. 2.2 billion, due to decreased average volume of Rs. 66 billion. On the interest bearing liabilities side, the cost of deposits increased by 69bps over last year, to corroborate to the increasing interest rates. Continuing with its strategy to focus on low cost deposit base, the Bank increased its average deposits by Rs. 123 billion when compared with last year with major contribution from saving and current account portfolio. Average borrowings volume registered a significant decline of Rs. 84 billion over last year.</p> <p>The non-markup income block of the Bank was reported at Rs 17.2 billion with major contributions coming in from fee, commission income and income from dealing in foreign currencies. As focus on cross sell of products and services continued to rise, fee income increased by 10% with major contributions from card related fee remittances, cash management, commission on trade and bancassurance. Subdued activity on the capital market front impact the gains, however, the bank capitalized on the significant volatility on the foreign exchange front, with foreign exchange income reflecting an increase Rs. 1.8 billion (+109%) over last year.</p> <p>On the administrative expenses side excluding pension fund, despite the surge in inflationary pressures coupled with significant devaluation and increase in operational outreach, the Bank was able to contain the growth percentage to 10%. Barring the cost of regulatory revision on account of</p>

Forward-looking disclosure for 2018 as presented in annual report 2017	Performance of the Bank in 2018 against forward-looking disclosure
<p>Our special emphasis is on increasing our digital banking range to align ourselves with the ever-changing business dynamics.</p> <p>We are committed to maintaining our status of one of the leading banks operating in Pakistan through enriched service quality, financially viable tailored products to meet requirements of our esteemed customer and translating the underlying financial strength of the entity into profits.</p>	<p>deposit protection premium introduced in July 2018, the increase in administrative expenses dropped to 8.27%. On the pension charge front, the Bank recorded past service cost amounting to Rs. 1.044Bln on account of revision in monthly pension for its pensioners, as per the direction of the Honorable Supreme Court.</p> <p>On the provision side, the recovery trend in the classified portfolio continued to reflect on the profitability numbers with Rs. 2.9 billion reversal.</p> <p>On the financial position side, the total asset base of the Bank on an unconsolidated basis was reported at Rs. 1.5 trillion depicting a significant increase of 12% over December 2017. Analysis of the asset mix highlights that net investments have increased by Rs. 92.4 billion (+14%) whereas advances have increased by Rs. 34.2 billion (+7%) over December 31, 2017. Investment mix continued to shift from long-term PIBs to the short-term T-Bills during the year in the wake of rising interest rate scenario. Resultantly investment in T-Bills increased by Rs. 194 billion whereas investment in PIBs decreased by Rs. 95 billion.</p> <p>The Non-performing loan base of the bank almost remained static with marginal increase of Rs. 203 million and was reported at Rs. 48.9 billion. The coverage and infection ratios of the Bank were reported at 88.26% (Dec 2017: 93.74%) and 8.95% (Dec 2017: 9.47%) respectively.</p> <p>On the liabilities side, the deposit base of the Bank registered a significant increase of Rs. 81 billion (+8%) over December 2017. The increase of Rs. 81 billion is net of the deposits amounting to Rs. 22 billion transferred to MCB's wholly owned subsidiary MCB Islamic Bank Limited under the scheme of demerger sanctioned by the Lahore High Court.</p> <p>While complying with the regulatory capital requirements, the Bank has paid the highest cash dividend per share in the industry with regular interim dividends and remains one of the prime stocks traded in the Pakistani equity markets. Bank's total Capital Adequacy Ratio is 18.13% against the requirement of 11.90% (including capital conservation buffer of 1.90%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 16.02% against the requirement of 6.00%. Bank's capitalization also resulted in a leverage ratio of 7.09% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 178.70% and Net Stable Funding Ratio (NSFR) of 130.6% against requirement of 100.</p> <p>Earnings per share (EPS) for the year ended December 31, 2018 was Rs. 18.02 as compared to Rs. 19.56 for 2017. Return on Assets and Return on Equity were reported at 1.5% and 15.5% respectively, whereas book value per share was reported at Rs. 117.74.</p> <p>In 2018, customer base of the Bank expanded to 7.8 million accounts demonstrating customers' confidence in MCB. The Bank performed well in Consumer Lending and Wealth Management businesses. A 17% YoY growth was recorded with 15,245 credit cards issued during the year while 8,266 auto loans were disbursed in 2018. Likewise Investment Services and Bancassurance businesses registered new sales of Rs. 3.5 billion and Rs. 2.4 billion, respectively.</p> <p>The number of MCB Mobile banking active customers increased to 1.2 million in 2018. MCB remained active throughout Pakistan, UAE and Sri Lanka through diverse network of 1,400 branches (including 13 sub-branches) and more than 1,300 ATMs. Another major leap by MCB Bank during 2018 was the transfer of 90 branches from MCB Bank Limited to wholly owned subsidiary MCB Islamic Bank Limited. This was in acknowledgement of customers' desire to satisfy their growing need of financial solutions that conform to Shari'ah rulings.</p>

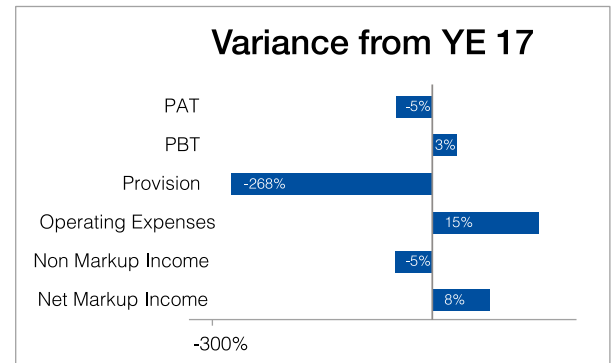
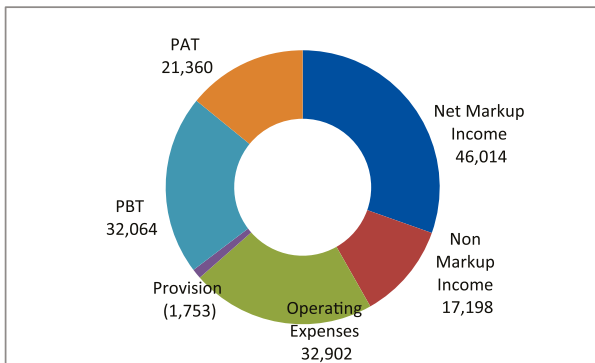
Forward-looking disclosure for 2018 as presented in annual report 2017	Performance of the Bank in 2018 against forward-looking disclosure
	<p>Trade and Home Remittance businesses have also contributed significantly to formidable fiscal performance, as in 2018 MCB Bank witnessed a growth of 34% in terms of Home Remittance volumes, which also positively impacted market share of the Bank that increased phenomenally from 12% to 15% during the year. Due to this, the Bank became the second largest recipients of remittances in the banking industry. Another first, was the significant performance of MCB Cash Management services, which crossed an annual volume of PKR 1.6 trillion in 2018 which is the highest ever in the history of the Bank.</p> <p>Detailed analysis covering performance and achievements of respective groups against their targets for 2017 is included in the Groups' review section of this annual report.</p>

Graphical Presentation of Financial Statements

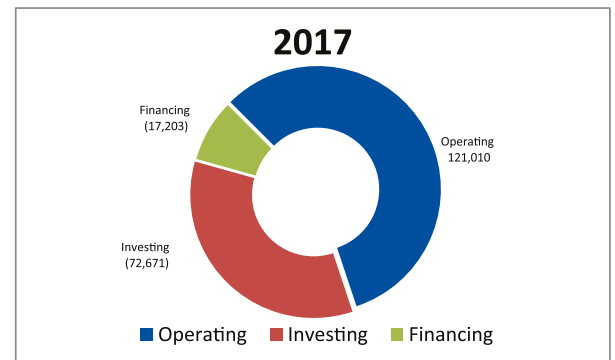
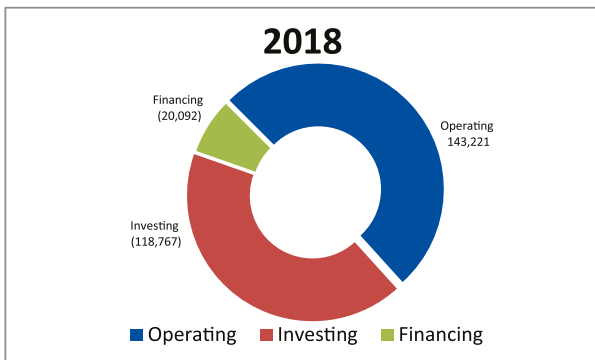
Statement of Financial Position (Rs. in Millions)



Profit & Loss Account (Rs. in Millions)



Cash Flows (Rs. in Millions)



Analysis of Financial Performance

The total asset base of the Bank on an unconsolidated basis was reported at Rs. 1.5 trillion depicting a significant increase of 12% over last year. Net investments have increased by Rs. 92.4 billion (+14%) whereas advances have increased by Rs. 34.2 billion (+7%) over December 31, 2017. Investment mix continued to shift from long-term PIBs to the short-term T-Bills during the year in the wake of rising interest rate scenario. Resultantly investment in T-Bills increased by Rs. 194 billion whereas investment in PIBs decreased by Rs. 95 billion.

Continuing with its strategy to focus on low cost deposit base, the Bank increased its average deposits by Rs. 123 billion when compared with last year with major contribution from saving and current account portfolio. Average borrowings volume registered a significant decline of Rs. 84 billion over last year.

The Non-performing loan base of the bank almost remained static with marginal increase of Rs. 203 million and was reported at Rs. 48.9 billion. The coverage and infection ratios of the Bank were reported at 88.26% (Dec 2017: 93.74%) and 8.95% (Dec 2017: 9.47%) respectively.

Profit after tax of the Bank was reported at Rs. 21.4 billion registering a decrease of 5% over last year whereas Profit before tax was reported at Rs. 32.1 billion, up 3% YoY. NIM has picked an upward momentum on account of steep increase in interest rates as it increased by 8% over 2017.

The Bank reported an increase of Rs. 9.2 billion over last year in markup income. Income on advances increased by Rs. 10 billion, primarily on account of improved average advances volume of Rs. 83 billion coupled with increased yield of 92bps whereas markup income on investments decreased by Rs. 2.2 billion, due to decreased average volume of Rs. 66 billion.

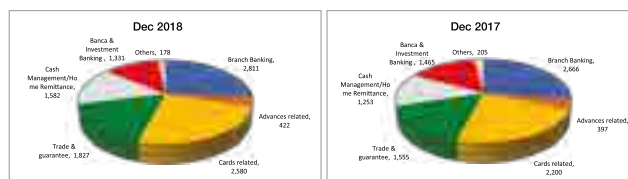
Mark-up/return/interest earned	Rs in million			
	2018	2017	Variance	
			Amount	%age
Loans and advances	36,964	26,931	10,033	37%
Investments	44,719	46,876	(2,156)	-5%
Lendings to financial institutions	1,390	174	1,217	700%
Balances with banks	246	111	135	122%
	83,319	74,091	9,228	12%

The Bank reported an increase of Rs. 5.9 billion over last year in markup expense. Markup expense on deposits increased by Rs. 9.9 billion whereas markup expenses on borrowings decreased by 4.6 billion. The cost of deposits increased by 69bps over last year.

Mark-up/return/interest expensed	Rs in million			
	2018	2017	Variance	
			Amount	%age
Deposits	32,081	22,105	9,976	45%
Borrowings	4,253	8,837	(4,584)	-52%
Subordinated debt	306	138	170	123%
Cost of foreign currency swaps	663	349	314	90%
	37,305	31,429	5,876	19%

The non-markup income block of the Bank was reported at Rs 17.2 billion with major contributions coming in from fee, commission income and income from dealing in foreign currencies. Fee income increased by 10% with major contributions from card related fee, remittances, cash management, commission on trade and bancassurance. Subdued activity on the capital market front impact the gains, however, the bank capitalized on the significant volatility on the foreign exchange front, with foreign exchange income reflecting an increase Rs. 1.8 billion (+109%) over last year.

Non mark-up / interest income	Rs in million			
	2018	2017	Variance	
			Amount	%age
Fee and commission income	10,731	9,741	990	10%
Dividend income	1,280	1,941	(661)	-34%
Foreign exchange income	3,420	1,636	1,784	109%
Income from derivatives	12	15	(4)	-24%
Gain on securities	1,293	4,741	(3,448)	-73%
Other Income	462	43	419	976%
Total non-markup / interest Income	17,198	18,118	(920)	-5%



The increase in administrative expense base was contained at 10% YoY, despite inflationary surge coupled with significant devaluation and increase in operational outreach of the Bank (excluding pension fund reversal). Major increase was attributed to property related segment as the inflationary and operational outreach increase directly impacts this cost base. During the year, the Bank recorded additional charge on account of pension fund reversal to comply with the decision of the Honorable Supreme Court of Pakistan relating to minimum pension.

Explanation of negative change in the performance against prior year

During the year capital gains and dividend income decreased over last year due to weak performance of Pakistan Stock exchange and lower capital gain from money market. Profit after tax for 2018 was on lower side as compared to last year due to higher tax reversal in 2017.

Analysis of Non-Financial Performance

Human capital

Total number of permanent employees	Investment in training (Rs. In Mln)	Total days of Training	New recruitments	Promotions
12,860	51,038	33,245	2,038	1,767

Our permanent employees, numbering 12,860 receive well remunerated, secure and satisfying employment with generous retirement benefits.

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

Whatever the assets the Bank possesses in the form of intellectual and manufactured capital, our human resources remain the key asset to our success and growth which is evident from the below mentioned analysis.

		2018	2017
Staff strength	Absolute	12,860	13,155
New recruitments	Absolute	2,038	4,029
Average number of employees	Absolute	12,868	12,234
Promotions	Absolute	1,767	1,897
Investment in training	(Rs. In Mln)	51,038	60,098
Training days	Absolute	33,245	36,137

Manufactured Capital

Capital expenditures on physical and digital infrastructure	Branches excluding sub-branches	ATMs	Internet Banking customers	Mobile Banking customers
Rs. 4,483 million	1,387	1,321	176,210	1,363,304

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

During the year, Bank has expanded its network by 33 branches (excluding 90 branches transferred to MIB). In 2018, customer base of the Bank expanded to 7.8 million accounts.

The banking model is changing from old traditional banking to digital era. Hence, to cater to the growing segment of millennials among our customers, who are demanding more of the new era banking, during the year we made a huge investment in upgrading our digital infrastructure. In line with the current trends in the industry we made considerable progress in our digitisation initiatives during the year.

	2018	2017
Capital expenditure - Rs. in Million	4,483	4,745
Branches*	1,387	1,444
ATMs	1,321	1,377
Internet Banking	176,210	163,273
Mobile Banking	1,363,304	1,232,258

*During the year 90 branches had been transferred to wholly owned subsidiary "MCB Islamic Bank".

Intellectual capital

Cumulative service experience of more than 71 years	Strong governance	One of the most valuable brand
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Intangibles associated with the Bank – culture, ethics, values, organizational knowledge, systems, procedures and brand value. These intangibles, while not reflected in the balance sheet, are indeed assets of the Bank. They permeate the Bank's operations at all levels – whether it is high level decision-making or day-to-day functions.

In FY18, we have focused on following points to enhance of our intellectual capital:

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

Furthermore during the year, the total expense on intangible assets is Rs. 221.949 million as compared to Rs. 304.492 million in FY17.

Social and Relationship Capital

No. of accounts	Dividends to shareholders (Rs. In Mln)	CSR funds (Rs. In Mln)
7,854,928	18,961	10,820

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

		2018	2017
No. of accounts	Absolute	7,854,928	7,607,277
Dividends to shareholders	(Rs. In Mln)	18,961	18,385
CSR funds	(Rs. In Mln)		
Education Allowance		28	29
Staff Capacity Building & Trainings		51	60
Employee Hajj Expense		8	5
Contribution to National Exchequer		10,704	8,555
Contribution To Staff Welfare Fund		5	5
Donation		1	12
Plantation		23	22
Total		10,820	8,688

Maturities of Assets and Liabilities

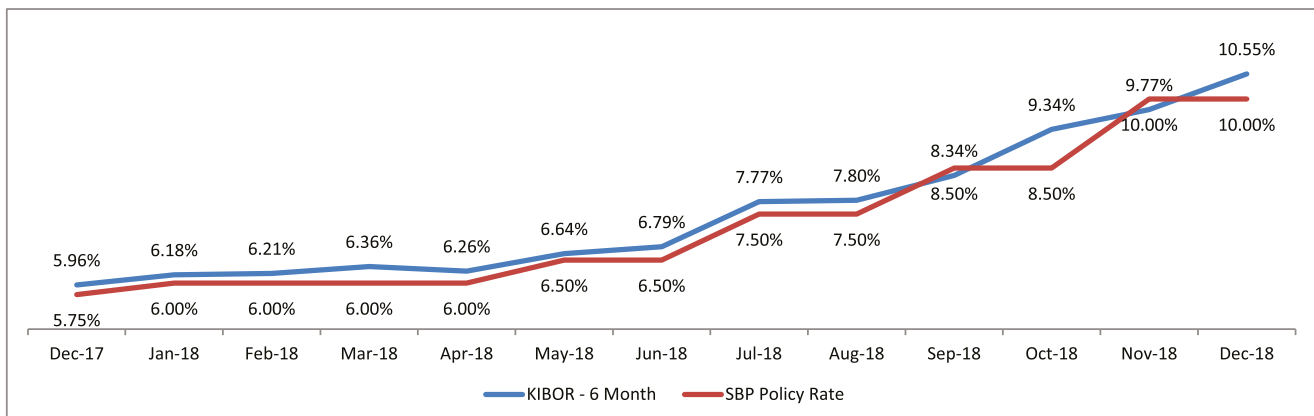
		Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above	
Assets (PKR Mln)		2018					
Cash and balances with treasury banks	103,175	103,175	-	-	-	-	
Balances with other banks	11,879	11,879	-	-	-	-	
Lendings to financial institutions	35,106	35,106	-	-	-	-	
Investments - net	749,369	582,522	55,367	57,960	19,693	33,827	
Advances - net	503,581	143,344	77,490	157,314	72,118	53,315	
Fixed assets	41,070	869	2,608	2,543	3,118	31,931	
Intangible assets	372	64	192	117	-	-	
Deferred tax assets	3,277	571	1,536	807	97	266	
Other assets - net	53,578	30,805	10,406	4,349	8,018	-	
	1,501,407	908,336	147,600	223,089	103,043	119,339	

Liabilities (PKR Mln)							
Bills payable	15,699	15,699	-	-	-	-	
Borrowings	216,019	193,907	9,145	3,146	3,098	6,723	
Deposits and other accounts	1,049,038	142,709	141,386	460,232	228,782	75,929	
Sub-ordinated loan	3,891	-	2	3	3,886	-	
Deferred tax liabilities	4,809	26	78	211	1,715	2,779	
Other liabilities	62,673	39,363	9,085	5,078	7,901	1,247	
	1,352,129	391,704	159,696	468,670	245,382	86,677	

* Based on expected maturities

Key Interest Bearing Assets and Liabilities

	2018			2017		
	Avg. Vol (Mln)	Effective Interest Rate %	Interest (Mln)	Avg. Vol (Mln)	Effective Interest Rate %	Interest (Mln)
Interest Earning Assets						
Lendings to Financial Institutions	20,204	6.88	1,390	4,277	4.06	174
Gross Advances (excluding NPLs)	478,600	7.72	36,964	395,631	6.81	26,931
Gross Investments (excluding equity investments)	591,619	7.56	44,719	657,401	7.13	46,876
Interest Bearing Liabilities						
Deposits (excl. current deposits)	623,707	5.14	32,081	544,318	4.06	22,105
Borrowings	88,332	4.81	4,253	172,757	5.12	8,837
Subordinated loan	3,892	7.91	308	1,888	7.31	138

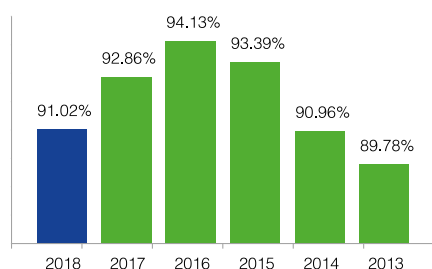


Deposits & Advances

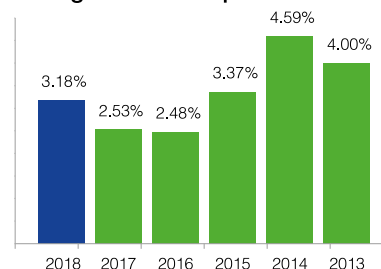
Rs. in Billion

	Groupwise Deposits				Groupwise Advances			
	2018	2017	Variance		2018	2017	Variance	
			Amount	%			Amount	%
Commercial & Consumer	969.4	891.8	77.6	8.71%	139.0	128.0	11.0	8.58%
Corporate	41.4	47.1	-5.7	-12.05%	349.6	328.4	21.1	6.44%
Overseas	38.2	29.6	8.6	28.97%	28.6	27.8	0.9	3.19%
Others	-	-	-	-	29.6	30.8	-1.3	-4.15%
Total	1,049.0	968.5	80.6	8.32%	546.8	515.1	31.7	6.16%

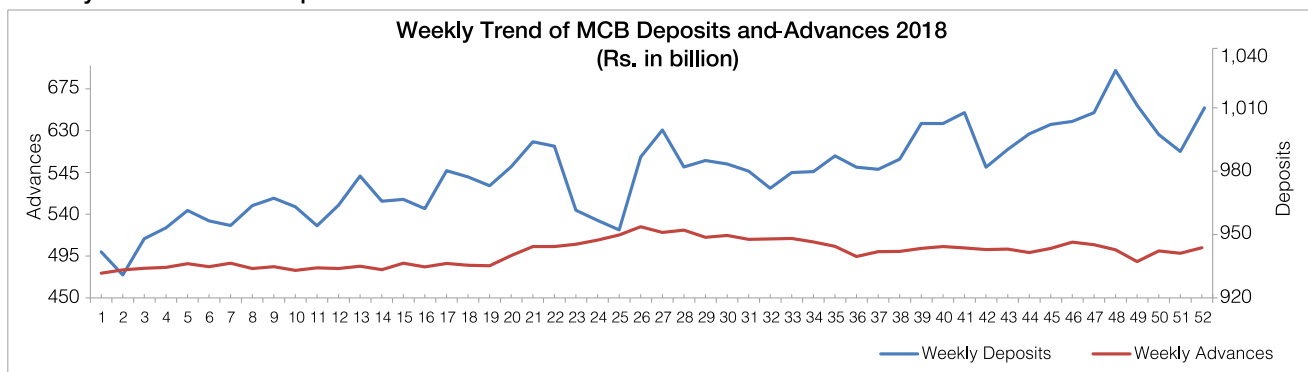
CASA Mix



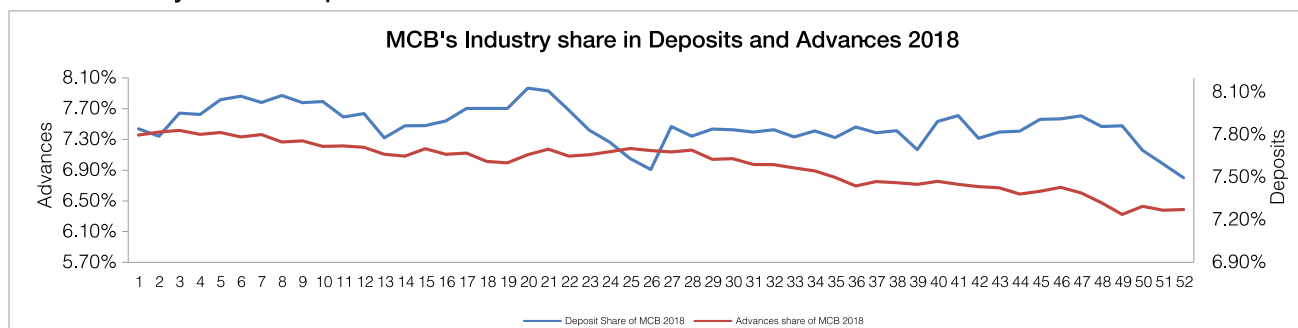
Weighted Average Cost of Deposits



Weekly Trend of MCB Deposits and Advances - 2018



MCB's Industry Share in Deposits and Advances - 2018

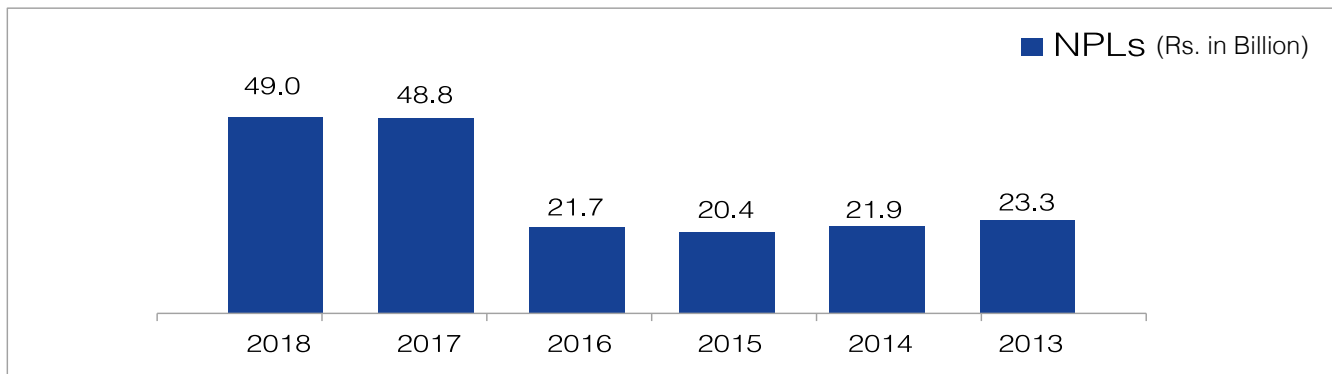


Non-Performing Loans

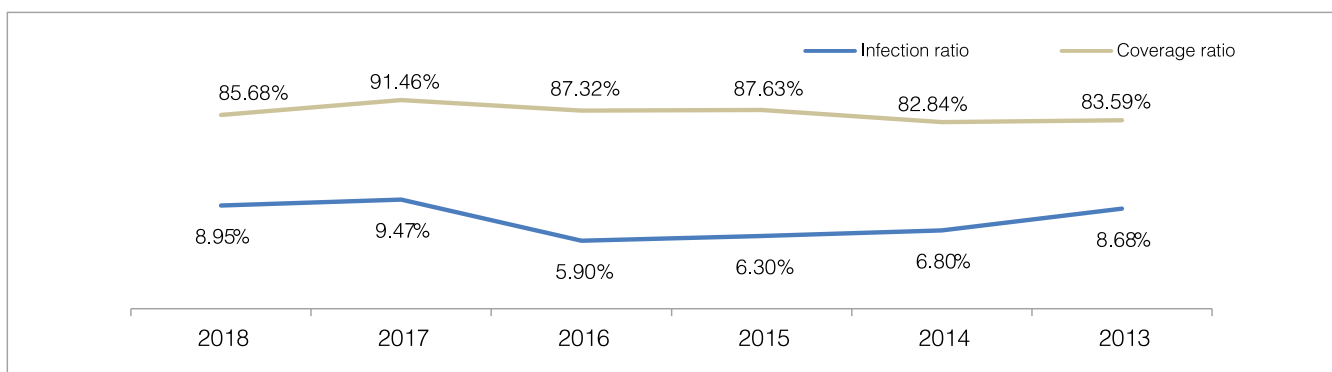
Rs. in Million

Categorywise	2018		2017		Variance		2018
	NPLs	Provision	NPLs	Provision	NPLs	Provision	Coverage
OAEM	49	3	171	10	-71.3%	-69.8%	6.1%
Substandard	1,528	375	552	137	176.9%	173.3%	24.5%
Doubtful	1,742	871	563	281	209.4%	209.4%	50.0%
Loss	45,637	40,696	47,467	44,158	-3.9%	-7.8%	89.2%
Total	48,956	41,945	48,753	44,587	0.4%	-5.9%	85.7%

Non Performing Loans (2013-2018)



Infection and Coverage Ratios (2013-2018)



Investments

Top 10 Listed Equity Holdings as on December 31, 2018

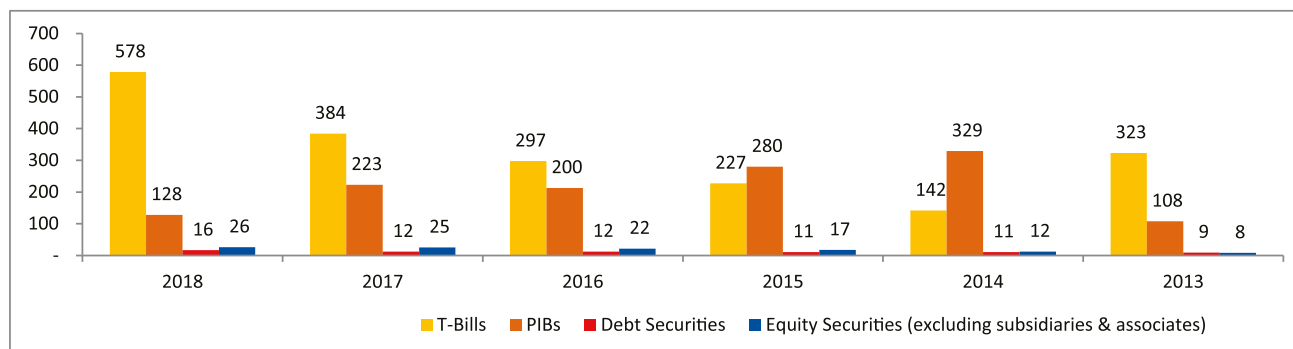
Company Name	Total Shares (number)	Book Value (Rs. Mln)	Market Value (Rs. Mln)
Kot Addu Power Company	15,662,000	1,344	776
Fauji Fertilizer Company Limited	10,094,000	1,162	937
Oil & Gas Development Company Limited	6,414,535	1,149	821
Sui Northern Gas Pipelines Limited	14,432,010	793	1,112
HBL Growth Fund-Class "A"	43,482,858	744	500
Allied Bank Limited	6,660,400	720	716
Engro Fertilizers Limited	8,936,000	718	617
Lucky Cement	847,400	659	368
Millat Tractors Limited	505,200	592	420
Rafhan Maize Products Limited	72,277	588	488

Investment in Associates and Subsidiaries

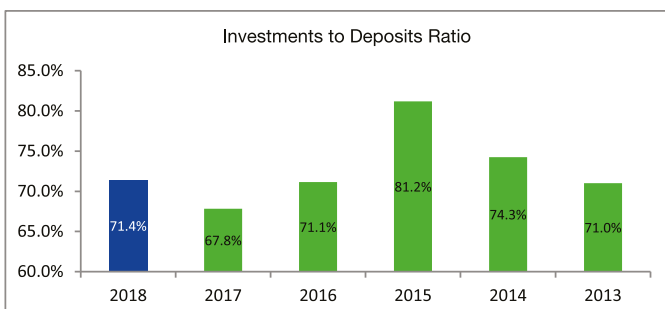
Company Name	Holding	Total Share (numbers)	Book Value (Rs. Mln)
Associates			
Adamjee Insurance Company Limited	20.00%	70,000,000	647.88
Euronet Pakistan (Pvt.) Limited	30.00%	52,521	52.52
Subsidiaries			
MCB - Arif Habib Savings & Investments Limited	51.33%	36,956,768	320.12
MNET Services Limited	100.00%	4,997,500	49.98
MCB Financial Services Limited	100.00%	2,750,000	27.50
MCB Islamic Bank Limited	100.00%	1,120,000,000	11,200.00
MCB Leasing Closed Joint Company Limited	99.94%	4,281,105	448.19

Category of Investments (2013-2018)

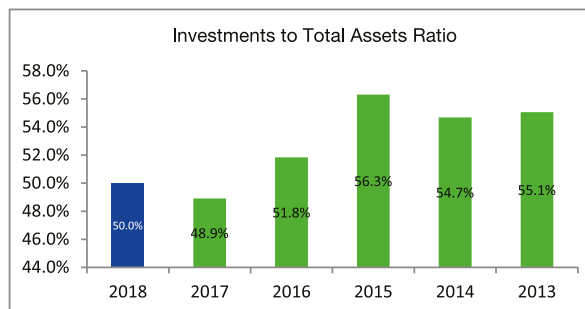
Rs. In billion



Investments to Deposits Ratio (2013-2018)



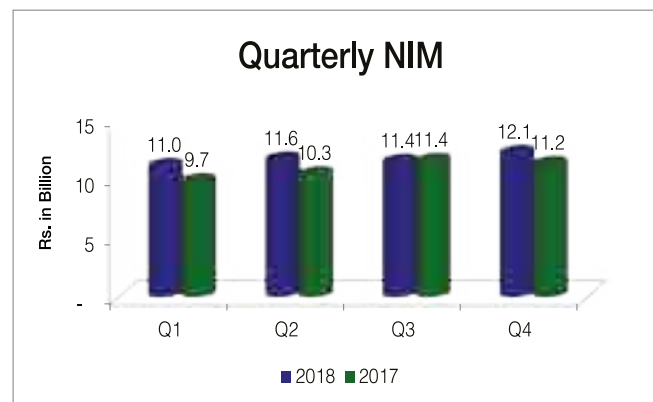
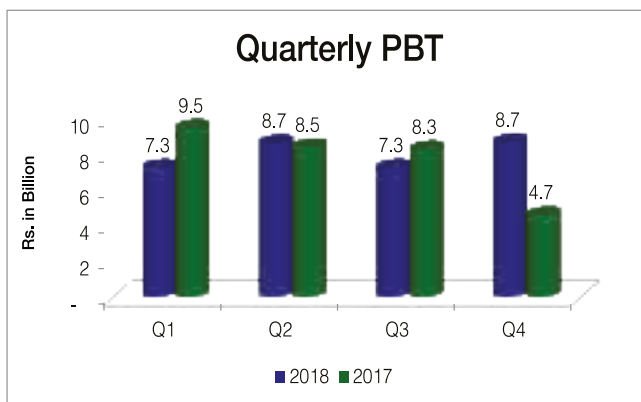
Investments to Total Assets Ratio (2013-2018)



Quarterly Performance - 2018 & 2017

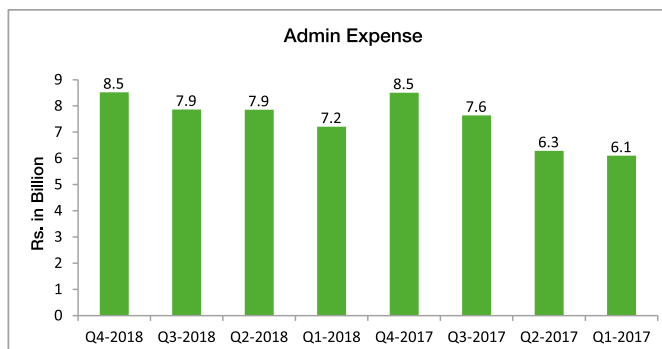
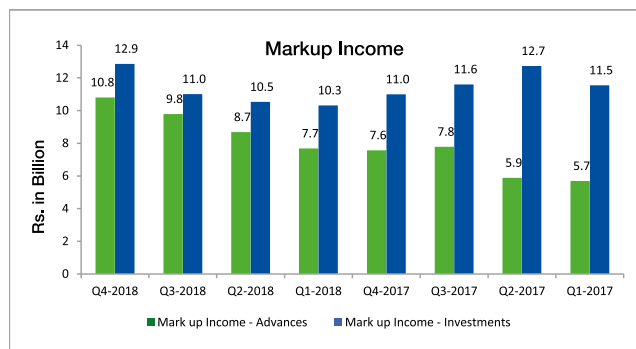
Rs. in Million

	2018				2017			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Profit & Loss Account								
Mark-up earned	24,393	21,211	19,501	18,214	18,653	19,473	18,692	17,274
Mark-up expensed	(12,289)	(9,854)	(7,946)	(7,216)	(7,475)	(8,036)	(8,379)	(7,539)
Net mark-up income	12,104	11,357	11,555	10,998	11,178	11,436	10,313	9,735
Non-mark-up income	5,441	3,493	3,966	4,298	4,290	4,148	4,496	5,184
Total Income	17,545	14,850	15,521	15,296	15,468	15,584	14,810	14,919
Non-mark-up expenses	(7,699)	(8,039)	(7,736)	(9,428)	(8,427)	(7,777)	(6,278)	(6,239)
Profit before provisions	9,846	6,811	7,786	5,868	7,041	7,807	8,531	8,680
Provisions & write off	1,098	(504)	(908)	(1,439)	2,386	(542)	68	(868)
Profit before taxation	8,748	7,315	8,693	7,306	4,654	8,348	8,464	9,548
Taxation	(1,700)	(2,768)	(3,707)	(2,529)	(1,695)	(2,824)	(710)	(3,326)
Profit after taxation	7,049	4,548	4,986	4,777	2,960	5,524	7,753	6,222
Statement of Financial Position								
Assets								
Cash and balances with treasury banks	103,175	129,587	120,975	105,032	106,072	95,765	97,451	77,550
Balances with other banks	11,879	7,292	8,244	6,773	4,579	7,466	6,629	4,241
Lendings to financial institutions	35,106	142,153	8,122	32,766	4,398	8,403	5,161	1,640
Investments	749,369	454,190	689,109	601,192	656,964	682,268	750,092	747,588
Advances	503,581	487,501	510,735	468,508	469,356	440,904	389,643	353,506
Fixed assets	41,070	40,098	40,162	39,657	39,170	36,286	33,793	33,009
Intangible assets	372	411	457	405	404	274	319	328
Deferred tax assets	-	-	-	-	-	1,526	-	-
Other assets	53,578	49,421	43,919	39,136	62,295	36,565	37,922	28,690
	1,498,130	1,310,653	1,421,724	1,293,468	1,343,238	1,309,458	1,321,010	1,246,551
Liabilities								
Bills payable	15,699	12,273	12,190	12,337	22,681	15,052	12,621	13,721
Borrowings	216,019	55,837	192,480	73,494	133,070	136,512	232,901	227,516
Deposits and other accounts	1,049,038	1,032,649	1,018,740	1,005,027	968,483	962,500	891,551	818,950
Sub-ordinated loan	3,891	3,892	3,892	3,893	3,893	3,893	-	-
Deferred tax liabilities	1,532	2,138	3,097	4,063	4,625	-	10,038	11,080
Other liabilities	62,673	55,221	40,624	41,692	56,921	35,011	30,108	32,316
	1,348,852	1,162,010	1,271,023	1,140,506	1,189,672	1,152,969	1,177,219	1,103,583
Net assets								
	149,278	148,643	150,701	152,962	153,566	156,489	143,791	142,968
Represented by:								
Share capital	11,851	11,851	11,851	11,851	11,851	11,851	11,130	11,130
Reserves	74,148	72,823	72,472	71,631	70,866	69,808	54,648	53,929
Unappropriated profit	53,532	51,895	52,430	53,215	53,776	56,447	56,270	54,562
Surplus on revaluation of assets - net of tax	9,747	12,074	13,948	16,265	17,073	18,383	21,742	23,346
	149,278	148,643	150,701	152,962	153,566	156,489	143,791	142,968



Quarterly Performance Analysis - 2018 & 2017

Quarter	Net Interest Income	Non Interest Income	Operating Expenses	Profit before Tax
1st Quarter	During the 1st quarter of 2018, Net Interest income of the bank is reported to be 11.0 billion for the quarter where gross markup income was concentrated by Markup from Investments amounting to Rs. 10.3 billion and income from advances amounting to Rs. 7.6 billion. Markup income on advances is increased by 35% on the same period last year due to volumetric increase in advances. On markup expense side Rs. 6.2 billion was on incurred for mark up expense on deposits. This was higher by 25% for the same period last year due to increase in volume.	Non Mark up Income for the 1st quarter is reported to be Rs. 4.3 billion decrease of 17% over same period last year. Decrease is due to higher capital gains recorded in 1st quarter of 2017. Rs. 2.3 billion capital gain was recorded in 2017 as compared to Rs. 784 million recorded in 2018.	Non Markup expense excluding pension cost of Rs. 7.2 billion has been increased by 17% in 1st quarter as compare to Rs. 6.1 billion recorded in 1st quarter of 2017.	Profit before Tax in lower by 24% in Q1-2018 as compared to Q1-2017. This is due to recording of one off pension cost in Q1-2018 amounting to Rs. 2.0 billion as per Supreme Court decision.
2nd Quarter	Net Interest Income during the 2nd quarter was reported at RS. 11.5 billion. Higher by 12% as compared to same quarter of 2017. Gross markup income has been increased by 5% while Markup up expense has been decreased 4%. Increase in gross markup income was primarily on accounts of income from advances.	Non Mark up Income for the 2nd quarter is reported to be Rs. 3.9 billion 12 % lesser than the corresponding quarter last year. This is due to lesser capital gain recorded in 2nd quarter of the 2018 i.e. Rs. 383 million (Q2-17 : 1.0 billion)	Increase of 24% has been observed in non markup expenses. This is due to compensation cost of ex-NIB employees which were not part of corresponding quarter of 2017.	Profit before Tax of the 2nd quarter is reported to be Rs. 8.7 as compared to Rs. 8.5 for the 2nd quarter of 2017. PBT is higher by 3% due to provision reversals in 2nd quarter of 2018 to the tune of Rs. 908 million.
3rd Quarter	Net Interest Income during the 3rd quarter is slightly lower than the net markup income in 3rd quarter of 2017. On gross markup income side, income on advances is higher by 26% due to volumetric increase and increase in discount rate. Markup up expense on Deposits is also increased by 38% due to increase in discount rate by SBP.	Non Mark up Income is 16% lower than non mark up income reported in 3rd quarter of 2017. Due to the deteriorating condition of Pakistan Stock Market, Capital Loss was recorded in Q3 as compared to Rs. 874 million capital gain recorded in 2017.	Non Markup Expense in Q3-2018 has slightly been increased as compared to Q3-2017. 3% increase has been observed.	Profit before Tax has decreased to Rs. 7.3 billion as compared to Rs. 8.4 billion in Q3 of 2017. The only significant factor of higher profit in Q3-2017 was higher non markup income.
4th Quarter	Net Interest Income during the 4th quarter is 8% higher than the net markup income in Q4 of 2017. Increase in net mark up income is due to upward revision in discount rate by SBP. Gross markup income was higher by 31% and mark up expense was higher by 64%.	Non Mark up Income was higher by 26% as compared to last quarter of 2017. This was mainly due to positioning of foreign currency in order to get maximum gain on exchange rate fluctuations. In this regard, Rs. 2.2 billion Foreign Exchnage Income has been recorded in Q4 of 2018. Dividend income has decreased by 37% as compared to dividend income booked in Q4-2017.	Non Markup Expense excluding pension cost in Q4-2018 slightly above the numbers reported in Q4-2017. 1 % increase has been observed.	Despite Rs. 2.2 billion provision charge for equity securities, Profit before Tax was higher by 96% as compared to last quarter of 2017, primarily due to increase in non markup income.



Capital Structure

Rs. in Million

Capital Structure

Tier 1 Capital

Shareholders equity /assigned capital
Share premium
Reserves
Unappropriated profits

	2018	2017
Shareholders equity /assigned capital	11,851	11,851
Share premium	23,751	23,751
Reserves	47,859	45,723
Unappropriated profits	53,532	53,776
Total	136,993	135,101

Deductions:

Book value of intangible and advances given for intangible
Defined benefit pension fund assets - net
Other deductions

Book value of intangible and advances given for intangible	631	553
Defined benefit pension fund assets - net	2,480	3,115
Other deductions	4,882	2,303
Total	7,993	5,971

Total Tier 1 capital

	128,999	129,130
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Tier 2 Capital

Qualifying Tier 2 capital instruments
General provisions subject to 1.25% of total risk weighted assets
Revaluation reserves
Foreign exchange translation reserves

Qualifying Tier 2 capital instruments	2,335	3,114
General provisions subject to 1.25% of total risk weighted assets	1,267	1,115
Revaluation reserves	12,193	15,071
Foreign exchange translation reserves	1,630	484
Total	17,424	19,784

Deductions:

Other deductions

Other deductions	436	1,686
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Total Tier 2 Capital

	16,988	18,098
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Total Regulatory Capital Base

	145,987	147,228
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Capital Adequacy

Risk Weighted Assets

Credit Risk
Market Risk
Operational Risk

Credit Risk	637,481	633,997
Market Risk	54,814	144,786
Operational Risk	112,882	116,631
Total RWA	805,177	895,415

Total RWA

Total eligible regulatory capital held

Total eligible regulatory capital held	145,987	147,228
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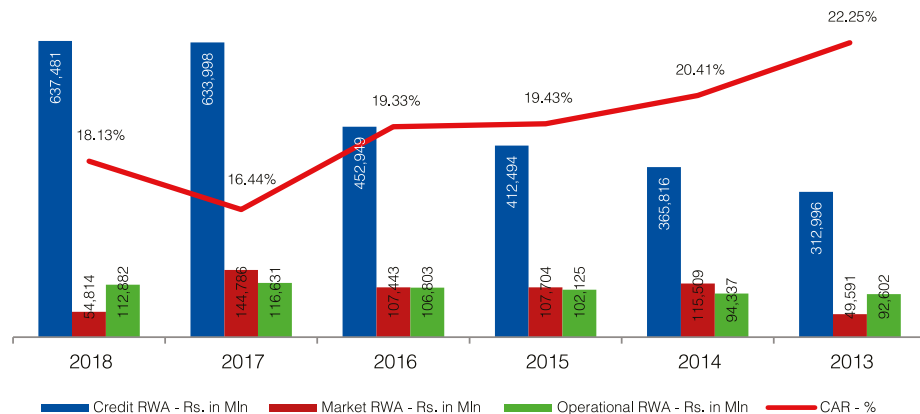
Total Risk Weighted Assets

Total Risk Weighted Assets	805,177	895,415
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Capital Adequacy Ratio

Capital Adequacy Ratio	18.13%	16.44%
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Capital Adequacy Ratio (2013-2018)



Six Years' Financial Performance / Financial Ratios 2013-2018

		2018	2017	2016	2015	2014	2013
Profit & Loss Account							
Mark-up/ return earned	Rs. Min	83,319	74,091	67,400	80,393	77,269	65,064
Mark-up/ return expensed	**	37,305	31,429	23,586	31,077	33,757	27,196
Fund based income	**	46,014	42,662	43,814	49,316	43,512	37,868
Fee, Commission, FX income & others	**	14,625	11,435	9,040	10,871	10,235	8,108
Dividend and capital gains	**	2,573	6,682	7,135	5,695	2,709	3,063
Total income	**	63,212	60,780	59,989	65,882	56,456	49,039
Operating expenses	**	32,902	28,721	22,989	22,895	21,591	19,639
Operating profit before tax and provision	**	30,310	32,059	36,999	42,987	34,865	29,400
Provisions / write-offs	**	(1,753)	1,045	925	659	(1,864)	(2,888)
Profit before tax	**	32,064	31,014	36,075	42,329	36,729	32,288
Profit after tax	**	21,360	22,459	21,891	25,546	24,325	21,495
Cash Dividends	**	18,961	18,673	17,808	17,808	15,582	14,166
Bonus shares	**	-	-	-	-	-	1,012
Statement Of Financial Position							
Authorised capital	**	15,000	15,000	15,000	15,000	15,000	15,000
Paid up capital	**	11,851	11,851	11,130	11,130	11,130	10,118
Reserves	**	74,148	70,866	53,347	51,309	48,830	46,601
Unappropriated Profit	**	53,532	53,776	53,469	50,747	46,948	40,552
Shareholder's equity	**	139,531	136,493	117,946	113,186	106,908	97,272
Surplus on revaluation of assets - net of tax	**	9,747	17,073	23,680	24,616	23,196	12,959
Net Assets	**	149,278	153,566	141,627	137,802	130,104	110,231
Total Assets	**	1,498,130	1,343,238	1,072,365	1,004,410	934,631	815,508
Earning Assets	**	1,343,378	1,175,352	911,163	872,594	818,676	718,990
Gross Advances	**	546,792	515,058	367,678	322,529	322,318	268,192
Advances - net of provisions	**	503,581	469,356	348,117	304,122	303,559	248,243
Non-Performing Loans (NPLs)	**	48,956	48,753	21,688	20,368	21,908	23,268
Investments	**	749,369	656,964	555,929	565,696	511,137	449,006
Total Liabilities	**	1,348,852	1,189,672	930,739	866,608	804,527	705,277
Deposits & other accounts	**	1,049,038	968,483	781,430	696,805	688,330	632,330
Current & Saving Deposits (CASA)	**	954,813	899,364	735,550	650,739	626,112	567,728
Borrowings	**	216,019	133,070	74,515	118,040	59,543	38,543
Interest bearing Liabilities	**	867,048	728,361	557,913	557,056	511,446	456,348
Contingencies and Commitments	**	584,434	448,135	307,566	320,888	226,554	265,428
Profitability Ratios:							
Profit before tax ratio	%	38.48%	41.86%	53.52%	52.65%	47.53%	49.63%
Gross Yield on Average Earning Assets	**	6.41%	7.10%	7.56%	9.51%	10.05%	9.42%
Gross Yield on Avg. Earning Assets (incl. dividend & capital gains)	**	6.61%	7.74%	8.36%	10.18%	10.40%	9.86%
Gross Spread	**	55.23%	57.58%	65.01%	61.34%	56.31%	58.20%
Non interest income to total income	**	27.21%	29.81%	26.96%	25.14%	22.93%	22.78%
Return on average equity (ROE)	**	15.48%	17.65%	18.94%	23.21%	23.83%	23.09%
Return on average assets (ROA)	**	1.50%	1.86%	2.16%	2.63%	2.78%	2.72%
Return on Capital Employed (ROCE)	**	15.48%	17.65%	18.94%	23.21%	23.83%	23.09%
Cost to income ratio	**	49.75%	46.94%	36.80%	33.34%	36.51%	38.15%
Cost to income ratio (excluding pf reversal)	**	48.73%	47.88%	37.66%	34.52%	37.98%	41.62%
Admin Exp to Profit before Tax	**	98.07%	91.99%	61.19%	51.90%	56.12%	57.95%
Investment / Market Ratios:							
Earnings per share (after tax)	Rs.	18.02	19.56	19.67	22.95	21.85	19.31
Earnings per share (before tax)	**	27.06	27.02	32.41	38.03	33.00	29.01
Breakup value per share							
- without surplus on revaluation of fixed assets & investments	**	117.74	115.18	105.97	101.69	96.05	87.39
- without surplus on revaluation of fixed assets	**	115.68	119.17	116.10	114.09	106.79	88.90
- with surplus on revaluation of fixed assets & investments	**	125.97	129.59	127.24	123.81	116.89	99.04
- with surplus on revaluation of fixed assets & investments & investment in realted party at fair / market value	**	128.41	132.90	132.90	128.63	121.05	101.82
Cash Dividend	%	160%	160%	160%	160%	140%	140%
Bonus Shares Issued	**	-	-	-	-	-	10.00%
Dividend Yield ratio (based on cash dividend)	**	8.27%	7.54%	6.73%	7.38%	4.58%	4.98%
Dividend Payout ratio	**	88.77%	83.14%	81.35%	69.71%	64.06%	70.61%
Price to book value ratio	Times	1.64	1.84	2.24	2.14	3.18	3.22
Price to earning ratio	**	10.74	10.85	12.09	9.45	13.99	14.56
Dividend cover ratio	**	1.13	1.18	1.23	1.43	1.56	1.52

Six Years' Financial Performance / Financial Ratios 2013-2018

		2018	2017	2016	2015	2014	2013
Share Information:							
Market value per share - Dec 31	Rs.	193.57	212.32	237.82	216.85	305.65	281.17
High - during the year	**	236.56	267.00	244.82	338.82	311.00	323.00
Low - during the year	**	177.16	188.21	190.20	205.34	234.51	182.20
Market Capitalisation	Rs. Mln	229,392	251,612	264,701	241,361	340,198	284,501
Asset Quality & Liquidity ratios:							
Gross Advances to deposits ratio	%	52.12%	53.18%	47.07%	46.29%	46.83%	42.41%
Net Advances to deposits ratio	**	48.00%	48.46%	44.55%	43.65%	44.10%	39.26%
Investments to deposits ratio	**	71.43%	67.83%	71.14%	81.18%	74.26%	71.01%
Weighted Average Cost of Deposits	**	3.18%	2.53%	2.48%	3.37%	4.59%	4.00%
CASA to total deposits	**	91.02%	92.86%	94.13%	93.39%	90.96%	89.78%
NPLs to Gross advances ratio	**	8.95%	9.47%	5.90%	6.32%	6.80%	8.68%
NPLs to Shareholders Equity	**	35.09%	35.72%	18.39%	18.00%	20.49%	23.92%
Coverage Ratio (specific provision/ NPLs)	**	85.68%	91.46%	87.32%	87.63%	82.84%	83.59%
Coverage Ratio (total provision/ NPLs)	**	88.26%	93.74%	90.82%	90.37%	85.62%	85.74%
Earning assets to total assets ratio	**	89.67%	87.50%	84.98%	86.88%	87.59%	88.16%
Investments to total assets ratio	**	50.02%	48.91%	51.84%	56.32%	54.69%	55.06%
Cash & Cash Equivalents to Total Assets	**	7.55%	8.16%	7.31%	6.34%	5.29%	7.46%
Cash to Current Liabilities	**	3.44%	5.07%	7.78%	5.96%	5.16%	5.71%
Earning assets to interest bearing Liabilities	Times	1.55	1.61	1.63	1.57	1.60	1.58
Deposits to shareholder equity	**	7.52	7.10	6.63	6.16	6.44	6.50
Assets to Equity	**	10.74	9.84	9.09	8.87	8.74	8.38
Current / Quick Ratio	**	1.91	2.01	3.05	2.44	1.51	2.51
Risk Adequacy:							
Tier I Capital	Rs. Mln	128,999	129,130	111,999	107,067	104,083	95,102
Total Eligible Capital	**	145,987	147,227	128,968	120,930	117,489	101,296
Risk Weighted Assets (RWA)	**	805,177	895,415	667,195	622,323	575,663	455,189
Tier I to RWA	%	16.02%	14.42%	16.79%	17.20%	18.08%	20.89%
RWA to total assets	**	53.75%	66.66%	62.22%	61.96%	61.59%	55.82%
Capital Adequacy Ratio	**	18.13%	16.44%	19.33%	19.43%	20.41%	22.25%
Net Return on Average RWA	**	2.51%	2.87%	3.40%	4.26%	4.72%	4.90%
Duo Pont Analysis:							
Net Operating Margin	%	33.79%	36.95%	36.49%	38.78%	43.09%	43.83%
Asset Utilization	%	4.45%	5.03%	5.78%	6.80%	6.45%	6.20%
Leverage Ratio / Equity Multiplier	Times	10.29	9.49	8.99	8.81	8.57	8.50
Industry Share:							
Deposits	%	7.86%	7.83%	6.98%	7.20%	8.25%	8.40%
Advances	**	6.93%	7.89%	6.60%	6.58%	7.23%	6.59%
Market Capitalisation	**	17.85%	17.85%	14.86%	17.91%	21.44%	22.96%
Home Remittance	**	14.88%	11.64%	11.30%	10.90%	10.68%	10.48%
* based on economic data released by State Bank of Pakistan							
Consolidated:							
Total Assets	Rs. Mln	1,585,210	1,389,492	1,097,281	1,020,980	941,606	821,278
Shareholders' Equity	**	140,196	138,100	120,152	115,253	110,095	100,165
Net Assets	**	151,323	156,543	145,960	142,177	136,269	115,463
Profit before tax	**	30,806	30,614	36,721	42,789	37,354	32,932
Profit after tax	**	20,415	22,048	22,174	25,035	24,774	21,950
Return on Average Assets	%	1.37%	1.77%	2.14%	2.55%	2.81%	2.76%
Return on Average Equity	**	14.60%	16.98%	19.18%	22.12%	23.45%	22.80%
Earnings per share	Rs.	17.17	19.13	19.82	22.38	22.15	19.65
Breakup value per share (excl. surplus on rev. of assets)	**	127.69	117.02	108.41	103.55	98.91	89.99
Capital Adequacy Ratio	%	17.02%	16.34%	19.68%	20.07%	20.41%	22.18%
Per Branch:							
Gross Advances	Rs. Mln	394.23	356.69	297.10	263.72	261.62	220.37
Deposits	**	756.34	670.69	631.20	569.75	558.71	519.58
CASA	**	688.40	622.83	594.14	532.08	508.21	466.50
PBT	**	23.12	21.48	29.14	34.61	29.81	26.53

Six Years' Non Financial Performance 2013-2018

		2018	2017	2016	2015	2014	2013
No. of accounts	Absolute	7,854,928	7,607,277	6,549,452	6,074,103	5,648,460	5,299,439
No. of branches	"	1,387	1,444	1,238	1,223	1,232	1,217
No. of permanent employees	"	12,860	13,155	11,088	10,532	10,737	10,487
Digital Banking							
No. of ATMs	Absolute	1,321	1,377	1,191	1,073	937	789
No. of Debit cards/smart cards issued during the year	"	783,233	772,314	666,999	642,649	488,706	508,241
Internet Banking							
No. of customers	"	176,210	163,273	144,069	125,621	104,889	88,131
No. of transactions	"	481,137	509,569	450,333	358,547	250,412	1,603,669
Volume of transactions	Rs. Mln	14,859	12,306	7,971	6,149	3,356	30,725
Mobile Banking							
No. of customers	Absolute	1,363,304	1,232,258	931,965	656,485	566,846	542,449
No. of transactions - financial	"	2,354,765	1,689,324	1,487,899	1,377,762	1,139,634	906,522
No. of transactions - non-financial	"	6,081,206	3,908,141	3,390,035	3,365,913	3,097,579	2,996,584
Volume of transactions	Rs. Mln	48,623	24,597	15,018	14,842	12,258	10,484
Consumer Segment							
Credit Cards							
No. of new issuance	Absolute	15,245	13,006	11,060	10,647	7,505	7,187
No. of customers	"	77,190	70,246	64,075	59,343	55,180	53,460
Total spend (transaction volume)	Rs. Mln	7,597	7,054	5,967	5,079	4,843	4,306
Auto Loan							
No. of Loans disbursed	Absolute	8,266	8,977	6,751	5,565	3,775	3,094
Outstanding Volume	Rs. Mln	18,134	16,416	10,811	8,256	6,062	5,149
Home Loan							
No. of Loans disbursed	Absolute	108	64	44	21	8	7
Outstanding Volume	Rs. Mln	4,116	2,909	1,887	1,710	1,508	1,695
Personal Loan							
No. of Loans disbursed	Absolute	2,766	1,313	316	231	133	72
Outstanding Volume	Rs. Mln	2,707	2,630	531	518	507	517
Bancassurance							
No. of customers	Absolute	152,145	119,474	95,434	72,553	55,411	39,716
No. of new customers	"	32,671	24,040	22,881	17,142	15,695	14,714
No. of policies	"	33,110	26,590	23,223	17,189	16,223	15,481
Bancassurance Premium	Rs. Mln	7,060	6,133	4,953	4,193	3,411	2,837
Bancassurance - New Premium	"	2,441	2,046	1,679	1,406	1,218	1,305
Bancassurance Revenue	"	1,072	944	698	768	565	723
Trade							
Imports - volume	Rs. Mln	483,932	416,489	371,233	359,860	414,941	420,964
Exports - volume	"	302,500	220,912	162,899	170,032	171,072	208,640
Transaction Banking							
Home Remittance							
Volume of home remittance	USD Mln	3,064	2,281	2,220	2,096	1,819	1,529
Volume of home remittance	Rs. Mln	374,431	240,478	232,340	213,755	184,130	154,656
Home Remittance MCB Market Share	%	14.88%	11.64%	11.30%	10.90%	10.68%	10.48%
Cash Management							
Volume of cash collection	Rs. Mln	1,673,812	1,500,553	1,210,303	1,024,595	963,217	951,516

Six Years' - Performance Commentary

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

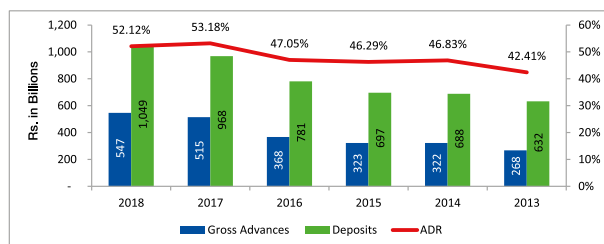
Statement of Financial Position

Total Assets:

The asset base of the Bank has registered a remarkable compound annual growth rate (CAGR) of 11.78% over the last 6 years growing from Rs. 767 billion as at December 31, 2012 to Rs. 1,498 billion as at December 31, 2018. Prime contributors to the said increase have been advances and investments, with investments growing annually by approximately 10.93% while advances grew by 13.18%. The earning asset mix of the Bank has been prudently managed to ensure maximization of returns to stakeholders. In 2017, based on the strategic move, NIB Bank was merged with and into MCB Bank Limited resulting in a significant increase in assets of 26.19% during 2017. Further 90 branches of the bank have been transferred during the year 2018 to MCB wholly owned subsidiary i.e. MCB Islamic Bank Limited.

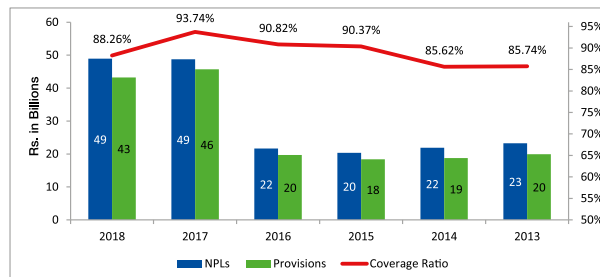
Advances:

The changing macro-economic factors made the operating environment more challenging with discount rate registering a steep increase of 425 bps in the year 2018. Growing concerns on the asset quality coupled with limited credit opportunities falling within the defined risk appetite has resulted in a moderate growth in gross advances base. However, over the past two years, merger of NIB Bank and decent growth on the private sector credit appetite has reflected in the growth numbers for MCB. Advances have grown at a CAGR of 13.18% over the last 6 years. Due to the said growth in advances in 2018, the ADR has increased from 48.14% as at December 31, 2012 to 52.12% in 2018.



Non-performing Loans:

Strengthened risk management policies coupled with refined appetite has enabled the Bank to keep a check on quality of its assets. Bank has posted significant recoveries in past few years. In this regard, the infection ratio of the Bank was 9.74% as at December 31, 2012 which improved to 5.90% as at December 31, 2016. However, transfer of NPL stock from NIB Bank i.e. Rs. 29.650 billion has increased the infection ratio to 9.47% as at December 31, 2017. In 2018 infection ratio improved to 8.95%. The quality of asset base has been one of the prime focus areas of the Bank and the significant recoveries posted in the last few years reflect the strategic focus of the Bank. The coverage ratio of the Bank has moved from 89.23% as at December 31, 2012 to 88.26% as at December 31, 2018. Moreover, the NPLs classified in "loss" category constitute more than 93% of the NPLs base as at December 31, 2018. This specifies the adequacy of provision held in the books of the Bank.

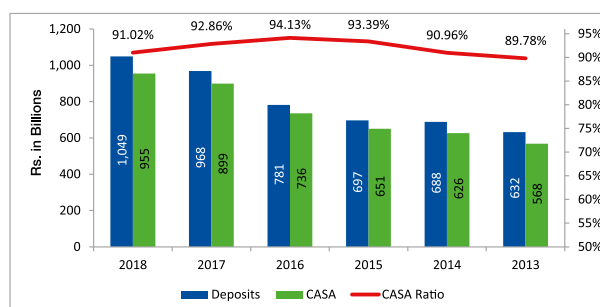


Investments:

During the past few years, the lack of credit opportunities resulted in banking sector money being deployed in Government Papers, where the borrowing appetite has continued to grow. With an average annual growth rate of 10.93% over the last six years, the investment base of the Bank has grown from Rs. 402 billion as at December 31, 2012 to Rs. 749 billion as at December 31, 2018.

Deposits:

The deposit base of the Bank has nearly doubled over the last six years, surpassing the landmark of PKR 1 trillion, with absolute numbers increasing from Rs. 545 billion as at December 31, 2012 to Rs. 1,049 billion as at December 31, 2018. CAGR of 11.53% is maintained during the past 6 years. CASA base has registered remarkable increase in last 6 years, increasing from Rs. 464 billion as at December 31, 2012 to Rs. 955 billion as at December 31, 2018; This has been strategically achieved through service excellence, strategically placed touch points for the customer and transactional convenience provided through a variety of products.



Equity and Dividends

- The paid-up capital of the Bank has grown from Rs. 9.2 billion as at December 2012 to Rs. 11.8 billion as at December 31, 2018, meeting the statutory capital requirements set by the Central Bank.
- In 2008, most affluent strategic partnership occurred in Pakistan where the largest Bank of Malaysia, Maybank Berhad, acquired 20% holding in MCB Bank Limited (Current holding 18.78%). Dilution due issue of share under merger scheme). In 2017, Fullerton Financial Holdings (International) of Singapore through Bugis Investments (Mauritius) Pte Ltd acquired 5.49% stake in MCB under merger scheme of NIB Bank with and into MCB Bank Limited.

- The equity base of the Bank is reflective of the outstanding financial results achieved through consistent performance over years. The capital base of the Bank is rated as strong which is substantiated by the reported CAR of 18.13% as at December 31, 2018 against the statutory requirement of 11.90%. The Shareholders' equity has grown significantly from Rs. 89 billion as at December 31, 2012 to Rs. 140 billion as at December 31, 2018.
- The Bank has the highest cash dividend per share in the industry with regular interim dividends and remains one of the prime stocks preferred in the Pakistani equity markets.

Profit and Loss account

Net Interest Margin

- The composition of markup income has seen a shift in the last six years on the back of concentration shift in the earning asset base of the Bank. The contribution from markup income earned on advances has increased from 38.41% in 2013 to 44.36% in 2018 while markup income from investments has decreased to 53.67% (2013: 60.30%).
- The regulatory revisions covering minimum deposit rate introduced in the earlier years of this six years analysis has adversely affected the Bank's net interest margin. The said impact was strategically diluted by improving the CASA base over period taking it to over 91% as at December 31, 2018.

Non-Markup Income

- During last six years, fee, commission income and capital gains have been the major drivers behind non-fund income growth. Fee, commission income has grown on the back of new products and services added to the menu coupled with remote banking and branchless initiatives taken by the Bank. The product development teams of the Bank have been tapping the unbanked segment of the population and offering them tailored products to meet their specific financial requirements. Different types of products have been offered in order to meet the needs of the time like credit card, mobile banking, visa debit card, MCB Lite, prepaid cards, IBFT etc.
- The fee, commission and brokerage block of the Bank has been constantly increasing over the years with major contributions coming from commission earned on card business, bancassurance business, remittances and intercity / intra-city cash transfers.

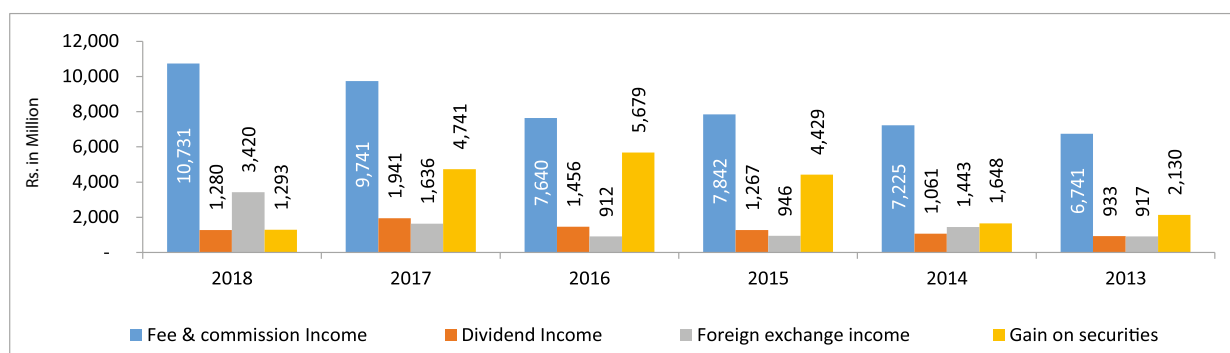
- The equity investment base of the Bank has been providing outstanding dividend yields with dividend income proving to be one of the major contributors to non-markup income. During the past 6 years, above Rs. 28 billion has been realized by way of capital gains and dividend income.

Operating Expenses

- Owing to the strengthened risk management framework, the provision charge of the Bank has been on a declining trend over years. The provision and write-off reversal was reported at Rs. 2.8 billion for the year 2013 followed by extensive recovery efforts and reversals in subsequent years. For the year 2014, the Bank reversed provisions to the tune of Rs. 1.8 billion based on the recoveries posted against classified advances. In 2018, provisions were recorded on the equity portfolio of the bank based on market volatility while recoveries were posted against advances. It is pertinent to add that the Bank carries an unencumbered general provision of around 0.1% of gross advances and has not taken the benefit of FSV in provision calculation for the year 2018.
- The growth in administrative block of the bank has been nominal considering the inflationary patterns followed over the period of six years. The management has been able to introduce cost effective techniques / methods to exercise control over the administrative expenses. Centralization of various expense heads and imposition of annual capping have been few of the key initiatives undertaken in this respect. This has enabled the Bank to maintain one of the lowest cost to income ratios in the industry.

Profit before tax and Profit after tax:

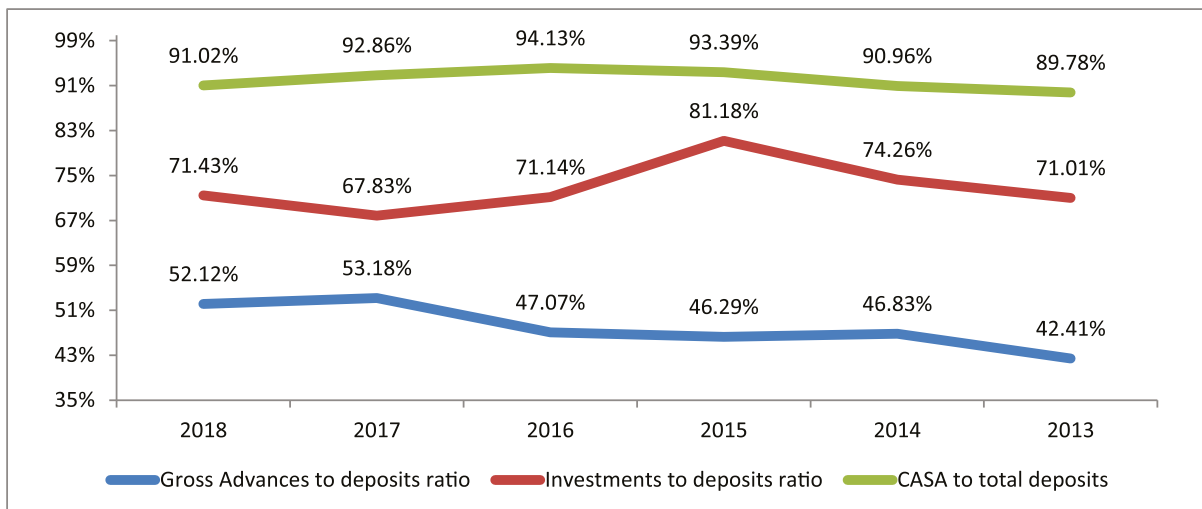
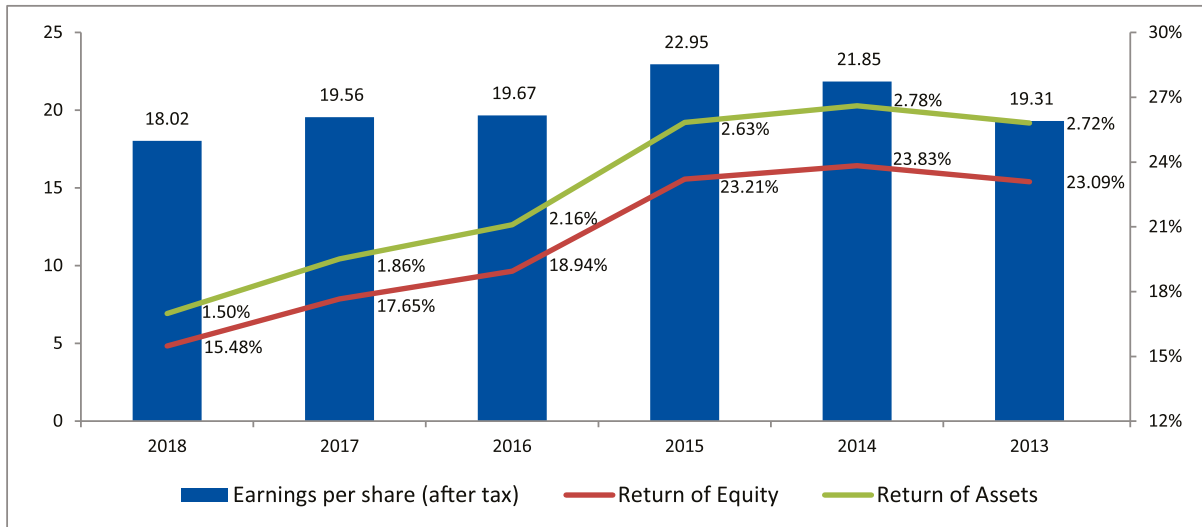
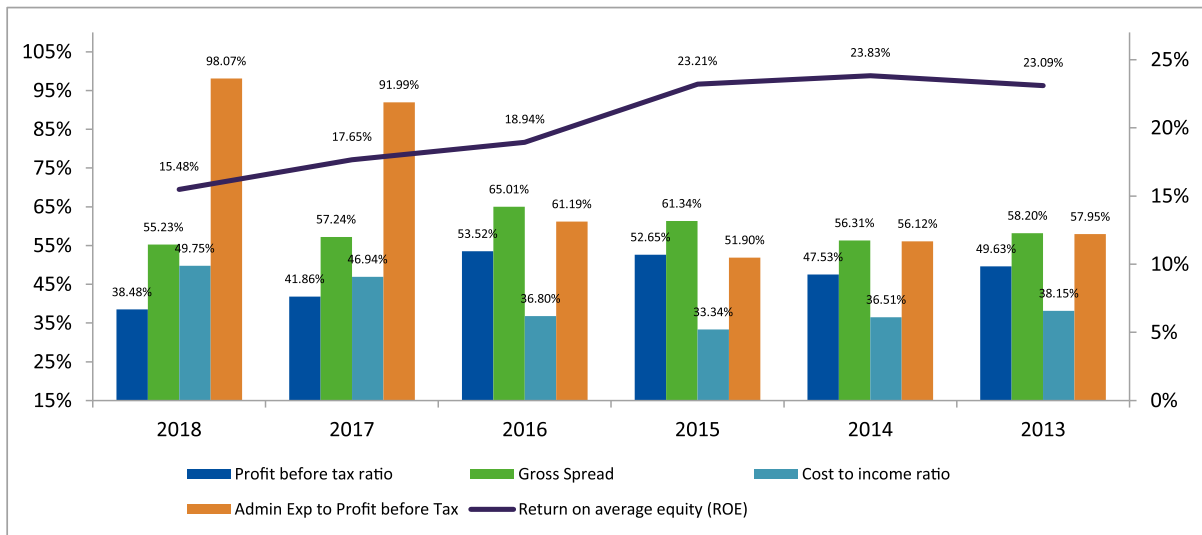
- MCB Bank has been able to post outstanding profitability numbers over the period of last six years as substantiated by the highest EPS and remarkable return on asset ratio. Over the past few years, due to decreasing interest rate scenario and enactment of regulatory guidelines on minimum deposit rates, the net interest margins have registered significant compression. The post-tax profitability numbers were Rs. 21.5 billion for 2013 and now it stands at Rs. 21.4 billion for 2018. The aggregate profit after tax for the last six years has crossed Rs. 137 billion.
- Profitability ratios have been one of the best in the banking industry which are reflective of the effective management of the affairs and adoption of prudent strategies.



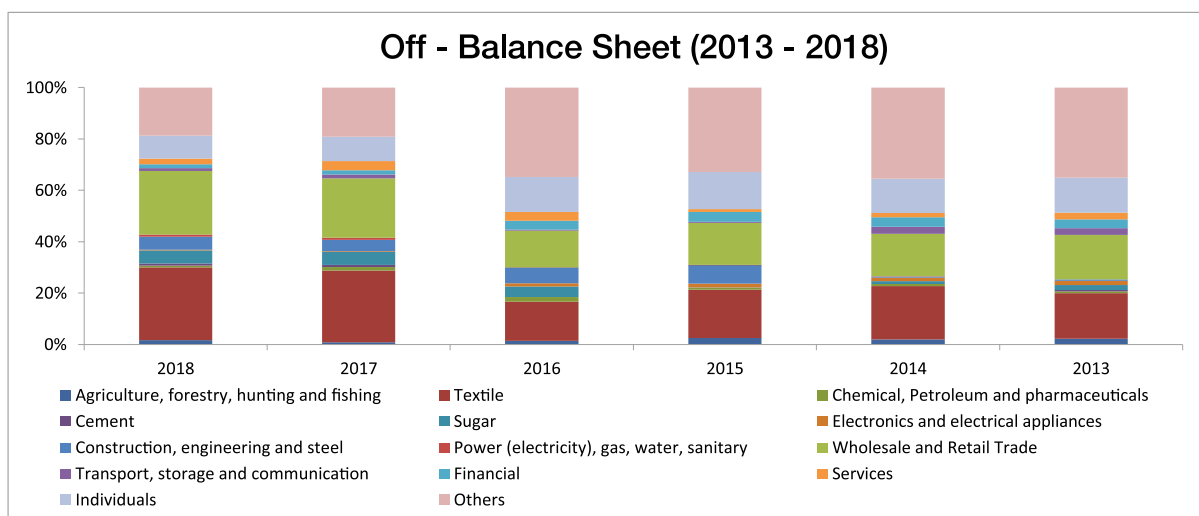
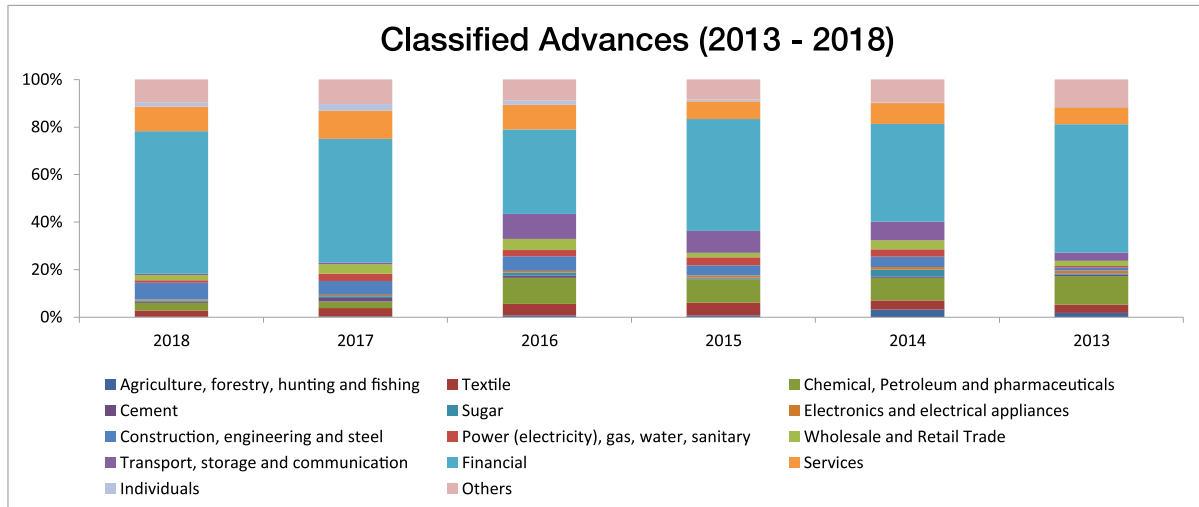
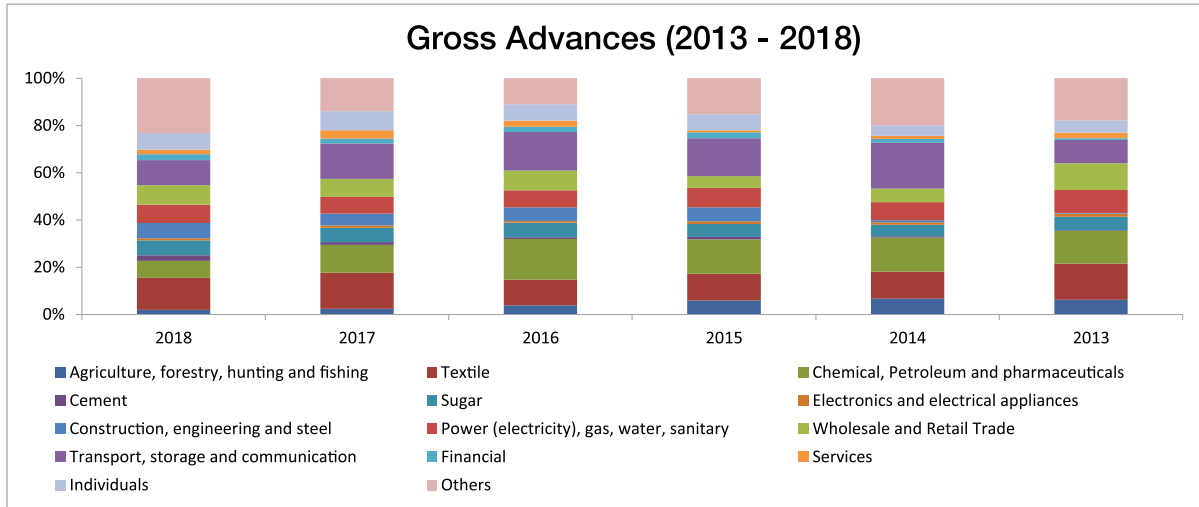
Other statistics

- The Bank has added over almost 3 million customers to its base during the past 6 years with the current statistics highlighting customer base over 7.8 million.
- With active participation in trade, MCB Bank has been able to improve trade volume in last 6 years which has increased to Rs. 484 billion for imports and Rs. 302 billion for exports.
- The Bank has been able to increase its market share in the remittance business growing from Rs. 137 billion as at December 31, 2012 to the volume of Rs. 374 billion as at December 31, 2018.
- In 2008, the Bank launched Bancassurance which was a unique cross functional service to the customers of the Bank. With only 131 policies and 129 customers in 2008, MCB Bank now manages more than 33,000 policies and customers with premium amount of more than Rs. 7 billion.
- MCB Bank launched mobile banking in 2009 with approximately 53K customers reported by the end of the year. As of 2018, the mobile customers have grown to 1.3 million and above with transaction volume of over Rs. 48 billion.
- During the year 2018, this is the 6th consecutive year where MCBs Annual Report has been adjudged winner for best corporate report award in financial sector category. MCB Bank has been awarded as winner by ICAP and ICMAP for Best Corporate Report Award 8 times in past 9 years.
- In 2015, MCB Annual Report has been honored to receive 1st place by South Asian Federation of Accountant (SAFA) for best presented Annual Accounts 2014. MCB was the 1st Pakistani bank to receive this accolade. In the past years, we have been awarded merit certificate and runner up awards for the same.
- In 2016, Bank was awarded Best Bank in Corporate Finance and Investment Banking by EuroMoney Awards while in 2016 bank was awarded as best bank by EuroMoney. We have also been awarded for Country Awards for Achievement in recent past years by FinanceAsia.
- China-Pakistan Economic Corridor ('CPEC') is beginning to show greater momentum with several energy and infrastructure projects in the pipeline, which will fuel growth in the medium term. Bank is continuously focusing on CPEC related infrastructure projects and bank has been able to achieve various awards on outstanding performance under CPEC arrangements. In this regard bank received award for Best Regional Bank in South Asia for BRI (Belt & Road Initiative) - Asiamoney New Silk Road Finance Awards 2017.

Six Years' - Graphical Summary of Ratios

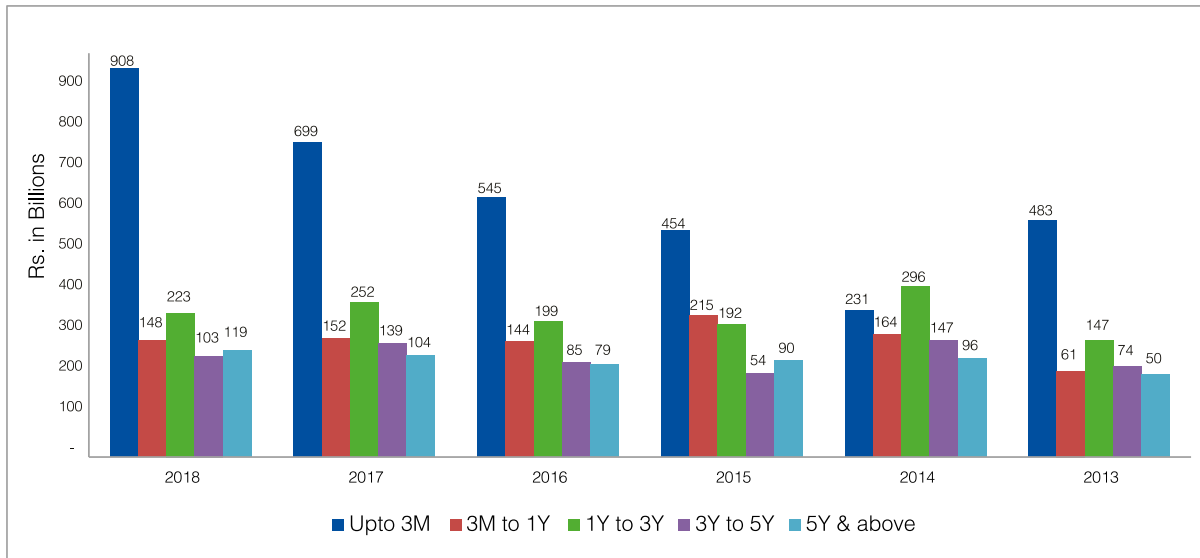


Six Years' - Concentration of Advances, NPLs & Off-Balance Sheet Items

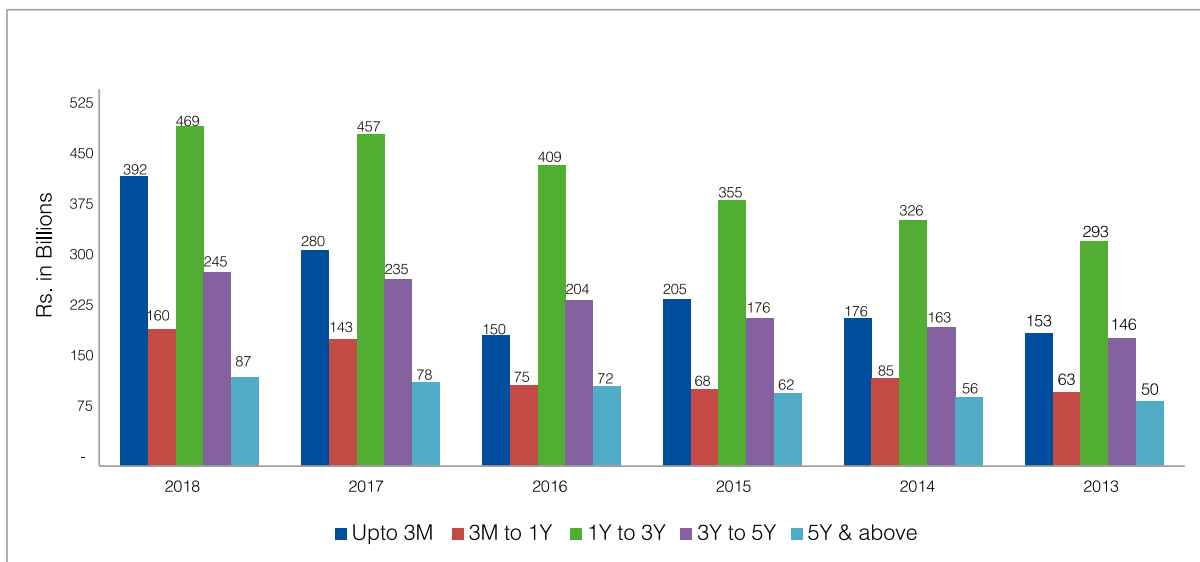


Six Years' - Maturities of Assets & Liabilities

Maturities of Assets



Maturities of Liabilities



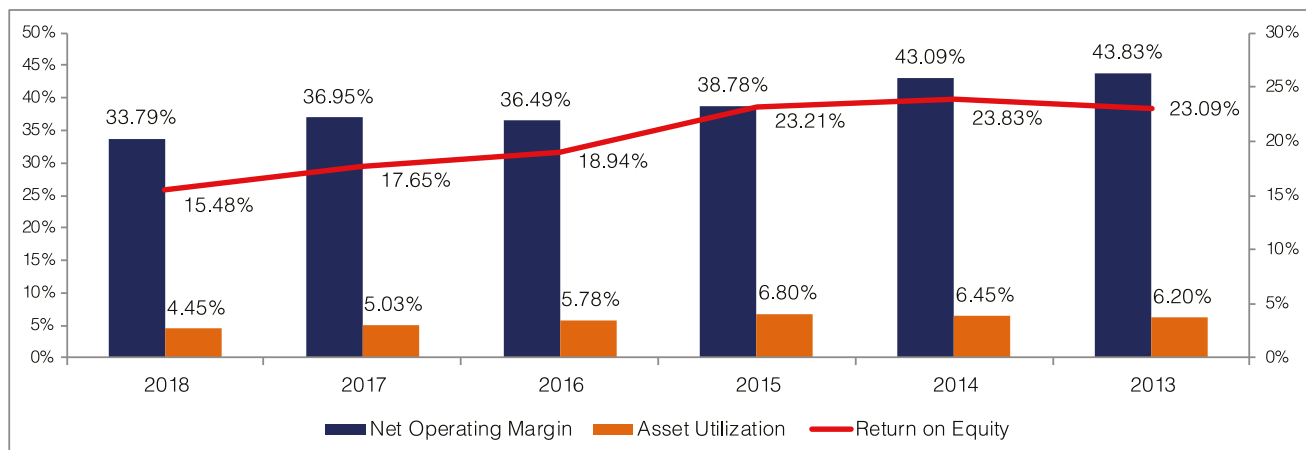
* Based on expected maturities

DuPont Analysis

			2018	2017	2016	2015	2014	2013
Net Operating Margin	PAT / Total Income	A	33.79%	36.95%	36.49%	38.78%	43.09%	43.83%
Asset Utilization	Total Income / Average Assets	B	4.45%	5.03%	5.78%	6.80%	6.45%	6.20%
Return on Assets		C = A x B	1.50%	1.86%	2.11%	2.63%	2.78%	2.72%
Leverage Ratio / Equity Multiplier	Average Assets / Average Equity	D	10.29	9.49	8.99	8.81	8.57	8.50
Return on Equity		C X D	15.48%	17.65%	18.94%	23.21%	23.83%	23.09%

Following are the main DuPont analysis highlights:

- 1) Net operating margin measure in term of profit margins showing increasing trend in 2013 and 2014 due to improved non-markup income, cost control measures and reversal in provisions but in recent years it has been deteriorating due to maturity of high yield bonds & weak performance of PSX.
- 2) Asset utilization in terms of total income has shown decreasing trend due to decrease in discount rate & maturity of high yield bonds while corresponding upward revision in minimum deposits rate by regulator.
- 3) Equity Multiplier showing increasing trend since 2013 due to lesser retention of profits.



Summary of Cash Flows

(Rupees in Million)

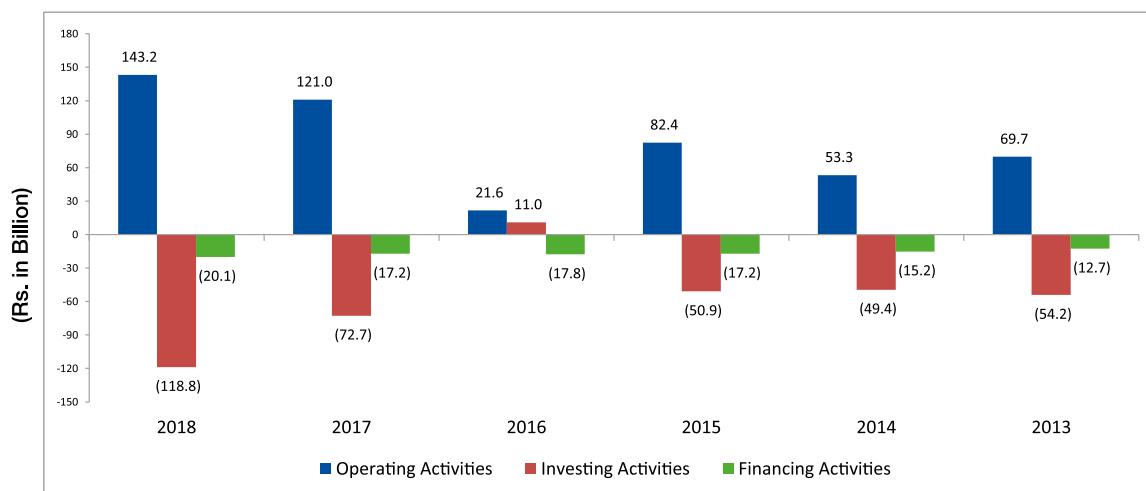
	2018	2017	2016	2015	2014	2013
Cash flows from operating activities	143,221	121,010	21,593	82,440	53,343	69,725
Cash flows from investing activities	(118,767)	(72,671)	11,043	(50,942)	(49,394)	(54,177)
Cash flows from financing activities	(20,092)	(17,203)	(17,760)	(17,167)	(15,175)	(12,673)
Cash and cash equivalents at beginning of the year	109,543	78,407	63,682	49,427	60,857	57,783
Cash and cash equivalents at end of the year	113,181	109,543	78,407	63,682	49,427	60,857

Commentary of Cash Flow Statement

Cash inflow from operating activities depicts cash inflows from core business of the bank i.e. Deposit generation. In 2018, cash flow generated from operating activities is Rs. 143.2 billion which has increased significantly when compared with Rs. 69.7 billion in 2013. The increase was due to massive increase in deposit base of the bank. In 2018, deposit growth contributed cash inflow of Rs. 102.4 billion which was utilized in the funding activities to the tune of Rs. 31.4 billion and lendings to bank to the tune of Rs. 30.74 billion. Calendar year 2018 remains a hall mark year in terms of operational activity as the Bank reported highest base on both key performance indicators (i.e. Deposits and Advances). For the year 2018, the increase in the asset base was primarily led by advances. Historically, investments have been the major contributors to the increased asset base.

On the investing front, during the past 6 years, highest cash outflow has been observed in current year i.e. Rs. 118.8 billion in 2018. This is due to increase in investments in risk free market treasury bills and investment in available for sale securities has considerably been increased to the tune of Rs. 93.7 billion. During the year 2018, the major outflow was also been the payment made on account of demerger of 90 branches which was Rs. 22.2 billion.

Cash outflow from financing activities reflects payments on account of dividends to shareholders. Considering that MCB has the highest dividend per share in the financial sector with quarterly payouts, MCB has paid over Rs. 100 billion during the past 6 years.



Free Cash Flows

(Rupees in Million)

	2018	2017	2016	2015	2014	2013
Profit before taxation	32,064	31,014	36,075	42,329	36,729	32,288
Adjustment for non-cash items	264	882	1,525	1,419	(58)	862
Operating assets/ liabilities changes	110,893	89,114	(16,007)	38,692	16,672	36,575
Net cash generated from operations	143,221	121,010	21,593	82,440	53,343	69,725
Capital expenditure	(4,483)	(4,745)	(3,485)	(942)	(4,757)	(4,663)
Free cash flows	138,738	116,265	18,108	81,498	48,586	65,062

Cash Flow Statement

Direct Method

	2018	2017
	(Rupees in Million)	
Cash flows from operating activities		
Mark-up / return / interest and commission receipts	100,579	88,517
Mark-up / return / interest payments	(31,987)	(30,195)
Payments to employees, suppliers and others	(29,565)	(24,536)
	39,027	33,786
(Increase) / decrease in operating assets		
Lendings to financial institutions	(30,708)	(1,588)
Net investments in 'held for trading' securities	(9,338)	111
Advances - net	(31,435)	(49,071)
Other assets	(1,713)	(1,515)
	(73,194)	(52,063)
Increase / (decrease) in operating liabilities		
Bills payable	(5,767)	6,899
Borrowings	82,186	33,326
Deposits and other accounts	102,473	105,312
Other liabilities	1,795	1,471
	180,687	147,008
	146,520	128,731
Income tax paid	(3,299)	(7,721)
Net cash flows from operating activities	143,221	121,010
Cash flows from investing activities		
Net investments in 'available for sale' securities	(93,719)	(80,857)
Net investments in 'held to maturity' securities	(1,451)	(4,217)
Net cash inflow on amalgamation	-	14,268
Investment in subsidiary companies	(1,200)	-
Net cash outflow on demerger	(22,214)	-
Proceeds from divestment in associate	295	783
Dividends received	1,603	1,636
Investments in operating fixed assets	(4,261)	(4,440)
Investments in intangible assets	(222)	(305)
Proceeds from sale of non-banking assets acquired in satisfaction of claims	682	108
Sale proceeds of operating fixed assets and intangible assets disposed off	574	36
Exchange differences on translation of the net investment in foreign branches	1,146	317
Net cash flows used in investing activities	(118,767)	(72,671)
Cash flows from financing activities		
Redemption of Subordinated loan	(2)	(1)
Dividend paid	(20,091)	(17,202)
Net cash flows used in financing activities	(20,093)	(17,203)
Cash and cash equivalents transferred to MIB under the scheme of demerger	(723)	-
Effects of exchange rate changes on cash and cash equivalents	5,575	1,041
Increase in cash and cash equivalents	9,213	32,177
Cash and cash equivalents at beginning of the year	103,968	77,366
Cash and cash equivalents at end of the year	113,181	109,543

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

Markup and Non Markup Income

Rs. in Million

Markup Income

Loans and advances	Investments	Lendings to Financial Institutions	Balance with banks
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2018	2017	2016	2015	2014	2013
36,964	26,931	22,956	26,128	28,922	24,990
44,719	46,876	44,226	54,010	47,835	39,233
1,390	174	122	176	481	746
246	111	97	79	31	95
83,319	74,091	67,400	80,393	77,269	65,064

Markup Expense

Deposits	Borrowings	Subordinated loan	Others
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32,081	22,105	18,313	23,326	30,341	23,561
4,253	8,837	4,556	7,185	2,790	2,813
308	138	-	-	-	-
663	349	717	566	626	822
37,305	31,429	23,586	31,077	33,757	27,196

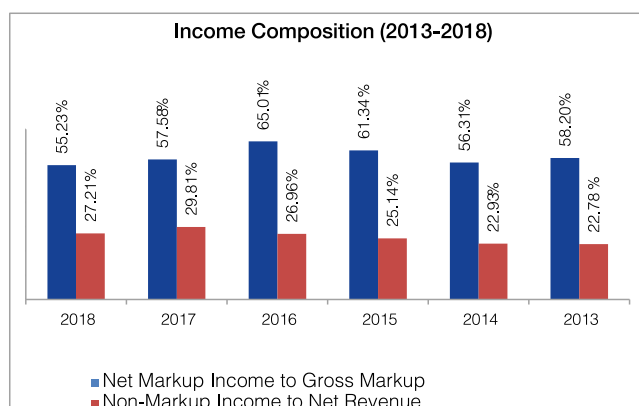
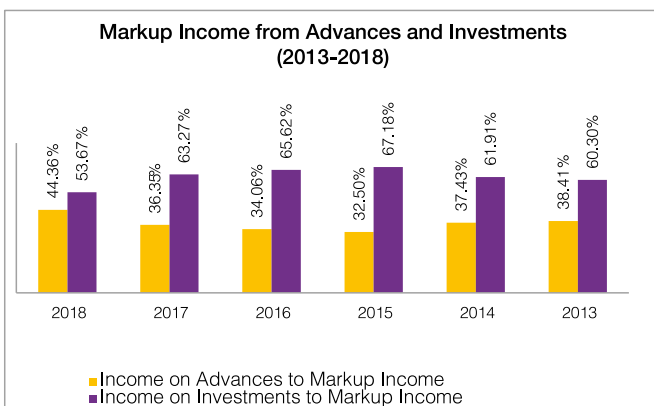
Net Markup Income

46,014	42,662	43,814	49,316	43,512	37,868
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Non Markup Income

Fee, Commission & Brokerage Income	Dividend Income	Foreign exchange income	Gain on securities	Other Income
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2018	2017	2016	2015	2014	2013
10,731	9,741	7,640	7,842	7,225	6,741
1,280	1,941	1,456	1,267	1,061	933
3,420	1,636	912	946	1,443	917
1,293	4,741	5,679	4,429	1,648	2,130
474	58	488	2,083	1,566	450
17,198	18,118	16,175	16,566	12,944	11,171

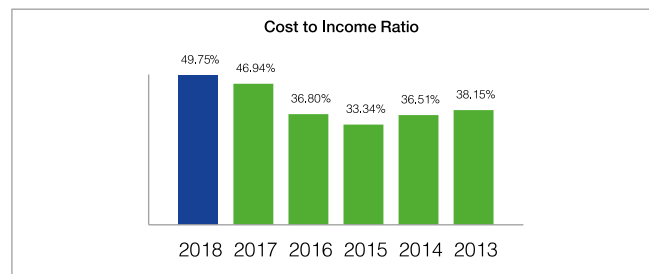
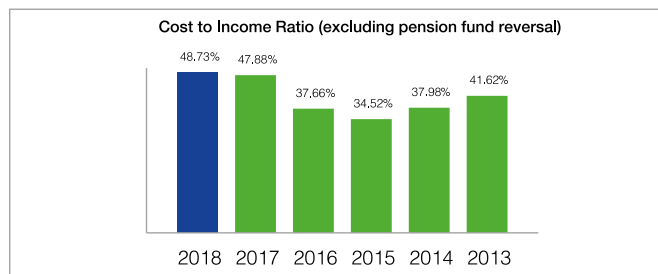


Administrative Expenses

Rs. in Million

	2018	2017	2016	2015	2014	2013
Total compensation expense	14,053	12,301	9,111	8,962	8,834	8,824
Property expense						
Rent & taxes	1,959	1,526	1,047	1,044	943	882
Insurance	26	27	24	25	26	22
Utilities cost	1,095	911	739	745	747	580
Fuel Expense	514	459	368	545	680	617
Security (including guards)	1,603	1,392	1,178	1,034	866	583
Repair & maintenance (including janitorial charges)	945	790	660	516	416	143
Depreciation	458	383	385	390	371	370
	6,599	5,487	4,400	4,300	4,049	3,197
Information technology expenses						
Software maintenance	785	601	565	530	563	515
Hardware maintenance	364	349	239	239	183	131
Depreciation	560	527	500	608	481	468
Amortization	256	244	366	364	360	260
Network charges	616	621	554	631	456	340
Insurance	4	5	6	5	5	6
	2,584	2,347	2,230	2,376	2,048	1,720
Other operating expenses						
Directors' fees and allowances	41	39	35	35	34	32
Legal & professional charges	302	328	265	212	282	272
Outsourced services costs	1,119	1,167	818	830	686	642
Travelling & conveyance	343	293	396	236	238	142
NIFT clearing charges	146	136	126	138	139	124
Depreciation	963	820	688	574	521	437
Depreciation on non-banking assets	49	30	29	-	-	-
Training & development	51	60	51	45	35	41
Postage & courier charges	271	323	247	267	219	219
Communication	317	384	306	308	290	304
Stationery & printing	704	646	543	609	561	503
Marketing, advertisement & publicity	518	531	483	362	315	119
Donations	1	12	13	-	40	25
Auditors Remuneration	34	41	24	39	34	32
Cash transportation charges	744	631	551	545	550	482
Repair & maintenance	826	775	600	533	477	436
Subscription	24	18	27	16	18	20
Entertainment	233	235	186	174	160	148
Credit Card Related Expenses	738	562	415	348	298	238
CNIC verification charges	138	107	76	62	60	53
Insurance	821	254	236	711	509	547
Others	473	431	215	286	212	154
	8,854	7,823	6,332	6,329	5,680	4,969
Operating expenses excluding compensation	18,038	15,657	12,963	13,006	11,778	9,886
Total operating expenses	32,091	27,958	22,074	21,968	20,612	18,710

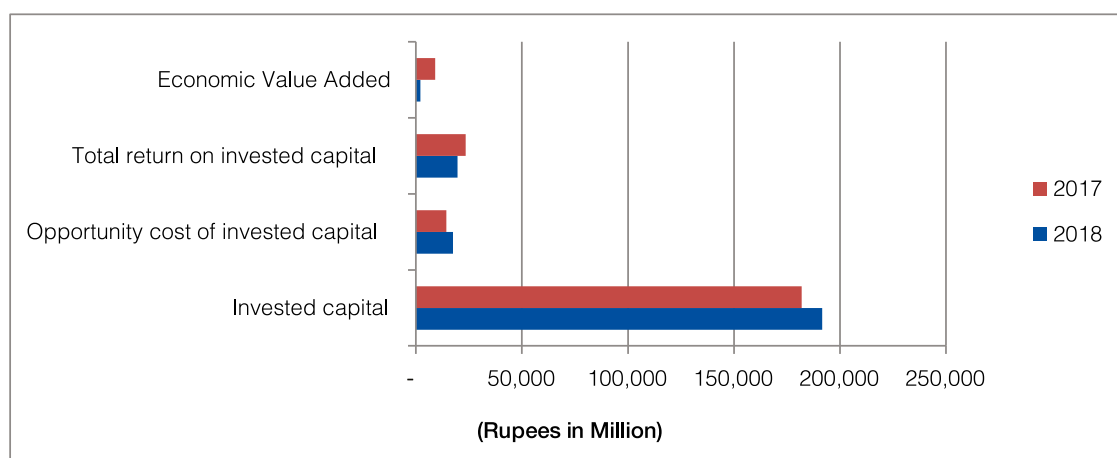
Cost to income ratio (excluding pension fund reversal)



Economic Value Added Statement

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

	2018	2017
	(Rupees in Million)	
Invested Capital		
Average shareholders' equity	138,012	127,220
Add: Cumulative provisions against assets	53,626	54,705
	191,638	181,924
Return on Invested Capital		
Profit after taxation	21,360	22,459
Add: (Reversals) / provisions and write offs - net	(1,753)	1,045
Total return on invested capital	19,606	23,504
Economic cost (12 months average Treasury Bill rate plus 2% risk premium)	9.10%	7.91%
Opportunity cost of invested capital	17,439	14,390
Economic Value Added	2,167	9,114



Comments:

Decrease in EVA as compare to last year is due to decrease in profit and increase in economic cost due to revision in policy rate.

Capital Expenditures

Capital expenditure during the year:

The total capital expenditure during 2018 was Rs. 4.5 billion for business expansion, renovation and improvement of IT infrastructure.

Capital expenditures planned for next year:

The Bank has budgeted capital expenditure of Rs. 6.6 billion for the next year. This would primarily be invested in increasing our operational outreach, continuous improvement in our Information Technology platforms, safeguarding our existing infrastructure / relationships from growing threats on cyber security front along with normal replacements to ensure smooth operations.

Six Years' Vertical Analysis Statement of Financial Position/ Profit & Loss

	2018		2017		2016		2015		2014		2013	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	103,175	7%	106,072	8%	74,222	7%	60,568	6%	46,754	5%	59,946	7%
Balances with other banks	11,879	1%	4,579	0%	4,344	0%	3,611	0%	3,016	0%	1,537	0%
Lendings to financial institutions	35,106	2%	4,398	0%	2,810	0%	3,080	0%	1,418	0%	1,225	0%
Investments	749,369	50%	656,964	49%	555,929	52%	565,696	56%	511,137	55%	449,006	55%
Advances	503,581	34%	469,356	35%	348,117	32%	304,122	30%	303,559	32%	248,243	30%
Fixed assets	41,070	3%	39,170	3%	32,409	3%	29,227	3%	30,498	3%	28,006	3%
Intangible assets	372	0%	404	0%	343	0%	723	0%	694	0%	589	0%
Other assets	53,578	4%	62,295	5%	54,191	5%	37,384	4%	37,555	4%	26,956	3%
	1,498,130	100%	1,343,238	100%	1,072,365	100%	1,004,410	100%	934,631	100%	815,508	100%
Liabilities												
Bills payable	15,699	1%	22,681	2%	12,844	1%	11,889	1%	16,628	2%	10,139	1%
Borrowings	216,019	14%	133,070	10%	74,515	7%	118,040	12%	59,543	6%	38,543	5%
Deposits	1,049,038	70%	968,483	72%	781,430	73%	696,805	69%	688,330	74%	632,330	78%
Sub-ordinated loan	3,891	0%	3,893	0%	-	-	-	-	-	-	-	-
Deferred tax liabilities	1,532	0%	4,625	0%	11,260	1%	11,377	1%	10,397	1%	4,201	1%
Other liabilities	62,673	4%	56,921	4%	50,690	5%	28,498	3%	29,630	3%	20,064	2%
	1,348,852	90%	1,189,672	89%	930,739	87%	866,608	86%	804,527	86%	705,277	86%
Net Assets	149,278	10%	153,566	11%	141,627	13%	137,802	14%	130,104	14%	110,231	14%
Represented by												
Share capital	11,851	1%	11,851	1%	11,130	1%	11,130	1%	11,130	1%	10,118	1%
Reserves	74,148	5%	70,866	5%	53,347	5%	51,309	5%	48,830	5%	46,601	6%
Surplus on revaluation of assets	9,747	1%	17,073	1%	23,680	2%	24,616	2%	23,196	2%	12,959	2%
Unappropriated profit	53,532	4%	53,776	4%	53,469	5%	50,747	5%	46,948	5%	40,552	5%
	149,278	10%	153,566	11%	141,627	13%	137,802	14%	130,104	14%	110,231	14%
Profit & Loss Account												
Mark-up earned	83,319	83%	74,091	80%	67,400	81%	80,393	83%	77,269	86%	65,064	85%
Mark-up expensed	(37,305)	-37%	(31,429)	-34%	(23,586)	-28%	(31,077)	-32%	(33,757)	-37%	(27,196)	-36%
Net mark-up income	46,014	46%	42,662	46%	43,814	52%	49,316	51%	43,512	48%	37,868	50%
Non-mark-up income	17,198	17%	18,118	20%	16,175	19%	16,566	17%	12,944	14%	11,171	15%
Total income	63,212	63%	60,780	66%	59,989	72%	65,882	68%	56,456	63%	49,039	64%
Non-mark-up expenses	(32,902)	-33%	(28,721)	-31%	(22,989)	-28%	(22,895)	-24%	(21,591)	-24%	(19,639)	-26%
Profit before provisions	30,310	30%	32,059	35%	36,999	44%	42,987	44%	34,865	39%	29,400	39%
Provisions & write off	1,753	2%	(1,045)	-1%	(925)	-1%	(659)	-1%	1,864	2%	2,888	4%
Profit before taxation	32,064	32%	31,014	34%	36,075	43%	42,329	44%	36,729	41%	32,288	42%
Taxation	(10,704)	-11%	(8,555)	-9%	(14,184)	-17%	(16,782)	-17%	(12,405)	-14%	(10,793)	-14%
Profit after taxation	21,360	21%	22,459	24%	21,891	26%	25,546	26%	24,325	27%	21,495	28%

Six Years' Horizontal Analysis

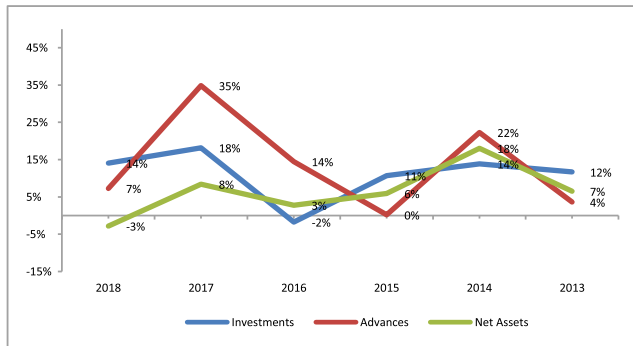
Statement of Financial Position/ Profit & Loss

	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
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Assets												
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Commentary on Six Years' Horizontal and Vertical Analysis:

Horizontal Analysis

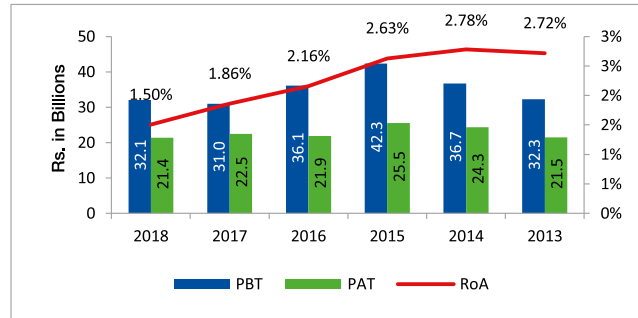
Asset base of the bank has increased considerably over the past 6 years and crossed many milestones i.e. PKR 1 trillion; highest increase in the asset base is observed in 2017 where assets increased by 25%, mainly contributed by advances in terms of volume. This increase also includes assets transferred under merger of NIB Bank into MCB Bank Limited. On an annualized basis, the asset base has recorded an increase of 12% over the last six years. During the past 6 years, highest increase in investment base was reported in 2017 i.e. 18%. Highest growth in advances is observed in 2017 primarily due to portfolio transferred on account of merger of NIB Bank with and into MCB Bank Limited.



The deposit base of the Bank has increased considerably over the years growing from Rs. 632 billion in 2013 to Rs. 1,049 billion in 2018 translating into a CAGR of 12% over past 6 years. Highest increase was reported in 2017, primarily on account of splendid growth in deposits coupled with deposits transferred under merger of NIB Bank into MCB Bank Limited. During the year, MCB transferred business of its 90 branches to MCB wholly owned subsidiary i.e. MCB Islamic Bank Limited and deposits amounting to Rs. 21.9 billion have been transferred under de-merger. Despite this transfer deposits have grown by 8% during the year. Equity of the bank has also posted healthy increase due to higher profitability in past 6 years, translating into 6% average growth in past 6 years.

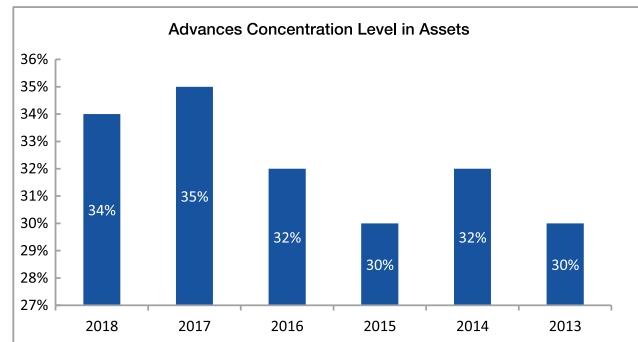
On to Profit and Loss side, gross markup earned has posted an average increase of 3% over a span of six years. This is due to lower discount rate in most part of the last 6 years. Corresponding to the shift in asset mix, contribution from income on investments has increased over the years. The increase in markup expense on deposits is on account of regulatory revisions enacted by the Central Bank and volumetric increase in deposit base. Despite the regulatory revisions enacted during the period, the cost of deposit was strategically managed by reducing high cost deposits and increasing the CASA base of the Bank. However, the total markup expense has increased by 5% over the six year period under coverage.

Non Markup income block has shown enormous growth in recent years and the growth rate in past six years is 11%, whereas non-markup expense has grown by an average of 10% which is justifiable on account of growing operational infrastructure and inflationary patterns. One of the key strengths of the Bank has been its recovery of classified portfolio which is clearly reflected by the reduced / reverse credit charge over the last few years. Provision charge in 2017 & 2018 is primarily on account of Provision made against equity portfolio of the bank based on the volatility observed in the equity market while provision against advances have been reversed considerably over the past 6 years. MCB enjoys one of the highest spreads in the banking industry which are duly reflected in the profitability ratios of the Bank.

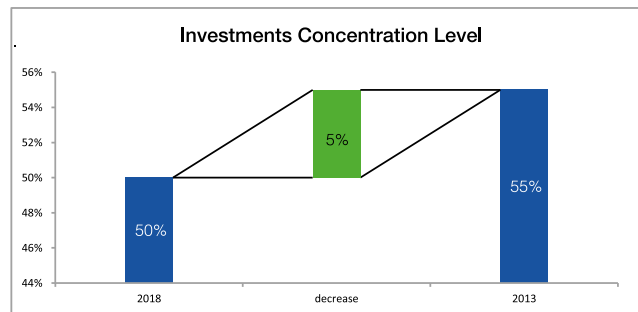


Vertical Analysis

Vertical analysis depicts higher concentration levels of investments and advances in the asset base of the Bank. The advances base of the Bank has posted moderate growth over the last few years due to lack of credit opportunities and intense competition. However, based on the credit uptick in the private sector, the advances base of MCB has increased considerably over the last two years. The concentration level of advances in the total assets stands improved from 30% in 2013 to 34% in 2018.



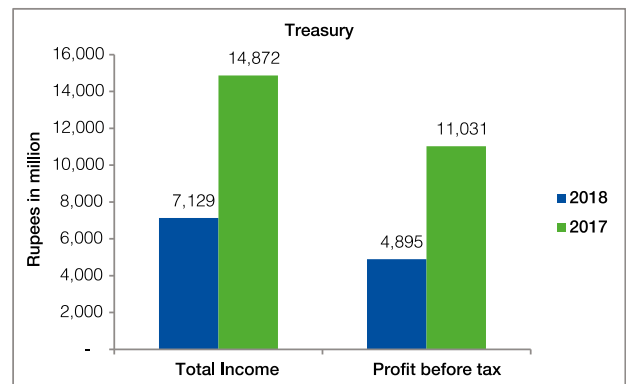
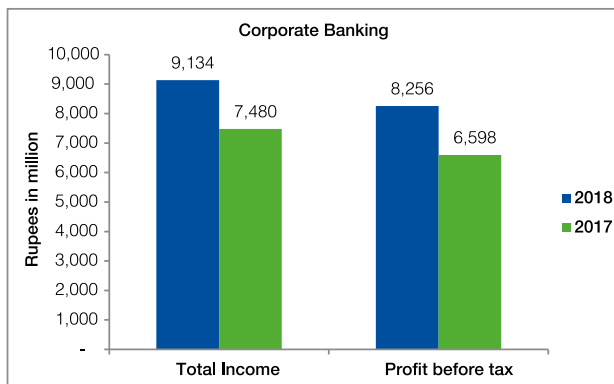
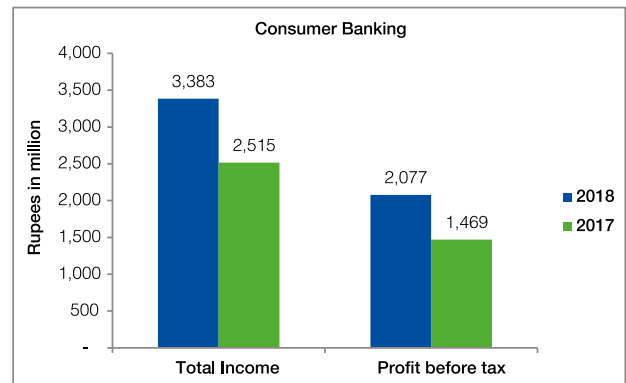
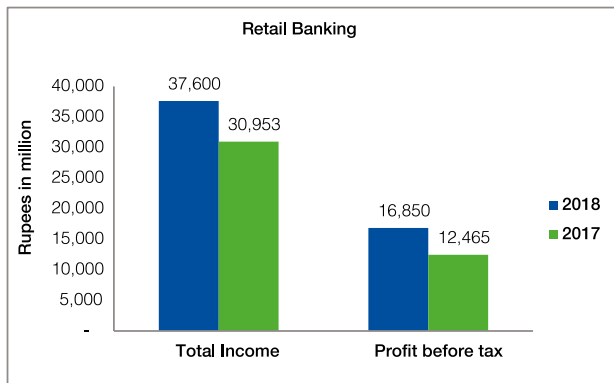
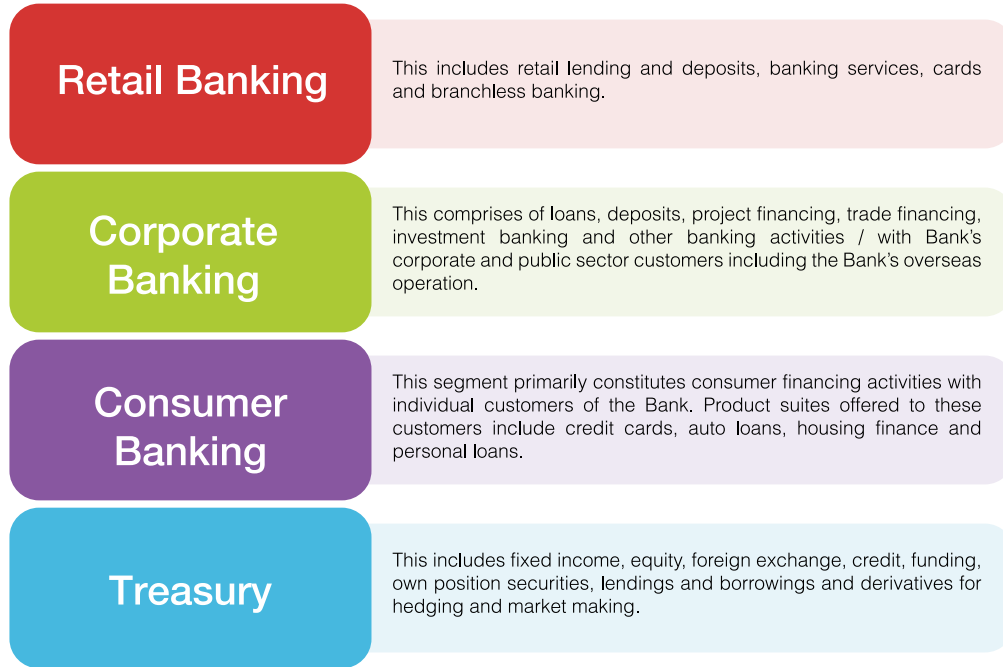
The IDRs of the banking industry registered a huge spike in the year 2013 -2015 on account of higher yielding longer term bonds being offered. However, based on the call that interest rate cycle has bottomed out, a gradual shift to shorter term securities with increased focus on credit was observed. Resultantly, the concentration levels of investments have decreased from 55% in 2013 to 50% in 2017.



Markup income growth has been steady over the last 6 years. The contribution from markup income approximates 83% of the total revenue. Markup expense has increased over the last 6 years, based on regulatory revisions enacted over the period and growth registered in the deposit base. Concentration of Non markup income in total income has increased significantly over the years due to innovative solutions offered to our customers, new products launched, and gain on sale of securities. With the growth in business non markup expense concentration level has also increased from 26% in 2013 to 33% in 2018, which is well within the budgetary limits.

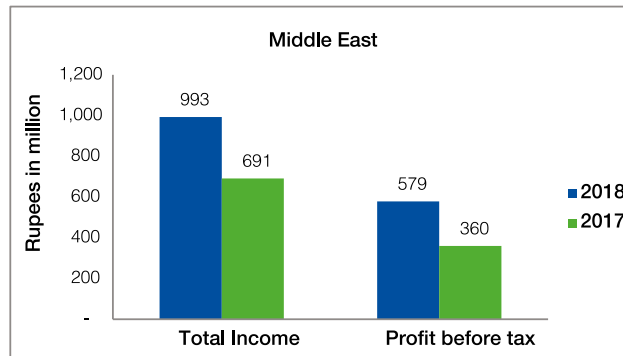
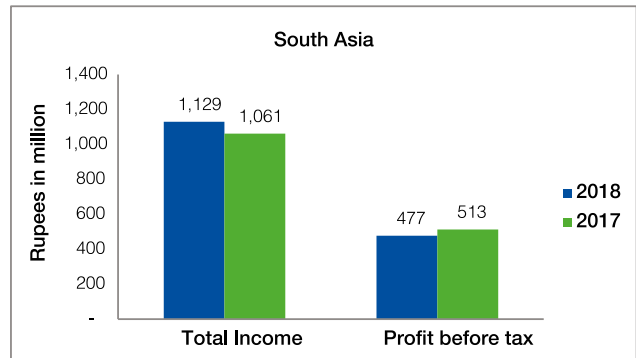
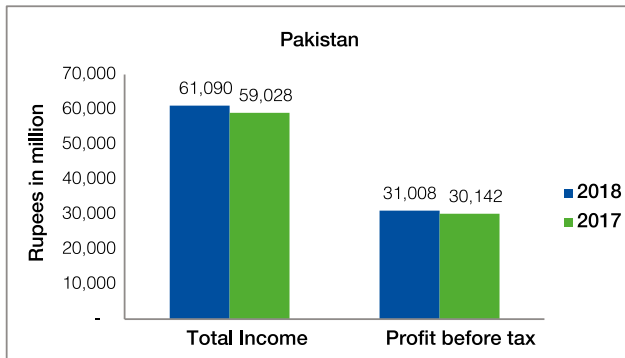
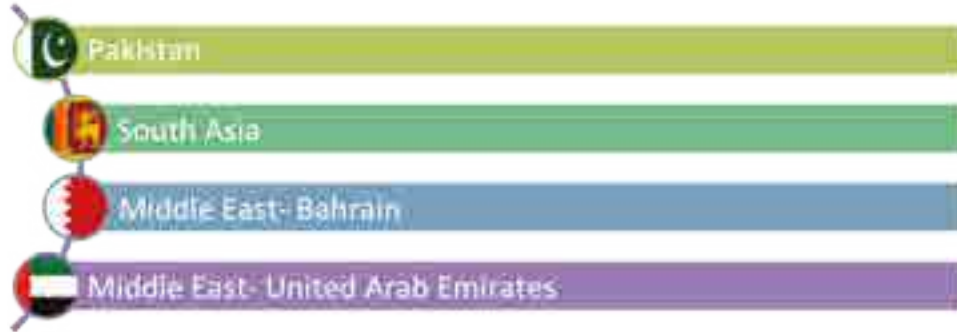
Segment Analysis:

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



Geographical Segment:

The Bank operates in following geographic regions:



* Detail segment analysis are presented in note 42 of the unconsolidated annual financial statements.

Statement of Charity & Donation

Statement of charity fund managed by MCB Islamic Bank Limited (wholly owned subsidiary of MCB Bank Limited).

	2018	2017
	(Rupees in '000)	
CHARITY FUND		
Opening balance as on January 01	5,513	10,580
Additions during the year		
Received from customers on delayed payments	25,548	7,406
Dividend purification amount	2,133	592
Profit on charity saving account	308	135
	27,989	8,133
Charity paid during the year	(8,100)	(13,200)
Closing balance as at December 31	25,402	5,513
Detail of charity made during the year is as follows:		
Aziz Jehan Begum Trust for the Blind	700	1,000
Care Foundation Pakistan	700	1,000
Chiniot Anjuman Islamia	600	1,000
Family Welfare Society	600	1,000
Fast – NU Chiniot – Faisalabad Campus	600	1,000
Fatmid Foundation	700	1,000
Infaq Memorial Trust	700	1,000
M/s Qureshi Nazir Education Trust	-	1,000
Mind Organization	-	1,000
Rising Sun Education & Welfare Society	700	1,000
SADA Welfare Foundation	-	1,000
Sindh Institute of Urology & Transplantation (SIUT)	700	1,000
Shaukat Khanam Memorial Cancer Hospital	1,000	-
The Citizens Foundation	600	700
The Lahore Hospital Welfare Society	500	-
Pakistan Student Loan Scheme (Endowment fund)	-	500
	8,100	13,200

In addition to above charity, detail of donation by the Bank is given below

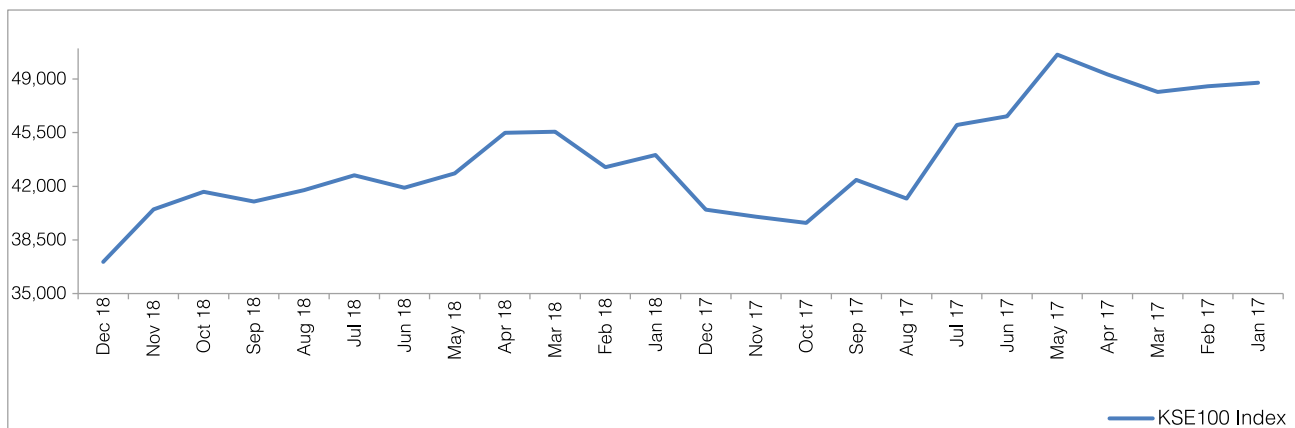
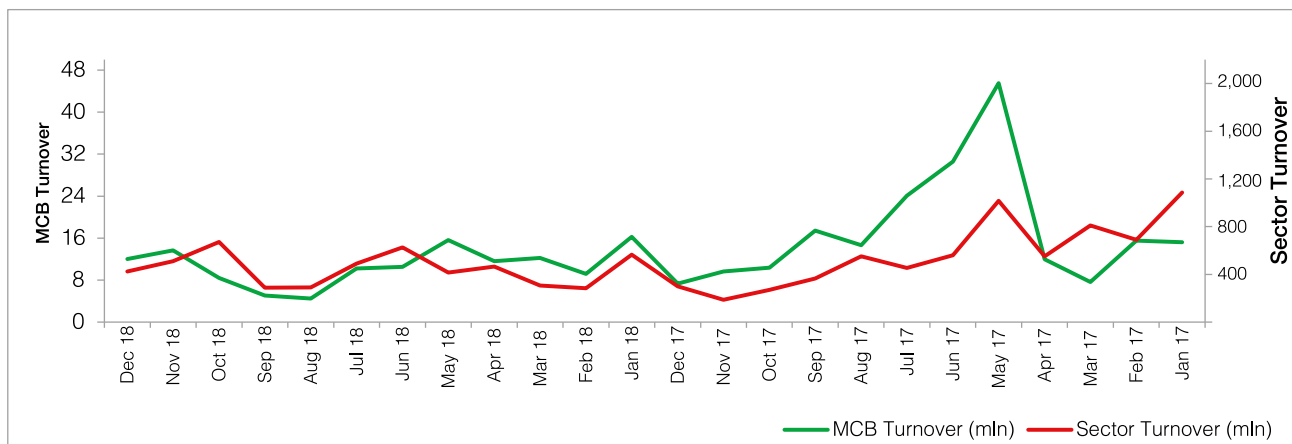
	2018	2017
	(Rupees in '000)	
District Head Quarter Hospital, Gawadar	696	-
Saleem Memorial Trust Hospital	-	5,000
SKMC Hospital & Research Center	-	1,500
Diabetic Association of Pakistan	-	1,000
The Indus Hospital	-	1,000
FRESH Foundation	-	767
Murshid Hospital & Charity Hospital Care Center	-	500
Rising Sun Education & Welfare Society	-	500
The Citizens Foundation	-	500
Pink Ribbon Hospital	-	500
Pakistan Association of the Blind	-	500
Donations individually not exceeding Rs.0.5 million	-	50
	696	11,817

None of the directors, executives or their spouses had any interest in the donee.

Market Statistics of MCB's Share

	Share Prices			Free Float		Market Capitalisation	
	MCB Scrip (Rs.)			Shares ('000s)	%	Capital (Mln)	Value (Mln)
2018	High	Low	Closing				
December 31, 2018	206.48	177.16	193.57	390,648	32.96%	11,851	229,392
September 30, 2018	213.85	189.90	201.21	392,927	33.16%	11,851	238,446
June 30, 2018	220.31	195.47	197.77	392,332	33.11%	11,851	234,369
March 31, 2018	236.56	205.87	220.13	387,941	32.74%	11,851	260,867
2017							
December 31, 2017	214.25	195.15	212.32	385,019	32.49%	11,851	251,612
September 30, 2017	217.58	190.43	209.00	384,030	32.41%	11,851	247,678
June 30, 2017	262.10	201.02	210.43	378,705	34.02%	11,130	234,215
March 31, 2017	255.01	223.12	227.40	378,163	33.98%	11,130	253,103

	2018		2017	
	Mln	%	Mln	%
Final cash dividend	4,740	40	4,740	40
3rd interim dividend	4,740	40	4,740	40
2nd interim dividend	4,740	40	4,740	40
1st interim dividend	4,740	40	4,452	40



Share Price Sensitivity Analysis

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

Discount rate / Monetary Policy

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

Minimum Rate of Return on Deposits/Regulatory Risk

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

Inflation

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

Political Stability & Law and order situation

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

Calendar of Major Events During 2018

Extra - Ordinary General Meeting	January 10, 2018
Annual Results - 2017 approved by Board	February 15, 2018
70th Annual General Meeting	March 27, 2018
1st Quarter Results - 2018 approved by Board	April 25, 2018
De-Merger of 90 Branches	June 01, 2018
2nd Quarter Results - 2018 approved by Board	August 01, 2018
3rd Quarter Results - 2018 approved by Board	October 24, 2018

Historical Events

Incorporation	1947
Nationalisation	1974
Investment in First Women Bank	1989
Privatisation	1991
Incorporation of MCB Financial Services Limited	1992
Incorporation of MNET Services (Private) Limited	2001
Investment in Adamjee Insurance Company Limited	2004
Incorporation of MCB Trade Services Limited	2005
Incorporation of MCB Asset Management Company Limited	2005
Change of name from Muslim Commercial Bank Limited	2005
Issuance and Listing of Global Depository Receipts on London Stock Exchange	2006
Strategic acquisition by Maybank	2008
Incorporation of MCB Leasing Closed Joint Stock Company	2009
Investment in Euronet Pakistan (Private) Limited	2011
Amalgamation of MCB Asset Management Company with Arif Habib Investment Limited	2011
Incorporation of MCB Islamic Banking Limited - a subsidiary company	2014
Merger of NIB Bank with and into MCB Bank Limited	2017
De-Merger of 90 Branches	2018

Strategy and Resource Allocation:

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

Strategic Objectives:

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

Short term	<ul style="list-style-type: none"> • Increase focus on digitalization and automation of processes to enhance efficiency, reduce cost and improve customer satisfaction and improve risk/ compliance standards. • To ensure quality asset retention with measures to constantly decrease the NPLs base of the Bank.
Medium term	<ul style="list-style-type: none"> • To be a top stakeholder value generator in Pakistan's banking sector while remaining a socio-environmentally conscious citizen. • The Bank aims to increase its share in the domestic deposit • To maintain a strong capital base
Long term	<ul style="list-style-type: none"> • Delivering remarkable returns to stakeholders, sustainable performance exceeding market and shareholder expectations. • Providing value added services through operational expansion, geography and upgraded system. • Building a corporate culture of equality, trust and team spirit as we remain dedicated to being a socially responsible organization.

For sustainable growth and meeting the expectations of shareholders and customers, the Bank followed the structured methodology for strategy formulation.



Strategies in place:

Since the customer is at the core of our business, we have given special focus to taking the service quality and service standards to the next level. We will integrate service standards across all the channels and outlets in the network to provide a uniform customer experience.

We will endeavor to meet expectations of each customer. Another aspect in customer interfacing is improving our credit quality and culture. We will thereby give value to our customers across the entire spectrum retail, corporate and SME while improving our asset quality.

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

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

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

Methods and Assumptions in Compiling Indicators

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

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

Market price is the measure of perception of the Bank in the market. The difference between Book Value and Market Value shows investors' confidence on script.

The Bank manages its dividend policy with the purpose of increasing shareholders' wealth. Dividend identifies the amount allocated out of profit for paying cash dividends to shareholders. The dividend payment is an indicator of how well earnings support the dividends. The Bank takes its decisions of cash or stock dividend based on market conditions, share price and governing laws and regulations.

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

Change in Indicators and Performance Measures

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

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

Change in important indicators is discussed in performance and position section.

Key performance indicators to measure the objectives are as follows:

Strategic objectives	Strategies for Meeting Objectives	KPI	Future relevance
Increase focus on digitalization and automation of process to enhance efficiency, reduce cost and improve customer satisfaction and improve risk and compliance standards.	Centralization and monitoring of operating expenses to restrain them within conventional limits. Work on automation of existing manual systems. Gradual investment on unified digital platform	Effective and efficient cost control	The KPI will remain relevant in future.
To ensure quality asset retention with measures to constantly decrease the NPLs base of the Bank.	Increased focus on quality asset growth while maintaining low infection ratio; Focus on recoveries of existing NPL stock.	Asset Quality	The KPI will remain relevant in future.
To maintain a strong capital base	Healthy equity leading to maintain Strong capital adequacy ratios.	Capital ratios	The KPI will remain relevant in future.
The Bank aims to increase its share in the domestic deposit pie	Expansion/Increase in deposit base through new products and markets thereby increasing customer base beyond the prevalent organic growth. Increased focus on current account and deposit account (CASA) growth.	Deposit generation	The KPI will remain relevant in future.
Delivering remarkable returns to stakeholders, sustainable performance exceeding market and shareholder expectations.	Higher profitability to pay higher returns to shareholders	Shareholder return	The KPI will remain relevant in future.
Providing value added services through operational expansion, geography and upgraded system.	Lead market position through focused initiatives targeting new products, new markets, branchless banking and effective cost management. Rationalize & optimize usage of existing branch network and network strengthening through branch expansion plan. Service portfolio enhancement of all digital products / channels i.e. call center, internet banking, mobile banking, mobile wallet, SMS alerts, E-statement, ATMs and Debit Cards to increase non markup income.	Improved services	The KPI will remain relevant in future.
Building a corporate culture of equality, trust and team spirit as we remain dedicated to being a socially responsible organization.	Improve governance structure and update existing policies to as per industry dynamics. Generate economic activity through sustainable focused initiatives.	Corporate culture	The KPI will remain relevant in future.
To be a top stakeholder value generator in Pakistan's banking sector while remaining a socio-environmentally conscious citizen.	Higher profitability to pay higher returns to shareholders. Introduce socio environmental activities such as green banking to improve the brand name.	Corporate social responsibility	The KPI will remain relevant in future.

Resource Allocation Plan:

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



Bank has resources to meet the strategic objectives. A transitory resource allocation plan is as follows:

Nature of capital	Resource allocation plan
Human capital	<ul style="list-style-type: none"> • Redeploy human capital to enhance productivity through segmentation. • Human capital capacity enhancement and capability building by focusing on trainings, talent management and talent retention. • Versatile staff that can multitask easily.
Manufactured capital	<ul style="list-style-type: none"> • Branch layout improvement and widening of branch and ATM network. • Re-align the business model through segmentation to increase the customer base.
Financial Capital	<ul style="list-style-type: none"> • Investment on process automation and IT network improvements • Invest on infrastructure including buildings and equipment. • Invest in good quality asset base with high yield.
Natural capital	<ul style="list-style-type: none"> • Introduce green building concept to branch network by introducing paperless environment and install solar energy equipment in branches • Increase financing to renewable energy projects
Intellectual Capital	<ul style="list-style-type: none"> • Reengineering of processes to capture synergies and customer satisfaction • Improvement in governance culture by utilizing over 71 years of institutionalised knowledge • Introduce new products as per customer needs.
Social and Relationship Capital	<ul style="list-style-type: none"> • Invest in a series of initiatives that enhance collaboration and ongoing dialogue with our customers • Enhance brand image through public awareness campaigns.

Strategy to overcome liquidity problem:

The Bank's large and stable base of customer deposits, along with Bank's strong capital base, indicates strong liquidity position. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio are well over and above the regulatory requirement.

Liquidity position of the Bank is on solid foundation and bank is not facing any liquidity issue. Liquidity position of the bank is discussed in risk management section.

Significant Plans and Decisions

The Board of Directors in their meeting held on October 25, 2017 had approved the "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and its wholly owned subsidiary MCB Islamic Bank Limited (MIB)". The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on February 10, 2018. Under the scheme, the business of 90 branches has been transferred to MIB with effect from the Effective date i.e. close of the business on June 01, 2018.

Net assets transferred are disclosed in note 1 of the unconsolidated financial statements.

Except as mentioned above, there is no significant event during the year.

Significant changes in objectives and strategies:

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

Risk Management Framework

The risk management framework and governance structure at MCB helps to mitigate and counter any foreseeable risk in its various lines of business. Risk awareness forms an integral part of strategic and operational activities of risk management. Through its risk management policy the Bank sets the best course of action under uncertainty by identifying, prioritizing, mitigating and monitoring risk issues, with the goal of enhancing shareholders' value. Bank's risk management structure is based on the following five guiding principles:

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

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors at MCB Bank Limited actively drives the risk management framework wherein it provides an active approach in dealing with factors that influence the financial standing of the Bank. With the valuable guidance of BOD, the Bank has a proactive approach to generate recurrent earnings and to maximize shareholder's value by achieving an appropriate trade-off between risk and returns. An Effective Risk Management Framework along-with Robust Risk Governance Structure, Strong Capital & Liquidity Position and Good Quality of Credit Portfolio, remains a cornerstone to accomplish vision of the Bank.

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

Risk takers and Risk controllers have independent reporting lines, yet work together to increase bank's value via an efficient utilization of capital. Through a Four Eye Principle for Credit Approval levels for corporate and retail banking, all such exposure related requests are approved with the formal consent of at least two authorized individuals including one from business side having Credit Approval Authority and other from Risk Management side having Credit Review Authority.

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

As a matter of principle, the Bank constantly endeavors to improve its Risk Management Framework in the light of the international best practices and regulatory guidelines. A number of policy amendments, to improve the risk management framework, were recommended by RM & PRC and approved by the Board of Directors in 2018. It includes updating of Credit Policies for both domestic & overseas operations and revision of domestic exposure limits by industry and geographic locations.

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

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

Credit Risk Review ensures to minimize credit risk associated at account and portfolio level. During the year 2018, the Bank continued with the policy to remain selective in disbursing its loan to low risk customers across all the industries & maintains a fairly diversified loan portfolio. Bank's non-performing loan to advances ratio of 8.95% remains lower than industry average of over 11%. Risk Review successfully managed to evaluate and approve increased number of loan requests, within required turnaround time, both for domestic and Overseas Operations. An in-house request tracking & turnaround time monitoring software ensures tracking of proposals and monitoring of turnaround-time of credit proposals routed through Risk Management Group.

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

In order to further enhance the credit risk analysis the bank has in place a Probability of Default based Internal Credit Risk Rating (ICRR) system which is based on statistical modeling and validation in line with Basel principles. The ICRR is currently focused on Corporate and Commercial customer categories. Furthermore; another Internal Credit Risk Rating Model is also in place for rating of SE & ME and Agri Customers. A model for Facility Risk Rating has also been implemented which would reflect expected loss rate of a credit facility.

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

As an authorized Derivative Dealer, Bank is an active participant in Derivative Market. Overall limit in derivatives is approved by the Board. Counter party limit structure for derivatives transactions is in place and exposures are monitored and reported on continuous basis.

In accordance with the Operational Risk policy and framework, a database covering losses, control breaches and near misses is being maintained. Major risk events are analyzed from the control breach perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and the Risk Management and Portfolio Review Committee of the Board.

The Bank has replaced its in-house developed Operational Risk Management Software with more professionally developed software which has enhanced features and a better workflow management. This new software will further augment Bank's capacity to capture and report operational risk events and KRIs. The software is also capable for periodical regulatory and management reporting. The Bank has developed Information Technology Risk Assessment Framework which enables better management of technology risk properly. The Bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk aware culture in the staff through workshops and on-job awareness.

Capital Structure of the Bank

The Bank remained a well-capitalized institution with a capital base well above the regulatory limits and capital requirements under BASEL frameworks. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 18.13% against the requirement of 11.90% (including capital conservation buffer of 1.90%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 16.02% against the requirement of 6%. Bank has ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.50% of the total RWA, to be maintained in the form of Capital Equity Tier 1 by the year end 2019. The bank maintained a leverage ratio of 7.09% which is well above the regulatory limit of 3.0%.

Liquidity management and strategy to overcome liquidity position

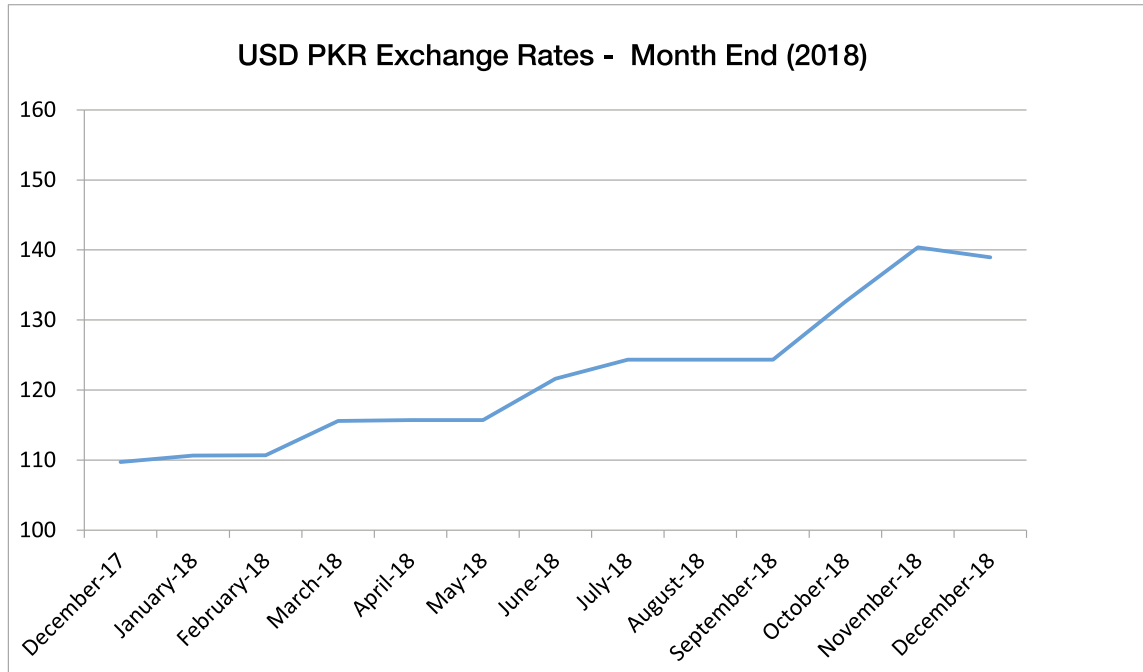
The Asset Liability Management Committee of the Bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding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

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

Further, in line with SBP's directives, Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios. The Bank reported Liquidity Coverage Ratio (LCR) of 178.70% and Net Stable Funding Ratio (NSFR) of 130.6% against requirement of 100%.

Sensitivity analysis due to foreign currency fluctuation

The Pak Rupee depreciated by 25.73% in 2018 YoY against the US Dollar. Foreign exchange risk exposes the bank to changes in the values of current holdings and future cash flows denominated in currencies other than home currency due to the exchange rate fluctuation and volatility. The types of instruments exposed to this risk include investments in foreign branches, foreign currency-denominated loans, foreign currency-denominated deposits, future cash flows in foreign currencies arising from foreign exchange transactions, etc.



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

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

	2018		2017	
	Banking Book	Trading Book	Banking Book	Trading Book
	Rupees in '000'		Rupees in '000'	
Impact of 1% change in foreign exchange rates on -Profit and loss account	-	4,199	-	4,005

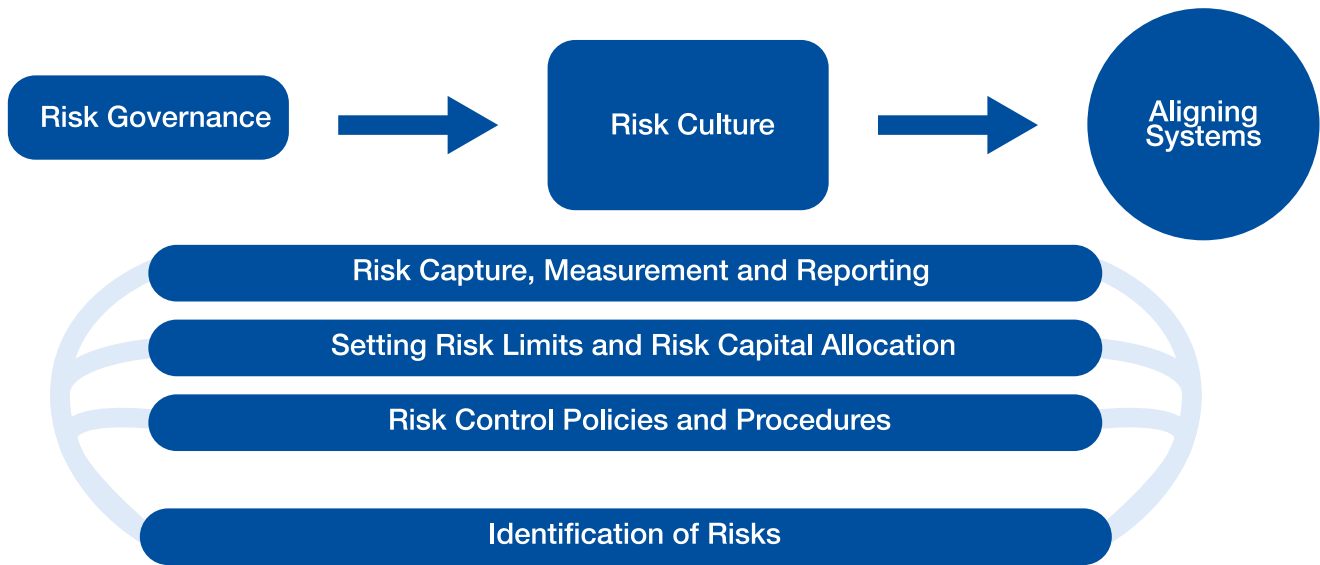
Risks and Opportunities Report

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

Risk Governance Structure

- Board of Directors
- RM&PRC
- Management Credit and Risk Committee
- Chief Risk Officer

Graphical presentation of risk governance model is as follows:



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

1st Line Business Units	2nd Line RM&PRC, Management Credit and Risk Committee & GH-RMG	3rd Line Board Audit Committee, Audit
Involved in day-to-day risk management	Oversee and challenge First Line risk taking activities and review First Line risk proposals	Review 1st and 2nd lines
Manage risks within Risk Appetite and ensure laws and regulations are being complied with	Provide guidance and direction	Provide an independent perspective and challenge the process
Ensure systems meet risk data aggregation, risk reporting and data quality requirements set by the Second Line	Develop risk management framework	Assess the adequacy of the design of controls and their operating effectiveness

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

Bank has identified the following risk after analysing the external and internal factors:

Factors	Source	Risks
Economic	External	Market risk: The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.
	External	Capital adequacy risk: The risk that the Bank has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions.
	External	Credit risk: The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables.
	External	Liquidity risk: The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
Technology/Systems	Internal / external	Technological Risk: Loss of, or disruption to, the Bank's business processing, arising through impacts on technology systems. Technological advancements present opportunities to develop new and innovative ways of doing business across the banking sector; with new solutions being developed by competitors may results in loss of business in future.
	External	Operational Risk The risk of loss to the Bank from inadequate or failed processes or systems, human factors or due to external events (e.g. fraud) where the root cause is not due to credit or market risks.
Political	Internal / external	Country risk: Political stability and controlled law & order situation is a pre-requisite for any economic development and reposes investor confidence in the country, providing corporates a potential investment opportunity. However, any act of political instability can negatively impact the economy /equity market, thus resulting in decreased profitability.
Regulator	Internal / external	Regulatory Risk: The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements. Key sources of uncertainty include expected regulatory requirements specifically implementation of IFRS 9 in Pakistan, which may have negative impact on the bottom line of the banks.
Social	Internal / external	Reputation risk: The risk that an action, transaction, investment or event will reduce trust in the Bank's integrity and competence by clients, counterparties, investors, regulators, employees or the public.

Materiality Approach

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

Summarised risks, opportunities and related mitigating factors:

Risk type	Materiality rating	Probability of Risk Occurrence	Strategy
Market Risk	High	Medium probability	<p>Measurement: Bank is exposed to market risk through its trading and other investment activities. Metrics like VaR methodologies complemented by sensitivity measures, notional limits, loss triggers at a detailed portfolio level, and stress testing are used to capture and report the multi-dimensional aspects of market risk.</p> <p>Monitoring: A comprehensive structure, ensuring the bank does not exceed its qualitative and quantitative tolerance for market risk, is in place.</p> <p>Management: The bank has followed a conservative and balanced approach towards risk taking in the market risk area. The robust risk management architecture ensures that the exposures remain within the defined risk appetite.</p> <p>Furthermore, a comprehensive control structure is in place to ensure that the Bank does not exceed its qualitative and quantitative tolerance for market risk. A number of metrics like VaR methodologies complemented by sensitivity measures, notional limits, stop loss triggers at portfolio level/asset class, and stress testing are used to capture and report the multi-dimensional aspects of market risk.</p>
Capital Adequacy Risk	High	Low probability	<p>Measurement: The Bank is a well-capitalized institution with a capital base well above the regulatory limits and Basel-III requirements.</p> <p>Monitoring: The Bank regularly assesses the capital requirements and ensures that the minimum capital requirements specified by the State Bank of Pakistan are adhered to. Internal Capital Adequacy Assessment is a regular activity. Stress levels of major risks are assessed against the minimum capital requirement.</p> <p>Regular assessment of capital enables an evaluation of the amount, type and distribution of capital required to cover these risks.</p> <p>Management: The Bank remained a well-capitalized institution with a capital base well above the regulatory limits and capital requirements under BASEL frameworks. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 18.13% against the requirement of 11.90% (including capital conservation buffer of 1.90%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 16.02% against the requirement of 6%. Bank has ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.50% of the total RWA, to be maintained in the form of Capital Equity Tier 1 by the year end 2019. The bank maintained a leverage ratio of 7.09% which is well above the regulatory limit of 3.0%.</p> <p>Going-concern capital requirements are assessed on a forward-looking basis – including as part of the annual budgeting process. These assessments consider the resilience of capital adequacy and leverage ratios under a range of hypothetical future states. The assessments incorporate assumptions regarding a range of regulatory and accounting aspects such as IFRS 9, taking account of a number of factors including economic variables and impairments.</p> <p>The Bank will continue the policy of sufficient profit retention to increase its risk taking capacity and capitalize opportunities to protect the interests of stakeholders in short, medium and long term.</p>

Risk type	Materiality rating	Probability of Risk Occurrence	Strategy
Credit Risk	High	Medium probability	<p>Measurement: Credit Risk Management function identifies, measures, manages, monitors and mitigates credit risk. Credit Risk is measured and estimated through detailed financial and non-financial analyses, internal and external credit risk ratings, and customers' behavior analysis. Stress testing of top customers in credit portfolio is also carried out regularly.</p> <p>Monitoring: Credit Risk Management organizational structure ensures pre and post-facto management of credit risk. Credit Review function carries out pre-fact evaluation of counterparties & the credit structures and hindsight reviews, the Credit Risk Control (CRC) function performs post-fact monitoring including security documentation and limits monitoring. Business side continuously keeps in touch with customers to have updated information about the clients.</p> <p>Management: Bank has been selective in taking exposure on good quality borrowers across all industry segments. Multiple factors in bank's lending structure provide additional comfort and support in mitigating credit risk. These include quality of eligible collateral, pre-disbursement safety measures, post disbursement monitoring, etc. The Bank continues to maintain lower than average industry level NPL ratios. Bank has a fairly diversified loan portfolio. For risk categorized as sovereign/government risk, MCB's lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that ranges from different development related works to utility distribution and production.</p> <p>Credit Risk Review ensures to minimize credit risk associated at account and portfolio level. During the year, the Bank continued with the policy to remain selective in disbursing its loan to low risk customers across all the industries & maintains a fairly diversified loan portfolio. Bank's non-performing loans to gross advances ratio of 8.95 % remains lower than industry average of over 11%. Risk Review successfully managed to evaluate and approve increased number of loan requests, within required turnaround time, both for domestic and Overseas Operations. An in-house request tracking & turnaround time monitoring software ensures tracking of proposals and monitoring of turnaround-time of credit proposals routed through Risk Management Group.</p> <p>For risk categorized as sovereign/ government risk, the lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that range from different development related works to utility distribution and production. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.</p> <p>Through a Four Eye Principle for Credit Approval levels for corporate and retail banking, all such exposure related requests are approved with the formal consent of at least two authorized individuals including one from business side having Credit Approval Authority and other from Risk Management side having Credit Review Authority.</p> <p>The Management Credit & Risk Committee is the management platform for discussion and deliberation on key risk issues in the portfolio. Regular meetings of the committee are convened to oversee the risk exposures in the portfolio of the Bank.</p>

Risk type	Materiality rating	Probability of Risk Occurrence	Strategy
Credit Risk	High	Medium probability	<p>In order to further enhance the credit risk analysis the Bank has in place a Probability of Default based Internal Credit Risk Rating (ICRR) system which is based on statistical modeling and validation in line with Basel principles. The ICRR is currently focused on Corporate and Commercial customer categories.</p> <p>Furthermore; another Internal Credit Risk Rating Model is also in place for rating of SE & ME and Agri Customers. A model for Facility Risk Rating has also been implemented which would reflect expected loss rate of a credit facility.</p>
Liquidity Risk	High	Medium to low probability	<p>Measurement: MCB regularly performs Liquidity Risk Analysis and liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity risk assessments and stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions.</p> <p>Monitoring: Liquidity positions are regularly monitored through established Early Warning Indicators and Liquidity Risk Analysis on regular basis. Liquidity Coverage Ratio and Net Stable Funding Ratios are monitored regularly.</p> <p>Management: MCB's Liquidity Risk Management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.</p> <p>The Bank's large and stable base of customer deposits, along with Bank's strong capital base, indicates strong liquidity position. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio are well over and above the regulatory requirement.</p> <p>The Asset Liability Management Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and stress scenarios. The underlying policies and procedures are reviewed and approved regularly at the senior management and Board of Directors Levels including Risk Management policy, Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy.</p> <p>Bank's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing, to ensure effective and timely decision making. The liquidity risk management approach at MCB involves intra-day liquidity management, managing funding sources and evaluation of structural imbalances in the balance sheet. A large and stable customer deposits base, along with a strong capital base provides strength and support for maintenance of a strong liquidity position. The Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress.</p> <p>Further, in line with SBP's directives, Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios viz. Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) with a considerable cushion over and above the regulatory requirement to mitigate any liquidity risk.</p>

Risk type	Materiality rating	Probability of Risk Occurrence	Strategy
Technological Risk	High	Low probability	<p>Monitoring & Management: The persistent pursuit to provide clients with simplified banking drives MCB to focus on innovative methods of technology application and solutions to compete with peer banks. We also aim to protect client information, to apply controls and compliance consistently, and to develop new controls.</p> <p>The Bank has developed Information Technology Risk Assessment Framework which enables better management of technology risk properly. The Bank has also replaced its in-house developed Operational Risk Management Software with more professionally developed software which has enhanced features and a better workflow management. This new software will further augment bank's capacity to capture and report operational risk events and KRIs. The software is also capable for periodical regulatory and management reporting. The Bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk aware culture in the staff through workshops and on-job awareness.</p>
Country Risk	Low	Medium to low probability	<p>Measurement: Bank's Country Risk exposure is assessed against bank's cross border trade and treasury activities.</p> <p>Monitoring & Management: Monitoring of risk exposure is a regular activity. Country Exposure Limits both for Trade and Treasury exposures are in place, which broadly capture direct and indirect exposure on sovereigns and foreign domiciled counterparties.</p>
Operational Risk	Medium	Medium to low probability	<p>Measurement: In accordance with the Operational Risk policy and framework, a database covering losses, control breaches, near misses & KRIs is being maintained. Major risk events are analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness.</p> <p>Monitoring: Quarterly updates on Operational Risk events are presented to senior management, Management credit and Risk Committee and the Risk Management and Portfolio Review Committee of the Board.</p> <p>Management: The Bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk culture in the staff through workshops and on-job awareness. Banks' capacity to capture & report operational risk events and KRIs is being enhanced by implementing more professionally developed Operational Risk Management Software.</p>
Regulatory Risk	Medium	Medium probability	<p>Measurement: Management of regulatory risk entails early identification and effective management of changes in legislative and regulatory requirements that may affect the Bank.</p> <p>Monitoring & Management: The Bank reviews key regulatory developments in order to anticipate changes and their potential impact on its performance.</p> <p>Bank endeavours to maintain healthy relationships with regulators and continued compliance with regulatory requirements.</p>

Risk type	Materiality rating	Probability of Risk Occurrence	Strategy
Reputation risk	Low	Low probability	<p>Monitoring & Management: Reputational risk is managed on an ongoing basis through a policy framework that details expected behaviour of the business and employees. It guides us on the monitoring of employee behaviour and specific client responses as well as to society in general. This includes precise and transparent reporting through our integrated annual report, annual financial statements and through other public statements. Our risk mitigation strategy includes:</p> <ul style="list-style-type: none"> • a centralised policy on media; • an escalation process for complaints; and • clear relationships with stakeholders

Information about defaults in payment of any debts and reason thereof

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

Inadequacy in the Capital structure and plans to address such inadequacy

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

Opportunities

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

Directors Report

We are pleased to present, on behalf of the Board of Directors, the 71st annual report of MCB Bank Limited (MCB) for the year ended December 31, 2018.

Economy Review

As the year 2018 drew to a close, there were a handful of trends driving the global economy. Firstly, 2018 saw the Federal Reserve (Fed) raise interest rates in the United States four times during the year by a total of 100 basis points. The Fed believes it will raise interest rates just twice in 2019 owing to softening economic momentum and inflation. Trade tensions between the United States and China also persisted during the year and will continue to dominate events in 2019. The outcome of talks between the two countries will largely dictate trends in global growth for the next year. If the tensions continue, it could have definite implications for global output.

Secondly, as a result of the uncertainty stemming from the US-China trade war, oil prices trickled downwards over the course of 2018, with WTI spot starting the year at \$60 /barrel and ending at \$45. Apart from lower prospects for global economic output which will affect oil demand going forward, record US production has also led to a supply glut in the oil markets. This has come despite the commitment from OPEC and non-OPEC countries to reduce oil supply by 1.2 million barrels a day.

Thirdly, the events in 2018 had made it difficult to ascertain the nature of Brexit that will take place in March 2019. Although Theresa May and the EU have negotiated a deal that would take Britain out of Europe, this is still to be ratified by the UK parliament, and thus, remains uncertain. The markets will be keen to see a softer stance on Brexit, as a hard one would stifle economic growth and be difficult to handle on the onset.

Moreover, growth in the Euro-zone softened in 2018 as the ECB continued to scale back its monetary accommodation measures that had come into place several years ago. In particular, asset purchases were gradually removed and the QE program has now ended. However, the central bank continues to remain cautious and still has not indicated a definite timeline for raising interest rates. The markets, however, expect the first move to come in the later part of 2019.

Meanwhile, Pakistan's economy, despite recording GDP growth of 5.8% in FY18, struggled during the year as the new government and the central bank battled issues on the external and domestic front. Pakistan's current account deficit swelled to \$18 billion in FY18, as imports continued to rise while export improvement remained marginal at best. The trend continued from Jul – Dec FY19, though a bit contained as the current account deficit was registered at \$8 billion. During the first six months, exports remained stable while imports increased by 3.0% from the comparative period last year. Workers' remittances, meanwhile, stood at \$10.7 billion in Jul – Dec FY19, 10% higher than the same period last year. However, the pressures on the external account persisted during the six month of FY 2019.

The PKR, as a result, depreciated by over 25% in the year, relative to the US dollar, beginning the year at 110.41 and ending at 138.86.

Pakistan's foreign exchange reserves continued to deteriorate in 2018, with SBP reserves declining from \$14.1 billion to \$7.2 billion by December 2018. The new government approached friendly countries such as Saudi Arabia, UAE and China. As of year-end, Pakistan had already received \$2 billion in the form of a deposit from Saudi Arabia, while support from other countries is expected to materialize in 2019. The government has also been engaged in active negotiations with the IMF for a bailout package.

To contain pressures on the external front and control expansionary growth, the State Bank of Pakistan raised its policy rate during the year by 4.25%. Year-on-year CPI inflation increased from 4.57% in December 2017 to 6.17% in December 2018 while core inflation continued to rise, increasing from 5.39% to 8.40% YoY. The central bank and the government have taken key measures and remain keen to correct the imbalances in the economy. Going into the year 2019, we believe that these steps will help contain aggregate demand and put the economy on a long-term growth trajectory once again.

However, there is still room for more structural reform that will make the economy much more sustainable in the long-run. In particular, the government must take measures to widen the tax net and increase tax collection, improve the ease of doing business and curtail government spending to reduce the budget deficit.

On the external side, the key step is significant improvement in the country's export competitiveness and reduction in the import bill. Large-Scale Manufacturing (LSM) has particularly taken a hit in FY19 so far (-0.90% YoY from Jul – Nov FY19) and so the government must continue to facilitate export-led production. At the same time, non-essential imports need to be further curbed and policies should be geared towards improving the quality of domestic substitutes to meet the demand.

Profit and Appropriation

The profit before and after taxation for the year ended December 31, 2018 together with appropriations is as under:

	Rs. in Million
Profit before taxation	32,064
Taxation	10,704
Profit after taxation	21,360
Un-appropriated profit brought forward	53,776
Other comprehensive income - net of tax	(659)
Surplus realized on disposal of revalued fixed assets - net of tax	99
Transferred in respect of incremental depreciation from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	53
	53,269
Profit available for appropriation	74,629
Appropriations:	
Statutory reserve	2,137
Final cash dividend at Rs. 4.0 per share - December 31, 2017	4,740
Interim cash dividend at Rs. 4.0 per share - March 31, 2018	4,740
Interim cash dividend at Rs. 4.0 per share - June 30, 2018	4,740
Interim cash dividend at Rs. 4.0 per share - September 30, 2018	4,740
Total appropriations	21,097
Un-appropriated profit carried forward	53,532

Dividends

The Board of Directors declared a final cash dividend of Rs. 4.0 per share for the year ended December 31, 2018, which is in addition to Rs. 12.0 per share interim dividends already paid to shareholders, taking the dividend payout ratio to 88.79%. The effect of the recommendation is not reflected in the above appropriations.

Performance Review

MCB Bank Limited was marked as the bank with highest profitability numbers for the year 2018. On an unconsolidated basis, the Profit Before Tax (PBT) of the Bank grew by 3% over last year and was reported at Rs. 32.06 billion.

During the calendar year 2018, the significant change in the macro-economic factors made the operating environment more challenging with discount rate registering a steep increase of 425 bps in absolute terms. Based on the anticipated interest rate movement, the Bank focused on asset base with shorter maturities, resulting in 8% increase in net interest income over last year. On the gross markup income side, the Bank reported an increase of Rs. 9.2 billion over last year. Analysis of the interest earning assets highlights that income on advances increased by Rs. 10 billion, primarily on account of improved average advances volume of Rs. 83 billion coupled with increased yield of 92bps. On the investment side, gross markup income decreased by Rs. 2.2 billion, due to decreased average volume of Rs. 66 billion. On the interest bearing liabilities side, the cost of deposits increased by 69bps over last year, to corroborate to the increasing interest rates. Continuing with its strategy to focus on low cost deposit base, the Bank increased its average deposits by Rs. 123 billion when compared with last year with major contribution from saving and current account portfolio. Average borrowings volume registered a significant decline of Rs. 84 billion over last year.

The non-markup income block of the Bank was reported at Rs 17.2 billion with major contributions coming in from fee, commission income and income from dealing in foreign currencies. As focus on cross sell of products and services continued to rise, fee income increased by 10% with major contributions from card related fee, remittances, cash management, commission on trade and bancassurance. Subdued activity on the capital market front impact the gains, however, the bank capitalized on the significant volatility on the foreign exchange front, with foreign exchange income reflecting an increase Rs. 1.8 billion (+109%) over last year.

On the administrative expenses side excluding pension fund, despite the surge in inflationary pressures coupled with significant devaluation and increase in operational outreach, the Bank was able to contain the growth percentage to 10%. Barring the cost of regulatory revision on account of deposit protection premium introduced in July 2018, the increase in administrative expenses dropped to 8.27%. On the pension charge front, the Bank recorded past service cost amounting to Rs. 1.044Bln on account of revision in monthly pension for its pensioners, as per the direction of the Honorable Supreme Court.

On the provision side, the recovery trend in the classified portfolio continued to reflect on the profitability numbers with Rs. 2.9 billion reversal.

On the financial position side, the total asset base of the Bank on an unconsolidated basis was reported at Rs. 1.5 trillion depicting a significant increase of 12% over December 2017. Analysis of the asset mix highlights that net investments have increased by Rs. 92.4 billion (+14%) whereas advances have increased by Rs. 34.2 billion (+7%) over December 31, 2017. Investment mix continued to shift from long-term PIBs to the short-term T-Bills during the year in the wake of rising interest rate scenario. Resultantly investment in T-Bills increased by Rs. 194 billion whereas investment in PIBs decreased by Rs. 95 billion.

The Non-performing loan base of the bank almost remained static with marginal increase of Rs. 203 million and was reported at Rs. 48.9 billion. The coverage and infection ratios of the Bank were reported at 88.26% (Dec 2017: 93.74%) and 8.95% (Dec 2017: 9.47%) respectively.

On the liabilities side, the deposit base of the Bank registered a significant increase of Rs. 81 billion (+8%) over December 2017. The increase of Rs. 81 billion is net of the deposits amounting to Rs. 22 billion transferred to MCB's wholly owned subsidiary MCB Islamic Bank Limited under the scheme of demerger sanctioned by the Lahore High Court.

While complying with the regulatory capital requirements, the Bank has paid the highest cash dividend per share in the industry with regular interim dividends and remains one of the prime stocks traded in the Pakistani equity markets. Bank's total Capital Adequacy Ratio is 18.13% against the requirement of 11.90% (including capital conservation buffer of 1.90%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 16.02% against the requirement of 6.00%. Bank's capitalization also resulted in a leverage ratio of 7.09% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 178.70% and Net Stable Funding Ratio (NSFR) of 130.6% against requirement of 100.

Earnings per share (EPS) for the year ended December 31, 2018 was Rs. 18.02 as compared to Rs. 19.56 for 2017. Return on Assets and Return on Equity were reported at 1.5% and 15.5% respectively, whereas book value per share was reported at Rs. 117.74.

Demerger of 90 branches from MCB Bank Limited

During the year, the Bank successfully completed the transfer of 90 branches business from MCB Bank Limited to wholly owned subsidiary MCB Islamic Bank Limited.

Risk Management Framework

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

Credit Rating

The Bank enjoys highest local credit ratings of AAA / A1+ categories for long term and short term respectively, based on PACRA notification dated June 27, 2018. Moreover, PACRA has maintained TFC rating of MCB Bank Limited at AAA, through its notification dated June 27, 2018.

Statement on Internal Control

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

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

The Board of Directors is committed to ensure that the requirements of Corporate Governance set by the Securities and Exchange Commission of Pakistan and requirements of Section 227 of Companies Act 2017 are fully met. The Bank has adopted good corporate governance practices and the Directors are pleased to report that:

- The financial statements, prepared by the management of the Bank, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes in accounting policies as described in Note 5.1, 5.3, 5.4 and 5.10 to the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained in the Annual Accounts.
- There has been no material departure from the best practices of corporate governance.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- Profit amounting to Rs. 2.1 billion has been transferred to Statutory Reserve for the year 2018.
- The System of Internal Control is sound in design and has been effectively implemented and monitored.
- Key operating and financial data of last six years is presented in the stakeholder's section of this Annual Report.
- Pattern of Shareholding, complying with the requirements prescribed by the code is annexed with this Annual Report.
- Statement of Compliance with Code of Corporate Governance is included in the Annual Report.

- Composition of the Board is given in the Statement of Compliance with the Code of Corporate Governance and corporate governance section of this Annual Report.
- Names of the persons who, at any time during the year 2018, were directors of the Bank have been separately disclosed in the corporate governance section of this Annual Report.
- The Committees of Board of Directors along with their terms of reference/charter have been separately disclosed in the corporate governance section of this Annual Report.
- The number of Board and committees' meetings held during the year and attendance by each Director has been separately disclosed in the corporate governance section of this Annual Report.
- The remuneration policy of non-executive directors including independent directors as approved by the Board of Director is disclosed in the corporate governance section of this Annual Report.
- Details of directors' training programs are given in the statement of compliance with the code of corporate governance;
- Detail of aggregate amount of remuneration separately of executive and non-executive directors is disclosed in note 40 of the unconsolidated financial statements.
- The principal risks and uncertainties facing the Bank have been disclosed separately in this Annual Report.
- The Value of investment of provident and pension fund as at June 30, 2018 on the basis of audited accounts is Rs. 14,789.35 million and Rs. 8,883.49 million respectively.

Events after the Balance sheet date

The Government has proposed 4% Super tax for the Tax year 2018 (accounting year ended December 31, 2017) after year end though not yet approved. The financial statements for the year ended December 31, 2018 do not include the impact of Super tax proposed for tax year 2018.

Corporate Social Responsibility (CSR)

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

Auditors

The retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, being eligible for the next term have offered themselves for reappointment. Upon recommendation of the Audit Committee, the Board recommends appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as the statutory auditors of the Bank for the year 2019 in the forthcoming Annual General Meeting.



Appreciation and Acknowledgements

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

For and on behalf of the Board of Directors,

Imran Maqbool

Imran Maqbool
President & CEO,
MCB Bank Limited

Iqraa Hassan Mansha

Iqraa Hassan Mansha
Director,
MCB Bank Limited

February 20, 2019

انٹرنیشنل ریپورٹ:

یورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی بینک لمیٹڈ کی 71 ویں سالانہ رپورٹ برائے سال ختم 31 دسمبر 2018ء کو بہ مرتبہ پیش کرتے ہیں۔

حاشیہ جائزہ:

ال 2018 میں، اپنے اختتام کی طرف بڑھتے ہوئے، ایسے کئی رجحانات ظہور پذیر ہوئے جو عالمی معیشت پر اثر انداز ہو سکتے تھے۔ اول یہ کہ امریکہ میں فیڈرل ری زرو (Fed) نے انٹرسٹ ریٹس میں اضافہ کیا۔ سال 2018 کے دوران 4 مرتبہ کیا گیا یہ ماہرہ مجموعی طور پر 100 بنیادی پوائنٹس پر مشتمل تھا۔ فیڈ (Fed) کو یقین ہے کہ متحمل ہوتے معاشی معیار حرکت اور افراط زر کی ۔ سال 2019ء کے دوران انٹرسٹ ریٹس کو محض دو مرتبہ مزید بڑھایا جائے گا۔ امریکہ اور چین کے مابین تجارتی تناؤ اس ال کے دوران جاری رہا اور سال 2019 میں بھی اس رجحان کے تمام معاملات پر عادی رہنے کی توقع ہے۔ ان دونوں ملک کے درمیان مذاکرات کے نتائج آئیوے سال میں عالمی ترقی کے رجحانات پر خصوصی طور پر اثر انداز ہونگے۔ اگر تناؤ کی درجہ برقرار رہی، تو اس کے اثرات عالمی پیداوار پر ہونا یقینی ہیں۔

تم یہ کہ امریکہ اور چین کی تجارتی جنگ کے نتیجہ میں ابھرنے والی غیر یقینی کی صورتحال کی وجہ سے تیل کی قیمتوں میں سال 2018ء سگرائی ہوئی۔ ڈبلیو ٹی آئی سپاٹ (WTI-Spot) سال کے شروع میں 60 امریکی ڈالر فی بیرل سے گر کر سال کے تمام تک 45 امریکی ڈالر پر بند ہوا۔ عالمی معاشی پیداوار میں کمی کے خدشات کے باوجود، جو مستقبل میں تیل کی طلب کو متاثر سے گی، امریکہ میں ہونے والی ریکارڈ پیداوار بھی تیل کی مارکیٹ میں فراوانی کی وجہ سے ایک اور نیا اوپیک ممالک کی تیل کی باور کو 1.2 بلین بیرل یومیہ کی کمی تک لانے کی یقین دہانی کے باوجود، طلب و رسد کا یہ سبب تغیر وقوع پذیر ہوا۔

ام یہ کہ 2018ء کے دوران ہونے والے واقعات کی بناء پر بریگزٹ (Brexit)، جو کہ مارچ 2019 میں متوقع ہے، کی درجہ کو غیر یقینی سے دوچار کر دیا ہے۔ اگرچہ تقریباً سب سے اور یورپی یونین کے مابین ایک ڈیل پر اتفاق ہو گیا ہے، جس کے تحت طانیہ یورپ سے باہر نکل جائے گا۔ تاہم اس ڈیل کی برطانیہ کی پارلیمنٹ سے تصدیق ہونا باقی ہے، لہذا غیر یقینی برقرار ہے۔

بلیس بریگزٹ پر قدرے نرم بنیاد کو دیکھنے کی مشتاق ہیں کیونکہ سخت بنیاد سے معاشی ترقی پر منفی اثرات مرتب ہونے کی امید ہے۔ اس پر آغاز سے ہی عملدرآمد ایک مشکل عمل ہے۔ مزید برآں 2018 میں یورو زون میں موقدر سے متحمل رہی، جیسا کہ ای (ECB) نے اپنے کئی سال پہلے سے لئے گئے مالیاتی سہولت کے اقدامات میں تخفیف کے عمل کو جاری رکھا ہے۔ خاص پر خریدے گئے اثاثوں کا ہتہرج خاتمہ اور (QE) کیو ای پروگرام بھی اب ختم ہو چکا ہے۔

ہم مرکزی بینک کا فیصلہ طلبہ کے مظاہرہ کر رہا ہے اور ایک انٹرسٹ ریٹس کے بڑھانے کے بارے میں واضح تاہم لائن کا اظہار نہیں کیا گیا۔ بحرحال مارکیٹس اس بارے میں پہلے اقدام کی توقع 2019 کے آخر میں رکھتی ہیں۔

دوران پاکستان کی معیشت مالی سال 2018 میں 5.8 فیصد کی شرح نمو حاصل کرنے کے باوجود اس سال کے دوران نکلات میں گھری رہی جیسا کہ نئی حکومت اور مرکزی بینک بیرونی اور اندرونی محاذ پر نمودار ہونے والے معاملات سے خبردار ما ہے ہیں۔

سال 2018 میں پاکستان کا کرنٹ اکاؤنٹ کا خسارہ بڑھتے ہوئے 18 بلین امریکی ڈالر تک جا پہنچا اور درآمدات میں عوقی رجحان برقرار رہا، جبکہ برآمدات میں بہتری کے باوجود معمولی اضافہ ہوا۔ مالی سال 2019 جولائی - دسمبر کے دوران یہ خان قدر سے بہتری کے ساتھ جاری رہا جیسا کہ کرنٹ اکاؤنٹ کا خسارہ 8 بلین امریکی ڈالر پر درج کیا گیا۔ پہلے چھ ماہ کے دان برآمدات میں استحکام برقرار رہا جبکہ درآمدات میں گزشتہ تقابلی مدت کی نسبت 3 فیصد کی بڑھوتی ہوئی۔

دوران افرادی ترسیلات مالی سال 2019ء کے جولائی تا دسمبر کے عرصہ میں گزشتہ تقابلی مدت کی نسبت 10 فیصد کے اضافہ کے ساتھ 10.7 بلین امریکی ڈالر پر درج کی گئیں۔ تاہم بیرونی اکاؤنٹ پر دباؤ مالی سال 2019ء کے چھ ماہ کے عرصہ کے دان برقرار رہا۔

اس سال پاکستانی روپیہ امریکی ڈالر کے مقابلہ میں 25 فیصد کی تنزلی کا شکار رہا اور سال کے شروع میں 110.41 روپے سے بڑھ ہوا سال کے اختتام تک 138.86 روپے کی امریکی ڈالر پر جا پہنچا۔ پاکستان کے زرمبادلہ کے ذخائر میں، سال 2018 کے دوران بھی، کمی کا رجحان برقرار رہا۔ انٹیٹ بینک آف پاکستان کے ذخائر 14.1 بلین امریکی ڈالر سے دسمبر 2018 تک کم ہوئے ہوئے 7.2 بلین امریکی ڈالر پر درج ہوئے۔ نئی حکومت نے دوست ممالک جن میں سعودی عرب، متحدہ عرب امارات اور چین۔ اس بارے میں رابطہ کیا۔ چنانچہ سال کے آخر تک پاکستان سعودی عرب سے 2 بلین امریکی ڈالر کی رقم بطور ڈیپازٹ وصول کر ہے۔ دوسرے ممالک سے مالی تعاون سال 2019 کے دوران ملنے کی امید ہے۔ حکومت نے آئی ایم ایف (IMF) سے بھی نیا آؤٹ لیٹنگ کیلئے جامع مذاکرات کر رہی ہے۔

بیرونی محاذ پر دباؤ اور ترقی کی وسعت کو کنٹرول کرنے کیلئے انٹیٹ بینک آف پاکستان نے اس سال کے دوران پالیسی ریٹ میں 4.25 فیصد کا اضافہ کیا ہے۔ سال بہ سال کی بنیاد پر پی آئی (CPI) افراط زر دسمبر 2017 کی 4.57 فیصد کی شرح سے بڑھ دسمبر 2018 میں 6.17 فیصد کی شرح پر درج کیا گیا۔ جبکہ خالص افراط زر میں بھی اضافہ جاری رہا، سال بہ سال کی بنیاد پر 5.39 فیصد سے بڑھتے ہوئے 8.40 فیصد پر جا پہنچا۔ مرکزی بینک اور حکومت نے اس بارے میں اہم اقدامات اٹھائے ہیں ا معیشت کے عدم توازن کو درست کرنے کیلئے نر امید ہیں۔

سال 2019ء کی طرف بڑھتے ہوئے ہم کو یقین ہے کہ ان اقدامات کے سبب مجموعی طلب کو محدود کرنے میں مدد ملے گی اور معیشت ایک مرتبہ پھر طویل المدت ترقی کی راہ پر گامزن ہوگی۔ تاہم صورتحال میں ابھی مزید بہتر اصلاحات کی گنجائش موجود ہے جو کہ معیشت طویل مدت میں ترقی کو زیادہ پائیدار اور مستحکم کر سکے۔

حکومت کو خاص طور پر، ایسے اقدامات لینا ہوں گے جن سے ٹیکس نیٹ میں اضافہ ہو سکے، ٹیکس کی وصولیاں بڑھ سکیں، کاروبار کرنے میں سہولت ہو سکے اور حکومتی اخراجات میں کمی ہو۔ تاکہ بجٹ کے خسارہ کو کم کیا جاسکے۔ بیرونی محاذ پر سب سے اہم قدم گلی برآمدات مسابقت میں قابل ذکر بہتری اور درآمدات کے بل میں کمی ہے۔ بڑے پیمانے کی صنعت نے خاص طور پر مالی سال 2019 میں بہرہ منی اثر برداشت کیا ہے (مختی 0.90 فیصد۔ مالی سال 2019 کے جولائی تا نومبر کے عرصہ میں سال بہ سال کی بنیاد پر) چنانچہ حکومت کو برآمدات سے متعلق صنعت کے فروغ کیلئے اقدامات کو جاری رکھنا چاہیے۔ اسی اثناء میں غیر ضروری درآمدات کی حوصلہ شکنی کر کی ضرورت ہے اور ملک میں دستیاب متبادل اشیاء کے معیار کو بہتر بنانے کی بھی ضرورت ہے تاکہ ان کی طلب کو پورا کیا جاسکے

منافع اور تخصیص:

31 دسمبر 2018ء کو اختتام پذیر سال میں منافع قبل و بعد از ٹیکس اور تخصیص، مندرجہ ذیل ہے۔

گراس مارک اپ کے حوالہ سے بینک نے گزشتہ سال کی نسبت 9.2 بلین روپے کا اضافہ رپورٹ کیا۔ پیداواری اٹاٹوں کا تجزیہ اس امر کا عکاس ہے کہ قرضہ جات کی آمدنی میں 10 بلین روپے کا اضافہ ہوا۔ جس کی بنیادی وجہ اوسط قرضہ جات کے حجم میں 83 بلین روپے کا اضافہ اور اس کے ساتھ 92 بی بی ایس کی آمدنی کی شرح میں بڑھوتی تھی۔

سرمایہ کاری کی مد میں اوسط حجم میں 66 بلین روپے کی کمی کے باعث، گراس مارک اپ آمدنی میں 2.2 بلین روپے کی کمی ہوئی۔ کاسٹ آف ڈیپازٹس میں گزشتہ سال کی نسبت 69 بی بی ایس کا اضافہ ہوا ہے جو کہ بڑھتے ہوئے انٹرسٹ رٹس سے ہم آہنگ ہے۔ کم لاگت کے ڈیپازٹس کی اساس کے فروغ کی حکمت عملی پر عمل پیرا ہوتے ہوئے بینک نے گزشتہ سال کے مقابلہ میں اپنے اوسط ڈیپازٹس میں 123 بلین روپے کا اضافہ درج کیا ہے، جس میں کرنٹ اور سیونگ اکاؤنٹس کا واضح کردار ہے۔

بینک کی اوسط بوریگ (borrowing) کے حجم میں گزشتہ سال کی نسبت 84 بلین روپے کی نمایاں کمی ہوئی۔ بینک کی نان مارک اپ آمدنی 17.2 بلین روپے پر درج ہوئی جس میں زیادہ تر حصہ فیس، کمیشن آمدنی اور غیر ملکی کرنسیوں کی ڈیلنگ سے حاصل ہونے والی آمدنی کا رہا۔ مصنوعات اور خدمات میں باہمی فروخت پر توجہ میں جاری اضافہ کے باعث فیس کی آمدنی 10 فیصد بڑھی جس میں زیادہ کردار دار سے متعلقہ آمدنی، ترسیلات، کیش منجمنٹ، تجارتی کمیشن اور بینکار انشورنس (bancassurance) کا رہا۔

کمپنیل مارکیٹ کے محاذ پر محدود کارروائی کے باعث آمدنی متاثر ہوئی، تاہم بینک نے فارن ایکٹیو کی مد میں ہونے والی تبدیلیوں کا بھرپور فائدہ اٹھایا جس کے نتیجے میں فارن ایکٹیو آمدنی میں گزشتہ سال کی نسبت 1.8 بلین (+109%) کا اضافہ دیکھا گیا۔

انتظامی اخراجات کی مد میں (پنشن فنڈ کے علاوہ) افرادی دباؤ میں اضافہ اور اس کے ساتھ روپے کی قیمت میں نمایاں متزلزل اور اپنی کارکردگی کی وسعت میں اضافہ کے باوجود بینک اپنے اخراجات کی بڑھوتی کو 10 فیصد تک محدود رکھنے میں کامیاب رہا۔ جولائی 2018ء میں متعارف کی گئی ڈیپارٹ پر ٹیکس پر پیہم کے حوالہ سے ضوابطی تبدیلی لاگت کے علاوہ انتظامی اخراجات میں اضافہ محض 8.27 فیصد تک رہا۔ پنشن کے اخراجات کی مد میں بینک نے معزز سپریم کورٹ کی ہدایات کے تحت اپنے پنشنرز کی ماہانہ پنشن میں اضافہ کرتے ہوئے، باضی میں کمی ملازمت کی بناء پر 1.044 بلین روپے کی لاگت کو ریکارڈ کیا ہے۔

پروویژن/اخراجات کے حوالہ سے غیر فعال قرضوں میں وصولیوں کے رجحان کے منافع پر اثرات جاری ہیں، جن کا تین 2.9 بلین روپے پر کیا گیا۔

مالی صورتحال کے تناظر میں غیر مجموعی بنیاد پر بینک کے کل اثاثہ جات کا حجم 1.5 ٹریلین روپے پر رپورٹ ہونے کے ساتھ ساتھ 2017 کی نسبت 12 فیصد کے اضافہ کو ظاہر کرتا ہے۔ اٹاٹوں کی ترکیب کا تجزیہ واضح کرتا ہے کہ خالص سرمایہ کاری میں 92.4 بلین روپے (+14%) کا اضافہ ہوا، جبکہ قرضہ جات میں 31 دسمبر 2017 کی نسبت 34.2 بلین روپے (+7%) کا اضافہ ہوا۔

بڑھتے ہوئے انٹرسٹ ریٹ کے مد نظر سرمایہ کاری کی ترکیب میں سال کے دوران، طویل مدت کے پٹی آئی بیٹرز (PIBS) سے قلیل مدت کے ٹی بیٹرز (T Bills) میں منتقلی جاری رہی۔ جس کے نتیجے میں ٹی بیٹرز میں سرمایہ کاری 194 بلین روپے سے بڑھ گئی جبکہ ٹی آئی بیٹرز سرمایہ کاری میں 95 بلین روپے کی کمی ہوئی۔

بینک کے غیر فعال قرضے نسبتاً جمود کا شکار رہے اور 203 بلین روپے کے معمولی اضافہ کے ساتھ 48.9 بلین روپے پر درج ہوئے۔ بینک کی کوریج اور ٹیکسٹن کی شرح بالترتیب 88.26 فیصد (دسمبر 2017 - 93.74 فیصد) اور 8.95 فیصد (دسمبر 2017 : 9.47 فیصد) رہیں۔

واجبات کے حوالہ سے بینک کے بنیادی ڈیپازٹس میں دسمبر 2017 کی نسبت 81 بلین روپے (+8%) کا نمایاں اضافہ ہوا۔ 81 بلین روپے کا یہ اضافہ ایم بی بی کی مکمل ملکیتی ذیلی ادارے ایم سی بی ایس کی اسلاک بینک لمیٹڈ کو لاہور ہائیکورٹ کے منظور شدہ ڈی مریجری کیس کے تحت منتقل ہونے کے بعد 22 بلین روپے کے علاوہ ہے۔ سرمائے کی مطلوب ضروریات کی ضوابطی تبدیلی کے ساتھ بینک نے پوری صنعت میں سب سے زیادہ کیش ڈیپازٹس کی آمدنی حاصل کی ہے۔ اس کے ساتھ ساتھ عبوری ڈیپازٹس میں باقاعدگی اور پاکستانی ایکویٹی مارکیٹوں میں ایک اہم سٹاک کے طور پر اپنی صلاحیت کو برقرار رکھا ہے۔

ملین روپے

32,064
10,704
21,360
53,776
(659)
99
53
53,269
74,629
2,137
4,740
4,740
4,740
4,740
21,097
53,532

منافع قبل از ٹیکس
ٹیکس
منافع بعد از ٹیکس

افتتاحی غیر تخصیص شدہ منافع
دیگر جاتی (کمپنیز) آمدنی خالص بعد از ٹیکس
پائیدار اٹاٹوں کے سرپلس پر فروخت سے حاصل آمدنی (خالص از ٹیکس)

پائیدار اٹاٹوں کی تجدید نو سے اضافی آمدنی کی غیر تخصیص شدہ منافع
اکریٹیکل ڈیپازٹس کی منتقلی

تخصیص کے لیے دستیاب منافع:
تخصیص:

قانونی ریزرو
جتنی کیش ڈیپازٹس 4 روپے فی حصص 31 دسمبر 2017
عبوری کیش ڈیپازٹس 4 روپے فی حصص 31 مارچ 2018
عبوری کیش ڈیپازٹس 4 روپے فی حصص 30 جون 2018
عبوری کیش ڈیپازٹس 4 روپے فی حصص 30 ستمبر 2018ء
کل تخصیص

افتتاحی غیر تخصیص شدہ منافع

ڈیویڈنڈ:

بورڈ آف ڈائریکٹرز نے 31 دسمبر 2018ء کو اختتام پذیر سال کیلئے 4 روپے فی حصص کے جتنی کیش ڈیویڈنڈ کا اعلان کیا ہے جو کہ حصص یافتگان کو 12 روپے فی حصص کے پھل سے ادا شدہ عبوری ڈیویڈنڈ کے علاوہ ہے اور اس طرح ڈیویڈنڈ ادا کرنے کی شرح 88.79 فیصد پر ریکارڈ ہوئی ہے۔ اس اعلان کے اثرات کو مندرجہ بالا تخصیص میں شمار نہیں کیا گیا ہے۔

کارکردگی کا جائزہ:

ایم سی بی بینک لمیٹڈ کو سال 2018ء میں سب سے بلند ترین منافع شاکر کرنے والے بینک کے طور پر گردانا گیا ہے۔ غیر مجموعی بنیاد پر (unconsolidated) بینک کے منافع قبل از ٹیکس میں گزشتہ سال کی نسبت 3 فیصد کی بڑھوتی کے ساتھ اس کا حجم 32.06 بلین روپے پر درج ہوا ہے۔

سال 2018ء کے دوران میکرو اکنامک معاملات میں نمایاں تبدیلیوں اور اسکے ساتھ ڈسکاؤنٹ ریٹ میں 425 بی بی ایس کے نسبتاً معمولی اضافہ سے کارکردگی کے ماحول کو زیادہ مشکل اور چیلنجنگ بنا دیا۔ انٹرسٹ ریٹ میں ہونے والی تبدیلیوں کی پیش بینی کرتے ہوئے بینک نے اپنی توجہ اٹاٹوں کی بنیاد کو کم مدت کی میچورٹیز پر مخصوص کرنے پر رکھی۔ جس کے نتیجے میں گزشتہ سال کی نسبت خالص انٹرسٹ آمدنی میں 8 فیصد کا اضافہ حاصل ہوا۔

بینک کی کل کیپٹل ایکویٹی 11.90 فیصد کی مطلوبہ شرح کی نسبت 18.13 فیصد پر رہی (بشمول 1.90 فیصد سرمائے کے تحفظ کے بفر (Buffer) کے)۔ سرمایہ کے معیار کا اظہار بینک کی کامن ایکویٹی ٹائر-1 (Common Equity Tier-1) اور ٹائر ریسک ویٹڈ (Risk Weighted) اثاثوں کی شرح سے ہوتا ہے جو کہ 6 فیصد کی مطلوبہ شرح کی نسبت 16.02 فیصد کی شرح پر درج کی گئی ہے۔ بینک کی کھپلاؤں کے نتیجے میں لیوریج کی شرح 3 فیصد کی ضوابطی حد کے مقابلہ میں 7.09 فیصد پر رپورٹ ہوئی۔ بینک نے لیوریج کوئی شرح (LCR) کو 178.70 فیصد اور نیٹ سٹیبل فنڈنگ کی شرح (NSFR) کو 100 فیصد کی مطلوبہ حد کے مقابلہ میں 130.6 فیصد پر رپورٹ کیا۔ فی حصص آمدنی (EPS) سال 2017 کے 19.56 روپے فی حصص کی نسبت 31 دسمبر 2018 میں 18.02 روپے فی حصص رہی۔ اثاثوں اور ایکویٹی پر ریٹرن بالترتیب 1.5 فیصد اور 15.5 فیصد پر رپورٹ ہوئے جبکہ ایک ویلیوٹی حصص 117.74 روپے رہی۔

90 برانچوں کی ایم سی بی بینک لمیٹڈ سے علیحدگی (ڈی مرجر):

سال کے دوران بینک نے ایم سی بی بینک لمیٹڈ سے 90 کاروباری برانچیں اپنے مکمل ملکیتی ذیلی ادارے ایم سی بی اسلامک بینک لمیٹڈ کو کامیابی سے منتقل کیں۔

خدشات کے تدارک کا انتظام (رسک مینجمنٹ فریم ورک):

رسک مینجمنٹ فریم ورک کو سالانہ رپورٹ میں الگ واضح کیا گیا ہے۔

کرڈٹ ریٹنگ:

بینک، پاکستان کرڈٹ ریٹنگ ایجنسی (PACRA) کے نوٹیفکیشن مورخہ 27 جون 2018 کے مطابق طویل مدتی کرڈٹ ریٹنگ کی ٹریٹ اے (AAA) اور قلیل مدتی کرڈٹ ریٹنگ کی (A1+) اے دن پلس کی بلند ترین سطح سے مستفید ہے۔ علاوہ ازیں پاکرا (PACRA) نے ایم سی بی بینک لمیٹڈ کی ٹی ایف سی (TFC) ریٹنگ کو اپنے نوٹیفکیشن مورخہ 27 جون 2018 کی بنیاد پر ٹریٹ اے (AAA) کی سطح پر برقرار رکھا ہے۔

انٹرنل کنٹرول سٹیٹمیٹ:

مینجمنٹ کی جانب سے فنانشل رپورٹنگ پر اندرونی انتظام (ICFR) اور مجموعی اندرونی انتظام (انٹرنل کنٹرول) سے متعلقہ بیان کی بورڈ جو شوشی توٹین کرتا ہے، مینجمنٹ کا اندرونی انتظام سے متعلق بیان سالانہ رپورٹ میں شامل ہے۔

کوڈ آف کارپوریٹ گورننس اور گینیز ایکٹ 2017 کے سیکشن 227 کے تحت بیانیہ:

بورڈ آف ڈائریکٹرز اس امر کو یقینی بنانے کے لئے عزم میں ہیں کہ سیکورٹی اینڈ ایگزیکٹو کمیٹی آف پاکستان کی جانب سے معین کردہ کارپوریٹ گورننس کے تمام معیار اور شرائط اور گینیز ایکٹ 2017 کے سیکشن 227 کے مطلوبہ بات کی مکمل پاسداری ہو۔ بینک نے کارپوریٹ گورننس کے بہترین معیار کو اختیار کیا ہے اور ڈائریکٹرز زبیرت بسمرت رپورٹ کرتے ہیں کہ: بینک کی مینجمنٹ کی طرف سے تیار کردہ فنانشل اسٹیٹمنٹس اسکی کارکردگی، صورتحال، نقدی کے بہاؤ (کیٹش فلوز) اور ایکویٹی میں تبدیلیوں کا واضح اظہار کرتی ہیں۔

بینک کے اکاؤنٹس کی درست کتا میں تیار کی گئی ہیں۔

فنانشل اسٹیٹمنٹس کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اطلاق کیا گیا ہے سوائے ان اکاؤنٹنگ پالیسیوں کی تبدیلی کے جن کو فنانشل اسٹیٹمنٹس کے نوٹ نمبر 5.1، 5.3، 5.4 اور 5.10 میں بیان کیا گیا ہے۔ اکاؤنٹنگ کے تخمینے موزوں اور متوازن انداز میں پیش کیے ہیں۔

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

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

بطور ادارہ بینک کے کام جاری رکھنے کی اہلیت میں کسی شک و شبہ کی گنجائش نہیں ہے۔

سال 2018 کے دوران 2.1 بلین روپے کا منافع قانونی ریزرو میں منتقل کیا گیا ہے۔

اندرونی انتظام کا نظام مضبوط و خدو خال پر استوار کیا گیا ہے اور نہایت موثر انداز میں نافذ اور جانچا جاتا ہے۔

چوسال کا فنانشل مواد (ڈیٹا) اور اہم کارکردگی کے عوامل کو سالانہ رپورٹ کے سبب ہولڈرز کے سیکشن میں پیش کیا گیا ہے۔

قانون میں مجوزہ شرائط کی تعمیل میں شیئر ہولڈنگ کی ترتیب کو سالانہ رپورٹ سے منسلک کیا گیا ہے۔

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

بورڈ کی تشکیل کو کوڈ آف کارپوریٹ گورننس کے تحت بیان کیا گیا اور کارپوریٹ گورننس کے سیکشن میں بیان کیا گیا ہے۔

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

بورڈ آف ڈائریکٹرز کی کمیٹیاں اور ان کے ضابطہ کار اچار کو سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں الگ سے بیان کیا گیا ہے۔

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

بورڈ آف ڈائریکٹرز کی جانب سے منظور شدہ نان ایگزیکٹو ڈائریکٹرز بشمول آزاد ڈائریکٹرز کے مشاہرے کی پالیسی کو اس سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں واضح کیا گیا ہے۔

ڈائریکٹرز کی تربیتی پروگرام کی تفصیل کو کوڈ آف کارپوریٹ گورننس کی مینٹن میں دی گئی ہے۔

انتظامی اور غیر انتظامی ڈائریکٹرز کو ادا کیے گئے مشاہرہ کی تفصیل غیر مجموعی فنانشل اسٹیٹمنٹس کے نوٹ نمبر 40 میں درج کی گئی ہیں۔

بینک کو رپورٹ پیش بنیادی عوامل اور غیر یقینی صورتحال کو اس سالانہ رپورٹ میں الگ سے بیان کیا گیا ہے۔

30 جون 2018 تک پروویڈینٹ فنڈ اور پینشن فنڈ کی سرمایہ کاری کی قدر بمطابق ڈیٹا اکاؤنٹس بالترتیب 14,789.35 ملین روپے اور 8,883.49 ملین روپے رہی۔

بیلنس شیٹ کی تاریخ کے بعد ہونے والے واقعات:

حکومت نے یکم سال 2018 (اکاؤنٹنگ سال ختمہ 31 دسمبر 2017) کے لیے سال کے اختتام کے بعد 4 فیصد سوپر ٹیکس تجویز کیا ہے اگرچہ ایسی اسکی منظوری نہیں ہوئی۔ 31 دسمبر 2018 کو اختتام پزیر سال کی فنانشل اسٹیٹمنٹس میں ٹیکس سال 2018 کے سوپر ٹیکس کے اثر کو شامل نہیں کیا گیا ہے۔

کارپوریٹ معاشرتی ذمہ داریاں (CSR):

بورڈ معاشرتی طور پر انتہائی ذمہ دار بینک کی حیثیت سے اپنے جائز فرائض پر عملدرآمد کا مکمل اور اک رکھتا ہے۔ سی ایس آر (CSR) کے حوالے سے بینک کے لیے تمام اقدامات کو اس سالانہ رپورٹ میں موجود کارپوریٹ سسٹین ایبلٹی رپورٹ میں واضح کیا گیا ہے۔

آڈیٹرز:

بینک کے رخصت ہونے والے آڈیٹرز میسرز کے پی ایم سی (M/S KPMG) تا شہر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، نے اگلی مدت کے اہل ہونے کے سبب دوبارہ تقرری کی پیشکش کی ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ نے والے عام سالانہ اجلاس میں میسرز کے پی ایم سی (M/S KPMG) تا شہر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی مالی سال 2019 کے لئے بینک کے قانونی آڈیٹرز کی تقرری کی سفارش کرتا ہے۔

تشکر و تحسین:

ایم سی بی بینک کے بورڈ آف ڈائریکٹرز حکومت پاکستان، اسٹیٹ بینک آف پاکستان، سیکورٹی اینڈ ایگزیکٹو کمیٹی آف پاکستان اور دیگر انضامی اداروں کے جاری معاونت، بینک کے شیئر ہولڈرز اور صارفین کا اگے اعتماد اور اپنے ملازمین کا اگے خلوص اور عزم پر شکر یہ ادا کرتا ہے۔

منجانب ویرائے بورڈ آف ڈائریکٹرز:

اقراء حسن نشاء

ڈائریکٹر ایگزیکٹو۔ ایم سی بی بینک لمیٹڈ

عمران مجبول

پریزیڈنٹ اور سی ای او۔

ایم سی بی بینک لمیٹڈ،

20 فروری 2019

Groups' Review

Corporate Finance and International Banking Group

The Group achieved an all-time high corporate loan book number in 2018. Despite tight (but improving) spreads, CFIBG had another profitable year due to strong fee and commission income.

To manage the portfolio on a proactive basis, the group continued to closely monitor concentration of sectors and regions. During the year, a number of strategy papers were issued which included group limit settings for large corporates, limit review exercise and Risk Asset Acceptance Criteria (RAAC). This allowed CFIBG to set macro level view on sectors, Cross sell of various consumer products such as auto / home / personal loan for employees of Corporate Customers, determine financial benchmarks for various industries, identify transactions in pipeline, manage obligor exposures in a systematic way, ensuring growth in advances in a structured manner and maintain a low infection rate in loan book.

CFIBG performed exceptionally well in foreign trade business during the year 2018. The group registered growth in Fee and FX income from its trade operations in Pakistan as well as from its overseas operations. Foreign export business of the Group registered 41% increase over last year and foreign import business also registered a double digit growth. The Trade team of MCB Overseas Operations at UAE, Sri Lanka and Bahrain to registered growth of 71% in trade volumes from 2017, main growth contributor being MCB UAE.

During the year under review, due to slowdown in economic activity and the then prevailing political landscape, various projects and transactions were put on hold. However, Investment Banking managed to remain active during the year and also successfully closed the first IPO of 2018 of Matco Foods Ltd. despite adverse capital market environment.

Investment Banking participated in various equity advisory, debt syndications and infrastructure finance transactions, and received the following recognitions:

- Best Islamic Loan Adviser in Pakistan - The Asset Triple A Islamic Finance Awards 2018;
- Project Finance House of the year of Pakistan - The Asset Triple A Infrastructure Awards 2018;
- Renewable Energy deal of the year - Solar, AJ Power Limited - The Asset Triple A Infrastructure Awards 2018;
- Oil and Gas Deal of the Year, Pak-Arab Oil Pipeline Company Limited - The Asset Triple A Infrastructure Awards 2018;
- Telecom Deal of the Year, Pakistan Mobile Communication Limited - The Asset Triple A Infrastructure Awards 2018

MCB Cash Management crossed annual volume of PKR 1.6 trillion in 2018 which is the highest ever in the history of the bank. A number of initiatives enabled the realization of this milestone including Book Building activity, successful disbursement of E-Dividends, integration with 1link with respect to FBR tax payment, implementation of bar code machines to facilitate TBD transactions at branches, enhanced features like FBR and RTGS in our payment platform i.e Paydirect. In addition to these initiatives, Transaction Banking Division did some major cross-sell initiatives in collaboration with Retail, Consumer Banking and Digital Banking.

MCB Home Remittance's brand, MCB Burqraftaar, is focused to contribute towards the national interest of promoting remittances through legal channels by continuously improving customer experience for Pakistanis across the globe. In 2018 MCB Bank has witnessed a growth of 34% in terms of volumes. Our market share has increased phenomenally from 12% to 15% during the year thus making MCB Bank the second largest remittance recipient bank in the country.

A dedicated team at Financial Institutions Divisions is looking after correspondent banking relationships and ensuring provision of complete banking solutions to our local and foreign correspondent banks around the world. The team through their efforts showed significant growth in revenue, with core business areas being Back to Back Guarantees.

During 2018, Strategic Acquisition and Investment Division played a key role in the successful demerger and transfer of 90 MCB bank branches into MCB Islamic Bank.

CFIBG team is geared up to continue with its growth strategy in 2019, with renewed focus on book building and service based fee enhancement. We will also continue to focus on cross sell initiatives with corporate clients for additional business opportunities.

International Branch Operations

MCB Bank also has Overseas branch presence in Sri Lanka, United Arab Emirates (UAE) and Bahrain.

Sri Lanka Operations:

MCB Bank Ltd commenced its Sri Lankan operations in 1994. Since then, the Bank has steadily grown over the years and currently holds the second largest branch network among foreign banks in the country. The Bank offers a range of financial products & services along with the expertise to serve all three segments of Corporate, SME and Retail banking. Customers also have the access through digital platforms and ATMs Island wide. Despite the challenging environment, MCB Sri Lanka recorded growth during 2018 and also re-affirmed its local rating [SL] A+ (Stable) awarded by ICRA Lanka Limited. Sri Lankan operations will commemorate its 25th Anniversary during 2019.

UAE Operations:

MCB commenced operations in UAE in 2015. During the year UAE saw a significant fall in real estate investment. Regional public spending cuts dampened business activity in the region, along with introduction of VAT. With slowing revenues, serviceability of debt by corporates was a major theme which saw a rise in corporate debt restructuring. Against this backdrop of uncertainty, MCB stood fast and firm in its commitment to expanding its outreach and in achieving its objectives while safeguarding the interest of our shareholders through prudent policy and by relying on the Bank's core strengths.

The year saw a marked improvement in the top and bottom line numbers for the operations over successive years. The slowdown in credit uptake was effectively mitigated through concentration on other sources of safe yet stable income.

During 2018, MCB UAE witnessed deposits growth surpassing targets, diversification of customer deposit portfolio, improvement in concentration ratios, trade volume enhancement

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and buildup of high quality unencumbered assets. MCB UAE is steadily building up its assets in line with Strategy and Budget with the help of joint asset pipelines and syndications with MCB Bahrain Operations.

Bahrain Operations:

MCB has been operating in the Kingdom of Bahrain since 1995. Bahrain operations continue to focus on regional syndicated transactions, bilateral deals and investments. MCB Bahrain during 2018 has maintained profitability despite a challenging GCC/Emerging markets business environment. There has been a concerted effort to reduce liquidity mismatch and improve deposit base which is evident from a significant increase in deposits from customers. Also syndicated deals with MCB UAE have been booked during the year leading to greater synergies for MCB in the region. Central Bank of Bahrain during year has introduced a number of new regulations/amendments in areas of Risk & Liquidity management for which the branch is in process of updating its policies and procedures for compliance in consultation with Head Office.

Assets Rehabilitation Group

The year 2018 has been an exceptionally challenging for the Country due to fragile economic conditions, political turmoil, general elections, subdued real estate sector & business activity, which, in turn, has grossly impaired repayment capacity of the businesses / borrowers. However, despite all these challenges, ARG, with its highly dedicated remedial team, made continued progress on its strategic path and put tremendous results on the board.

The Group has achieved ever highest recovery of Rs.2.85 Billion in 2018, registering 12% growth over the last year. Along the way, the Group has also been successful in resolution /restructuring /rescheduling of a large number of Non-Performing Loans (NPLs), aggregating to Rs.4.1 Billion and made significant progress in several other big ticket cases for recovery of banks' dues. Major contribution is from ex-NIB's portfolio as ARG's strategy is well composed to uplift bank's financial performance in post-merger scenario. Resultantly, Group has been able to realize a significant amount of recovery; i.e. Rs. 2.8 Billion, from ex-NIB's portfolio since amalgamation. Besides, the Group has extended its recovery base, in terms of number of settlements /cases, by 20% over the previous year (i.e. 6740 vs. 5624). It is pertinent to mention that the Group has also witnessed significant improvement in recovery from bank's written-off portfolio- 66% growth over the corresponding period (Rs. 218M vs. 131M). On the other hand, the focus on operating efficiency also continued during the period under review, with equal emphasis on internal controls and controlling costs, which resulted in saving 31% of delivery expense budget.

While fiscal imbalances in the year 2019 may take further toll on country's future growth viz. recital of the businesses, NPLs of the banking sector have already surged to Rs.652 Billion as of 30th September 2018 from Rs.638 Billion at the end first half 2018. Therefore, we believe that future holds even more challenges for the banking industry in the context of remedial management of distressed advances. Nevertheless, ARG will continue to focus on its milestones to take a full advantage of the long term growth opportunities, arising out of ex-NIB's merger and will bring all its capabilities together to mark 2019 another banner year and maintain its leadership position in the industry.

Consumer Banking Group

MCB's Consumer Banking business, which helps people achieve their financial aspirations, continues its consistent and steady growth. A number of product initiatives have been taken which will be beneficial for the growth of this segment and going forward more initiatives are in pipeline to strengthen this Group.

Wealth Management:

The Wealth Management business continued its upward trajectory in 2018, and was the significant contributor to the Consumer Banking Group's profitability. Bancassurance business set its highest sales record since inception with total fresh premium of PKR 2.44 Billion in 2018 as compared to PKR 2.046 Billion in 2017, a growth of almost 20%.

2018 was a difficult year for Investment Services business where it faced an adverse economic environment throughout the year, primarily due to muted capital market performance and low interest-rate regime. With interest rates improving in the last few months of the year, 2019 should see improved performance from fixed-rate instruments. However, the performance of the stock market in 2019 is still uncertain.

Consumer Lending:

Consumer Lending business posted a healthy profit for the year 2018. In 2018, SBP increased policy rate by over 4%, which posed a dampening effect on new sales due to resultant increase in KIBOR rates.

In autos business despite a stringent environment, the bank maintained fresh loans disbursement of PKR 8 Billion and was able to maintain its position as one of the top players in auto finance business and is now becoming a significant player in the home loan segment as well. While, the home loan disbursements topped PKR 1.5 Billion, which is substantially greater than 2017. Both credit card and PL businesses exhibited significant growth; with Credit Card business issuing over 15,000 new cards and Personal Loans with over 2,700 loans disbursed in the year. The overall asset quality continues to be well managed with low loss rates.

During 2018, a number of system up-gradations took place including ex-NIB data migration and a new Credit Cards system.

For the year 2019, the Consumer Banking Group will invest further in systems, controls and human resources to ensure the highest level of services are accorded to its customers with more automation and reduced turnaround times. We will continue to work to get deeper inroads into digital channel and setting up new alliances in order to meet growing customer expectations to maintain/ increase our market share.

Retail Banking Group

With passion, dedication and a well deliberated strategy, Retail Banking Group (RBG) celebrated 2018 as another year of historical growth, stellar financial results and accomplished objectives. The aspiration to deliver has enabled RBG to perform exceptionally well making significant contributions in the bank's progression in challenging macro-economic /political conditions while the overall banking industry as a whole demonstrated muted progress. Historically, RBG contributes over 92% of the bank's deposit. In 2018 RBG achieved YTD total deposit growth of 13% increase during the calendar year, well above the industry's YTD total deposit growth of 8%. Moreover, RBG's

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average deposit growth at 8% was significantly higher than industry's average deposit growth of approximately 1% for the year 2018. Above industry deposit growth highlights the continuous efforts and achievements of RBG team. Moreover, RBG also managed to increase its current deposit by 8% enabling it to achieve a CASA mix of 94%.

While interest income remained the key revenue driver, greater emphasis was laid on generation of fee income from all streams including branch operations, trade & cross sell to boost profitability. Growth in trade business continued as trade volumes increased by 5%.

Segment based product development has remained corner stone of our strategy initiatives in the last few years. This strategy has strengthened and built upon MCB's time-tested relationships with its loyal and trustworthy customers. In order to support the country in its efforts to maximize foreign remittances, home remittance products such as MCB Burqraftaar Remittance Account and MCB Asaan Remittance Account were successfully launched in the year 2018.

Along with our seasoned branch banking teams, a dedicated Institutional Sales team onboarded prominent large and medium sized companies and provided need based solutions perfectly suited to these institutions' financial needs.

The Bank played its role in the promotion and development of the SME and agricultural sectors and facilitated them to the maximum by adding SME Centers & dedicated agri branches. Our agri finances have grown at a CAGR of 33% since 2014.

RBG has a strong presence not only in the urban areas, but also in the rural and underserved areas of Pakistan. A perfect example of bank's financial inclusion drive would be the inauguration of our Sadoki Village Model Branch in 2018. The setup of the branch was envisaged to provide comfortable and familiar working environment to our rural customer base.

Another milestone achieved by RBG in 2018 was to enable MCB Bank to be ranked as the No. 1 Bank in Hajj applications collection, pan Pakistan. As a trusted companion, our vast branch network of over 1350 branches facilitated maximum number of intending Hajjis in their religious journey.

Our Operations team played an integral role in the execution of RBG initiatives, relationship strengthening and overall growth of the Group. Our approach towards reducing costs while maintaining operational excellence has reaped many benefits for the bank. In implementation of branch network optimization strategy, a number of low potential branches were merged, while under the network expansion plan 37 new branches were opened during the year. RBG endorses its ongoing fiduciary responsibility towards the regulator and the importance of internal controls. Our constant focus on improvement has borne fruit through improved audit ratings of our branches. Whether it is Dam Fund-raising campaign or biometric verification of our customers, RBG team has been more than up to the task. During 2018 MCB's principal focus remained on controls and compliance particularly in the area of AML/ CFT in line with the enhanced focus brought in by the regulator.

RBG's extensive Sales Process Manual, Service Management and Operational Excellence Programs ensure that its front line employees exhibit discipline, courtesy and professionalism to serve and provide solutions to all categories of Bank's customers. Furthermore, the ongoing induction of quality resources has helped the bank maintain its position as an

industry leader. Service levels as measured internally & externally are showing visible improvements over previous years. ATM uptimes at 97.4% is highest ever for MCB and places us as industry leader. Training our staff is at the heart of creating a team which can deliver service, sales and operational excellence. Our Dedicated Business Intelligence Unit (BIU) has lent valuable support in the performance monitoring of all units of RBG and in planning and execution of RBG business strategies.

RBG endeavors to work closely with all support functions of the bank to deliver key objectives of bank's 5-year strategy for the period 2018-22.

The challenge for RBG is to maintain and further build upon the momentum created in the past few years. We have witnessed multiple policy and business environment challenges in 2018 and expect this to continue in 2019 as well under a more stringent control environment. With passion, enthusiasm and discipline in our ongoing approach of "RETAILIZATION", Team RBG has the ability to grow, sustain and generate even stronger results in all KPIs & objectives in the days and years to come!

Capital Market

For a second consecutive year the KSE-100 remained in bear territory by shedding 3,405 points to close at 37,066. The market posted a negative return of 8.4% (26.5% in Dollar terms). Political and macroeconomic woes continued to throttle investor sentiment, consequently leading to weaker participation at the bourse. As Pakistan ushered in the new PTI government following 2018's General Elections, currency volatility took its toll as markets witnessed 5 successive rounds of devaluation. The central bank assumed a hawkish policy as the policy rate witnessed a cumulative increase of 425 bps to combat rising economics pressures. All these factors combined against a backdrop of the highest foreign investment portfolio outflows seen since 2008 presented the most challenging year yet for MCB's Capital Markets Division. Despite booking heavy provisions our team was able to capture alpha and post positive returns for the bank. We hope that 2019 will fare better for the market as we continue to serve the bank by maximizing returns through top-notch research and expert portfolio management.

Treasury and FX Group

2018 was a year marked by significant economic and political challenges for the country. Treasury & FX Group efficiently navigated this turbulence and marked another year of significant outperformance. The Group once again remained a major contributor to the Bank's markup and non-markup revenues.

The low interest rate environment made way to a significant uptrend in the interest rates. Treasury had anticipated this reversal and continued to shorten the Duration of its investment portfolio. Treasury remains well placed to now benefit from the higher yields on the Pakistan Investment Bonds. 2018 also witnessed unprecedented levels of USDPKR volatility. Once again, Treasury expertly managed its exposures and also ensured that its clients remained well informed of the changing market conditions. Importantly, MCB continued to enhance its trade & non-resident remittance volumes. For these reasons, 2018 was a stellar year with respect to the FX Income of the Bank. The interbank desks (both Money-Market and FX), despite the market volatility, maintained their status as top market-makers and ensured that MCB remained the choice bank for its clients and its interbank-market counterparts.

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As an authorized Derivative Dealer, MCB has continued to tread the path of Derivatives business with caution and prudence. Our expertise in this highly technical area continues to grow, giving us the edge needed to be at par with the developed world in terms of derivatives based hedging solutions offered to our suitable clients.

The bank's international Treasuries have been consolidated under the umbrella of Group Treasury for better monitoring, supervision, uniformity and sharing of best practices. This is expected to yield positive results both in terms of financial performance and risk management.

During 2018, the MCB Treasury Research Desk published the Economic Snapshot daily and the MCB Purchasing Managers Index (PMI) on a bi-monthly basis - for the benefit of our valued customers. Emphasizing the Bank's customer-focused approach, the Research Desk frequently engaged with the bank's clientele to discuss opinions and convey timely information on the domestic economy. In particular, the Research Desk provided forecasts on interest rates, exchange rates, domestic inflation, external sector pressures and other economic variables that were especially helpful for our clients in anticipating changes in a dynamic environment and enabled them to create value for their own businesses. Our customers greatly appreciated our initiatives and actively sought solutions to increase their understanding of the economy and apply it in their decision-making on a day-to-day basis.

The Research Desk was on hand to provide the economic outlook and projections that were a formidable part of the Bank's Five Year Strategy 2018-2022.

Information Technology Group

Information Technology has transformed the banking industry worldwide for the better and has provided us with the necessary tools to manage the challenges of an ever growing economy. The integration of technology has been the cornerstone of recent financial sector reforms across industry aimed at increasing the productivity and efficiency of financial operations, strengthening the banking sector to meet high consumer expectations and to secure a leadership position amongst peers. However, the most challenging part of the ever changing world of 'Technology' is to neutralize the impact of obsolescence and advancements at a strategic level without compromising availability, security and reliability of the 'Data and Information'.

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

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

ITG had also closely monitored Bank wide projects and had driven related technology functions with a motive to accomplish the assigned tasks within the agreed timelines. Close coordination and liaison with working groups and vendor relationship management are the key factors in above achievements.

Looking forward to 2019, IT Group is more committed towards:

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

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

Digital Banking

Surpassing the traditional norms of growth, MCB Bank's Digital Banking Business has grown to become one of the most comprehensive, secure and flexible payment ecosystems. Within a short span of time it has gained a leading position and is favored by both individual and corporate consumers. The Year 2018 concluded with a remarkable top line of PKR 3.1 Billion with substantial financial growth and increase in the overall foot print. This was only possible due to our focused strategy to expand our service offering and delivery to the end user while being preemptive about the prevailing industry risks.

The Debit Card business which constitutes a significant portion of the entire Digital Banking portfolio was able to achieve a number of milestones which includes the highest number of card issuance i.e. 783K including 175K of Paypak (Pakistan's first local payment scheme) debit cards, record Debit POS spend of 10.9 Billion, a 13% YOY Increase in card activation rate from the previous year and numerous marketing campaigns done across various retail industries.

Our self-service channels which includes both the Mobile and Internet Banking performed exceptionally well with more than 500K+ App downloads till date, overall 53% YOY growth in transactional volume, enhanced transactional limits for the users

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and improved customer experience with the addition of 11 new billers within the payment menu.

The ATM Network also witnessed steady progression in terms of reach, reliability and transactional volume. With the amalgamation of ex-NIB and new ATMs, our network now stands at 1300+ ATMs including 140+ Offsite locations. MCB Bank is now the second largest bank in terms of ATM network reach, with the highest yearly uptime of 97.44% along with 18% YOY growth in transactional volume and count. This performance is a testament of the robust health-check measures taken by the bank where we replaced more than 40 ATMs and deployed 44 new ATMs in a year. The ATM channel was further empowered; along with the acceptance of other payment scheme cards "Paypak, JCB and UPI", it now accepts Visa International cards and allows customers to activate their debit card without calling help line.

Another essential channel completing the Digital Banking equation is the Acceptance business which includes the online payment gateway solution (eGate) and the Point of Sale (POS) terminals ensuring MCB Bank's presence in the digital and physical payment franchises. Like the previous year, Card Acquiring continued to enter new hallways of payments with a remarkable growth of 59% in eCommerce transactional volumes. Further, to improve online shopping & merchant experience for eCommerce, MCB eGate system has now been upgraded from Mastercard Internet Gateway Service (MiGS) to Mastercard Payment Gateway Services (MPGS), which is fast, reliable and supports multiple payment modes.

POS Acquiring also grew and entire fleet started accepting Paypak, JCB and UPI scheme cards as well. In order to enhance transactional efficiency and the customer experience the bank also upgraded its Network Access Center Point.

The Branchless Banking arena (MCB Lite) also showed considerable strides by integrating Lite Remit feature in mobile wallet that has allowed customers to receive money directly into their Lite mobile wallet from anywhere in the world. The institutional sales opening more than 40K Mobile Wallets.

In parallel we continued to take necessary measures to strengthen our system securities, educate customers on cybercrimes and its preventions through various means like the newspaper, SMS, email, etc. apart from taking measures to implement enhanced controls over digital channels. The Annual Management Audit of achieved rating "1" assuring good governance.

Priorities in 2019

- Implementation of New ATM Controller and Card Hosting System
- Launch of EMV Chip & PIN Debit cards
- One Digital Platform for Retail and Corporate Digital Banking
- Focus on Home remittances in Mobile Wallets
- Launch of Co-badge debit cards
- Revamping of Karachi Contact Center

Operations Group

The Operations Group continued working progressively to be at the forefront of Bank's transformation objective by standardizing,

improving and automating existing operational processes; and consequently strengthening controls & compliance environment. The Group played an active role in supporting branch & back-office operations through introduction of effective controls as envisaged by the Bank's management in line with the stricter regulatory environment. Additionally, the Group firmly believes that improvement in operational processes will energize business growth initiatives. This would emanate from leveraging technological solutions across the Bank with an objective of improving process and costs efficiencies.

Highlight of the year was the revision of Branch Operations Manual that culminated from consolidation and review of Operational Processes with the objective of efficient customer service experiences whilst further improving control environment. The service charges and tax collection mechanism was revamped in order to reduce leakages while offering greater flexibility in configuring the complex taxation regime. The Group also embarked upon redesigning Bank's standard stationary to cater to the updated requirements of the regulator along with bringing simplicity for the customers. Some of the new forms have been structured in a way to offer enhanced cross sell opportunity for enabling greater product offerings per customer.

The Group also played a pivotal role in further streamlining ex-NIB integration related activities and subsequent transfer of select Ex-NIB branches to MCB Islamic Bank. Its support proved instrumental in successfully achieving Bank's target of smooth and effective integration with minimal customer inconvenience. While the Group continued its oversight on implementation of Business Continuity and Record Management policies, it proudly framed the first ever Green Banking Policy jointly with the Risk Management Group of the Bank. This new regulatory initiative will go a long way in safeguarding humanity from environmental risks emerging from Bank's own operations as well as operations of its borrowers.

Automation and digitization remain the key objectives of the Group. Consequently functional support was provided to other groups in developing new product offerings and strengthening existing portfolio. The Group successfully implemented Currency Management Strategy under the applicable regulatory framework and collaborated with Information Technology Group for enhancing treasury systems' capabilities to support new products. The team further achieved enhancement of derivative settlement capabilities through integration of Super-Derivatives solution with Treasury system and now endeavoring to develop full derivative suite. Additionally further automation in processing of Real Time Gross Settlement (RTGS) Straight - Through - Processing & Investor - Portfolio - Securities transactions was achieved to support error-free processing of bulk customer payments thereby bringing efficiency in customer service.

The Group also contributed towards business growth through effective and efficient support extended beyond line of duty. Issuance of about one million cards, web based customer claim filing utility and conversion of merchant payments mode from cheques to funds transfer/IBFT are just a few to mention. Branches falling under Operations, responsible for dealing with specific line of customers, outperformed their own standards demonstrated through excellent service quality results.

Operations Group has also provided sizeable infrastructural support to the Bank while ensuring high quality delivery of major construction and renovation projects. The Group led projects not only contributed towards addition of more flagship branches, it also resulted in shifting of high number of branches from rental to owned premises thereby reducing heavy rental costs.

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As the dawn of 2019 will bring more exciting opportunities and prospects for the Bank, the Group is committed to meet every challenge with greater energy and enthusiasm in helping to achieve the business targets. The Group resolves to improve process centralization, to further automate manual products and processes, and to ensure alignment of its objectives with other stakeholders within the Bank over implementation of new technology, business and compliance initiatives.

Business Continuity Plan

Business Continuity Management (BCM) is a progressive management process that identifies, assess and gauge potential impacts which can threaten an organization, internally or externally. Accordingly, it provides a framework for building capability for an effective response to disruptive events caused by natural or man-made event(s), ensuring continuity of critical functions in an event of disaster and effective recovery afterwards. BCM helps to keep all possible risks within tolerable range thus by following BCM practices, organization keep themselves ahead of time. While discharging its social/corporate responsibility, MCB Bank has always endeavor to ensure protection of key stakeholders' interest. The Bank has a special focus in having sustainable and an effective enterprise wide BCM program to enable the Bank to provide seamless services and products to its customers and stakeholders.

The Board of Directors of the Bank periodically reviews the effectiveness of Business Continuity Policy & Framework to ensure that clear and concise plans are maintained for all critical areas while strong remedial actions are in place to reduce the risk of downtime against any untoward situation. Practicing BCP on regular intervals have given a confidence to the bank that it can live up-to the expectation of its stakeholders by ensuring functionality of its critical businesses and functions.

Compliance and Controls Group

The Compliance landscape and environment is becoming increasingly complex and challenging owing to enhanced Global focus on risks associated with Money laundering and terrorist financing. Consequently the Compliance function is continuously striving to keep up with these challenges through a well-integrated and robust risk mitigation framework in the aforesaid areas of our banking operations. As heightened focus continues on tackling these issues, CCG is committed towards investing more in resources, processes and technology to combat these and other risk areas.

CCG aims to ensure the highest standards of AML/CFT compliance, which requires management and employees to adhere to these standards by preventing use of Bank's channels, products and services for money laundering and terrorist financing. The Group provides a structural base to enable all concerned stakeholders to monitor out of pattern transactions to detect possible Money Laundering activities through Transaction Monitoring Solution (FCCM). It also leads the Management Committee on AML/CFT for oversight of AML/CFT compliance with respect to relevant regulations, policies and procedures and steering of various AML/CFT initiatives in the Bank, to mitigate the risk of such activities, for both domestics and overseas operations. Furthermore, CCG is also challenging all internal stakeholders to strengthen Bank's monitors with regards to AML/CFT risk emanating from Trade related business activities.

Highlights of 2018 include successful launching of a new filtering solution, Induction of fresh scenarios in the transaction monitoring system, adoption of goAML Application for regulatory

reporting of cash transactions and wider coverage of compliance assurance & Internal control validation visits by CCG Teams.

In order to remain abreast with the regulatory environment CCG has pursued implementation of various dimensions of the Compliance Risk Management (CRM) Guidelines issued by the regulator. In this context we now have in place a Compliance Risk Framework developed and duly approved by the Board of Directors. Moreover CCG is aspiring to develop a universal document related to compliance risk which will provide a global unified solution to all jurisdictions of MCB operations.

CCG ensures a professionally cordial working relationship with State Bank of Pakistan (SBP), Law Enforcement Agencies and other regulatory bodies which also cover coordination of SBP's Inspections. It also spearheads the resolution of regulatory observations through a cross functional management committee.

The Fraud Risk Management Department, consolidated within Compliance Group during 2018, was made fully functional to enhance organizational focus on Fraud Risk. As its fresh initiative this outfit has introduced an application called 'Internal Eye' which aims at review and monitoring of transactions associated with employee accounts from the perspective of identification and control of potential frauds.

Our Service Quality (SQ) function continues its enhanced focus and rigor around customer experience through Service Council and improved internal stakeholder engagement. During 2018, a new dimension of training 'Service for Life' was delivered to senior customer dealing staff in order to equip them with appropriate knowledge of service etiquettes and protocols in order to deliver high quality customer experience.

Bank follows a multi-pronged approach to assess the quality of service standards for its customers. These measures include physical evaluations of business place ambiance & Voice of customer by Bank's SQ team and capturing of customers feedback through customer satisfaction surveys & mystery shopping program through external vendors. Findings of these initiatives are subsequently transformed into action items which SQ team leads until positive outcomes are achieved. Significantly, during 2018, SQ led successful closure of Gaps identified through the customers satisfaction survey, conducted during 2017 to ensure improved customer experience.

Fair treatment of customers continued to remain a priority agenda item of bank's Service Quality team throughout 2018.

Given the above achievements and initiatives during the year, it is evident that CCG has persistently aimed for a strong compliance culture while staying abreast of ongoing regulatory requirements and industry challenges. The Group's focus, going forward, will remain strengthening of its resource base, improvement in processes and investment in appropriate technology and human resource so as to adequately cope with an ever changing and challenging environment while improving customer experience.

Customer Grievance Handling

Service Quality function is the custodian of customers' grievance handling and works in collaboration with all businesses / functions of the bank responsible for acknowledging, investigating, tracking, escalating and resolving customer complaints within specified turnaround times (TAT). The

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escalation matrix observed and designed in the system is such that a complaint, if not resolved within the specified TAT, gets escalated to the next senior level of management and keeps on escalating further till resolved. It also performs in-depth qualitative and quantitative complaints analysis followed by suggestions and recommendations in order to eliminate root cause and drive continuous improvement. During 2018 we have successfully converted to a new Complaint Management System with the objective of making the complaint management process more robust and effective.

Channels through which complaints are received:

- MCB Call Center
- MCB Branches
- MCB E-mail
- Letter/Fax
- Customer Service Centers
- Banking Mohtasib Secretariat
- State Bank of Pakistan
- Management Committee (MANCOM)

Audit and Risk Assets and Review Group

Internal audit function plays a pivotal role in the overall risk and control environment of any organization. The function provides assurance that is critical to the Board and management in assessing overall strength of an organization's control environment. Furthermore this function also adds value to the aforesaid control environment by virtue of its consultative role.

Audit & Risk Assets Review (Audit & RAR) Group is responsible for the internal audit function within MCB Bank Limited. Group Head Audit & RAR functionally reports to the Board's Audit Committee and administratively to the President. The Group conducts audits/reviews of various areas of the Bank under the globally recognized Risk Based Auditing Methodology whilst complying with the requirements of the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (USA).

Audit & RAR Group continued to perform its role effectively on both the assurance and consultative fronts during 2018. It played its role in evaluating the efficacy of Bank's control systems by enhancing visibility of the management and the Board on the risk management and control related matters of the Bank (for Bank's domestic and overseas operations). The Group also highlighted areas for improvement and worked closely with the management through regular engagement as well as consistent follow-up, monitoring and guidance towards resolution of significant issues. Staff training and development remained a focus area for the Group which helped in enabling the internal audit team in performance of its duties objectively as well as with professional due care.

With the zeal and commitment to play an effective role in the Bank's endeavor for continuous improvement, Audit & RAR Group will persevere for further strengthening of its resources and Framework in 2019.

Legal Affairs Group

The mission of the Legal Affairs Group is to further the strategic goals and to protect and preserve the legal, ethical and financial integrity and the reputation of MCB Bank. This is accomplished by providing strategic legal advice on contentious and

non-contentious matters, thereby ensuring that businesses conduct their activities in accordance with applicable laws and bye laws consistent with the mission, vision, and values of the MCB Bank. Legal compliance is the process or procedure to ensure that an organization follows relevant laws, regulations and business rules.

Legal Affairs Group consists of two departments.

- Legal Affairs Department - Advisory
- Litigation Department

Legal Affairs Department - Advisory

The object of Legal Affairs Department – Advisory is to oversee the identified legal issues in all segments of business and their interrelation, including marketing, sales, distribution, credit, finance, human resources, as well as corporate governance and business policy. This includes but is not limited to consultancy issues and adherence of processes for collateralization of finances. In this context, the Advisory Department analyses and reviews credits' security documentation of all segments of the Bank, like Corporate, Commercial, Retail and Consumer Banking and provide advice on perfection of documentation to secure Bank's interest.

At the helms of the affairs, diversity of work is exhaustive and apart from the major chunk of advice on securitization of Collaterals, it also includes review of all sorts of Agreements (Finance Agreements, Service Agreements, IT Agreements, Distributions Agreements, Non-disclosure Agreements, Product Agreements, Lease Agreements, E-Commerce Agreements etc.), Bank Guarantees, Advance Payment Guarantees, Mobilization Advance Payment Guarantees, Foreign Bank Guarantees, Financial Guarantees, LCs / Standby LCs, review of Product Manuals and their processes; SLAs are framed and transformed as per vendor's services across the board.

Corporate opinions are drafted and customer's relationship segments are assisted by review on the status of Corporate bodies, Partnership, Trust, Companies, funds etc. and Foreign Currency matters.

Advisory Department is also supportive by its quick advice and crisis management for queries by law enforcement agencies and public sector financial organizations like FIA/NAB, Anti-Narcotics, Police, Anti-Corruption, NAB, Customs /Income Tax /Sales Tax Departments/FBR etc.

By standardizing different banking documents, the Legal Affairs Group has helped to introduce cemetery of documentation at all levels. Standardized templates have been uploaded on MCB Portal. Further, newly updated templates are uploaded and shared /exchanged with relevant business for implementation as when there is any amendment in relevant law/regulations etc.

During 2018, around 25,500 Opinions/Vettings were issued on collateral, security documents and allied legal issues raised by Business/Field, therefore advisory department has contributed in cost saving worth Millions of Rupees.

Litigation Department

The Litigation Department in coordination with businesses, oversees and handles bank wide litigation of different groups working within Bank and other litigation related proceedings pertaining to its customer or employees; Enlists Lawyers on

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panel in consultation and on the recommendation of relevant business/Group after conducting a detailed scrutiny via market check etc.; Assigns cases in consultation and recommendation of relevant business/Group; Negotiates Fee with the assigned lawyers in the cases assigned to them; Evaluates lawyers and their performance in cases assigned to them on bi-annual basis through directly monitoring their performance and on the basis of feedback received from the businesses and presents the same to LRC; Follow ups with businesses and updates centralized data of court cases on the basis of feedback received through court coordinators of respective businesses/Groups; Maintains centralized MIS of Litigation data and disseminates information in advance regarding fixation of cases to relevant business groups on daily basis; Reviews drafts of complaints / Appeals / Applications / FIRs and Settlement / Rescheduling Agreements etc.; Renders opinions on court orders, stay orders, Summons/Warrants etc. as well as notices received from NAB, FIA & other LEAs.

This broad role encompasses Crisis Management for all segments of businesses for contentious and non-contentious matters for litigation and ancillary matters that arise directly or indirectly due to the litigation.

Following initiatives were taken by the Litigation Department during 2018:

- Retrieval/Compilation of Pan Pakistan Litigation Data/Record & Digitizing/Scanning the same.
- Validation of Pan Pakistan Litigation Data through assigned lawyers/law firms.
- Since Centralization of litigation expenses in June 2014, complete record with respect to litigation expenses is being maintained & shared with respective businesses on periodical basis.
- Development of Shadow Filing System which is in data entry phase. Once the same will be fully functional, it would enable litigation department to provide real time updates of court cases.
- As many as four meetings of Litigation Review Committee (LRC) were held in the year 2018 and during the said meetings, 26 lawyers were enlisted on Bank's Approved panel.
- The performance of 247 lawyers was evaluated and discussed during LRC meetings on the basis of feedback received from the relevant businesses.
- In such meetings, Special attention was given to the cases involving Rs.10 million and above, including execution petitions pending for 3 years and more & way forward was also discussed for expeditious disposal of these execution petitions.
- As many as 726 (including recovery suits) were filed during 2018 and around 910 cases were disposed of/decreed through appointed lawyers and thereby contributed in Bank's NPLs recovery efforts.
- During 2018, the group remained cost efficient as professional fee with the assigned lawyers was negotiated well within the approved grid/limits.

To strengthen itself, MCB Legal Affairs Group has shown significant growth in 2018 and is committed to perform up the curve in future to help the Bank to achieve better results.

Human Resource

MCB Bank is an equal opportunity employer which follows this philosophy in true spirit. We believe in initiating steps to foster and maintain a work climate that is conducive to achieving equal employment opportunities and have a workplace free of discrimination and harassment. The bank believes in hiring and retaining talent who can contribute towards the achievement of all defined targets.

The Bank adopts a transparent performance management system developed on defined KPI based scorecard for various business positions. The scorecard helps management to define priority of its objectives and setting future goals of its employees. the bank has instituted a Talent Management program with a view to identify high potential individuals and to groom them as future leaders.

HRM has successfully revamped its HR policies for local and overseas operations to emerge as an employer of choice in the Banking industry. The development and implementation of effective local and overseas HR policies enables the Bank to disseminate its guidelines in an appropriate and consistent manner for the convenience of employees.

The Bank has a vision to provide career progression opportunities to its employees, for the purpose an initiative was taken by the bank to convert a large number of individuals from outsource arrangement to Bank's Permanent employment. The conversion was also a step towards the fulfilling of several regulatory requirements.

To enhance the knowledge and skillset of its work force number of trainings were held during the year. Participants from all over the country are trained through different programs including in-house, ex-house, mobile, and E-learning training programs. The senior management was engaged through Management Development Program as part of Talent Management Scheme of the Bank.

Security

The Security Division was successful in implementing its 2018 objectives notwithstanding the prevailing security challenges. Persistent efforts were made by ensuring comprehensive security arrangements/measures, monitoring and supervision of branches with the objective to facilitate business and ensure smooth operations unimpeded by any security concerns.

The year 2018 turned out to be an excellent year for the Bank where several attempts were foiled by the courageous response of deployed Guards.

To enhance the prevailing security measures with the objective to prevent the branches/premises from unpredictable security challenges, the Security Division employed the use of modern electronic technology and succeeded in equipping numerous branches with Burglary Alarm System (BAS) and installed parallel/mirroring recording system as well. The Security Division successfully consolidated the functioning and reporting systems of BAS installed in over 1,300 branches of the Bank with no incident of security breach during night and holidays.

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Additionally, Walkthrough Gates were also installed in sensitive MCB Branches. In cooperation with MCB Human Resource Management Group, respective Regional Security Officers conducted effective security awareness training sessions for branch staff and security guards in the handling/operation of Walkthrough Gates.

During 2018, Security Division successfully managed the transition of MCB 90 (ex-NIB) branches with and into MCB Islamic Bank Limited as part of the M-90 demerger exercise.

Going forward, Security Division is equipped for ensuring the safety of Bank's customers, assets and staff while utilizing all available human resource/ electronic means to the best of their professional expertise

Marketing

The Marketing Division is geared toward enhancing the positive image of the Bank through its Corporate Brand Building, promotion of Bank's Product & Services on visible optimized mediums, Standardization of Corporate & Brand Communications, Branch Merchandizing, CSR and strong Public Relations.

During 2018, Marketing Division was involved in an extensive media and Out of Home (OOH) branding campaigns that played a pivotal role in increasing the brand presence and awareness resulting in steering leads and business. Another achievement in the year was the revamping of the corporate brand guidelines of the Bank to reinforce consistency amongst all its visual platforms. The Division has also played a key role on the communications front during the demerger of 90 branches of the Bank which were previously acquired under the amalgamation of former NIB Bank with and into MCB Bank. On the occasion of the Bank's 71st Anniversary, Marketing Division played a key role in celebrating the milestone throughout the year as well.

Going forward, Marketing Division is determined to implement internal and external branch branding standardization across the Bank's network, upgrade its corporate digital platform and enhance marketing visibility of the Bank keeping in line with the Bank's strategic focus.

MCB Islamic Bank Ltd.

MCB Islamic Bank Limited (the "Bank") is the wholly owned subsidiary of MCB Bank Limited and commenced its operations in 2015 with a nation-wide network of branches.

The aim of MCB Islamic Bank Limited is to be the first choice Shari'ah compliant financial services provider for the customers and to carry out business purely in accordance with Shari'ah principles with full conviction and devotion.

Alhamdulillah, the Bank currently operates to provide Shari'ah compliant value added and innovative banking solutions for customers under the supervision of a Shari'ah Board chaired by the renowned Islamic scholar Professor Mufti Munib-Ur-Rehman.

The Bank focuses on building strong and lasting relationships as well as delivering an experience that satisfies all types of customers across Corporate, Commercial, SME, Consumer, Agriculture and Micro sectors. The Bank offers wide range of Riba Free and Shari'ah compliant products for both personal and business needs.

The Bank is using world's renowned Oracle Flexcube as its Core Banking Software. Different services and products offered by the bank are available to customers through a branch network of 176 branches backed by 179 On-Site and Off-Site network of ATMs. The Bank offers EMV enabled Debit Cards, iOS and Android based native Mobile and Internet Banking services. Moreover, the Bank is also fast developing its suite of Cash Management services for businesses.

The Bank is committed to share in the mutual benefits with the customers, staff and shareholders who participate in our business success under the highly skilled and seasoned management with the prime objective of ensuring our customers' satisfaction.

Products and Services:

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

Deposit Products:

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

MIB Hidayat Current Account	MIB Asaan Current Account
MIB Basic Banking Account	MIB Hidayat Foreign Currency Account
MIB Imaan Saving Account	MIB Barkat Saving Account
MIB Barkat Saving Plus Account	MIB Barkat Saving Premium Account
MIB Barkat Super Saving Account	MIB Asaan Saving Account
MIB Imaan Foreign Currency Saving Account	MIB Atfaal Saving Account
MIB Na'mat Plus Term Deposit	MIB Na'mat Plus Foreign Currency Term
MIB Aasoodgi Term Deposit	MIB Na'mat Term Deposit
MIB Financial Institutions Term Deposit	

Digital Banking:

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

MIB Qadar Cards	MIB Phone Banking
MIB Internet Banking	MIB Mobile App
SMS Notification Service	MIB ATMs network

Consumer Finance:

MCB Islamic Bank offers Halal and RIBA Free Housing Finance (Rihayesh Finance) & Car Finance (MiCar) products to provide Shari'ah compliant housing and vehicle financing solutions to Individuals.

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SME Banking:

MCB Islamic Bank offers Shari'ah Compliant Financial solutions for Small and Medium sized enterprises. These products have been designed by industry professionals in close consultation and working with a team of Shari'ah experts. These products addresses, Murabaha Financing, Finished Goods Murabaha, Musharakah Export Finance – Foreign, Istisna Financing, Islamic Export Re-finance Scheme, Finished Goods Musawamah & Commodity Salam.

MCB Islamic Bank offer following SME Banking services:

- Short Term or Working Capital requirement facilities
- Long Term or Fixed Assets based facilities
- Trade or Guarantee facilities
- State Bank of Pakistan Refinancing Scheme

Microfinance:

For fulfilling the needs of growing small / micro businesses in both Urban and Rural areas of Pakistan, MCB Islamic Bank Limited offers Murabaha Microfinance for Businessmen and women operating in a diversity of sectors. Through this financing facility, they can avail financing of up to PKR 500,000.

Commercial Banking:

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

Commercial Financing is catering to financing needs of its customers in the following different manners:

- Trade Services
- Working Capital Finance
- Medium & Long Term Finance

Corporate Banking:

MIB Corporate Banking team is focused on providing a range of diverse financial services (including tailor made solutions) to corporate clients (including multinational and public entities) by partnering with them and build long-term sustainable relationships.

Our dedicated teams within Corporate Banking are situated in offices located in Karachi, Lahore, Islamabad, Multan and Faisalabad. Our in-house expertise of product specialists and Shari'ah scholars are well versed in providing Shari'ah-compliant financing solutions to meet our customer's credit, trade, foreign exchange, investment banking and various other business requirements in a hassle free, effective and efficient manner across a diverse range of industries.

Our Corporate Banking relationship teams also liaison with Treasury, Cash Management, Trade, Investment Banking and Consumer Banking departments to develop and deliver offerings that are used across diverse businesses.

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

• Working Capital Finance

A complete product suite for extending Shari'ah Compliant products for working Capital Finance including Murabaha, Istisna, Finished Goods Murabaha, Commodity Salam, Finished Goods Musawamah, and Musharakah Running Finance for catering to balance sheet needs of Corporates / Commercial / MNCs for managing their day-to-day funding needs.

• Long-Term Finance

For catering to Balance Sheet requirements under long-term financing, MIB has an array of medium to long term financing products which includes Corporate Ijarah & Corporate Diminishing Musharakah.

• Trade Services

MIB also offers a range of import and export services to effectively manage customer's local and global supply chain needs and provides them a competitive edge. These facilities extend for both raw materials to fixed assets. Services that are offered include:

• Export Services

- Bills for Collection under Export
- L/C Advising & Confirmation services
- Currency Salam (alternate for Export Discounting)
- Pre-Shipment and Post-Shipment financing on Islamic modes of financing

• Import Services

- Letter of Credit
- Import Financing

• Bank Guarantees

Cash Management Services:

MIB has a significantly enhanced capability of receiving collections on behalf of Bank's customers, whereby we can support diverse requirements of our clients for receiving payments from their payers throughout the bank's branch network. This product encompasses the entire paper-based accounts receivable function.

MIB Services:

MCB Islamic Bank Ltd. also offers various services to meet growing needs of its customers, some of which are as follows:

- MIB Remittance Service
- Shari'ah Services
- Cash Management
- FX Services
- PRISM Services

Corporate Governance

Corporate Governance at MCB refers to rights and responsibilities among different stakeholders of the Bank through a set of rules, policies and practices keeping focus on proper delegation, transparency and accountability in the organization as a whole. The success of the Bank relies on its proven track record in upholding high standards of corporate governance.

Board Composition

The Bank encourages representation of independent directors, non-executive directors and directors representing minority interests on its board of directors. At present the Board includes:

Category	Name
*Independent Directors	1. Mr. Yahya Saleem 2. Mr. Salman Khalid Butt
Non-Executive Directors	1. Mian Mohammad Mansha 2. Mr. S. M. Muneer 3. Mr. Muhammad Tariq Rafi 4. Mian Umer Mansha 5. Mrs. Iqraa Hassan Mansha 6. Mr. Muhammad Ali Zeb 7. Mr. Mohd Suhail Amar Suresh Bin Abdullah 8. Mr. Nor Hizam Bin Hashim
Executive Director (President & CEO)	1. Mr. Imran Maqbool

*Independent Directors and their Independence:

The Board has two (02) Independent Directors who met the criteria of independence under the Companies Act, 2017 and the directive issued by the State Bank of Pakistan ("SBP"). However, SBP and the Securities & Exchange Commission of Pakistan ("SECP") have granted relaxation to MCB Bank Limited from the requirement of minimum number of four (04) Independent Directors as required under BPRD Circular No. 15 of 2016 dated December 28, 2016 and the Regulation 6(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2017, respectively, till March 31, 2019.

Representation of Female Directors on Board:

Mrs. Iqraa Hassan Mansha is representing female Director on the Board.

Non-Executive Directors:

At present all the directors on the Board are Non-Executive except for the President & CEO of the Bank. The Non-Executive Directors provide an outside viewpoint to the Board and neither involved in managing the day to day affairs of the Bank nor from among the Executive Management Team of the Bank.

Election of the Board of Directors:

The election of the Board of Directors of the Bank was held on March 27, 2018 and the Shareholders elected twelve (12) Directors for the next three years.

Casual Vacancies on to Board of Directors:

During the year 2018, the Board of Directors appointed Mr. Salman Khalid Butt as Independent Director in place of Mr. Ahmad Alman Aslam on November 10, 2018. The Board appreciated the services extended by him as a Board Member, Chairman-Audit Committee and also Member of various other Board Committees of the Bank during his tenure.

Appointment of CEO/President:

The Board approved the re-appointment of Mr. Imran Maqbool as President & CEO of the Bank on the existing terms and conditions for the period of next three years commencing from December 21, 2018.

Executive director serving as non-executive directors in other companies:

The Executive director is serving in 6 companies as non-executive director.

Detail of Board Meetings held outside Pakistan:

During the year 2018, all the Board of Directors meetings were held in Pakistan.

Corporate Governance

Number of Board and it's committees meetings held and attendance by each Director

Sr. No.	Director's Name	Board of Directors (BoD)		Board's Committees															
				AC		BS&DC		RM&PRC		HR&RC		CR&MC		PP&CA		ITC		WO&WC	
		Member	Attended'	Member	Attended'	Member	Attended'	Member	Attended'	Member	Attended'	Member	Attended'	Member	Attended'	Member	Attended'	Member	Attended'
Total Meetings Held		5		5		4		4		4		2		4		4		-	
1	Mian Mohammad Mansha	◆	5	-	-	-	-	-	-	◆	4	-	-	-	-	-	-	-	-
2	Mr. S. M. Muneer	◆	2	-	-	◆	1	-	-	-	-	◆	1	◆	1	-	-	-	-
3	Mr. Tariq Rafi	◆	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	◆
4	Mian Umer Mansha	◆	5	◆	3	◆	4	◆	4	-	-	-	-	◆	4	◆	3	◆	-
5	Mrs. Iqraa Hassan Mansha	◆	5	-	-	-	-	-	-	◆	2	-	-	◆	2	-	-	-	-
6	Mr. Muhammad Ali Zeb	◆	4	◆	4	-	-	◆	3	◆	2	◆	1	-	-	-	-	-	◆
7	Mr. Ahmad Alman Aslam	◆	2	◆	2	◆	2	-	-	◆	2	◆	-	-	-	-	◆	1	-
8	Mr. Samir Iqbal Saigol	◆	2	◆	2	-	-	-	-	-	-	-	-	-	-	-	◆	1	-
9	Mr. Mohd Suhail Amar Suresh	◆	5	-	-	◆	4	◆	4	-	-	-	-	-	-	-	◆	3	-
10	Mr. Nor Hizam Bin Hashim	◆	3	◆	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Mr. Yahya Saleem	◆	3	◆	3	-	-	-	-	◆	1	-	-	-	-	-	◆	-	-
12	Mr. Shahzad Saleem	◆	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Mr. Irfan Ahmed Hashmi	◆	1	-	-	◆	1	◆	1	-	-	◆	1	-	-	◆	1	-	-
14	Mr. Salman Khalid Butt	◆	1	-	-	◆	-	◆	-	-	-	◆	1	-	-	◆	1	-	-
15	Mr. Imran Maqbool (President & CEO)	◆	5	-	-	◆	4	◆	4	◆	2	◆	2	◆	4	◆	4	-	-

◆ Member

Notes to Attendance of Directors

Sr. No.	Name of Director	Notes
1		Meetings of a particular forum attended by the concerned director during his period.
2	Mian Umer Mansha	Member of the Board's Audit Committee and IT Committee since July 16, 2018.
3	Mr. Muhammad Ali Zeb	Member of the Board's Human Resource & Remuneration Committee, Compliance Review & Monitoring Committee and Write Off & Waiver Committee since July 16, 2018.
4	Mr. Ahmad Alman Aslam	Resigned from the Board of Directors w.e.f November 06, 2018.
5	Mr. Mohd Suhail Amar Suresh Bin Abdullah	Member of the Board's IT Committee since July 16, 2018;
6	Mr. Yahya Saleem	Elected in Annual General Meeting (AGM) of the Bank held on March 27, 2018. SBP cleared his FPT on July 13, 2018. Member of the Board's Audit Committee, Human Resource & Remuneration Committee and Information Technology Committee since July 16, 2018.
7	Mr. Shahzad Saleem	Did not contest the election of the directors, held in March 2018.
8	Mr. Irfan Ahmed Hashmi	Did not contest the election of the directors, held in March 2018.
9	Mr. Salman Khalid Butt	Joined the Board w.e.f November 10, 2018. Member of the Board's Business Strategy & Development Committee, Risk Management & Portfolio Review Committee, Information Technology Committee and Compliance Review & Monitoring Committee since November 10, 2018.
10	Mr. S. M. Muneer	SBP has been requested to condone the requirement of Para 8 of Section B of Prudential Regulations G-1, vide our letter No. SBP-(BPRD)/SMM/2019/01, dated January 03, 2019.
11	Mr. Imran Maqbool (President & CEO)	Remained member of the Board's Human Resource & Remuneration Committee till July 31, 2018.

Corporate Governance

The names of the persons who, at any time during the financial year, were directors of the Bank

- Mian Mohammad Mansha.
- Mr. S. M. Muneer.
- Mr. Muhammad Tariq Rafi.
- Mian Umer Mansha.
- Mrs. Iqraa Hassan Mansha.
- Mr. Muhammad Ali Zeb.
- Mr. Mohd Suhail Amar Suresh Bin Abdullah.
- Mr. Nor Hizam bin Hashim.
- Mr. Yahya Saleem.
- Mr. Salman Khalid Butt.
- Mr. Shahzad Saleem.
- Mr. Irfan Ahmed Hashmi.
- Mr. Samir Iqbal Saigol.
- Mr. Ahmad Alman Aslam.

Board Committees

The Board has eight (08) Sub-Committees as given below:

1. Audit Committee;
2. Business Strategy & Development Committee;
3. Human Resource & Remuneration Committee;
4. Risk Management & Portfolio Review Committee;
5. Committee on Physical Planning & Contingency Arrangements;
6. Information Technology Committee;
7. Compliance Review & Monitoring Committee; and
8. Write-Off & Waiver Committee.

Audit Committee Meetings held: 5

Composition:

1. Mr. Yahya Saleem - (Chairman, Independent Director)
2. Mian Umer Mansha - (Non-Executive Director)
3. Mr. Muhammad Ali Zeb - (Non-Executive Director)
4. Mr. Nor Hizam bin Hashim - (Non-Executive Director)

Terms of Reference

The main Terms of Reference of the Committee are:

1. Determination of appropriate measures to safeguard the bank's assets;
2. Reviewing annual and interim financial statements of the Bank, prior to their approval by the Board of Directors, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Any changes in accounting policies and practices;
 - Compliance with applicable accounting standards;
 - Compliance with listing regulations, other statutory and regulatory requirements; and
 - All related party transactions.

3. Reviewing preliminary announcements of results prior to external communication and publication;
4. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
5. Reviewing Management Letter issued by External Auditors and management's response thereto;
6. Ensuring coordination between the internal and external auditors of the Bank;
7. Making recommendations to the Board of Directors, the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Bank by the external auditors in addition to audit of its financial statements;
8. Reviewing scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Bank;
9. Reviewing Performance Appraisal of Group Head - Audit & RAR, jointly with the President & Chief Executive Officer;
10. Audit Committee may recommend to the BOD for its consideration for removal of Group Head – Audit & RAR;
11. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
12. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
13. Reviewing the Bank's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
14. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer ("CEO") and to consider remittance of any matter to the external auditors or to any other external body;
15. Determination of compliance with relevant statutory requirements;
16. Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
17. Monitoring compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 and identification of significant violations thereof;
18. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Corporate Governance

Business Strategy & Development Committee

Meetings held: 4

Composition:

1. Mian Umer Mansha - (Chairman, Non-Executive Director)
2. Mr. S. M. Muneer - (Non-Executive Director)
3. Mr. Mohd Suhail Amar Suresh Bin Abdullah (Non-Executive Director)
4. Mr. Salman Khalid Butt - (Independent Director)
5. President & CEO - (Executive Director)

Terms of Reference

The main terms of reference of the Committee shall be to:

1. Review and develop Vision & Mission statements and core values for MCB both from long and short term perspective;
2. Develop bank's initiatives relating to business philosophy and acquisition, strategic investment and divestment, capital raising exercise, strategic alliances and brand management. In particular, review the following important matters:
 - a. Policy initiatives
 - b. Business organization
 - c. Oversee expansion plans
 - d. Contingency planning relating to business realignment
3. Review and devise medium and long term business plans and policies based on strategy, future direction and milestones set by the Board;
4. Monitor the progress of the key strategy initiatives undertaken by the Bank;
5. Keep oversight on Bank's Overseas Operations; and
6. Undertake such other tasks as may be delegated by the Board from time to time.

Human Resource & Remuneration Committee

Meetings held: 4

Composition:

1. Mr. Yahya Saleem - (Chairman, Independent Director)
2. Mian Mohammad Mansha - (Non-Executive Director)
3. Mrs. Iqraa Hassan Mansha - (Non-Executive Director)
4. Mr. Muhammad Ali Zeb - (Non-Executive Director)

Terms of Reference

The main tasks of the Committee shall be to ensure that:

1. The existing policies are reviewed periodically and as necessary, revised and recommended to the Board, in order to attract and retain highly qualified employees. This may include review of remuneration policy and remuneration setting mechanism at least once every three years. Among other factors, the review of remuneration framework shall include, but not limited to; a) the effectiveness of remuneration policy and mechanism i.e., whether it is providing the expected outcomes, b) any necessary changes required and c) any unintended consequences. The findings of review and rectification measures shall be presented to the Board for approval;

2. The latest entry-level procedures are put in place for recruitment of entrants;
3. The existing training facilities for the new entrants as well as for up-gradation of skill level of all employees are reviewed and revised, if required;
4. Proper classification & reclassification of employees' pay scales, job description and methods of their periodical review are put in place;
5. The Bank-wide remuneration policy takes into account all cadres of employees along with the pay-gap between the highest paid and the lowest paid employees, across various levels as well as across the Bank. The pay-gap shall be based on the total compensation awarded to the employees and should be maintained at reasonable levels without allowing concentration of the benefits of Bank's performance only to top level or certain class or group of employees. The pay structure for all employees should be fair, competitive and encourage performance and motivation;
6. That the remuneration policy of the Bank provides for reasonable levels of compensation for contractual employees of Bank and commensurate with their assignments;
7. That a separate structure of remuneration for Material Risk Controllers ("MRCs") and Material Risk Takers ("MRTs") is developed as per remuneration policy. The MRTs should be identified as functions and designations rather than as individuals. The MRTs should have appropriate level of authority and control;
8. An objective criterion for work appraisal/performance is developed and linked with the annual merit increase.
9. A review is undertaken of the organizational structure to bring it in line with business strategy & development plan and approve an organizational set up or any revision in the existing set up taking into account the recommendations of the President & CEO;
10. An in-house human resource expertise is developed to undertake market analysis of above policies with a view to developing MCB policies;
11. If so required, the Committee can seek independent external advice/expert opinion for accomplishment of devising an effective and prudent remuneration framework;
12. Effective management information system is developed to monitor the implementation of policies as approved by the Board;
13. Recommendation to the Board for consideration and approval of a policy framework for determining remuneration of directors (both executive and non-executive directors) and members of senior management. The definition of senior management will be determined by the board which shall normally include the first layer of management below the Chief Executive Officer;
14. Selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO, COO, CFO, Company Secretary and Head of Internal Audit and

Corporate Governance

recommendation to the Board;

15. The structure of compensation package of Executive Directors, CEO, Key Executives and any other employee or group of employees Bank-wide is recommended to the Board for its own approval or approval of the shareholders, according to legal and regulatory requirements;
16. The consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO; and
17. In devising the Remuneration setting policy and mechanism, the Committee can also seek internal inputs from any other Committee of the Board or directly from any department or official of the Bank.

Risk Management & Portfolio Review Committee

Meetings held: 4

Composition:

1. Mr. Muhammad Ali Zeb
(Chairman, Non-Executive Director)
2. Mian Umer Mansha - (Non-Executive Director)
3. Mr. Mohd Suhail Amar Suresh - (Non-Executive Director)
4. Mr. Salman Khalid Butt - (Independent Director)
5. President & CEO - (Executive Director)

Terms of Reference

The main tasks of the Committee are to:

1. Review the Bank's risk management framework, in light of internal developments, guidelines issued by the regulators and international best practices, on as and when required basis and recommend to the Board for approval;
2. Ensure Bank's compliance towards Capital Adequacy and other related Basel/ regulatory requirements on an on-going basis. Review Capital Adequacy Ratio (CAR) in detail on half yearly basis;
3. Review and recommend to the Board, Bank's Risk Appetite Statement on an annual basis; and
4. Review various reports pertaining to the risk in the Bank's portfolio prepared by the Risk Management Group. The Committee shall also consider comments of the relevant senior management official/ Committee while reviewing such reports and communicate the planned/executed corrective actions to the Board, if required;

Committee on Physical Planning & Contingency Arrangements

Meetings held: 4

Composition:

1. Mian Umer Mansha - (Chairman, Non-Executive Director)
2. Mr. S. M. Muneer - (Non-Executive Director)
3. Mrs. Iqraa Hassan Mansha - (Non-Executive Director)
4. President & CEO - (Executive Director)

Terms of Reference

The main terms of reference of the Committee will be:

1. To develop and devise an overall plan for physical infrastructure and contingency arrangements for the Bank;
2. To review and monitor all work in progress, including construction of premises and renovations, which shall, inter alia, be based on physical planning;
3. To review, monitor and recommend to the Board the building plans, master development agreements & contingency arrangements;
4. To review, from time to time, as the Committee deems appropriate, the administrative structures and plans in place to ensure the ongoing health and safety of utilities and physical assets, including land & buildings and recommend, as appropriate, changes in plans arising from this review;
5. To review updates on Bank's property purchases.

Information Technology Committee

Meetings held: 4

Composition:

1. Mian Umer Mansha - (Chairman, Non-Executive Director)
2. Mr. Yahya Saleem - (Independent Director)
3. Mr. Mohd Suhail Amar Suresh - (Non-Executive Director)
4. Mr. Salman Khalid Butt - (Independent Director)
5. President & CEO - (Executive Director)

Terms of Reference

The main terms of reference of the Committee are:

1. To approve an overall plan for IT system for the Bank prepared by the management;
2. To approve the organizational IT and Digital strategic plans to ensure an effective use of information technology and digital initiatives in the Bank by all Departments;
3. To approve and oversee the management's program to automate the organization's use of internal information to ensure that data is organized and shared in a manner that adds value and enhances productivity;
4. To approve and oversee a reliable and secure information security infrastructure with the capacity to address future threats;
5. To approve policies that promote development of information technology and Digital resources in an organized, deliberate, secured, and cost effective manner;
6. To review and approve management recommendations for IT standards for ensuring compliance with regulatory requirements and identifying and mitigating significant IT related risks;
7. To review and approve the technology procurements as per Bank's approved IT Strategy. The Committee may further delegate the same to the management as and when deemed fit.
8. To undertake any other IT or Digital Banking related work assigned to the Committee by the Board.

Corporate Governance

Compliance Review & Monitoring Committee

Meetings held: 2

Composition:

1. Mr. S. M. Muneer - (Chairman, Non-Executive Director)
2. Mr. Muhammad Ali Zeb - (Non-Executive Director)
3. Mr. Salman Khalid Butt - (Independent Director)
4. President & CEO - (Executive Director)

Terms of Reference:

The terms of reference of the Committee are:

1. To review six monthly reports prepared by the Compliance & Controls Group and routed through the President on overall compliance risk management in the Bank (local as well as overseas operations) including the actions taken on the recommendations and observations of SBP in its Annual/Thematic Inspection Report and compliance status of AML / CFT policy;
2. To guide the management in the matters pertaining to compliance risk management in the Bank, compliance of SBP's observations, AML/ CFT regulations and review the progress in implementation of remedial actions taken with respect to noncompliance;
3. To carry on liaison between the Board and the management on overall management of compliance risks with a view to ensuring compliance pertaining to compliance issues raised through CCM, SBP's observations and AML/ CFT issues;
4. To make recommendations to the Board, if necessary, for taking decisions on expedient and appropriate disposal of compliance issues raised through CCM, SBP's observations and AML / CFT identified issues;
5. To oversee the effectiveness of Service Quality functions of the Bank to review the performance of the Service Council;
6. To review/recommend Compliance Risk Strategy/Policy, Compliance Program & allied policies and oversee its implementation across the Bank in letter and spirit;
7. To recommend appointment, any disciplinary action or termination of CCO on the advice of the President and ensure that position of CCO does not remain vacant for more than 60 days;
8. To ensure that CCO has proper stature, authority, resources, support, independence and capacity to offer his objective opinions to senior management and Board on compliance risks;
9. To engage with CCO on half yearly basis, to discuss issues faced by the Compliance Function ("CCG") in the implementation of board approved compliance program;
10. To review the minutes of Compliance Committee of Management (CCM) meetings to ascertain its effectiveness in managing compliance risk;
11. Any other issue that is deemed necessary and required by the regulations.

Write-Off & Waiver Committee

Meetings held: None

Composition:

1. Mian Umer Mansha - (Chairman, Non-Executive Director)
2. Mr. Muhammad Tariq Rafi - (Non-Executive Director)
3. Mr. Muhammad Ali Zeb - (Non-Executive Director)

Terms of Reference:

The terms of reference of the Committee are:

1. To review and approve write-off & waiver cases on behalf of the Board of Directors; and
2. To submit cases of write-off & waiver for post facto ratification by the Board.

Management Committees

Management Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Hammad Khalid
3. Mr. Faisal Ejaz Khan
4. Mr. Kamran Zaffar Muggo
5. Mr. Farid Ahmad
6. Mr. Usman Hassan
7. Mr. Muhammad Nauman Chughtai
8. Mr. Syed Mudassar Hussain Naqvi
9. Mr. Zargham Khan Durrani
10. Mr. Azfar Alam Nomani
11. Mr. Muhtashim Ashai
12. Mr. Laqa Sarwar
13. Mr. Hassan Nawaz Tarar
14. Mr. Nadeem Afzal
15. Mr. Salman Y. Zaidi

Assets & Liabilities Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Hammad Khalid
3. Mr. Muhtashim Ashai
4. Mr. Muhammad Nauman Chughtai
5. Mr. Salman Y. Zaidi
6. Mr. Kamran Zaffar Muggo
7. Mr. Zargham Khan Durrani
8. Mr. Azfar Alam Nomani
9. Mr. Nadeem Afzal

Investment Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Omair Safdar
3. Mr. Salman Y. Zaidi
4. Mr. Hammad Khalid
5. Mr. Muhtashim Ashai
6. Mr. Muhammad Nauman Chughtai

Corporate Governance

Management Credit & Risk Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Muhammad Nauman Chughtai
3. Mr. Omair Safdar

Disciplinary Action Committee

1. Mr. Usman Hassan - Chairman
2. Mr. Kamran Zaffar Muggo
3. Mr. Farid Ahmad
4. Mr. Laqa Sarwar
5. Mr. Hassan Nawaz Tarar

Purchase & Expense Committee

1. Mr. Kamran Zaffar Muggo
2. Mr. Hammad Khalid
3. Mr. Hassan Nawaz Tarar
4. Mr. Usman Hassan

Write Off Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Hammad Khalid
3. Mr. Muhtashim Ashai
4. Mr. Zargham Khan Durrani
5. Mr. Azfar Alam Nomani
6. Mr. Nadeem Afzal
7. Mr. Omair Safdar
8. Mr. Muhammad Nauman Chughtai
9. Mr. Laqa Sarwar

Issue Tracking & Monitoring Committee

1. Mr. Farid Ahmad - Chairman
2. Mr. Kamran Zaffar Muggo
3. Mr. Faisal Ejaz Khan
4. Mr. Muhammad Nauman Chughtai

Information Technology Steering Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Faisal Ejaz Khan
3. Mr. Hammad Khalid
4. Mr. Muhammad Nauman Chughtai
5. Mr. Kamran Zaffar Muggo
6. Mr. Zargham Khan Durrani
7. Mr. Azfar Alam Nomani
8. Mr. Muhtashim Ashai

Litigation Review Committee

1. Mr. Syed Mudassar Hussain Naqvi - Chairman
2. Mr. Laqa Sarwar
3. Mr. Zargham Khan Durrani
4. Mr. Azfar Alam Nomani
5. Mr. Usman Hassan
6. Mr. Nadeem Afzal
7. Mr. Mansoor Qadir
8. Mr. Amir Nawab

Management Sub-committee For Resolution Of Long Outstanding Audit Issues

1. Mr. Kamran Zaffar Muggo
2. Mr. Hammad Khalid
3. Mr. Azfar Alam Nomani
4. Mr. Zargham Khan Durrani
5. Mr. Faisal Ejaz Khan

Management Sub-committee On AML/CFT

1. Mr. Farid Ahmad - Chairman
2. Mr. Kamran Zaffar Muggo
3. Mr. Azfar Alam Nomani
4. Mr. Zargham Khan Durrani
5. Mr. Muhtashim Ashai
6. Mr. Muhammad Nauman Chughtai

Overseas Monitoring Committee

1. Mr. Hammad Khalid - Chairman
2. Mr. Muhtashim Ashai
3. Mr. Farid Ahmad
4. Mr. Azfar Alam Nomani
5. Mr. Muhammad Nauman Chughtai
6. Mr. Kamran Zaffar Muggo

Compliance Committee Of Management

1. Mr. Imran Maqbool - Chairman
2. Mr. Farid Ahmad
3. Mr. Faisal Ejaz Khan
4. Mr. Kamran Zaffar Muggo
5. Mr. Usman Hassan
6. Mr. Muhammad Nauman Chughtai
7. Mr. Syed Mudassar Hussain Naqvi
8. Mr. Zargham Khan Durrani
9. Mr. Azfar Alam Nomani
10. Mr. Muhtashim Ashai
11. Mr. Nadeem Afzal

Corporate Governance

Directors' Remuneration:

The Board of Directors has determined, with the approval of the Shareholders, the scale of remuneration to be paid to the Non-Executive including Independent Directors and the Chairman for attending Board and its Committee(s) meetings. The Board has formed a comprehensive Directors' Remuneration Policy setting out the requirements and methodology for the determination of the remuneration to be paid, from time to time, to the Non-Executive including Independent Directors, the Executive Directors and the Chairman of the Bank. It ensures that the Board Members are fairly rewarded with regard to the responsibilities undertaken, and to consider comparable pay levels and structures in the banking industry, and also to attract and retain high-caliber, experienced Directors by offering appropriate fee levels. MCB Board comprises Resident and Non-Resident Directors who have diversified experience, suitable knowledge, appropriate skills / expertise and competency considered relevant in the context of the Bank's operations and to make the Board an effective decision making body. The Bank being financial services provider always adheres practicing good governance enabling to enhance its efficiency and footprints in financial sector ensures to set a suitable remuneration for the Board Members.

Payment of Directors' Remuneration:

The detail of remuneration paid to executive and non-executive directors during the year 2018 has been disclosed in Note 40 of the unconsolidated financial statements of the Bank.

Remuneration from nomination on the Board of Other Companies:

The Directors have approved the Nomination Policy whereby Bank's Executives are nominated on the Board of other Companies on behalf of the Bank. Nominee Directors who are employees of the Bank shall, however, have to surrender compensation such as meeting attendance fee to the Bank.

Directors' Orientation:

The Board Members are regularly provided with update on new applicable laws, rules and regulations including amendments thereto to apprise them with their powers, duties and responsibilities. At the time of induction of any new director, he/she is given orientation about the operations of the Bank by the Management to acquaint them with Bank's operations in order to enable them to effectively govern the affairs of the Bank on behalf of shareholders. The directors are also provided with the detailed written material in the shape of extracts from relevant laws, rules & regulations on powers, duties & responsibilities of the Board of Directors.

Directors' Training Program:

The majority of the Board Members either has minimum education and experience as required under Regulation 20 (2) for exemption from Directors Training Program, or has already completed Directors Training Program pursuant to the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017. During the year, the Board has arranged Directors' Training program for Mrs. Iqraa Hassan Mansha.

Till December 31, 2018, the following directors have attended Directors Training Program from SECP approved institutions:

1. Mr. S. M. Muneer
2. Mr. Muhammad Ali Zeb
3. Mrs. Iqraa Hassan Mansha

In addition, the following directors have foreign certification:

1. Mr. Mohd Suhail Amar Suresh Bin Abdullah
2. Mr. Nor Hizam Bin Hashim

The following directors hold exemption certificate issued by the Securities & Exchange Commission of Pakistan:

1. Mr. Muhammad Tariq Rafi
2. Mian Umer Mansha

Board's Function and Decision Making:

MCB 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 purpose, its culture, values and also demonstrates ethical leadership. The collective wisdom of the Board is translated into its decisions which form the basis for Management to achieve its targets. The primary role of the Board of Directors of the Bank is to enhance shareholder value. MCB Board is concerned with strategic matters and overseeing the business of the Bank in light of emerging risks and opportunities, on a regular basis and also involved in establishing and reviewing the strategies, yearly targets and financial objectives of the Bank. All the strategic decisions of the Bank are taken by the Board.

Significant Issues/Matters discussed/approved by the Board of Directors:

During the year 2018, the Board of Directors deliberated/ approved the following Significant Issues/Matters:

- Bank's Long-Term Strategic Plans, New Initiatives and Mid-Term Plans;
- Annual Budget for the year 2019;
- Bank's Policies including periodic reviews and amendments thereto;

Corporate Governance

- Financial Results of MCB Bank and consolidated Financial Results with its subsidiaries on quarterly, half-yearly and annual basis together with Directors' Report, Auditors' Report and Chairman's Review Report;
- Declaration of Interim and Final Cash Dividends;
- Related Party Transactions as recommended by Board's Audit Committee;
- Client Service Report (formerly known as Management Letter) issued by the External Auditors of the Bank and review of its compliance status;
- Institutional Risk Assessment Framework ("IRAF") Questionnaire;
- Significant activities and achievements of Board's Committees;
- Matters recommended by Board's Committees;
- Appointment/Engagement of External Auditors of the Bank as well as for Bank's Overseas Operations and also to Perform Agreed upon Procedures as recommended by the Audit Committee;
- Exception to Board's approved policies along with MIS;
- Exception from Current and Linkage Ratio Policy Framework;
- SBP Inspection Reports along with Time-Bound Action Plan thereon;
- Report on Corporate Social Responsibility Activities-2017;
- Quarterly and Annual Reports on Fraud & Forgery Cases;
- Fraud Risk Assessment;
- Consumer Lending Business and Wealth Management Business;
- Write-offs/Waivers approved at Different Authority Levels and recoveries thereto;
- Status and implications of all material law suits filed by and against the Bank;
- Annual Branch Expansion Plan of the Bank;
- Scheme of Compromises, Arrangements and Reconstruction to demerger of assets, liabilities and operations of 90 Branches with and into MCB Islamic Bank Limited;
- Regulations and Standards by Central Bank of the UAE; and
- Update on Laws, Rules and Regulations.

Matters Delegated to the Management:

The Board sets the strategic objectives and takes the overall responsibility of overseeing its implementation. The Board performs its duties by giving guidelines to the Management, setting performance targets and monitoring their achievements. The Management is primarily responsible for implementing the strategies as approved by the Board of Directors in conducting the operations of the Bank effectively. Tactical and operational matters are delegated to the Management.

Governance Practices Exceeding Legal Requirements:

MCB Board as a whole respects the country laws and ensures meticulous compliance of applicable laws, rules & regulations and being leading Bank always adheres to provide information and disclosures above the minimum regulatory requirements. The Board never gives the room for any sort of non-compliance and takes it as reputational risk for the Bank. The Management also regularly updates the Board with the latest development in the regulatory environment and maintains stringent control over regulatory compliance through designated resources. Following are some of the practices of the Bank which exceed the minimum legal requirement:

- The Board has formed its eight sub-Committees as against legal requirement of four.
- The Bank has only one Executive Director (President & CEO) though permitted two executive directors by SBP and four (one third of the Board as executive directors) under Code of Corporate Governance Regulations – 2017.
- The Bank reports additional information in the Annual Report for stakeholders which is not required by any laws.

Performance Evaluation of the Board of Directors:

The Board of Directors provides entrepreneurial leadership of the Bank within a framework of prudent and effective controls which enables risk to be assessed and managed. It develops and promotes collective vision of the Bank's purpose, its culture, its values and the behaviors it wishes to promote in conducting its business.

The Board has put a formal and an effective mechanism for annual performance evaluation of the Board since 2014 as per the requirements of the Code of Corporate Governance. In 2016, the State Bank of Pakistan ("SBP") issued the 'Guidelines on Performance Evaluation of the Board of Directors' (the "SBP Guidelines"). The SBP Guidelines have widened the scope of performance evaluation and provided the mechanism, techniques and approaches. The Board revisited the 'Board Performance Evaluation Framework' in accordance with the provisions of the SBP Guidelines and the performance evaluation for the years 2016 and 2017 of the Board, the Chairman, Individual Directors, Independent Directors, the President & CEO and Board's Committees was conducted as per the requirements of the SBP Guidelines.

The Board decided to opt for In-house-Approach for performance evaluation of the Board, its Committees and Directors. The Board established an Evaluation Committee which was authorized to evaluate annual performance of the Board and its Committees by using the evaluation criteria as prescribed by the SBP Guidelines and the quantitative technique was adopted through scaled questionnaires by using rating scale and on the basis of performance determinants.

Corporate Governance

Performance Evaluation through External Independent Evaluator:

SBP under BPRD Circular No. 11 of 2016 dated August 22, 2016 required that Board evaluation should be undertaken by an external independent evaluator at least once in every three years. The performance evaluation of the Board, its Committees and Directors for the year 2018 is being conducted through an external independent evaluator.

The Evaluation Committee evaluated the overall Board's performance based on below criteria:

The Board needs to act on a fully informed basis in the best interest of the Bank and its stakeholders. It has overall responsibility to approve and oversee implementation of the Bank's strategic objectives and to set 'tone at the top' in order to promote a sound corporate culture. The Evaluation Committee evaluated the overall Board's performance based on below criteria:

- Is the composition of the board appropriate, having the right mix of knowledge, expertise and skills to maximize performance?
- How well the board exercises its role ensuring that the organization supports and upholds the vision and mission, core values etc.?
- Is the policy framework of bank/DFI developed appropriately?
- What has been the board's contribution towards developing strategies?
- Is the board able to make timely strategic decisions ensuring operations are in line with strategies?
- Is the information provided to the board appropriate, accurate, timely and unbiased?
- What has been the board's contribution in ensuring robust and effective risk management?
- Has the board ensured that internal control and the audit function are conducted in an effective manner?
- Has the board ensured timely and accurate disclosure on all material information?
- Is the board as a whole, up-to-date with latest developments in the regulatory environment?
- Are the board procedures conducive to effective performance and flexible enough to deal with all eventualities?
- Is the board effective in adherence to the code of conduct?

The Board Evaluation Committee has carried out evaluation of the Board and rated as excellent.

Evaluation of the Board Committees' Performance

The Evaluation Committee of the Board evaluated the Board Committees' performance based on criteria prescribed in SBP Guidelines.

Performance Evaluation of the Chairman, Individual and Independent Directors:

The performance evaluation of the Chairman of the Board was performed by the Independent Directors. However, Individual and Independent Directors were evaluated by all other directors of the Bank excluding the director being evaluated. In this regard, In-house-Approach for performance evaluation was adopted and specific questionnaires as provided by the SBP Guidelines were filled in and rated as excellent.

Performance Evaluation of the President & CEO:

The President & Chief Executive Officer ("CEO") of the Bank is vested with the responsibility of managing overall affairs of the Bank. The Board, assuming a monitoring role, delegates its authority to the CEO to effectively manage the Bank, implement strategic decisions / policies and align the Bank's direction with the vision and set objectives.

The performance evaluation of the President & CEO was evaluated by all other directors of the Bank.

In this regard, In-house-Approach for performance evaluation was adopted and the following specific questionnaires as provided by the SBP Guidelines were used.

Were the financial/business targets set by the board achieved?

- Does he possess leadership qualities i.e. correct anticipation of business trends, opportunities and priorities affecting the institution's prosperity and operations?
- Has he developed clear mission statement, policies, and strategic plans that harmoniously balance the needs of all the stakeholders?
- Does he ensure that company's resources and budgets are aligned with the implementation of the organization's strategic plan?
- Does he establish an effective organization structure to ensure management's focus on key functions?
- Does he timely and effectively execute strategies set by the board?
- Has he served as an effective representative while communicating with all the stakeholders?

The Board evaluated that the President & CEO managed the affairs of the Bank in accordance with sound business principles and prudent commercial practices. He achieved performance standards and financial/business targets as set by the Board. The effective leadership and team building efforts of the President & CEO helped in achieving maximum performance of the Bank. He ensured that Bank's resources and budgets are aligned with the implementation of strategic plan as approved by the Board and also conducted the affairs of the Bank in accordance with the best practices and policies approved by the Board, and promoted the highest standards of integrity, probity and good governance within the Bank.

Corporate Governance

Roles and Responsibilities of the Chairman and the President & CEO of the Bank:

The Roles and Responsibilities of the Chairman and the President & CEO of the Bank are described below:

Roles and Responsibilities of the Chairman:

The Chairman of the Board of Directors (“the Board”) shall be elected from amongst the non-executive directors of the Bank and shall not hold office of Chief Executive Officer (“CEO”). He shall be responsible for leadership of the Board and shall ensure that the Board plays an effective role in fulfilling its responsibilities. The Chairman has responsibilities and powers as vested in him/her by law, Articles of Association of the Bank and/or assigned, from time to time, by the Board. In particular, the Chairman will coordinate the affairs of the Board and chair the meetings of the Bank; however, he shall not participate in day-to-day management affairs of the Bank.

The Chairman shall ensure that:

- The composition of the Board is in accordance with legal and regulatory requirements;
- The Board as a whole is functioning effectively in accordance with applicable laws, regulations and rules to inculcate sound business principles and prudent commercial practices;
- The Board receives appropriate, accurate, timely and unbiased information, in particular, about the Bank’s affairs and performance to enable the Board to take sound and effective decisions;
- The meetings of the Board and the Shareholders of the Bank are convened in compliance with legal and regulatory requirements; and proceedings of such meetings are accurately and fairly recorded. The agenda of the meetings take full account of applicable laws & regulations and the requirements of Bank’s business;
- All Board Members are encouraged to participate and raise issues and concerns in the Board discussions, whilst promoting highest standards of Corporate Governance;
- The Board is concentrating on relevant issues and conflicts (if any) are effectively resolved;
- The Board sets the tone and values of the Bank; promotes a culture of openness and constructive debate and effective decision making;
- The Board is periodically updated on its statutory and fiduciary duties, as required in relevant laws, regulations and rules, enabling the Directors to perform their roles & responsibilities properly and prudently in the best interest of the Bank;
- Good relationship is maintained with Board Members, the Management and the Shareholders; so that obligations to the Shareholders and other stakeholders are understood and met; and
- Shareholders’ and other stakeholders’ interest is promoted in the decisions taken by the Board.

The Chairman and the Vice-Chairman shall be elected by the Board in accordance with the provisions of the Articles of Association of the Bank and shall hold the office for a period of three years. In the absence of the Chairman, the above mentioned role and responsibilities of the Chairman shall be performed by the Vice-Chairman of the Bank.

Roles and Responsibilities of the President & CEO:

The President & CEO of the Bank, subject to the control and directions of Board, shall be entrusted with the whole, or substantially the whole, of the power of the Management to direct, manage, administer and control the affairs of the Bank. He shall be responsible to the Board for the implementation of its strategies, policies and decisions.

The President & CEO of the Bank shall:

- Set the appropriate performance standards to achieve financial/business targets set by the Board;
- Ensure that Bank’s resources and budgets are aligned with the implementation of its strategic plan;
- Ensure assessment, monitoring and effective management of the significant risks to the Bank;
- Ensure that Bank maintains high standards of corporate citizenship and social responsibility wherever it operates;
- Establish an effective organizational structure having appropriate resources/systems within the Bank, to ensure Management’s focus on key functions;
- Timely and effectively execute strategies set by the Board;
- Manage the affairs of the Bank in accordance with strategies and long term objectives approved by the Board;
- Ensure effective communication with the Board, Shareholders, Employees, regulatory authorities and other stakeholders and serve as an effective representative of the Bank while communicating with all the stakeholders;
- Ensure through effective leadership, team building and motivation that the maximum possible performance is achieved by the Bank and ensure that the affairs of the Bank are being managed in accordance with highest ethical standards, sound business principles and prudent commercial practices;
- Exercise the overall control, discretion, administration and supervision for the sound and efficient management and conduct of the business of the Bank;
- Monitor short term goals and ensure that the operating groups/divisions develop their own plans for the future, which need to be quantified as far as possible with benchmarks established;
- Conduct a periodic performance review of the Senior Management team so that major initiatives such as expansion strategies, acquisitions and capital investments should be finalized and adopted through major marketing and development exercises;
- Provide the Board with the relevant information it needs to carry out its fiduciary responsibilities and to supervise the

Corporate Governance

- Senior Management;
- Liaise between the Board and the staff, and communicate on a regular basis with both to promote understanding, cohesiveness and coordination for development of policies and their implementation;
- Ensure the compliance of applicable laws, rules and regulations;
- Ensure establishment of an effective information mechanism whereby internal and/or external significant/material items affecting Bank's affairs are identified and shared with relevant stakeholders on timely basis; and
- Maintain follow up on regulators' observations and other lawful instructions and issues raised by external and/or internal auditors and to ensure their strict adherence/compliance in Bank's operations.

Code of Conduct & Ethical Standards for Directors:

The Bank has also developed "Code of Conduct & Ethical Standards for Directors" as per requirements of Code of Corporate Governance which is signed by every Director of the Bank.

Directors' Profile:

Directors' Profile has been incorporated in the " Board of Directors" Section.

Accessibility of Annual Report-2018:

Annual Report-2018 and other information of the Bank are accessible on Bank's Website: www.mcb.com.pk

Security Clearance of Foreign Directors:

Foreign Directors elected on the Board of the Bank requires security clearance from Ministry of Interior through SECP. All legal formalities and requirements have been met and fulfilled in this regard.

Diversity:

The Board of Directors firmly believes that the diverse mix of gender, knowledge, expertise and skill sets of the members/ employees enhances the effectiveness of the Bank.

MCB is committed in fostering, cultivating and preserving a culture of diversity and inclusion. Human capital is the most valuable asset the Bank has. The collective sum of the individual's life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that employees invest in their work, represents a significant part of Bank's culture, as well as reputation and achievement.

The Bank embraces and encourages employees' with a mix of age, physical disability, family ethnicity, language, political

affiliation, religion, sexual orientation, socio-economic status and other characteristics that make its employees unique.

Related Parties and approved Policy for Related Party Transactions:

The Board of Directors has approved a Policy for Related Party Transactions. The Bank's policy is to conduct all the related party transactions on an arm's length basis in the in the normal course of business. If a transaction is not conducted on arm's length basis then specific approvals or ratifications is required by the Board on recommendation of the Audit Committee of the Bank in order to avoid any potential conflict of interest.

The policy specifies that all transactions entered into with related parties shall require Board's approval on the recommendation of the Board Audit Committee of the Bank, which is chaired by an independent director of the Bank.

Every director (including spouse, children, step children and parents) of the Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the board. No director of the Bank shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank, if he/she is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his/her presence count for the purpose of forming a quorum at the time of any such discussion or vote.

During the year, the Bank has entered into transactions and contracts with the related parties i.e. subsidiary and associate companies, post employment benefit plans for the Bank's employees, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under HR policy of the Bank. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

The Bank has made detailed disclosures about related party transactions in its financial statements annexed with this annual report.

During the year, no contract or arrangement entered with related parties other than in the ordinary course of business on an arm's length basis.

Corporate Governance

Managing Conflict of Interest:

Overview:

A conflict of interest arises when a director has an interest, pecuniary or otherwise, which can be regarded as a conflict of interest between his duty to perform his functions and such interest which could impair his ability to consider and decide any question impartially or create bias in his decision.

The Board Members owe certain fiduciary duties, including the duties of loyalty, diligence, and confidentiality to the Bank which require that a director must act in good faith in order to promote the objectives of the Bank in the best interests of the Bank and its shareholders, employees and community as a whole. Every director of the Bank has responsibility to disclose potential or actual conflicts of interest with respect to his/her duties as soon as they arise or he/she becomes aware of them. All the Board Members took reasonable steps to avoid being in an actual, apparent or potential conflict of interest. The Board recognizes the responsibility to adhere to the defined policies of the Bank and avoid perceived conflicts of interest that may arise during the course of business.

The Bank has also developed "Code of Conduct & Ethical Standards for Directors" as per requirements of Code of Corporate Governance which is signed by every Director of the Bank and all of the Board Members are compliant with the provisions stipulated thereto.

Disclosure of Interest by Director:

Every director (including spouse, children, step children and parents) of the Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the Board. No director of the Bank shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank, if he/she is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his/her presence count for the purpose of forming a quorum at the time of any such discussion or vote.

Where any director of the Bank including his/her spouse, minor children and private limited company in which such director is a shareholder sells, buys or transacts, whether directly or indirectly, in shares of the Bank shall immediately notify, in writing, to the Company Secretary of such transaction. Such director shall also deliver a written record of the price, number of shares, form of share certificates, i.e. whether physical or electronic within the Central Depository System, and nature of transaction to the Company Secretary within two days of effecting the transaction. Further, if any director makes any gain while trading in the securities of the Bank within the period less than six months shall report the same to SECP along with amount

of such gain within the stipulated time. No director shall, directly or indirectly, deal in the shares of the Bank, in any manner, during the closed period as determined by the Board of Directors.

Disclosure of Interest by Officers:

No other Officer of the Bank who is in any way, directly or indirectly, concerned or interested in any proposed contract or arrangement with the Bank shall, unless he discloses the nature and extent of his/her interest in the transaction and obtains the prior approval of the Board of Directors, enter into any such contract or arrangement.

Exposure in Companies where Directors are Interested:

The Bank may take exposure in the companies in which directors (including their spouses, parents, and children) hold key management positions, or are interested as partner, director or guarantor, or shareholders holding 5% or more of the share capital of that concern, with the approval of the majority of the directors excluding the director concerned. The financing facilities shall be extended at market terms and conditions and be dealt with on arm's length basis.

The Bank shall not enter into leasing, renting and sale/purchase of any kind with their directors, officers, employees or such persons who either individually or in concert with family members beneficially own 5% or more of the equity of the Bank.

The Bank shall not take unsecured exposure on, or take exposure against the guarantee of any of its directors, any of the family members of any of directors and any firm or private company in which our directors are interested as director, proprietor and partner or public company in which such persons are substantially interested.

Conflicts of Interest Register:

The Bank maintains a register of all contracts, arrangements or appointments in which directors are interested.

Insider Trading:

Directors being the insiders are prohibited by the law to indulge in insider trading. They shall not deal directly or indirectly in the securities of the Bank whether on their own account or their relative's account, if they are in possession of any unpublished price sensitive/inside information, which if published or known, is likely to materially affect the price of Bank's securities. Directors are usually considered to have such information, shall not communicate directly or indirectly the said information to others who might exploit such information while trading in the securities of the Bank.

As per the regulatory requirements relating to Insiders' trading, the Bank is maintaining the register of Insiders who have access to unpublished price sensitive/inside information and the said Register regularly updated by the authorized personnel of the Senior Management of the Bank.

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Whenever, the Bank or a person acting on its behalf, discloses any inside information to any third party in the normal exercise of employment, profession or duty; a complete and effective public disclosure of that information is made simultaneously unless such person owes a duty of confidentiality. Further, Bank has approved policy on Prohibition of Insider Trading which is effectively implemented throughout the Bank.

Investor Grievances:

MCB Bank ensures safeguarding the interests of its stakeholders by effective communication at regular intervals through multiple mediums. However, the Bank acknowledges that there may be instances where the stakeholders may have unaddressed concerns which if unresolved may become a grievance. To timely address any untoward incident, the Bank has a well-functioning grievance mechanism that provides a transparent and credible process resulting in outcomes that are seen as impartial, effective, and durable. Through this initiative the Bank is able to reduce investment risks, provide an effective avenue to express and resolve concerns, thereby substantiating positive relationship.

The Bank ensures quality services with uncompromising focus on investors' concerns and transparency in execution thereby extending respect to the trust placed.

A centralized function namely the Shares department in the Corporate Affairs Division manages any such investor grievances. Investors can lodge complaints by contacting the shares registrar, or write a letter or send an email to the share department of the Bank. A designated e-mail address, (investor.relations@mcb.com.pk) has been created to timely address the same and is readily available through our website and annual reports. The Bank ensures resolution of any grievances within statutory timelines.

Human resource management policies and succession planning:

Human Resource Policies have been approved by the Board of Directors of the Bank on the recommendation of Human Resource and Remuneration Committee of Board in order to provide clear and definitive directions on human resource (HR) related matters.

MCB being an equal opportunity employer is committed to create a congenial and efficient work environment in which the employees are assured a non-discriminatory, transparent, harassment free and respectful atmosphere regardless of their cast, creed, religion and gender. The Bank talent-acquisition policies provide unbiased criteria for hiring people through lateral and batch hiring, from any background as long as they qualify for the professional criteria required by the Bank. The culture at MCB Bank also depicts a healthy, team based and cooperative environment. We value the unique talents and perspectives of our employees and strive to create a respectful workplace

The Bank is committed towards employee development practices which enable all its employees to reach their optimum potential, thereby creating a high performance organization. This belief is supported by the Bank's comprehensive approach towards performance management, career development and management training. The Bank affirms its belief in motivating its work force through positive reinforcement and opportunities in each of these key areas regarding employee development.

The Bank has a transparent KPI based performance assessment and reward mechanism that allows front-office employees to track their performance with their goal achievement throughout the year.

Succession Planning Policy provides guidelines to develop and retain the talent pool of employees in order to ensure the continuity of leadership for all critical position in the Bank. Succession Planning is a continuous process that involves identification, assessment and development of talent, which in turn ensures that the Bank's management is able to keep up with the changing business environment. The Bank reviews and update succession plan periodically.

The Bank has complete set of policies covering below areas:

- Talent Acquisition and Induction Policy
- Learning and Development Policy
- Succession Planning and Policy
- Compensation and Benefits Policy
- Staff Financing Policy
- Leaves Policy
- Education Assistance Policy
- Travel Policy
- Performance Management Policy
- Work environment Policy
- Organizational Structural Policy
- Transfer and rotation Policy
- Separation policy
- Policy for Protection of Women against Harassment
- Disciplinary Action Policy
- Grievance Resolution Policy

Business Continuity Plan:

The Board of Directors of the Bank periodically reviews the effectiveness of Business Continuity Policy & Framework to ensure that clear and concise plans are maintained for all critical areas while strong remedial actions are in place to reduce the risk of downtime against any untoward situation. Practicing BCP on regular intervals have given a confidence to the bank that it can live up-to the expectation of its stakeholders by ensuring functionality of its critical businesses and functions.

Corporate Governance

Policy for Sustainability and Corporate Social Responsibility (CSR):

Policy Sustainability and Corporate Social Responsibility (CSR) is detailed in Sustainability and Corporate Social Responsibility Section of this report.

Responsibilities of Management and the Board of Directors toward the preparation and presentation of the financial statements:

The Management is aware of its responsibility for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Unreserved Compliance of International Financial Reporting Standards (IFRS):

The management of the Bank strongly believes in adherence to unreserved compliance with all the applicable International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) for true and fair presentation of financial statements.

Financial statements for the year have been prepared in accordance with the accounting and reporting standards issued by IASB as are applicable in Pakistan. IFRS adoption status is detailed in note 3 of the unconsolidated financial statements.

Record Management Policy:

Record management is a methodological approach to control the maintenance and disposition of organization's record. Record management ensures that valuable record evidencing an organization's activities that have legal, financial, administrative or historical value are protected and accessible while expired record is systematically destroyed. Thus MCB Bank has put in place comprehensive processes, controls and guidelines on handling, protection, retention, retrieval, and disposition of recorded business information generated daily which are of ongoing importance to MCB's overall service capability and regulatory compliance. In its endeavor to comply these guidelines / processes, bank has already achieved major milestones.

Social and Environmental Responsibility:

MCB Bank Limited undertakes its responsibility to be recognized as an organization that is aware of both its social and environmental obligation.

The Bank continuously strives to inculcate the same by creating awareness amongst stakeholders, streamlining its operational processes and reinforcing the same through various policies. The key areas that the Bank focuses upon are to provide a safe and healthy workplace, protect the environment and conserve energy through use of appropriate technology and management practices.

Some of the salient features of the Bank policy are as follows:

- Compliance with local, national and international laws and regulations as well as the spirit thereof and conduct of business operations with honesty and integrity
- Promote and engage in social welfare activities that help strengthen communities and contribute to the enrichment of society
- Provide innovative, safe and outstanding high quality banking products and services exceeding the expectations of customers
- Significant investment to develop technological based 'Alternative Delivery Channels' for maximum 'Financial inclusion'
- Sustainable development through building and maintaining sound relationships with our stakeholders through open and fair communication
- Communication and dialogue with employees, to build and share the value of "Mutual Trust and Mutual Responsibility" and work together for the success of our all stakeholders
- Respect for people by honoring the culture, customs, history and laws of Pakistan. Constantly search for safer, cleaner and superior practices that satisfy the evolving needs of the society
- Minimize the environmental impact of business operations, by working to reduce the wastage of all resources
- Develop, establish and promote practices enabling the environment and economy to coexist harmoniously and build close and cooperative relationships with individuals and organizations involved in environmental preservation

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.

Corporate Governance

Whistle Blowing Program

Overview

MCB Bank is committed to continually operate at the highest standards of conduct in our business. We are the trustees of public funds and it is our core value to serve our community with integrity. We endeavor to earn and uphold the trust of all our customers and stakeholders by serving and dealing with them lawfully, ethically and professionally.

Purpose

This program provides a channel to Bank's staff and outside parties such as shareholders, vendors, customers etc. for raising concerns/complaints about irregularities, impropriety, financial malpractices, frauds & forgeries, personnel harassment and improper conduct or wrongdoing without any fear of reprisal or adverse consequences. The objective of the program is to address/resolve these concerns/complaints to prevent and/or detect improper activities for safeguarding the interest and reputation of the Bank and its stakeholders.

Scope

The program covers deliberate, voluntary disclosure of individual or organizational impropriety by a person who has or had privileged access to data, information or event about an actual, suspected or anticipated wrongdoing within or by an organization that is within its ability to control.

Protection of Whistle Blowers

MCB Bank is committed to the protection of genuine complainants against action(s) taken in reprisal for the making of protected disclosures. Confidentiality of the complainant's identity, the nature of the report and the identity of the suspected person is strictly maintained.

The Bank does not tolerate harassment or victimization and takes action, which could involve disciplinary proceedings, to protect complainants when they raise a concern in good faith.

Incentives for Whistle Blowing

Complainant may be awarded monetary benefit/career advancement depending upon the nature and gravity of the concerns/complaints.

Whistle Blowing Mechanism

Employees or outside parties with concerns or complaints may report such concerns or complaints to Whistle Blowing Unit through any of the following means:

- Hotline
- E-mail
- Fax
- Website
- Regular Mail

Concerns and complaints are investigated and findings are shared with the senior management for their necessary action. Information related to investigations is also shared with the Audit Committee and Board of Directors.

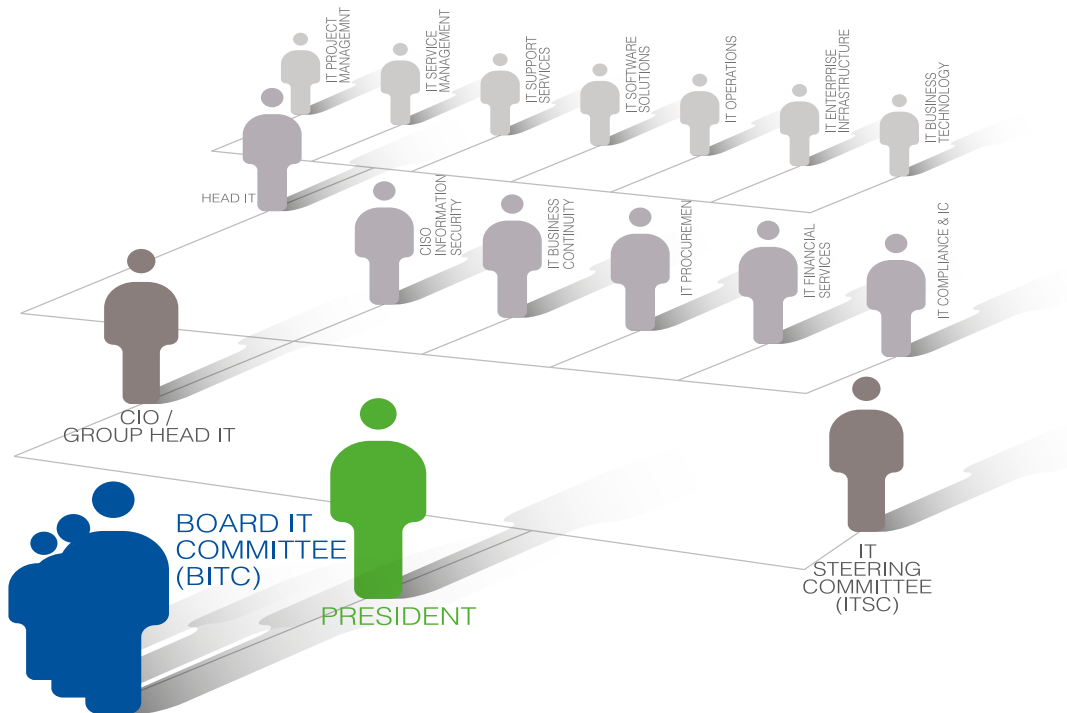
Number of instances reported to Audit Committee

Number of whistle blowing incidents (wrongdoings) along with update on investigations/resolution reported to the Audit Committee and Board of Directors during the year 2018 was 27.

Significant changes from prior years

- During 2018, Board was elected by shareholders in Annual General Meeting held on March 27, 2018.
- During the year, Mr. Salman Zafar Siddiqi resigned from his position as CFO and Board approved the appointment of Mr. Hammad Khalid as CFO of the Bank.
- During the year, the Bank has transferred business of 90 branches to its wholly owned subsidiary MCB Islamic Bank Limited. Detail is given in note 1.1 of the unconsolidated financial statements.

IT Governance



IT Governance is an integral part of enterprise governance and consists of the leadership and organizational structures and processes that ensure that the organization's IT sustains and extends the organization's strategies and objectives. IT Governance systematically engages the Board members, executive management and underlying staff. The framework establishes a discipline used by the organization to measure transparent accountability of decisions, and ensures the traceability of decisions to assigned responsibilities. Well-structured IT Governance would assist in creating efficiencies, enhance conformity to internationally accepted best practices, improve overall IT performance and also enable better control and security.

Information Technology Group is headed by CIO who in turn reports functionally and administratively to the President/CEO. The Office of the CIO provides the leadership for the development and delivery of world-class technology services. The position is directly responsible for;

- a. Directing the operations of Information and technology Services for efficient and smooth delivery of technology services;
- b. Integrating IT Strategy with Bank's Strategy;
- c. Encouraging technical innovation and the development of a robust and dependable technology infrastructure;

- d. Strengthening the IT Governance;
- e. Providing guidance, oversight, and strategic thinking on information technology;
- f. Setting the overall direction for IT Group to introduce and implement innovative technology solutions;
- g. Ensuring the availability of Bank's mission critical services are up running and active DR invocation mechanism at the time of disaster.

Information Technology Group (ITG) has been taken care by teams of committed professionals, providing innovative and efficient solutions to achieve and nurture strategic objectives and goals of Business as well as other support groups under the guidance of Board IT Committee (BITC) and management IT Steering Committee (ITSC).

Group is further be strengthened by following functions:

- a. IT Enterprise Infrastructure
- b. IT Operations
- c. IT Software Solutions
- d. IT Service Management
- e. IT Support Services
- f. IT Information Security

IT Governance

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

Internal Governance

The Bank's Management IT Steering Committee (ITSC) & Board IT Committee (BITC) are the governing bodies that review, monitor, prioritize and approve major IT projects. Key Objectives of these committees are:

- To provide a forum for discussions, review and advice on Technology needs, Investments, Issues & Progress;
- Prioritize, approve and monitor investments (projects & resource allocation), financial objectives and performance in order to review whether IT and Business strategies aligned with each other;
- Assessment of IT capability and adequacy of the IT infrastructure & Guidance on strategic goals and direction to see if enterprise achieving the optimum use of the IT resources;
- To review adoption of best practices, standardization and interoperability internally and externally;
- To provide resolution of cross-function or intercompany critical issues;
- Consideration of risk exposures and monitoring of risk management;
- To review the communication path between the board/executive and middle management.

Information Security: MCB management has centralized the authority, direction, management, and monitoring of Information Security activities for the entire organization in the Information Technology Group (ITG) under the umbrella of Information Security (IS) Team within the Group. This function is responsible for establishing, elaborating, and maintaining IT system's security compliance, define security controls in the following listed sections of Information Security Policy, processes, and documentation (SOPs, manuals, etc.) commensurate with Information Security Policy, departmental framework, and the changing threat landscape. Information Security function also helps to ensure bank wide compliance with Information

Security Policy, handling incidents of security breach, and recommending corrective action.

Project Governance:

Effective project governance needs to be in place to ensure the Project is adequately supported and guided towards achieving its intended outcomes, and to ensure key decisions are made with appropriate governance oversight. IT-PMO (Project Management Office) is a central point of contact at Information Technology Group to facilitate ITG's other verticals and Other Groups for endeavoring successful deliveries of major and critical "IT Projects". The function is mainly responsible for:

- Establishing a connect between Technology and Business to understand business needs and to translate into technology solutions;
- Providing an Interface of the IT Group for other business groups to discuss their initiatives/projects for end-state solutions;
- End to end Project management of technology solution specifically and providing support for all other business initiatives in general, from technology perspective only;
- Project governance, support processes and methodologies for successful delivery of projects and customer requirements;

IT Compliance:

An effective oversight to achieve compliance against regulatory instructions / guidelines is necessarily required so to fill the gaps, if any. The function is mainly responsible for;

- To conduct Risk Control Self Assessments (RCSA) for all entities in the IT Group (ITG) per approved framework in the Bank;
- To facilitate the auditing process as conducted by the Internal Audit, External Audit and Regulatory Inspection by the State Bank of Pakistan (SBP);
- To coordinate among the teams within and with the reviewing functions to fix the highlighted issues and to comply with the given recommendations accordingly;
- Maintain an internal MIS on the compliance status for tracking and reporting to ensure adequate monitoring at appropriate levels.

Adoption and Statement of Adherence with the International Integrated Reporting Framework

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

MCB is one of the largest Commercial Bank operating in Pakistan with significant contribution to the economic development of the country. It also makes its presence felt at the grassroots level with its sprawling network of branches by extensively serving the ever growing financial needs of its customer base. Therefore, on an overall basis, it has an impact far beyond the bottom line. Being the Bank with one of the largest customer base it is imperative; therefore, that the Bank reassures its stakeholders that it is safeguarding the public interest.

Adoption of International Integrated Reporting Framework depends on the individual circumstances of an entity. The Bank has adopted the Integrated Reporting Framework to give an overview of Bank's philosophy to explain connection between its financial and non-financial information, which would enhance the user's understanding as to how the Bank is working to improve its performance keeping in view the stakeholder's interests. The business strategy information is linked directly to business activities and non-financial information, and provides explanations accordingly. Integrated framework is still considered to be a practice in its early stages. We will continue to improve the information produced to make it even easier to understand, while taking into account the opinion of stakeholders reading this report.

Initially, the Bank has included following content elements for the users of this report:

- Organizational overview and external environment
- Strategy and resource allocation
- Risks and opportunities
- Governance
- Performance and position
- Outlook
- Stakeholder's relationship and engagement
- Sustainability and corporate social responsibility
- Excellence in corporate reporting

The Bank's Annual Report 2018 covers the 12-month period from January 01, 2018 to December 31, 2018 and is consistent with our usual annual reporting cycle for financial and integrated reporting. The most recent previous report was dated December 31, 2017.

Profile of Shari'ah Advisor Board



Prof. Mufti Munib-Ur-Rehman
Chairman Shari'ah Board

Prof. Mufti Munib-ur-Rehman, working with MCB Islamic Bank since September 2015, is a renowned Shari'ah scholar with a vast 46 years' teaching and 31 years' Fatawas issuance experience. He is the member Shari'ah Advisory Board of Securities and Exchange Commission of Pakistan (SECP), and the Chairman, Central Moon Sighting Committee Pakistan, prior to this he was a member of Islamic Ideology Council, Pakistan and Director of Islamic Studies, Hong Kong.



Mufti Syed Sabir Hussain
Resident Shari'ah Board Member/ Head-Shari'ah Compliance Department

Mufti Syed Sabir Hussain, working with MCB Islamic Bank Ltd. since September 2015, is a prominent Shari'ah Scholar and experienced Islamic Banker with 17 years of teaching, 13 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhassus-Fil-Fiqh, M.A Islamic Studies, M.Phil in Islamic Banking & Finance and M.S (I.T) degrees.

He is ex-member of Shari'ah Advisory Board of SECP, Member of the Committee on Accounting and Auditing Standards of ICAP and invitee participant of Shari'ah Board of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he was member of review committee for Urdu translation of AAOIFI Shari'ah standards. He is author of 17 books on Islamic economics & banking and other social issues; He is also delivering lectures in different Dar-ul-Ulooms and Universities.



Mufti Nadeem Iqbal
Shari'ah Board Member

Mufti Nadeem Iqbal is the Shari'ah Board Member. He is senior teacher and Mufti at Dar-ul-Uloom Amjadia, Karachi and currently heading Dar-ul-Ifta. He holds Master's Degree in Islamic Studies from University of Karachi, Takhusus-Fil-Fiqh from Dar-ul-Uloom Amjadia, Karachi, Fazil Dars-e-Nizami, and Fazil Shahada-tul-Almia. He gave his services as Resident Shari'ah Board Member/Shari'ah Advisor at Soneri Bank's Islamic Banking Division for thirteen years. He worked as professor at Sheikh Zayed Islamic Centre, University of Karachi. He is also visiting faculty member at Hamdard University, Karachi. He is writer of several books including Islamic Jurisprudence.

Report of Shari'ah Board (For the year ended December 31, 2018)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ وَالصَّلَاةُ وَالسَّلَامُ عَلَى سَيِّدِ الْأَنْبِيَاءِ وَالْمُرْسَلِينَ وَعَلَىٰ آلِهِ وَصَحْبِهِ أَجْمَعِينَ أَمَّا بَعْدُ

The Shari'ah Board of MCB Islamic Bank Ltd. (MIB) was established in September, 2015. Currently Shari'ah Board comprises of respected Professor Mufti Munib-ur-Rehman as Chairman Shari'ah Board, Mufti Syed Sabir Hussain as Resident Shari'ah Board Member (RSBM) and Mufti Nadeem Iqbal as Member Shari'ah Board. In the year 2018 Shari'ah Board meetings were held on the following dates:

First Shari'ah Board Meeting	–	January 10, 2018
Second Shari'ah Board Meeting	–	June 21, 2018
Third Shari'ah Board Meeting	–	September 27, 2018
Fourth Shari'ah Board Meeting	–	December 26, 2018

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of MIB are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of MIB.
2. To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of MIB carried out reviews of each types of transactions, products, process flows/modus operandi and concepts. In this regard, all 76 branches have been inspected for Shari'ah as per Shari'ah Compliance program. The new M-90 branches shall be inspected for Shari'ah Compliance in the coming year. Further, Pool Management System (PMS) is being reviewed as per required frequency on montly basis as per guidance of SCD . In order to enhance the Islamic banking knowledge and expertise in general as well as product wise especially in Islamic Micro Finance and SME businesses, were made mandatory for all staff of the Bank with the coordination of Learning & Development Department of HRG.
3. Four (4) Instructions & Guidelines & Two (2) Fatawa which are already issued by the Shari'ah Board of the MIB are still remained same without any changes and they are being implemented in the MIB in true letter and spirit.
4. SCD with the coordination of management has reviewed these product documents namely Corporate Diminishing Musharakah & Corporate Ijarah Financing Product Documents, Commodity Salam Product Document, Structure, & Agreements, Currency Salam Financing / Legal Documents, Amendment in Currency Salam Product Document, Finished Goods Financing (under Musawamah mode) Product Manual, Structure, Process Flow and Salient Features, Istisna Product Manual, legal agreements, Salient Features Products Structure, Process Flow & Sample Istisna Calculation, Master Ijarah Agreement for Equipment and Vehicle Financing, Revised consumer car finance end-to-end process manual and all its appendices, Amendments in Consumer car Finance Product Program, Mortgage Deed Format for Housing Finance, Murabaha Microfinance Product and Process Amendments, Murabaha Product Manual – Amendments, Musharakah Running Finance Product Manual – Amendments, Revised account opening form / terms & conditions booklet / account opening form for MIB Asaan account, Different Takaful Agreement – for Wealth Management Products, Amendments in the features of MIB Atfaal Saving Account, Bank Guarantee Manual V2.0 & Opening of LC without Agency.
5. SCD has also facilitated Islamic Banking training sessions the front and back offices staff of MIB. Further, SCD has taken initiative to establish an effective and comprehensive Islamic Banking training mechanism in compliance with IBD Circular No. 02 of 2018, Dated: Jun 29, 2018, "Enhanced Training & Capacity Building Measures for Islamic Banking Institutions (IBIs)" issued by Islamic Banking Department, State Bank of Pakistan, for MIB front and back offices staff at all levels. Internal trainers were also part of Shari'ah related training initiatives during the year. Human resource group has hired more personnales to enhance the capacity of Learning & Development Department of MIB, that is a good sign; it will help in enhancing capacity building of MIB staff.
6. Shari'ah Board praises and encourages the continuous, comprehensive & profound efforts of MIB Management regarding implementation of all instructions and guidelines issued by Shari'ah Board.

Recommendations:

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

- i. In future, there shall be more Shari'ah Trainings in compliance with SBP-IBD Circular No. 02 of 2018 for front and back office staff with emphasis on specialize products training sessions;
- ii. Newly inducted staff shall be trained on Islamic Banking and its Products before confirmation;
- iii. As pool management is very sensitive by its nature, therefore, it shall be more automated and live to avoid any human error and Shari'ah Board discourages any manual calculation in pool management system.
- iv. All back offices who are involve on execution of the transactions are advised to use updated standard documents/agreements & process flows approved by Shari'ah Board and should bear intial on each page to avoid delay in transactions.
- v. Trade department is recommended to have standard documents and it is advised to follow them in true sense in all its facilities.

Conclusion:

Shari'ah Board has reviewed & advised corrective measures on the reports of SBP Inspection, Internal Shari'ah Audit and Shari'ah Compliance Inspection reports and is of the view that:

- i. MIB has complied with Shari'ah rules and principles in the light of Fatawa, Instructions and Guidelines issued by Shari'ah Board.
- ii. MIB has complied with SBP Inspection report in true letter and spirit.
- iii. MIB has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
- iv. MIB has a comprehensive mechanism in place to ensure Shari'ah Compliance in their overall operations.
- v. During the course of Shari'ah compliance of the transactions, it was realized that the amount of Charity collection during the year was PKR 27.989 million from different heads which was instructed to transfer to the Charity account. The bank has disbursed the Charity amount to Shari'ah approved charitable organizations as per MIB's charity policy and SBP's guidelines.
- vi. MIB has complied with the SBP instructions on profit and loss distribution and pool management.
- vii. While the Bank is actively pursuing training of its human resources about various aspects of Islamic Banking & Finance through training sessions/seminars, however further improvement is required in the level of awareness of Islamic Banking & Finance of the staff, management and the BOD through enhanced training mechanism for each level. The management and the BOD has made sincere efforts and appreciates the importance of Shari'ah compliance in overall operations of MIB.
- viii. The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.

Shari'ah Board would like to take this opportunity to offer praise to Almighty ALLAH and seek his guidance and Tauwfeeq, and to express its wishes for further progress, development and prosperity of Islamic Banking, Alhamdulillah under the sincere efforts of senior management, and Islamic Banking industry in Pakistan as a whole.

وَاللَّهُ سُبْحَانَهُ وَتَعَالَىٰ أَعْلَمُ

Munib ur Rehman

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



Mufti Syed Sabir Hussain
Resident Shari'ah Board Member

Mufti Nadeem Iqbal

Mufti Nadeem Iqbal
Member Shari'ah Board

Date of Report: January 24, 2019

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ وَالصَّلَاةُ وَالسَّلَامُ عَلَى سَيِّدِ الْأَنْبِيَاءِ وَالْمُرْسَلِينَ وَعَلَى آلِهِ وَصَحْبِهِ أَجْمَعِينَ أَمَّا بَعْدُ

شرعیہ بورڈ رپورٹ

(مالی سال اختتام پذیر ۳۱ دسمبر ۲۰۱۸ء)

ایم سی بی اسلامک بینک لمیٹڈ (ایم آئی بی) کا شرعیہ بورڈ ستمبر ۲۰۱۵ء کو تشکیل پایا، موجودہ شرعیہ بورڈ پروفیسر مفتی منیب الرحمن چیئرمین شرعیہ بورڈ، مفتی سید صابر حسین ریزیڈنٹ شرعیہ بورڈ ممبر اور مفتی ندیم اقبال، ممبر شرعیہ بورڈ پر مشتمل ہے۔ ۲۰۱۸ء میں شرعیہ بورڈ کے اجلاس درج ذیل تواریخ پر منعقد ہوئے:

- شرعیہ بورڈ کا پہلا اجلاس، ۱۰ جنوری ۲۰۱۸ء
- شرعیہ بورڈ کا دوسرا اجلاس، ۲۱ جون ۲۰۱۸ء
- شرعیہ بورڈ کا تیسرا اجلاس، ۲۷ ستمبر ۲۰۱۸ء
- شرعیہ بورڈ کا چوتھا اجلاس، ۲۶ دسمبر ۲۰۱۸ء

(۱) بورڈ آف ڈائریکٹرز اور ایگزیکٹو منٹینینس اس امر کے ذمہ دار ہیں کہ ایم آئی بی کے جملہ معاملات شریعت کے اصولوں کے عین مطابق ہوں، لہذا ہم (شرعیہ بورڈ) ایم آئی بی کی شرعیہ کمپلائنس کی مجموعی صورت حال کے بارے میں ایک رپورٹ جمع کرانے کے ذمہ دار ہیں۔

(۲) اس رپورٹ میں اظہار کے طور پر عرض یہ ہے کہ ایم آئی بی کی شرعیہ کمپلائنس ڈیپارٹمنٹ نے تمام قسم کے مالی معاملات، پروڈکٹس، معاملات کے مراحل اور نظریات کا جائزہ لیا ہے۔ امسال ایم آئی بی کی تمام ۷۶ برانچوں کا شرعی اعتبار سے شرعیہ کمپلائنس پروگرام کے تحت جائزہ لیا گیا ہے۔ آئندہ سال ایم ۹۰ برانچز کا شرعی اعتبار سے جائزہ لیا جائے گا۔ مزید برآں، پول بینچمنٹ سسٹم کا شرعی جائزہ ماہانہ بنیادوں پر لیا جا رہا ہے۔ اسلامی بینکاری کے بارے میں معلومات اور مہارت کو بڑھانے کی غرض سے بالعموم اسلامی بینکاری اور بالخصوص پروڈکٹس کی تربیت ہیومن ریسورس ڈیپارٹمنٹ کے تعاون سے تمام اسٹاف کے لئے لازم قرار دی گئی ہے۔

(۳) ایم آئی بی کی شرعیہ بورڈ کی جاری کردہ چار ہدایات و لائحہ عمل اور فتاویٰ جات میں کوئی تبدیلی نہیں کی گئی ہے۔ ایم آئی بی میں ان پر عملدرآمد کو ان کی اصل روح کے مطابق یقینی بنایا گیا ہے۔

(۴) بینک کے منتظمین کے تعاون سے شرعیہ کمپلائنس ڈیپارٹمنٹ نے ان تمام پراڈکٹس کی دستاویزات کا جائزہ لیا: کارپوریٹ، شرکت متناقصہ، اجارہ، کموڈٹی سلم، کرنسی سلم، مساومہ، استصناع، انفرادی صارفین کے لئے کارڈ ریشیزری کا اجارہ، مراہجہ و مانیکر و فنانس مراہجہ، جاری مشارکہ، مضاربہ پراڈکٹس، ہنگافل پراڈکٹس، کفالہ اور وکالہ پراڈکٹس۔

(۵) شرعیہ کمپلائنس ڈیپارٹمنٹ نے بینک کے فرنٹ آفس اور بیک آفس اسٹاف کے لئے اسلامی بینکاری کی ٹریننگ کے متعدد پروگرام منعقد کئے ہیں۔ مزید برآں اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ سرکلر (نمبر ۲۰۱۸/۲۲ بتاریخ ۲۹ جون ۲۰۱۸ء) پر عملدرآمد کو یقینی بنانے کے لئے اقدامات کئے گئے ہیں۔ لہذا ایک پراثر اور جامع پروگرام ترتیب دیا جا رہا ہے جس کے تحت بینک کے ہر درجہ کے فرنٹ آفس اور بیک آفس اسٹاف کو اسلامی بینکاری کی ٹریننگ دی جائے گی۔ شرعیہ ٹریننگ پروگرامز کے لئے بینک کے ملازمین کی خدمات حاصل کی گئی ہیں۔ ہیومن ریسورس گروپ نے لرننگ اینڈ ڈیولپمنٹ ڈیپارٹمنٹ کے لئے نئے افراد کی خدمات حاصل کی ہیں جو کہ قابل ستائش عمل ہے، جس سے ایم آئی بی اسٹاف کی پیشہ ورانہ خدمات کو بہتر بنانے میں مدد ملے گی۔

(۶) شرعیہ بورڈ، جاری کردہ ہدایات و لائحہ عمل پر عملدرآمد کے اعتبار سے بینک کے منتظمین کی مسلسل اور جامع کاوشوں کی تعریف اور حوصلہ افزائی کرتا ہے۔

سفارشات:

شرعیہ بورڈ شرعی اعتبار سے کئے گئے جائزوں کی جانچ پڑتال کے بعد درج ذیل سفارشات پیش کرتا ہے:

الف۔ مستقبل میں فرنٹ آفس اور بیک آفس اسٹاف کی پراڈکٹ کی شرعیہ ٹریننگ پر بھرپور توجہ دیتے ہوئے مزید شرعیہ ٹریننگ پروگرام منعقد کئے جائیں، جو اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ سرکلر (نمبر ۲۰۱۸/۲۲ بتاریخ ۲۹ جون ۲۰۱۸ء) کی ہدایات کے مطابق ہوں۔

ب۔ اسلامی بینکاری اور پراڈکٹ کی ٹریننگ نئے آنے والے اسٹاف کی بھرتی کی تصدیق سے پہلے لازمی کی جائے۔

ج۔ پول بینچمنٹ اپنی نوعیت کا ایک انتہائی حساس معاملہ ہے، اس لئے اسے خود کار طریقہ کار کے ذریعے اپ ڈیٹ رکھا جائے تاکہ کسی بھی قسم کی غلطی سے بچا جاسکے۔ شرعیہ بورڈ کسی بھی قسم کے ذقی حساب و کتاب کی حوصلہ افزائی نہیں کرتا۔

د۔ شریعہ بورڈ رومز ہ کے معاملات میں کسی بھی تاخیر سے بچنے کے لئے تمام بیک آفس اسٹاف کو سفارش کرتا ہے کہ شریعہ بورڈ سے منظور شدہ حالیہ ماڈل دستاویزات معاملات اور معاملات کے لائحہ عمل کو استعمال کیا جائے۔

ھ۔ شریعہ بورڈ ٹریڈ پھارمنٹ کو سفارش کرتا ہے کہ کسٹمر کو دی جانے والی تمام سہولیات میں ماڈل دستاویزات کو استعمال کیا جائے اور حقیقی بنیادوں پر ان پر عملدرآمد کیا جائے۔

خلاصہ کلام:

شریعیہ بورڈ نے ایس بی پی انسپکشن، انٹرنل شریعیہ آڈٹ اور شریعیہ کمپلائنس کی رپورٹس کو دیکھنے کے بعد اصلاحی اقدامات کے لئے ہدایات دیں، لہذا شریعیہ بورڈ کے مطابق:

الف۔ ایم آئی بی نے شریعیہ بورڈ کے جاری کردہ فتاویٰ جات اور ہدایات و لائحہ عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔

ب۔ ایم آئی بی نے حقیقی معنوں میں اصل روح کو مدنظر رکھتے ہوئے ایس بی پی انسپکشن رپورٹ پر عملدرآمد کیا ہے۔

ج۔ ایم آئی بی، اسٹیٹ بینک آف پاکستان کے احکامات، قوانین و ہدایات اور لائحہ عمل (جو اسٹیٹ بینک آف پاکستان کے شریعیہ بورڈ کے احکام کے مطابق ہیں) سے ہم آہنگ ہے۔

د۔ شریعیہ کمپلائنس کو یقینی بنانے کے لئے ایم آئی بی کے پاس ایک جامع طریقہ کار موجود ہے۔

ھ۔ مالی معاملات کی شریعیہ کمپلائنس کے دوران یہ معلوم ہوا کہ ایم آئی بی نے مختلف مدت سے ۲۷،۹۸۹ ملین کی غیر شرعی آمدنی حاصل کی، جسے چیریٹی اکاؤنٹ میں ڈال دیا گیا ہے۔ علاوہ ازیں ایم آئی بی نے اپنی چیریٹی پالیسی اور اسٹیٹ بینک آف پاکستان کے اصولوں کے مطابق شریعیہ بورڈ سے منظور شدہ مختلف خیراتی اداروں کو چیریٹی اکاؤنٹ سے رقم ادا کر دی ہے۔

و۔ ایم آئی بی کے نفع و نقصان کی تقسیم اور پول کی انتظام کاری اسٹیٹ بینک آف پاکستان کی ہدایات کے عین مطابق ہیں۔

ز۔ اگرچہ بینک فعال طریقے سے اپنے افراد کو اسلامی بینکاری اور مالیاتی نظام کے بارے میں تربیت دے رہا ہے، تاہم افراد کا، انتظامیہ اور بورڈ آف ڈائریکٹرز میں آگہی پیدا کرنے کی غرض سے اسلامی

بینکاری کی تربیت میں مزید اضافے کی ضرورت ہے۔ انتظامیہ اور بورڈ آف ڈائریکٹرز نے اخلاص پر مبنی کاوشیں کی ہیں اور انہوں نے ایم آئی بی میں شریعیہ کمپلائنس کی اہمیت کو تسلیم کیا ہے۔

ح۔ شریعیہ بورڈ کو اپنی ذمہ داریوں سے عہدہ برآ ہونے کے لئے خاطر خواہ وسائل فراہم کئے گئے ہیں۔

شریعیہ بورڈ اللہ سبحانہ و تعالیٰ کی بارگاہ میں اُس کی تعریف پیش کرنے اور اُس سے ہدایت اور توفیق کا خواہاں ہے۔ مزید برآں سینئر منتظمین اور اسلامی بینکاری انڈسٹری کی مخلصانہ کاوشوں سے ان شاء اللہ اسلامی

بینکاری نظام کی مزید پیشرفت، ترقی اور خوشحالی کا متنتی ہے۔

وَاللّٰهُ سُبْحٰنَهُ وَتَعَالٰى اَعْلَمُ

Munir ul Munir

پروفیسر مفتی منیب الرحمن

چیرمین شریعیہ بورڈ

Munir ul Munir

مفتی منیب اقبال

شریعیہ بورڈ ممبر



مفتی سید صابر حسین

ریزیڈینٹ شریعیہ بورڈ ممبر

تاریخ اجراء: ۲۳ جنوری، ۲۰۱۹ء

Sustainability and Corporate Social Responsibility

MCB Bank, as one of the largest Banks in Pakistan, has a rich legacy of service and innovation spanning over 71 years. The Bank continuously strives to adopt the best practices and encourages a culture of discipline and values for its stakeholders. By initiating projects and services that function in a socially responsible way, MCB Bank ensures environmental sustainability and the social well-being of its employees and the society at large.

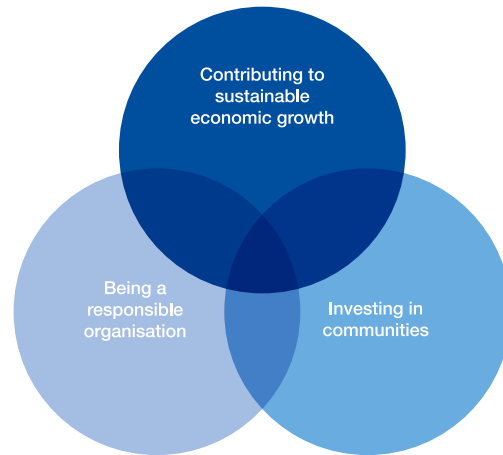
Our policy

MCB Bank undertakes CSR initiatives with a vision to contribute towards harmonious and sustainable development of communities. Following will be the framework and broad parameters for CSR activities by the Bank to:

1. Comply with applicable laws and regulations as well as the spirit thereof and conducts business operations with honesty integrity.
2. Promote and engage in social welfare activities that help strengthen communities and contribute towards the uplift of society.
3. Support and promote Financial Inclusion.
4. Endeavor to build and maintain sound relationships with customers and other stakeholders through open and fair communication in order to contribute towards sustainable image building.
5. Honor the culture, customs, history and laws as the Bank constantly searches for safer, cleaner and superior practices that satisfy the evolving needs of the society.
6. Strive to develop, establish and promote practices enabling the environment and economy to coexist harmoniously whilst encouraging minimum wastage of resources.

Our approach to sustainability

The Bank adheres to several key principles as an institution and is committed to creating a better work place and cleaner environment through its multifaceted initiatives. By committing to a culture of excellence, good governance, transparency and integrity, it ensures that all activities are conducted in a manner that is ethically responsible and beneficial for all. MCB Bank has a well-defined Code of Ethics and Conduct policy that acts as a guideline for employees.



Contributing to sustainable economic growth:

We use our core business of banking to promote sustainable development in our markets.

Contribution to Economy & National Exchequer:

MCB Bank has the highest market capitalization in the banking industry. In 2018 the Bank paid approx. PKR 3.299 billion in lieu of income taxes to Government Treasury and contributed over PKR 11 billion to the national exchequer as withholding tax agent under different provisions of Income Tax Ordinance 2001.

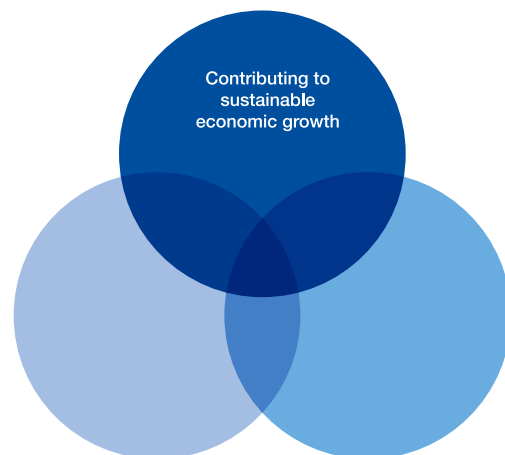
The contribution by the Bank to the national economy by way of value addition was PKR 49.044 billion, out of which around PKR 14.053 Billion were, distributed to employees and PKR 18.961 billion to shareholders.

The Bank is making a significant contribution to the development and growth of the country.

An analysis of the Bank's value creation and allocation of value among key stakeholder groups is represented in statement of Value Added.

Key financial highlights:

Key financial figures and related ratios are discussed in financial performance section.

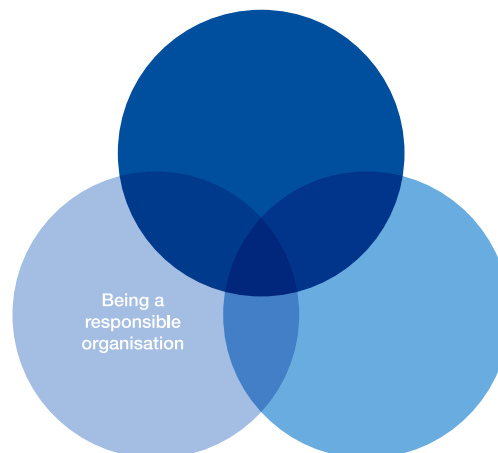


Being a responsible organisation

We manage the Bank responsibly by promoting the right values and behaviors, investing in people, managing our environmental impact and supporting the fight against anticorruption measures.

Following steps have been taken by the Bank:

- Business Ethics and Anti-Corruption Measures
- Occupational Safety and Health
- Quality Checks and Mystery Shopping
- Service Council
- Customer Experience Management
- Turnaround Time (TAT) Monitoring
- Consumer Protection Measures



Business Ethics and Anti-Corruption Measures

The Bank actively identifies and addresses possible risk factors through the implementation of policies and procedures designed to reduce the possibility of such incidents.

In this regard, it has fielded, alongside its Human Resource Policies and Procedures, a comprehensive "Code of Conduct and Business Ethics" which is disseminated to staff for information and sign off. This document is also freely available to all staff on MCB Intranet Portal.

The Bank continues to maintain a strong compliance culture across the board. MCB Employees are expected to perform all tasks with diligence and honesty at all times. The Code of Conduct of the Bank has comprehensively defined the values and minimum standards for ethical business conduct. We ensure that all our interactions with clients, competitors, business partners, government and regulatory authorities, shareholders, or with one another following a vigorous ethical standard. Our foremost efforts are to ensure that the conduct of the employees is impeccable. This is done with the help of guidelines that ensures compliance with all applicable laws and regulations.

MCB Bank strives to ensure that it provides a friendly and harassment free environment for all employees. The Policy for protection of women harassment has been revisited and is circulated Bank wide every year. Zero tolerance for any form of harassment or discrimination is also covered in the Bank's existing code of conduct. Like previous years, MCB Bank also celebrated "Women's Day" in 2018. As part of our desire to spread awareness on women harassment, 'the Protection against women harassment bill' implemented in April 2018 was prominently displayed on notice boards.

The Disciplinary Action Committee (DAC) takes vigorous action to address any violation of policies & procedures, acts of fraud & forgery, breach of discipline and code of conduct, ethics & business practices, law of land and statutory regulations by an employee.

Enhanced compliance and adherence to ethical standards are at the heart of how we work as a team. MCB Bank has a robust compliance policy to ensure that as an organization it is not

exposed to operational and reputational risks while ensuring that the rights and interests of our customers are not compromised upon.

Occupational Safety and Health

As per the Bank's Policy, health and safety aspects are being given top priority. At the recommendation of a leading consultant firm (Health & Safety) at MCB Building, all possible measures have been incorporated to circulate fresh air inside the building as well as adding a variety of fire extinguishers on trollies and manual carriage. Requisite safety equipment such as gas masks and other tools have also been arranged for all 10 floors of its principal building in Lahore. The fire alarm system installed has been upgraded and regular staff evacuation drills are held under the Security Department. First Aid Kit Boxes filled with emergency medicines and burn kits are maintained on each floor of major MCB Buildings countrywide and Bank branches to counter any emergencies.

MCB Bank has always provided congenial Health & Safety working environment to its employees. All permanent employees are provided coverage under a comprehensive staff group life & medical insurance policy. The Bank's buildings including branches are equipped with alarm systems and CCTV cameras. Trained security personnel are deployed to ensure the safety of our employees, customers, record and equipment. The Bank has developed a comprehensive "Health, Safety & Environment Policy" which is periodically reviewed and updated by Bank Management.

Developing a comprehensive health and safety culture within the Bank is everyone's responsibility. To further this, MCB Bank has always taken initiatives such as on-site health checkups, seminars on health & safety aspects and practical drills imparting emergency preparedness to ensure that its staff is up to date on procedures for safeguarding life and the Bank's assets. Emergency Lights, Fire Proof Cabinets, Fire Detection System, Fire & Burglary Alarm System, Portable Fire Extinguishers, Safety-Anti Shatter Films, First Aid Kits, Regular Evacuation Drills, Emergency Exit Doors, Sprinkler System and Medical Health Insurance are some of the measures through which Bank assures safety and security of its Employees and Assets.

During 2018, the Bank also organized a Health Awareness Seminar on Hepatitis to create knowledge and understanding about Hepatitis B & C. The Seminar was conducted by experts from Pakistan Kidney and Liver Institute and Research Center (PKLI&RC).

Quality Checks and Mystery Shopping:

During 2018, 98% of total branches were monitored with respect to service parameters and protocols. The remaining branches were not visited owing to security concerns/remote locations. Moreover, 940 branches were 'Mystery Shopped' by independent external agencies and results of this activity were shared with management for further improvement.

Service Council:

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

Customer Experience Management:

Feedback is solicited from customers for all contact points via surveys and remedial actions are taken for identified areas. The end goal of these measures is to be the most preferred bank in Pakistan.

Turnaround Time (TAT) Monitoring:

Monitoring and evaluation of service indicators is part of the belief in increasing and retaining one's customer base. In order to maintain a strong hold on processes within the Bank, the Service Quality Division has devised several controllable measures at par with prevailing market practices. Against each measure, a tolerance level along with a timeline is set. Similar to Branch Banking, indicators for Consumer Assets, Credit Cards, Bancassurance, Call Centre, Mobile Banking, Internet Banking and ATM Uptime are monitored on a monthly basis.

Consumer Protection Measures

The Bank is committed to provide quality products and services to its customers. It maintains a privacy statement for the usage of its products i.e. Credit Cards, ATM pins etc.

To ensure a culture of 'Quality Customer Service' the Bank has a dedicated Service Quality Division with the objective of strengthening the Bank's service culture. Regular training sessions are conducted in all Circles, Call Centers and other front-end staff offices regarding 'Service Excellence' & 'Customer Satisfaction'.

Complaint Management & Handling

A centralized complaint resolution team manages all customer complaints through a complaint management system. All complaint handling staff & Call Centre have access to this system so as to ensure that all complaints, whether verbal or written, are immediately captured in the system. In addition, complaint forms and drop boxes are also available at branches to facilitate customers in registering their complaints.

The resolution of complaints is comprehensive, appropriate and quick. The customer is kept informed on the status of their complaint, starting from complaint acknowledgement till its resolution. Turnaround times for escalations and resolutions are followed as per regulatory requirement.

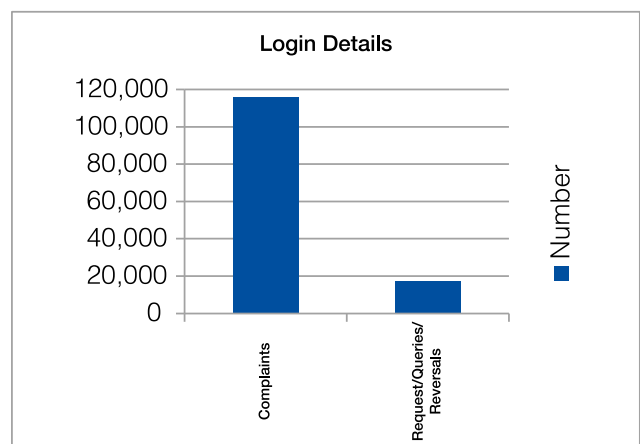
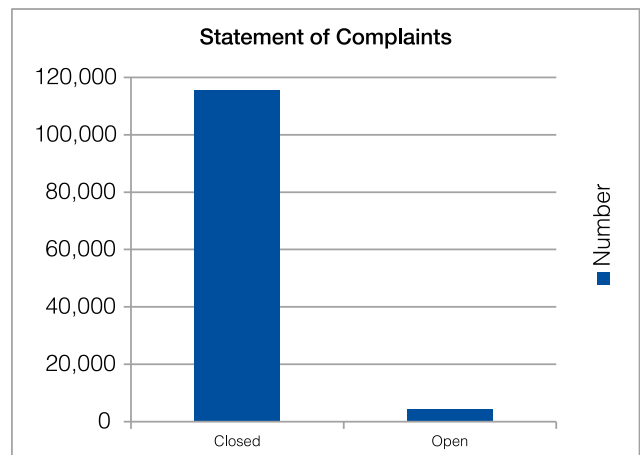
Customer Satisfaction

A satisfied customer is the key driver/core element to the success of any organization. MCB Bank truly respects its business partners and ensures that it exceeds the expectations of its customers. The Bank has 24/7 Call Centers and a website to help address customer queries/complaints.

During 2018, a total of 116,136 complaints were logged in the system out of which 115,673 complaints were resolved. Resolution percentage stands at 99.60 %.

There was a 59% increase in logged complaints in 2018 compared to the previous year. Total complaints received during 2017 were 73,056.

Descriptions	Number	Percentage
Closed	115,673	99.60 %
Open	463	0.40 %
Total Login – Statement of Complaints	116,136	100 %
Complaints	116,136	87 %
Request/Queries/Reversals	17,116	13 %
Total Login Details	132,014	100 %

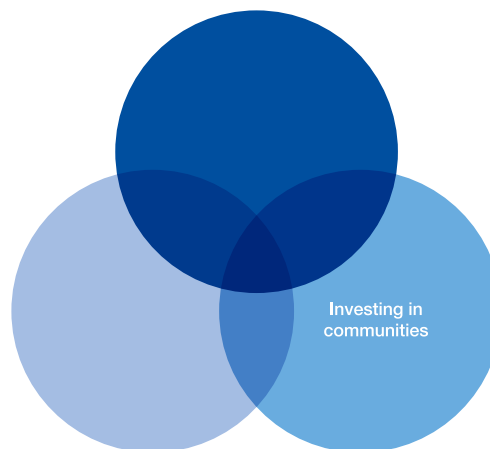


Investing in communities

We seek to promote sustainable economic and social development in our communities.

Following steps have been taken by the Bank:

- Community Investment & Contribution to National Causes
- Equal Opportunity for All Employees
- Environmental Protection Measures
- Energy Conservation and Energy saving measures
- Youth Education and Training
- Sports
- Women's Economic Empowerment
- Industrial relations
- Employee Engagement through Celebration of National Events
- Green banking activities and initiatives



Community Investment & Contribution to National Causes

MCB Bank seeks to demonstrate firm commitment towards the community by actively promoting the uplift of the society. The primary focus of the Bank remains extending support towards meeting the needs of communities and underprivileged in any way possible especially in the field of health and education.

During 2018, the Bank supported Shaukat Khanum Memorial Cancer Hospital and Research Centre, Pink Ribbon and Edhi Welfare Organization by helping them create awareness through Bank's platforms and providing donation channels through mediums such as MCB Mobile Banking and MCB Internet Banking. Moreover, the Bank organized two blood donation camps in coordination with Shaukat Khanam Memorial Cancer Hospital and Research Centre during the year at its main head offices in Lahore where MCB Staff enthusiastically donated blood.

MCB Bank also engaged keenly with causes related to the banking sector by sponsoring the activities of the Bankers Club in Karachi and holding an awareness session on Housing Finance at the Bankers Club, Bahawalpur.

MCB Bank understands the importance of education in Pakistan and in support of TCF Rahbar, employees volunteered in an 11-week teaching program for underprivileged children without any monetary benefit.

The Bank also acknowledged the sacrifices of military personnel and their role in promoting peace and security by sponsoring the Annual Shuhada Function of Frontier Corps (South), D.I. Khan.

MCB Bank has moved proactively in the field of poverty alleviation in Sri Lanka and providing funding for a Livelihood Development program under the project name Colombo North – Urban program has been a critical aspect to this strategy. The project aims at strengthening the household economy of 100 families by

providing livelihood kits and creating job opportunities through provision of vocational training and financial management. Its Community Welfare program also provided assistance in organizing Iftar programs in 8 different mosques during the month of Ramadan.

Equal Opportunity for All Employees

The Bank ensures through its approved Code of Conduct that the rights of all staff members are highlighted and each employee abides by the ethical standards of the Bank. MCB Bank is an equal opportunity employer and encourages employment of special persons. It does not discriminate on the basis of race, gender, age or disability. The Bank has also extended employment opportunities to special persons who are contributing towards the growth of the Bank.

The Bank provides employment to more than 20,000 staff in Pakistan itself. Of this, slightly more than a third is composed of contractual staff. Outside Pakistan, the Bank employs nearly 200 staff.

Environmental Protection Measures

A clean, congenial work environment is a major goal for the Bank. Major buildings have a professional third party arrangement to maintain external/internal plantation replaced on regular basis which maintain a good working environment.

In 2018, the Bank devoted considerable resources to maintain Landscaping alongside the VIP route on Airport Road Lahore in coordination with the Lahore Cantonment Board. The landscape project was conceived and executed by a professional third party horticulture specialist.

The Bank has also sought that protection of the environment be promoted through MCB Bank products.

All MCB Fun Club account holders have the option of planting a tree in their name and watching it grow on Google Earth. This enables them to contribute towards the betterment of society and make the world a greener place to live in.

As a responsible Bank, MCB Bank has endeavored to promote a paperless environment by introducing an array of Digital Banking services which will help to reduce our dependence on paper. The Bank has adopted green practices such as paperless services which include eco-friendly digital initiatives like Internet Banking, Mobile Banking and Digital Branch Noticeboards. All these initiatives are part of a larger shift towards the use of digital banking instead of branch banking aimed to help reduce the overall carbon footprint of the Bank.

MCB Bank has also introduced web based dispute claim filing utility for all ADC channels as another step towards paperless environment to facilitate customer convenience and resolution within defined turnaround time as well as increasing workplace automation. Certain regulatory processes have also been revised by digitalizing documents and placement on internal servers to reduce paper usage by MCB Staff.

Activities and initiatives taken by the Bank under SBP IH&SMEFD Circular # 08 dated October 09, 2017 are discussed in green banking initiative section.

Energy Conservation and Energy saving measures

Promoting energy conservation is a top priority for the Bank. With the energy crisis looming as a grave national concern, MCB Bank wants to lead by example. The management is keen towards reducing energy consumption by promoting practices that aim to use energy smartly and economically.

In line with the National Policy on Energy Conservation, the Bank emphasizes on strict controls to save Energy by exercising regular monitoring and controls. The updates are reported at higher levels on regular basis. In line with these efforts, MCB Bank has deployed solar power systems in selected branches as a pilot project.

To conserve energy, the Bank has already installed Business Management System (BMS) at two principal buildings of MCB Bank which deploy centralized control to optimize energy consumption. The BMS System is currently being upgraded to further enhance power conservation and reduce carbon footprint. A waste heat cogeneration system is also installed at MCB Center in Lahore and MCB Tower Karachi to further promote sustainability. Besides the above measures, MCB Bank emphasizes on the usage of glass panels on outer walls of buildings so as to utilize maximum sunlight during day time.

A team of competent engineers is also a part of MCB Bank to monitor energy resource utilization to:

1. Manage environmental impact
2. Implement technically and financially feasible measures to improve water consumption

Youth Education and Training

As one of the largest employers in Pakistan, the Bank provides employment opportunities to thousands of deserving candidates.

The Bank has a well-established and systematic approach towards identification of talent and has fair policies in place to promote and recognize shining workforce.

The Bank also encourages internal and external trainings throughout the year and has an in-house dedicated training center where monthly trainings are conducted for the Bank staff. In addition, an annual President level interactive session for the field and operational staff is held to boost employee morale and future performance.

The Bank aims to promote and encourage education beyond its walls by sponsoring the efforts of reputable Institutions. MCB Bank collaborated with the Women University for the construction of their Library in Swabi. It also sponsored the Diamond Jubilee Celebration for Burn Hall College, Abbottabad and Art & Culture Festival organized by The City Schools. The Bank also sponsored potable water coolers to Pir Syed Abdul Qadir Shah Jeelani Institute of Medical Sciences, Khairpur.

During 2018, the Bank also fostered education initiatives by sponsoring extra classes for students of underprivileged backgrounds appearing for Ordinary Level (O'Levels) Examinations at T B Jayah Maha Vidyalaya School through its presence in Sri Lanka.

Sports

The Bank is cognizant of the importance of sports in the development of the nation. During 2018, the Bank has sponsored the Corporate Silver League tournament and the Governor SBP Cup. It also provided sponsorship to All Pakistan Multan Open Golf Championship and the Chairman WAPDA Golf Tournament during 2018.

Women's Economic Empowerment

The Bank has also prioritized the empowerment of women through involvement in the economic cycle. In 2018, the Bank sponsored the 14th Women Chamber of Commerce and Industry – 'She in Trade exhibition' and advised women regarding the different financing facilities available for female entrepreneurs and how to effectively utilize these facilities to set up businesses, thus assisting them in integrating and diversifying in the business community in Pakistan. These entrepreneurs were also advised by our team of SME Bankers on managing their financial needs and providing them with the necessary business related services required to run a successful entrepreneurial venture.

The Bank's product portfolio has also been deployed to foster this goal by actively promoting the MCB Ladies Account Portfolio with 16,000 (approx.) relevant customers. Moreover, free Health Insurance Coverage by Adamjee Insurance Company Limited to all customers complying with the eligibility criteria was also provided accordingly.

Industrial relations

MCB Bank is fully responsible for maintaining a healthy relationship between individual workers and the employer. It places special emphasis upon the social contract that exists between staff and the organization as a whole. Clerical/non clerical staff is represented by a staff union that periodically engages with management to arrive at an equitable and mutually agreed wage award for the unionized staff (clerical/non clerical).

Scholarships are being offered to help meet the educational needs of staff children. During the year the Bank through its platform of "Staff Welfare Fund" spent more than PKR 5 million to assist clerical and non-clerical staff members by providing support to them for purposes such as the marriage of their children or to meet the burial expenses of their departed loved ones. Keeping in view the religious sentiments of our employees, the Bank also sponsored 12 staff to perform Hajj through balloting in 2018.

Employee Engagement through Celebration of National Events

MCB Bank has a legacy of giving back to its country through establishment of a patriotic culture within the Bank. On the auspicious occasion of Independence Day 2018, Marketing Division organized a grand Flag Hoisting ceremony on Pakistan's 71st Anniversary at its Head Office and at its regional office, MCB Tower in Karachi. The events showcased the true sentiment and spirit of this national day as a great number of staff along with families, participated enthusiastically in the events.

The cake cutting ceremony was performed by the President while being surrounded by children of Bank employees. Amongst engaging activities were specially designed Photo Booths with props, Popcorn and Cotton Candy, Face Painting, Goody Bags, Signing Wall and special giveaways. Enthusiastic participation from the children made the event vibrant, colorful and festive. The Head Office of MCB Bank was beautifully illuminated for the celebrations on the nights of Aug 13th and Aug 14th which turned out to be a show stopper.

Green Banking Initiative

MCB Bank is proud of its commitment to promoting environmentally sustainable business practices that help preserve our planet and its precious natural resources. We do this in a multifaceted, holistic manner that simultaneously leverages our strengths and enhances our operational efficiency.



Innovative Product Design

All MCB Fun Club account holders have the option of planting a tree in their name and watch it grow on Google Earth. This enables them to make a direct contribution towards the betterment of society and make the world a greener place to live in.



Paperless Operations

MCB Bank has also introduced web based dispute claim filing utility for all ADC channels as another step towards paperless environment to facilitate customer convenience and resolution within defined turnaround time as well as increasing workplace automation. Certain regulatory processes have also been revised and documents digitalized and stored on internal servers to reduce paper usage by Bank Staff.



Investments in Renewable Energy

As part of a pilot project, MCB Bank has deployed solar power systems in selected branches.



Building Design and Operations

Business Management System:

To conserve energy, the Bank has already installed Business Management System (BMS) at two principal buildings of MCB Bank which deploys centralized control to optimize energy consumption. The BMS System is currently being upgraded to further enhance power conservation and reduce carbon footprint.

Waste Heat Management:

A waste heat cogeneration system is also installed at MCB Center in Lahore and MCB Tower Karachi to further promote sustainability.

Glass Construction:

MCB Bank emphasizes using glass panels on outer walls of buildings so as to utilize maximum sunlight during day time.



Strategic Shift towards Branchless Banking

As a responsible bank, MCB Bank has endeavored to promote a paperless environment by introducing an array of Digital Banking services which will help to reduce our dependence on paper. MCB Bank has adopted green practices such as paperless services which include eco-friendly digital initiatives like Internet Banking, Mobile Banking and Digital Branch Noticeboards at Branches.

Stakeholders Relationship and Engagement

The development of sustained stakeholder relationships is paramount to the performance of any institution. From short term assessments to long-term strategic relationship building, 'Stakeholders' Engagement' lies at the core of our business practices to promote improved risk management, compliance with regulatory and lender requirements while ensuring growth of the Bank.

In achieving and entrenching its integrated approach to sustainability, MCB Bank takes a highly collaborative approach towards ensuring maximum interaction with, and input by all its stakeholders.

At MCB, stakeholder engagement involves far more than merely communicating with its various stakeholder groups. The Bank regards its stakeholders as partners and makes every effort to use all possible mediums to ensure that they are abreast with disclosures, aware of forums to provide valuable input and feedback that can help the Bank to grow, strengthen relations and meet expectations to serve better

The following tables provide an overview of stakeholder engagements at MCB Bank

Stakeholders	Stakeholder worthiness and reasons of engagement	Engagement frequency	Mode of consultation / interaction
Institutional Investors / Shareholders / Analysts	<ul style="list-style-type: none"> To deliver relevant and timely information to existing and potential shareholders To keep shareholders posted to ensure that our shares are traded at a fair value To ensure that the image of the bank and the trust placed in by our valuable shareholders, continues to improve, thereby minimizing the potential for reputational risks. 	Quarterly, semi-annually and annually When the need arises	<ul style="list-style-type: none"> Quarter, semi-annual and annual financial statements Annual General Meeting Participation in local and international road shows Press releases / Media announcements Result release call followed by Q & A session.
Employees	<ul style="list-style-type: none"> Integral to deliver strategic objectives Our most important and valued ambassador To ensure that we remain an employer of choice by providing a safe, positive and inspiring working environment To understand and respond the needs and concerns of our staff members To educate our staff regarding strategic direction and to communicate the pertinent information relating to bank activities 	Annual When the need arises	In addition to the regular communication that takes place with direct managers and teams through a range of interactive channels, specific employees engagement include: <ul style="list-style-type: none"> Regular electronic and printed newsletters Compliance letters Annual conference Strategy sessions Grievance reporting procedure
Customers	<ul style="list-style-type: none"> To win and maintain customers by developing and providing products and services to improve the brand. To understand the growing financial services needs of our customers. To provide better solution and advice to our customers' financial requirements To ensure accuracy of our customers respective information. Integral to achieve strategic objectives 	Regular interaction of customers through branch staff Dependent on customers' specific requirements	<ul style="list-style-type: none"> Interaction through our branches, relationship managers, call centers, social media, surveys and various advertising activities

Stakeholders Relationship and Engagement

Stakeholders	Stakeholder worthiness and reasons of engagement	Engagement frequency	Mode of consultation / interaction
Suppliers/Service Providers	<ul style="list-style-type: none"> Adhere to proper procurement regulations while maintaining a good business relationship with a service providers 	Routine basis/when the need arises	<ul style="list-style-type: none"> Rigorously following internal procurement policy and upgrading the policy regularly to ensure strong control and fair treatment of suppliers
Regulator	<ul style="list-style-type: none"> To maintain open, honest and transparent relationships with regulator To ensure meticulous compliance with legal and regulatory requirements Develop legislation and policies that impact the environment in which we operate 	Daily, weekly, quarterly When the need arises	<ul style="list-style-type: none"> Active engagement with regulator improves level of compliance. These include meetings with representative of regulator and written communications on need basis One-on-one Meeting Submission of applicable statutory returns Responding / enquiring various queries / information
Communities	<ul style="list-style-type: none"> To have best collaboration with our community for delivering our social responsibilities To obtain input from communities regarding key focus areas To create awareness of our integrated sustainability commitments and initiatives 	When the need arises	<p>The Bank actively participates in various social work initiatives as part of its corporate social responsibility.</p> <p>Being a conscientious member of the corporate community, the bank contributes to various social and charitable causes including health, education and social sectors.</p> <p>The Bank is consistent in support for community development projects and interaction with a wide range of non-profit organizations.</p>
Government	<ul style="list-style-type: none"> To build strong and constructive relationship with government, both as a partner in the development of our country and as a current / potential client To contribute in legislative development for evolution in our activities and operations To endorse our commitments for public sector business development 	When the need arises or on request by either side	<ul style="list-style-type: none"> Understanding and ensuring all legal and regulatory requirements are complied with Engaging with the government to address matters impacting business
Media	<ul style="list-style-type: none"> To acknowledge the role of media as a channel to communicate with relevant stakeholders and public at large 	When the need arises	<ul style="list-style-type: none"> Advertisements through print, electronic, social media, website, interviews and capacity building seminars

Investors' Relations section on Corporate Website

The management of the Bank provides equal and fair treatment to all investors/shareholders through transparent investor relations, increased awareness, effective communication, and prompt resolution of investors'/ shareholders' complaints.

The Bank disseminates information to its investors and shareholders through a mix of information exchange platforms, including its corporate website, maintained in both English and Urdu Languages under the applicable regulatory framework. The website is updated regularly to provide detailed and latest Bank information including but not limited to financial highlights, investor information, dividend and other requisite information besides the link to SECP's investor education portal, the 'Jamapunji'.

Stakeholders Relationship and Engagement

Steps to Encourage Minority Shareholders' Participation In AGMs

Apart from being an event for decision making on important matters, Annual General Meeting also provides a forum for two-way engagement with the shareholders, particularly the minority shareholders. Therefore, the Bank takes the following measures to ensure meaningful participation of minority shareholders in AGM:

- Notice of AGM is sent to every member of the Bank at least 21 days before the meeting. The notice was also published in newspapers (both English & Urdu) having nationwide circulation. Moreover, the notice is also circulated from the forum of Pakistan Stock Exchange.
- Annual Report of the Bank is sent to each member of the Bank before AGM in electronic (CD, email) or hard form (on request).
- The shareholders are facilitated to appoint a proxy if they are unable to attend the AGM in person.
- During AGM, a detailed briefing on the Bank's performance and future plans is given to the shareholders both Urdu and English.
- The shareholders are encouraged to raise queries and give suggestions relating to the Bank's operations.

Summary of the Analyst Briefings

Analyst briefings are interactive sessions between the management of the Bank and the investor community whereby the Bank takes the opportunity to apprise the local and foreign investors about the business environment and economic indicators of the country, explain its financial performance, competitive environment in which the Bank operates, investment decisions, challenges faced as well as business outlook.

The idea behind the Bank's investor engagement through these briefings is to give the right perspective of the business affairs of the Bank to the investors (both existing and potential) which help them in making their investment decisions.

The Bank conducts quarterly analyst briefings in order to share details pertaining to results announced and to respond to any queries of analysts relating to results and future prospects.

Other than the quarterly analysts briefing, business analysts are provided with information and briefings as and when they require without compromising on the confidentiality aspect. Face to face sessions are also arranged with local and foreign fund managers as and when required. The briefing further envisages our transparent and continuously evolving stakeholders' engagement approach.

Briefing is being held as teleconferencing and during the year four analysts briefing were held on following dates;

Results	Date
Annual Results 2017	February 28, 2018
1st Quarter Results 2018	May 7, 2018
2nd Quarter Results 2018	August 13, 2018
3rd Quarter Results 2018	November 7, 2018

Issues Raised In The Last Annual General Meeting (AGM)

No significant issue was raised in the last AGM. However, shareholders sought below general clarification during the 70th Annual General Meeting of the Bank held on March 27, 2018:

On an enquiry of the shareholder, Chief Financial Officer mentioned that after the amalgamation of NIB Bank with and into MCB Bank, the Non-Performing Loans ("NPLs"), base for the merged entity was reported at PKR 48.753 billion registered an increase of PKR 27.064 billion when compared with December 2016 numbers.

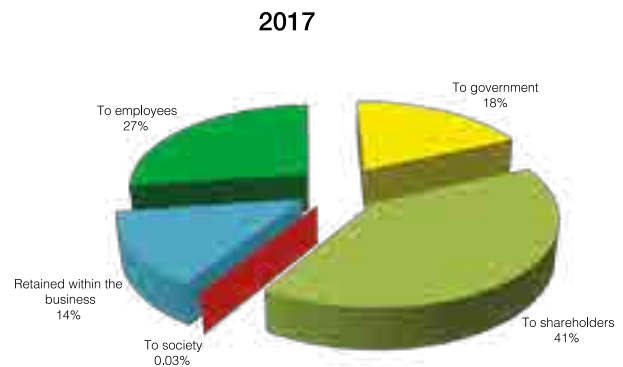
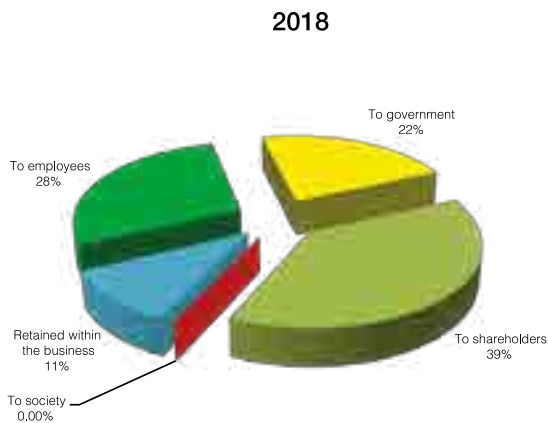
On another query, he further stated that net provision on equity investments amounting to PKR 3.6 billion was booked on account of significant volatility observed on the capital market side. CFO stated that due to declining interest rate, overall banking industry was experiencing compression in net interest margins. He mentioned that profit before tax reported at PKR 31.014 billion with a decrease of 14% over last year and profit after tax was reported at PKR 22.46 billion with an increase of 2.6% over last year on account of prior year's tax reversal..

During question/answer session, shareholders raised few queries regarding Bank's financial and operational matters which were satisfactorily responded by the President of the Bank. While responding to different queries of the shareholders, the President of the Bank stated that at the bottom line, the Bank posted healthy financial results despite a continuous fall in the discount rate and regulatory revisions resulting in low margins. The Bank remained a well-capitalized institution with a capital base well above the regulatory limits and Basel capital requirements. He added that the Bank had the highest cash dividend per share in the Banking industry.

Stakeholders Relationship and Engagement

Statement of Value Added

	2018		2017	
	PKR Mln	%	PKR Mln	%
Value Added				
Net interest income	46,014		42,662	
Non interest income	17,198		18,118	
Operating expenses excluding staff costs, depreciation, amortization and WWF	(15,921)		(13,785)	
Provision against advances, investments & others	1,753		(1,045)	
Value added available for distribution	49,044		45,950	
Distribution of value added:				
To employees				
Remuneration, provident fund and other benefits	14,053	28.65%	12,301	26.77%
To government				
Income tax	10,704	21.83%	8,555	18.62%
To shareholders				
Cash dividends to shareholders	18,961	38.66%	18,673	40.64%
To society				
Donations	1	0.00%	12	0.03%
Retained within the business				
Depreciation, amortization, retained profits and reserves	5,325	10.86%	6,409	13.95%
	49,044	100%	45,950	100%



Code of Conduct

- The Code of Conduct spells out the behaviour expected from employees of MCB Bank Limited (MCB), reflecting fairness, transparency and accountability. The Code of Conduct gives a quick reference check for acceptable business practices.
- However, the Code of Conduct does not replace defined and comprehensive HR Policies of MCB Bank Limited.
- MCB Bank is committed to conduct its business in accordance with the applicable laws, rules and regulations as defined by the State Bank of Pakistan by adhering to high standards of business ethics which reflect our corporate values.
- Adherence to the Code of conduct is mandatory for all employees of MCB Bank Ltd-Pakistan.

In line with code of conduct the employees of the bank shall

Abidance of Laws / Rules

- Conform to and abide by the Bank rules and policies, wherever we operate and obey all lawful orders and directives which may from time to time be given by any person or persons under whose jurisdiction, superintendence or control, the persona will, for the time being, be placed. To undertake at all times compliance with and observation of all applicable laws, regulations and Bank policies, wherever the Bank operates.

Integrity

- Conduct the highest standards of ethics, professional integrity and dignity in all dealings with the public, customers, investors, employees, and government officials, State Bank of Pakistan and fellow Bankers and non-engagement in acts discreditable to the Bank, profession and nation
- In case of awareness of any breaches of laws and regulations, frauds and other criminal activities or other similar serious incidents that might affect the interests of the Bank, the same shall be informed to the senior management immediately, including any issue, which may pose a reputational risk.
- Not use this policy to raise grievances or act in bad faith against colleagues.

Professionalism

- Serve the Bank honestly and faithfully and strictly serve the Bank affairs and the affairs of its constituents, use utmost endeavor to promote the interest and goodwill of the Bank and show courtesy and attention in all transactions/ correspondence with officers of Government, State Bank of Pakistan, other Banks & Financial Institutions, other establishments dealing with the Bank, the Bank constituents and the public.
- In case the employment is terminated for any reason, all rights to property and information generated or obtained as part of employment relationship will remain the exclusive property of MCB.
- Comply with the laws and regulations on money laundering and fraud prevention and immediate

reporting of all suspicions of money laundering as per the guidelines provided in CDD & AML/ CFT Handbook and Anti-fraud Framework Policy for the Management and the staff.

- Not to engage in any act of violation of CDD & AML/ CFT Handbook's guidelines given by the State Bank of Pakistan and be extremely vigilant in protecting MCB Bank from being misused by anyone to launder money by violating these guidelines.
- Ensure that all customer complaints are resolved quickly, fairly and recorded appropriately.

Conflict of Interest

- Avoid all such circumstances in which there is personal conflict of interest, or may appear to be in conflict, with the interest of the Bank or its customers.
- In case of potential conflict of interest, the same should be declared immediately to senior management, action is taken to resolve and manage it in open manner and resolving the conflict of interest on their own would be avoided.
- Report to the Company Secretary within three (3) days about any sale and purchase of MCB shares (own or spouse) in case the annual basic salary exceeds Rs. 500,000/-.
- Not buy, sell or take position in any manner regarding MCB Bank shares during Closed Period, as announced by Company Secretary.

Relatives and close friends

- Avoid conflict of interest arising, where an employee makes or participates in a decision which affects another person with whom one has a personal relationship (such as a relative, parent, spouse, cousin, close friend or personal associate). In cases where a conflict may arise, employees must advise their immediate line manager. Wherever possible, employees should disqualify themselves from dealing with those persons in such situations.

Political Participation

- Not obtain membership of any political party, or take part in, subscribing in aid of, or assist in any way, any political movement in or outside of Pakistan or relating to the affairs of Pakistan.
- Not express views detrimental to the ideology, sovereignty or integrity of Pakistan.
- Not canvass or otherwise interfere or use influence in connection with or take part in any election as a candidate to a legislative/local body or issue an address to the electorate whether in Pakistan or elsewhere. However, the right to vote can be exercised.
- Not bring or attempt to bring political or other pressure/influence directly or indirectly to bear on the authorities/ superior officers or indulge in derogatory pamphleteering, contribute, or write letters to the newspapers, anonymously or in own name contribute or

appear in media, with an intent to induce the authority/superior officers to act in a manner inconsistent with rules, in respect of any matter relating to appointment, promotion, transfer, punishment, retirement or for any other conditions of service of employment.

Financial Interest

- Not indulge in any of the following activities without prior permission of competent authority (GH - HRM for VP & below and President for SVP & Above):
- Borrow money from or in any way place myself under pecuniary obligation to a broker or moneylender or anyone, including but not limited to any firm, company or person having dealings with the Bank.
- Buy or sell stock, shares or securities of any description without funds to meet the full cost in the case of purchase or scripts for delivery in the case of sale. However, a bona-fide investment of own funds in such stocks, shares and securities as wished can be made.
- Lend money in private capacity to a constituent of the Bank or have personal dealings with a constituent in the purchase or sale of bills of exchange, Government paper or any other securities.
- Act as agent for an insurance company otherwise than as agent for or on behalf of the Bank.
- Be connected with the formation or management of a joint stock company or hold office of a director.
- Engage in any other commercial business or pursuit, either on own account or as agent for another or others.
- Engage in any outside employment or office whether stipendiary or honorary during my employment with MCB Bank.
- Undertake part-time work for a private or public body or private person, or accept fee thereof.
- Any kind of trading advice concerning the securities of MCB Bank or to third parties even when such director, officer or employee does not possess material nonpublic information about MCB Bank.
- In reviewing or approving a loan application from a corporation wherein holding office as director, partner or guarantor.

Gift, Favors Etc.

- Not use the employment status to seek personal gain from those doing business or seeking to do business with MCB, nor accept such gain if offered.
- Not accept any gift, favors, entertainment or other benefit the size or frequency of which exceeds normal business contacts from clients, stakeholders, colleagues of the Bank or from persons likely to have dealings with the Bank including candidates for employment in the Bank.
- Reporting in writing to immediate supervisor within three working days in case any sizeable gift / favor is received from any third parties.

Confidentiality

- Maintain the privacy and confidentiality (during the course of employment and after its termination for whatever reason), of all the information acquired during the course of professional activities and refrain from disclosing the same unless otherwise required by statutory authorities / law. Inside information about Bank's customers/affairs including customer data, product manuals, confidential financial and business information of the Bank etc., shall not be used for own gain or for that of others either directly or indirectly.
- Not trade in relevant investments or indulge in giving tips to another person or dealing on behalf of relatives, friends or any other third parties, whilst in possession of non-public price sensitive information.
- Not disclose to a customer or customers or to any irrelevant quarter(s) that a suspicious transaction or related information is being reported for investigation unless any law enforcement agency requires any lawful information. (Only authorized representatives can pass on information to Law enforcing agencies after obtaining clearance on information content from relevant GH / BH(for RBG) and LAG representative).

Data Security

- Only access or update the system and data according to the authority given by the Bank. Any unauthorized access or updation will hold the person liable for a penal action by the Bank in accordance with HR policies.
- Not compromise access to system by communicating identification and /or passwords to others.
- Ensure that material non-public information is secure. Not discuss such information in public places where it can be overheard, such as elevators, restaurants, taxis and airplanes.

Communication / Contact with Media

- Be truthful in all advertisements and promotional efforts and to publish only accurate information about the Bank operations under valid authority as prescribed in the Bank policy.
- Not give any kind of confidential information or interview on behalf of the Bank or in my official capacity in the print/electronic media or road / talk shows or participate or act in television/stage plays or in any media or cinema without having permission from the Head of Corporate Communication & GH - HRM.

Speak Up

- To inform line management & HR of any perceived wrong doing / malpractice at any level, as an obligation to report it under the Bank whistle blowing program / policy.

Business / Work Ethics

- Respect fellow colleagues and work as a team. To be, at all times, courteous and not to let any personal differences affect work.

Customer Centricity

- Treat every customer of the Bank with respect and courtesy.
- Be responsive to customer complaints, and to feedback on products and services.
- Provide relevant, complete and clear information to customers to the best of one's knowledge.
- Sell products or services to customers that are within the legitimate scope of one's job.
- Remain update with the latest products of the Bank, and provide all relevant information to the customers.

Personal Responsibility

- Safeguard as a personal responsibility, both the tangible and intangible assets of MCB and its customer(s) that are under personal control and not to use Bank assets for personal benefits except where permitted by MCB.
- Not use any Bank facilities including a car or telephone to promote trade union activities, or carry weapons into Bank premises unless so authorized by the management, or to carry on trade union activities during office hours, or in banking premises, or subject Bank officials to physical harassment or abuse.

Punctuality

- Ensure attendance and punctuality as per HR policies, departmental requirements & job standards and for any absence during working hours obtain written permission of the immediate supervisor.

Dress Code

- Maintain a standard of personal hygiene / neatness and follow MCB Bank dress code policy in true spirit to promote a professional work environment during office hours.

International Travel

- Be culturally sensitive to the socio-cultural norms of the host country.
- Represent Country and organization by conforming to high standards of personal and professional ethics at all times.

Work Environment

- Cooperate in maintaining a healthy and productive work environment and not get engaged in the selling, manufacturing and distributing using any illegal substance or being under the influence of illegal drugs or alcohol while on the job.
- Ensure strict adherence to all policies of the Bank, as announced by the management from time to time and contribute utmost effort in maintaining a conducive work environment.

Usage of Communication Tools

- Ensure strict adherence to the use of internet, emails and telephone provided by the Bank for official use only.

- Never use the Bank system to transmit or receive electronic images or text containing ethnic slurs, social epithets or anything that might be construed as harassing, offensive or insulting to others.
- Never utilize Bank system to disseminate any material detrimental to the ideology, sovereignty or integrity of Pakistan.
- Never indulge and /or utilize the Bank system for supporting any terrorist activity within and / or outside Pakistan.

Reporting and Accountability

- Maintain all books, data, information and records with scrupulous integrity, reflecting in an accurate and timely manner and to ensure that all business transactions are reported and documented correctly according to the business practices. Ensure facts are not misinterpreted / misused /tampereed pertaining to:
- Issuing an incorrect account statement / any other information for any customer or fellow employees / management.
- Placing a fake claim for reimbursement of any expenses (including medical insurance).
- Unrecorded or recorded funds / assets or any other Bank's documents.
- Posting of false, artificial or misleading entries in the books or record of the Bank.
- Intimate line management and HRM of any changes in the personal circumstances relating to service tenure and other related benefits, provided by the Bank.

Ethics for working with Female Employees

Gender Discrimination In Employment Training / Promotion

- Ensure adherence to the guidelines of MCB Bank's non-discrimination on the basis of gender which limits the individual's right of recruitment, future training, promotion and any other related benefits.

Zero Tolerance for Favoritism or Discrimination

- Not be a part of any undue favor / discriminatory advantage to any colleague / subordinate staff.

Personal Space

- No right to intrude on the personal space / close proximity of any staff particularly females.

Female Staff/Employee Privacy

- Recognize that female staff have more privacy and sensitivity needs in keeping with our cultural norms. Therefore, behaviour towards them must reflect that sensitivity, respect and consideration.

Harassment Against Women

- Any type of harassment is not acceptable at MCB Bank. Harassment occurs when someone's actions or words, based on gender, race, sexuality, caste, creed, and color

are unwelcome, violate another person's dignity and creates a hostile environment. (Reference to HR Policy Manual section 6, 6.2.5, Protection against harassment of women at the workplace Act, 2010)

- Accordingly, not engage in harassment in any form. It may include objectionable epithets, threatened or actual physical harm and intimidating conduct directed against the individual that negatively affects the performance and well-being of an individual.

Sexual Harassment

- Keeping in mind the Bank's policy with reference to the Protection against harassment of Women at the Workplace Act, 2010, adherence to all guidelines given by the Bank.

Communication

- Not send sexually explicit or offensive communications and respect the privacy of fellow employee especially female employees. Following factors should be adhered to in order to maintain effective communication and ethical standards:
 1. Not send any electronic mail that is abusive or threatens the safety of an Individual(s).
 2. Always use a professional tone in all official communications.
 3. Be careful when using sarcasm and humor

Workplace bullying

Refrain from any form of Workplace bullying:

- Shouting or swearing at an employee or otherwise verbally abusing him / her.
- Singling out an employee for excessive criticism/public humiliation.
- Excluding an employee from company activities and undermining his / her work contributions.
- Language or actions that embarrass or humiliate an employee.
- Inappropriate practical jokes, especially if they are targeted.

Insider Trading

Comply with insider trading policy and to abide by all guidelines provided in the policy.

Statement on Internal Controls

The internal control structure of MCB Bank Limited (Bank) comprises the Board of Directors, Senior Management, Risk Management Group, Financial Control Group, Operations Group, Compliance & Controls Group, Audit & Risk Assets Review (Audit & RAR) Group, Internal Control Units (ICUs) within all Groups and the controls & self-assessment procedures implemented at other functions within the Bank. The Bank's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures under the policies approved by the Board. The management is also responsible for evaluating effectiveness of the Bank's internal control system that covers material matters through identification of control objectives as well as review of significant policies and procedures.

Bank's internal control system has been designed to identify and mitigate the risk of failure to achieve overall business objectives of the Bank. Internal controls and policies are designed to provide reasonable assurance regarding the effectiveness and efficiency of the Bank's operations, reliability of financial information and compliance with applicable laws & regulations. However, it needs to be stated that systems are designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Bank has adopted the Integrated Framework on Internal Controls issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and has completed all the stages as set out in the roadmap provided by the State Bank of Pakistan (SBP) through the Guidelines on Internal Controls. Bank's assessment included documenting, evaluating and testing of the design and operating effectiveness of its Internal Controls over Financial Reporting (ICFR). Bank has developed a management testing and reporting framework for monitoring ongoing operating effectiveness of key controls.

Concerted efforts are made by every Group to improve the control environment at grass root level by regularly reviewing and streamlining procedures to prevent and rectify control lapses as well as imparting training for improvement at various levels. Compliance & Controls Group (CCG), through its Regional Compliance Officers (RCOs) and centralized automated AML monitoring solution, also oversees adherence to the regulatory requirements, with specific emphasis on Anti-Money Laundering (AML) / Combatting the Financing of Terrorism (CFT). In addition, CCG also leads the Management's Committee on AML/CFT for oversight of AML/CFT compliance with respect to relevant laws, regulations, policies and procedures.

The scope of Audit & RAR Group, independent from the management, inter alia includes, review and assessment of the adequacy and effectiveness of the control activities across the Bank as well as evaluation of compliance with the Bank's prescribed policies and procedures. All significant / material findings of the internal audit activities are reported to the Board's Audit Committee. The Audit Committee actively monitors implementation of internal controls to ensure that identified risks are mitigated to safeguard interest of the Bank.

All significant and material findings of the internal and external auditors as well as observations of the regulators are addressed

on priority by the management and their status is reported periodically to the Board's Audit Committee and the Board's Compliance Review & Monitoring Committee respectively, which ensured that the management took appropriate corrective actions and put in place a system to minimize repetition for strengthening of the control environment.

A separate Issues Tracking & Monitoring (ITAM) structure with membership comprising of senior management is also in place. Periodic meetings of management sub-committees formed for this purpose are held with the goal to expedite the resolution/compliance of issues identified by the Regulators, Statutory Auditors as well as Audit & RAR Group. The Management Committee chaired by the Bank's President / Chief Executive Officer monitors the performance of sub-committees on annual basis.

In accordance with SBP's directives and as stated earlier, the Bank has completed all stages of ICFR roadmap and a Long Form Report (LFR) on the assessment of Bank's ICFR for the year 2017 issued by the statutory auditors has been submitted to SBP in compliance with its directives stated in OSED Circular No. 1 of 2014 dated February 07, 2014. None of the deficiencies identified had a material impact on Financial Reporting.

Based upon the results derived through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Bank's existing internal control system is adequate and has been effectively implemented and monitored. The management will continue enhancing its coverage and compliance with the SBP Guidelines on Internal Controls and further strengthening its control environment on an ongoing basis.

Based on the above, the Board of Directors has duly endorsed management's evaluation of internal controls including ICFR in the Directors' report.



Farid Ahmad
Chief Compliance Officer
Compliance & Controls



Kamran Zaffar Muggo
Group Head
Operations



Hammad Khalid
Chief Financial Officer



Muhammad Farooq Wasi
Group Head
Audit & Risk Assets Review

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

MCB Bank Limited For the year ended December 31, 2018

MCB Bank Limited ("MCB" or the "Bank") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the "Regulations") in the following manner:

1. The total number of Directors are 12 as per the following:

- a. Male: 11
- b. Female: 01

2. The composition of the Board is as follows:

Category	Name
*Independent Directors	Mr. Yahya Saleem Mr. Salman Khalid Butt
Non-Executive Directors	Mian Mohammad Mansha Mr. S. M. Muneer Mr. Muhammad Tariq Rafi Mian Umer Mansha Mrs. Iqraa Hassan Mansha Mr. Muhammad Ali Zeb Mr. Mohd Suhail Amar Suresh Bin Abdullah Mr. Nor Hizam Bin Hashim
Executive Director (President & CEO)	Mr. Imran Maqbool

*The State Bank of Pakistan ("SBP") and the Securities & Exchange Commission of Pakistan ("SECP") have granted relaxation to MCB Bank Limited from the requirement of minimum number of four (4) Independent Directors as required under BPRD Circular No. 15 of 2016 dated December 28, 2016 and the Regulation 6(1) of the Regulations, respectively, till March 31, 2019.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including the Bank.
4. The Bank has prepared 'Code of Conduct' for employees and 'Code of Conduct & Ethical Standards' for directors 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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the "Act") and the Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by the Vice Chairman or a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The majority of the Board Members either has minimum education and experience as required under regulation 20 (2) for exemption from Directors Training Program, or has already completed Directors Training Program pursuant to the requirements of the Regulations. During the year, the Board has arranged Directors' Training program for Mrs. Iqraa Hassan Mansha.
10. During the year, the Board has approved appointment of Chief Financial Officer ("CFO") including his remuneration and terms & conditions of employment and complied with relevant requirements of the Regulations.
11. The CFO and the President & Chief Executive Officer ("CEO") duly endorsed the financial statements before approval of the Board.

12. The Board has formed Eight (8) Committees. The names and composition of Committees along with the details of Committee(s) Members have been given in the Section on Corporate Governance.
13. The Terms of Reference ("TORs") of the aforesaid Committees have been formed, documented and advised to the respective Committee for compliance.
14. The frequency of the Committee meetings has been given in the Section on Corporate Governance.
15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the Bank.
16. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan ("ICAP") and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the ICAP.
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 other requirements of the Regulations have been complied with.

For and on behalf of the Board of Directors

Imran Maqbool

Imran Maqbool
President & CEO
MCB Bank Limited

Iqraa Hassan Mansha

Iqraa Hassan Mansha
Director

February 20, 2019

Lahore

Independent Auditor's Review Report To the members of MCB Bank Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of MCB Bank Limited (the "Bank") for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

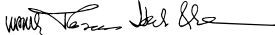
The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 2018.

March 04, 2019
Lahore



KPMG Taseer Hadi & Co.
Chartered Accountants
M.Rehan Chughtai

Report of the Audit Committee

Composition of Audit Committee

The Audit Committee comprises four (4) non-executive directors including one Independent Director, who is also the Chairman of the Committee. The members of the Audit Committee are qualified professionals and possess enriched experience of working at the Boards & Senior Management levels of entities operating in both banking and non-banking sectors. Further, two members are qualified chartered accountants.

Role of audit committee to discharge its responsibilities towards financial statements and committee overall approach to risk management:

- The Head of Internal Audit has direct access to the Chairman of the Board Audit Committee and in line with the requirements of Listed Companies (Code of Corporate Governance) Regulations – 2017, the Group Head Audit & RAR functionally reports to the Board's Audit Committee and administratively to Bank's President / CEO. The Committee ensures staffing of the internal audit function with personnel of sufficient internal audit knowledge and experience, as well as equipping of the function with necessary resources and authority to execute their responsibilities independently and objectively.
- The committee approves and oversees the risk assessment, annual audit plan and related enablers/budget along with resource requirements of Audit & Risk Assets Review (Audit & RAR) Group.
- All significant and material findings of the internal audit activities are reported to the Audit Committee. The Audit Committee actively monitors implementation of internal controls to ensure that identified risks are mitigated to safeguard the interest of the Bank.
- Audit Committee actively engages in the review of the Bank's quarterly, half yearly and annual financial statements as well as oversight of internal audit activities in accordance with the requirements of Listed Companies (Code of Corporate Governance) Regulations – 2017 and the Charter of the Board Audit Committee, duly approved by the Board of Directors.
- The Committee understands its responsibility to ensure that the significant issues in relation to financial statements are addressed properly by debating and challenging the critical judgements and estimates made by the management. Furthermore, Audit & RAR group also reviews the Bank's quarterly, half yearly and annual financial statements and discusses the significant matters with management.
- The committee ensures the independence of external auditors, effectiveness of external audit process and appointment/reappointment of external auditors by performing the followings:
 - Review the terms of engagement and ensure that external auditors are independent to the Bank in terms of regulatory requirements.
 - Ensure that external auditors have resources and professional qualification to conduct the audit.
 - The Auditors have been allowed direct access to the Audit Committee.
 - Discuss external auditors' feedback on the Banks' critical accounting estimates and judgements.
 - Discuss the significant control issues and significant audit matters identified by external auditors

Audit Committee held five (5) meetings, during the year 2018, and following matters (including significant matters) were discussed:

- Reviewed the quarterly, half yearly and annual financial statements of the Bank, and recommended them for approval of the Board of Directors. The committee concluded that the annual report was fair, balanced and understandable and also provided the necessary information for shareholders to assess the Bank's position and performance, business model and strategy.
- Reviewed the disclosure of related party transactions prior to their approval by the Board of Directors (BOD).
- Reviewed the status of compliance against observations highlighted by internal and external auditors, including regular updates on the rectification actions taken by the management in response to the audit findings.
- Reviewed the status of implementation of decisions of BOD and its Sub-Committees.
- Reviewed significant issues highlighted by internal auditors during audits/reviews of branches and other functions of the Bank.
- Reviewed analysis related to significant frauds and forgery incidents in the Bank, with specific focus on nature and reasons along with Management action(s) thereof. Review of annual fraud risk assessment along with action plan for strengthening of internal controls.
- Approval and oversight of risk assessment, annual audit plan and related enablers/budget along with resource requirements of Audit & Risk Assets Review (Audit & RAR) Group.
- Reviewed the status of trainings imparted to internal audit staff, along with status of activities under Quality Assurance & Improvement Program of Internal Audit.

- Reviewed the resolution status of complaints lodged under the Bank's Whistle Blowing Program.
- Reviewed the performance of Audit & RAR Group against its Key Performance Indicators (KPIs).
- Approval of Audit Group's increments, bonuses, promotions and performance appraisal of Group Head Audit & RAR in line with the requirements of Listed Companies (Code of Corporate Governance) Regulations - 2017
- Reviewed the progress on Audit Group's Strategic Initiatives and Milestones.
- Being eligible for reappointment as Auditors of the Bank, the committee had recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as external auditors of the Bank for the year ending December 31, 2019 as it is one of the big four audit firm and has thorough knowledge of the Bank's business and industry.
- In addition to the above, the Committee also reviewed and recommended the following to the Board:
 - Internal Audit Policy (version 8.0);
 - Internal Audit Policy for Wholesale Banking Operations – UAE (version 4.0);
 - Addendum to Internal Audit Manual (version 6.0);
 - Internal Audit Manual Sri Lanka Operations (version 3.0)
 - Statement on Internal Control by the Management prior to endorsement by the Board.

Committee performance

Performance of the Audit Committee is annually reviewed by the Board of Directors and Board appreciated the Committee's role in thoroughly reviewing the financial statements and Bank's internal audit function and other financial matters of critical importance.

Internal Control Framework and role of Internal Audit

The Bank's internal control structure comprises the Board of Directors, Senior Management, Risk Management Group, Compliance & Controls Group, Financial Control Group, the controls and self-assessment procedures implemented at other functions within the Bank; and Audit & RAR Group. Audit & RAR Group functionally reports to the Board's Audit Committee and administratively to Bank's President / CEO. The Management is responsible for establishing and maintaining a system of adequate and effective internal controls and procedures for implementing strategy and policies, as approved by the Board of Directors. The Bank has adopted integrated framework on Internal Controls issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and has completed all the stages, as set out in the roadmap provided by the State Bank of Pakistan (SBP) through the Guidelines on Internal Controls.

Audit & RAR Group has performed its role effectively on both assurance and consultative fronts. The Group played pivotal role in evaluating the efficacy of Bank's control systems and contributing towards their ongoing effectiveness by enhancing visibility of the Board and the management on the risk management and internal control matters of the Bank.

The Audit Committee will continue to provide guidance to the Audit & RAR Group and the management for further strengthening of Bank's risk management practices and internal control environment.



Yahya Saleem
Chairman Audit Committee
MCB Bank Limited



Unconsolidated Financial Statements 2018

Auditor's Report To The Members

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of MCB Bank Limited ("the Bank"), which comprise the unconsolidated statement of financial position as at December 31, 2018 and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows for the year then ended, along with unaudited certified returns received from the branches except for 50 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current year. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Provision against advances	
	<p>Refer to note 10 and the accounting policies in notes 4.2 (b) and 5.3 to the unconsolidated financial statements.</p> <p>The Bank's advances to the customers represent 33.61% of its total assets as at December 31 2018 and are stated at Rs. 503.58 billion which is net of provision of Rs. 43.21 billion at the year end.</p> <p>The provision against advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and compliance with the Prudential Regulations (PRs) issued by the State Bank of Pakistan.</p>	<p>Our audit procedures in respect of provision against loans and advances included the following:</p> <ul style="list-style-type: none"> Assessing the design and operating effectiveness of manual and automated controls over classification and provisioning of advances including: <ul style="list-style-type: none"> The accuracy of data input into the system used for disbursement and recovery of credit facilities; Controls over correct classification of non-performing advances on time based criteria; Controls over accurate computation and recording of provisions; and Controls over the governance and approval process related to provision. Testing, on a sample basis, credit exposures identified by the management as displaying indicators of impairment, assessed the number of days overdue and assessed appropriateness of amount reported for provision in accordance with the PRs; Testing, on a sample basis, credit exposure where the management has not identified as displaying indicators of impairment challenged the management's assessment by reviewing the historical performances, account movement, financial ratios and reports on security maintained and formed our own view whether any impairment indicators are present; For consumer and SME advances, analyzed the days past due report for calculation of provision required in accordance with PRs; and Checking, on a sample basis, accuracy of specific provision against non-performing advances and of general provision against consumer and SME advances by re-computing the provision made in accordance with the criteria prescribed under the PRs.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
2	Valuation of Investments	
	<p>Refer to note 9 and the accounting policies in notes 4.2 (c) and 5.1 to the unconsolidated financial statements.</p> <p>As at December 31, 2018, the Bank has investments classified as "Available-for-sale", "Held for trading" and "Held to maturity", amounting to Rs. 736.62 billion which in aggregate represent 49.17 % of the total assets of the Bank.</p> <p>Investments are carried at cost or fair value in the accordance with the Bank's accounting policy relating to their recognition. Provision against investments is based on impairment policy of the Bank which includes both objective and subjective factors.</p> <p>We identified the valuation of investments including determination of impairment allowance on investments classified as 'Available-for-sale' and "Held to maturity" as a key audit matter because of their significance in relation to the total assets of the Bank and judgment involved in assessing impairment allowance.</p>	<p>Our procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> Assessing the design and tested the operating effectiveness of the relevant controls in place relating to valuation of investments; Checking, on a sample basis, the valuation of investments to supporting documents, externally quoted market prices and break-up values; and Evaluating the management's assessment of available for sale and held to maturity investments for any additional impairment in accordance with the Bank's accounting policies and performed an independent assessment of the assumptions.
3	Change in the format of the financial statements	
	<p>Refer note 3.2 to the unconsolidated financial statements.</p> <p>The State Bank of Pakistan (SBP) has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these unconsolidated financial statements on the new format prescribed by the State Bank of Pakistan. As part of this transition to the new requirements, the management performed a gap analysis to identify differences between the previous and current format. The adoption of the new format required certain recognition requirements and reclassification of certain financial information. The amended format also introduced certain new disclosures in the unconsolidated financial statements.</p> <p>In view of the significant impact of the first time adoption of the revised format on these unconsolidated financial statements, we considered this a key audit matter.</p>	<p>Our audit procedures to assess compliance with the requirements of the SBP's amended format of annual financial statements for banks included the following:</p> <ul style="list-style-type: none"> considering the management's process to identify the changes required in the unconsolidated financial statements to comply with the new format; and obtaining relevant underlying supports relating to changes required in the unconsolidated financial statements consequent to the adoption of the new format to assess their appropriateness and verified them on test basis.

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Bank's Annual Report but does not include the unconsolidated financial statements and our auditors' report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current year 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:


Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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;
- 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.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is M. Rehan Chughtai.

Lahore
Date: March 04, 2019


KPMG Taseer Hadi & Co.
Chartered Accountants
M. Rehan Chughtai

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	Note	2018	2017 Restated (Rupees in '000)	2016 Restated
ASSETS				
Cash and balances with treasury banks	6	103,174,597	106,072,084	74,222,347
Balances with other banks	7	11,878,975	4,579,275	4,343,841
Lendings to financial institutions	8	35,106,241	4,398,114	2,809,752
Investments	9	749,368,738	656,963,632	555,928,553
Advances	10	503,581,323	469,355,849	348,116,617
Fixed assets	11	41,069,761	39,169,606	32,409,385
Intangible assets	12	372,336	404,326	343,287
Deferred tax assets		-	-	-
Other assets	13	53,578,090	62,295,005	54,191,408
		1,498,130,061	1,343,237,891	1,072,365,190
LIABILITIES				
Bills payable	15	15,699,280	22,680,667	12,843,552
Borrowings	16	216,018,886	133,069,556	74,515,383
Deposits and other accounts	17	1,049,037,615	968,482,635	781,429,823
Liabilities against assets subject to finance lease		-	-	-
Subordinated debt	18	3,891,019	3,892,578	-
Deferred tax liabilities	19	1,532,177	4,625,035	11,260,215
Other liabilities	20	62,673,355	56,921,083	50,689,592
		1,348,852,332	1,189,671,554	930,738,565
NET ASSETS		149,277,729	153,566,337	141,626,625
REPRESENTED BY				
Share capital	21	11,850,600	11,850,600	11,130,307
Reserves	22	74,147,981	70,866,473	53,346,861
Surplus on revaluation of assets	23	9,747,104	17,073,207	23,680,385
Unappropriated profit		53,532,044	53,776,057	53,469,072
		149,277,729	153,566,337	141,626,625
CONTINGENCIES AND COMMITMENTS	24			

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



Imran Maqbool
President/Chief Executive



Hammad Khalid
Chief Financial Officer



S. M. Muneer
Director



Muhammad Tariq Rafi
Director



Muhammad Ali Zeb
Director

UNCONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017	
(Rupees in '000)				
Mark-up / return / interest earned	26	83,318,994	74,090,972	
Mark-up / return / interest expensed	27	37,304,844	31,428,759	
Net mark-up / interest income		46,014,150	42,662,213	
NON MARK-UP / INTEREST INCOME				
Fee and commission income	28	10,730,504	9,740,744	
Dividend income		1,280,143	1,941,452	
Foreign exchange income		3,420,342	1,636,307	
Income from derivatives		11,845	15,487	
Gain on securities	29	1,293,131	4,741,006	
Other Income	30	462,161	42,958	
Total non-markup / interest Income		17,198,126	18,117,954	
Total Income		63,212,276	60,780,167	
NON MARK-UP / INTEREST EXPENSES				
Operating expenses	31	32,090,793	27,957,811	
Workers welfare fund		641,272	620,284	
Other charges	32	169,849	142,845	
Total non-markup / interest expenses		32,901,914	28,720,940	
Profit before provisions		30,310,362	32,059,227	
(Reversals) / provisions and write offs - net	33	(1,753,256)	1,045,019	
Extra ordinary / unusual items		-	-	
PROFIT BEFORE TAXATION		32,063,618	31,014,208	
Taxation	34	10,704,040	8,555,307	
PROFIT AFTER TAXATION		21,359,578	22,458,901	
Basic and diluted earnings per share	Rupees	35	18.02	19.56

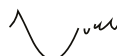
The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



Imran Maqbool
President/Chief Executive



Hammad Khalid
Chief Financial Officer



S. M. Muneer
Director



Muhammad Tariq Rafi
Director



Muhammad Ali Zeb
Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	(Rupees in '000)	
Profit after taxation for the year	21,359,578	22,458,901
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	1,145,550	316,819
Movement in surplus/ deficit on revaluation of investments - net of tax	(7,346,264)	(6,552,030)
	(6,200,714)	(6,235,211)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	(659,286)	(1,574,891)
Movement in surplus on revaluation of non-banking assets - net of tax	172,774	(1,557)
	(486,512)	(1,576,448)
Total comprehensive income	<u>14,672,352</u>	<u>14,647,242</u>

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



Imran Maqbool
President/Chief Executive



Hammad Khalid
Chief Financial Officer



S. M. Muneer
Director



Muhammad Tariq Rafi
Director



Muhammad Ali Zeb
Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

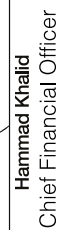
	Share capital		Capital reserve		Statutory reserve		Revenue reserve		Surplus/(deficit) on revaluation of		Unappropriated profit	Total
	Share premium	Non-distributable capital reserve	Exchange transition reserve	General reserve	Investments	Fixed / non-banking assets						
						General reserve	Investments					
(Rupees in '000)												
Balance as at December 31, 2016 - as previously reported	11,130,307	9,702,628	-	167,174	24,877,159	-	18,600,000	-	-	-	53,469,072	117,946,240
Reclassification of surplus to equity (note 3.2)	-	-	-	-	-	-	-	12,540,235	-	-	-	23,680,385
Balance as at December 31, 2016 - restated	11,130,307	9,702,628	-	167,174	24,877,159	-	18,600,000	12,540,235	-	-	53,469,072	141,626,625
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-	-	-	-	-	22,458,901	22,458,901
Profit after taxation for the year ended December 31, 2017	-	-	-	316,819	-	-	-	(6,552,030)	(1,557)	(1,557)	(1,574,891)	(7,811,659)
Other comprehensive income - net of tax	-	-	-	316,819	-	-	-	(6,552,030)	(1,557)	(1,557)	20,684,010	14,647,242
Transfer to statutory reserve	-	-	-	-	2,245,890	-	-	-	-	-	(2,245,890)	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	-	53,591	-
Shares issued under amalgamation scheme	720,293	14,048,686	-	-	-	-	-	-	-	(63,591)	-	-
Gain on bargain purchase arising on amalgamation of NIB Bank Limited	-	-	908,317	-	-	-	-	-	-	-	-	14,768,879
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	908,317
Final cash dividend at Rs. 4.0 per share - December 31, 2016	-	-	-	-	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - March 31, 2017	-	-	-	-	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - June 30, 2017	-	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - September 30, 2017	-	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Balance as at December 31, 2017	11,850,600	23,751,114	-	483,893	27,123,049	-	18,600,000	4,588,120	12,485,087	53,776,057	53,776,057	153,566,337
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	21,359,578	21,359,578
Profit after taxation for the year ended December 31, 2018	-	-	-	1,145,550	-	-	-	(7,346,264)	172,774	(659,296)	(6,667,226)	(6,667,226)
Other comprehensive income - net of tax	-	-	-	1,145,550	-	-	-	(7,346,264)	172,774	20,700,292	(2,135,958)	14,672,352
Transfer to statutory reserve	-	-	-	-	2,135,958	-	-	-	-	-	(2,135,958)	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	(63,532)	53,532	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	-	(99,081)	99,081	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend at Rs. 4.0 per share - December 31, 2017	-	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - March 31, 2018	-	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - June 30, 2018	-	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - September 30, 2018	-	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Balance as at December 31, 2018	11,850,600	23,751,114	-	908,317	28,259,007	-	18,600,000	(2,768,144)	12,605,248	53,532,044	53,532,044	149,277,729

For details of dividend declaration and appropriations, please refer note 46 to these unconsolidated financial statements.

For details of reserves, please refer note 22 to these unconsolidated financial statements.

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.


Imran Maqbool
President/Chief Executive


Hamad Khalid
Chief Financial Officer


S. M. Muneer
Director


Muhammad Tariq Rafi
Director


Muhammad Ali Zeb
Director

UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		32,063,618	31,014,208
Less: Dividend income		(1,280,143)	(1,941,452)
		30,783,475	29,072,756
Adjustments:			
Depreciation on fixed assets	11.2	1,980,606	1,729,288
Depreciation on non-banking assets acquired in satisfaction of claims	31	49,155	29,947
Amortization	12	255,629	243,529
(Reversals) / provisions and write offs - net	33	(1,753,256)	1,045,019
Fixed assets written off	32	-	13
Workers welfare fund		641,272	620,284
Gain on sale of fixed assets	30	(245,655)	(19,938)
Gain on sale of non-banking assets acquired in satisfaction of claims	30	(82,410)	(515)
Charge / (reversal) for defined benefit plan	31.1	943,661	(144,497)
Unrealized loss on revaluation of investments classified as held for trading	29	2,473	5,652
Gain on sale of shares in associates		(247,677)	(685,593)
		1,543,798	2,823,189
		32,327,273	31,895,945
Increase in operating assets			
Lendings to financial institutions		(30,708,127)	(1,588,362)
Held-for-trading securities		(9,337,983)	112,913
Advances		(31,435,283)	(49,078,590)
Others assets (excluding advance taxation)		204,829	(2,211,011)
		(71,276,564)	(52,765,050)
Increase in operating liabilities			
Bills Payable		(5,767,177)	6,898,925
Borrowings from financial institutions		82,185,800	33,326,416
Deposits		102,473,306	105,311,968
Other liabilities (excluding current taxation)		6,921,268	4,391,352
		185,813,197	149,928,661
		(343,743)	(329,179)
		(3,299,463)	(7,720,604)
Defined benefits paid			
Income tax paid		(3,299,463)	(7,720,604)
Net cash flow from operating activities		143,220,700	121,009,773
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(93,718,703)	(80,857,270)
Net investments in held-to-maturity securities		(1,450,938)	(4,217,188)
Net cash inflow on amalgamation		-	14,268,116
Net cash outflow on demerger		(22,214,180)	-
Investment in a subsidiary		(1,200,000)	-
Proceeds from divestment in an associate		295,448	782,817
Dividends received		1,602,884	1,635,740
Investments in fixed assets		(4,261,454)	(4,440,101)
Investments in Intangible assets		(221,949)	(304,492)
Proceeds from sale of fixed assets		573,958	36,432
Proceeds from sale of non-banking assets acquired in satisfaction of claims		682,410	108,070
Effect of translation of net investment in foreign branches		1,145,550	316,819
Net cash flow used in investing activities		(118,766,974)	(72,671,057)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of Subordinated debt		(1,559)	(779)
Dividend paid		(20,090,805)	(17,201,874)
Net cash flow from operating activities		(20,092,364)	(17,202,653)
Effects of exchange rate changes on cash and cash equivalents		5,575,328	1,040,532
Cash and cash equivalents transferred to MIB under the scheme of demerger		(722,679)	-
Increase in cash and cash equivalents		9,214,011	32,176,595
Cash and cash equivalents at beginning of the year	36	103,967,397	77,366,130
Cash and cash equivalents at end of the year	36	113,181,408	109,542,725

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



Imran Maqbool
President/Chief Executive



Hammad Khalid
Chief Financial Officer



S. M. Muneer
Director



Muhammad Tariq Rafi
Director



Muhammad Ali Zeb
Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. STATUS AND NATURE OF BUSINESS

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on the Pakistan stock exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,376 branches (2017: 1,433 branches) within Pakistan and 11 branches (2017: 11 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

1.1 Demerger of 90 branches from MCB Bank Limited

The Board of Directors in their meeting held on October 25, 2017 had approved the "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and its wholly owned subsidiary MCB Islamic Bank Limited (MIB)". The Scheme envisages transfer of banking business of ninety (90) branches of the Bank subject to the approval by the shareholders of the banks and sanction by the Honourable Lahore High Court where under the assets, rights, liabilities, operations, systems, staff, assets of back office functions and obligations of the Bank relating to banking business of these branches will be transferred to and vested in MIB. The banking business of these branches will also stand converted into Islamic banking business on the effective date pursuant to the compliance of applicable regulatory permissions.

Both the banks filed a petition before the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under Section 279 to 283 and 285 read with other enabling provisions of the Companies Act, 2017. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on February 10, 2018. The Honourable Lahore High Court has sanctioned the Scheme on April 20, 2018. The business of these 90 branches have been transferred to MIB with effect from the Effective date i.e. close of the business on June 01, 2018.

Details of assets and liabilities transferred to MIB are as follows:

	(Rupees in '000)
Assets	
Cash in hand	722,679
Operating fixed assets	175,751
Other assets	59,788
	958,218
Liabilities	
Bills payable	1,214,210
Deposits and other accounts	21,918,326
Other liabilities	39,862
	23,172,398
Net amount paid to MIB	(22,214,180)

2. BASIS OF PRESENTATION

2.1 These unconsolidated financial statements represent separate financial statements of MCB Bank Limited. The consolidated financial statements of the Group are being issued separately.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.

2.3 The unconsolidated financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017; and

- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP).

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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 that the requirements of consolidation under section 237 of the repealed Companies Ordinance 1984 (Section 228 of Companies Act 2017) and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective; however, the amendments, interpretations and improvements are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

State Bank of Pakistan prescribed a new format for financial statements of banks effective from the year ended December 31, 2018. Accordingly, these unconsolidated financial statements are prepared in accordance with the new format. Major changes impacting (other than certain presentation changes) these unconsolidated financial statements include:

- Acceptances amounting to Rs 15,847.453 million (2017: Rs 15,926.851 million, 2016: Rs. 20,551.509 million) which were previously shown as part of contingencies and commitments are now recognized on balance sheet both as assets and liabilities. They are included in Other assets (note 13) and Other Liabilities (note 20).

- Surplus on revaluation of assets (note 23) amounting to Rs. 9,747.104 million (2017: Rs. 17,073.207 million, 2016: Rs. 23,680.385 million) which was previously shown below equity has now been included as part of equity.

- Intangibles (note 12) amounting to Rs. 372.336 million (2017: Rs. 404.326 million, 2016: Rs. 343.287 million) which were previously shown as part of fixed assets (note 11) are now shown separately on the unconsolidated statement of financial position.
- Cost of foreign currency swaps (note 27) amounting to Rs 662.873 million (2017: Rs. 348.970 million) which was previously shown as part of foreign exchange income has now been shown as part of markup / return / interest expense in the unconsolidated statement of profit and loss account.

In addition, Companies Act 2017 also became effective for the financial statements for the year ended December 31, 2018. As the Bank's financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on these unconsolidated financial statements except for the change as mentioned in note 5.4 of these unconsolidated financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2019:

	Effective date (annual periods beginning on or after)
- IFRS 16 Leases	January 1, 2019
- Amendments to IFRS 9 'Financial Instruments'	January 1, 2019
- Amendments to IAS 19 'Employee Benefits'	January 1, 2019
- IFRS 15 - Revenue from contracts with customers	January 1, 2019
- Amendments to IAS 28 'Investments in Associates and Joint Ventures'	January 1, 2019
- IFRIC 23 'Uncertainty over Income Tax Treatments':	January 1, 2019

*IFRS 9 - Financial Instruments - The Bank is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated financial statements.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact except IFRS-16 on these unconsolidated financial statements. The Bank is currently in the process of assessing the impact of IFRS-16.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

4. BASIS OF MEASUREMENT

4.1 These unconsolidated financial statements have been prepared under the historical cost convention except that certain classes of fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.

4.2 Critical accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification of investments

In classifying investments, the Bank follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.

- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.

- The investments other than those in subsidiaries and associates which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in note 10.4.5.

c) Impairment of 'available for sale' equity investments

The Bank determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational/financial cash flows.

d) Taxation

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

e) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.

f) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 38 of these unconsolidated financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year except for the changes explained in notes 5.1, 5.3, 5.4 and 5.10.

5.1 Investments

The Bank classifies its investments as follows:

a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

c) Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment. Transaction costs on investments held for trading are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is taken to surplus / deficit on revaluation of investments through statement of comprehensive income in equity which was previously shown below equity. Surplus / deficit arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account, currently.

Unquoted equity securities (excluding investments in subsidiaries and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. Investments classified as 'held to maturity' are carried at amortized cost less accumulated

impairment losses, if any.

Associates are all entities over which the Bank has significant influence but not control. Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. Investments in subsidiaries and investments in associates are carried at cost less accumulated impairment losses, if any.

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. Impairment of 'available for sale' equity investments is discussed in 4.2(c). Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

5.2 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in these unconsolidated financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in these unconsolidated financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

5.3 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Advances are written off when there is no realistic prospect of recovery.

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

During the current year, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for overseas branches of the Bank. Accordingly, in respect of overseas branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9. The impact has been accounted for in the profit or loss of the current period and opening balance of retained earnings has not been adjusted as the amount is not material.

5.4 Fixed assets and depreciation

Fixed assets other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Buildings are carried at revalued amount less any accumulated depreciation and subsequent impairment losses, if any. Land is carried at revalued amount less any subsequent impairment losses, if any. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets become available for use.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value.

Depreciation on all fixed assets (excluding land) is charged using the straight line method in accordance with the rates specified in note 11.2 to these unconsolidated financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses on sale of property and equipment are credited / charged to the profit and loss account currently, except that the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets was being measured under the repealed Companies Ordinance, 1984. The surplus

arising on the revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly the management has changed the accounting policy to bring accounting of revaluation surplus on fixed assets in accordance with IAS 16 "Property, plant and equipment". The revaluation is measured on individual assets where the surplus is taken to surplus on revaluation of fixed assets through statement of comprehensive income in equity. The deficit on revaluation of the asset is charged to profit and loss account after netting of any surplus already recorded on that asset. The management of the Bank believes that the impact of change in accounting policy is not material, therefore no adjustments are being made in these unconsolidated financial statements.

5.4.1 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible assets are amortized over its estimated useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

5.5 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.6 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
 - an approved contributory provident fund;
 - an approved gratuity scheme; and
 - a contributory benevolent scheme

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

b) For clerical / non-clerical staff who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:

- an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
- an approved pension fund; and
- contributory benevolent scheme.

c) For officers who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:

- an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
- an approved pension fund, and
- contributory benevolent fund.

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.

d) For executives and officers who joined the Bank on or after January 01, 2000, the Bank operates an approved contributory provident fund.

e) Post retirement medical benefits to entitled employees.

Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the Projected Unit Credit Method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in other Comprehensive Income in the period of occurrence. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognises past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs; and
- (ii) when the Bank recognises related restructuring costs or termination benefits.

Employees' compensated absences

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss account in the period of occurrence.

5.7 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.8 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

5.9 Foreign currencies

5.9.1 Foreign currency transactions

Transactions in foreign currencies other than the results of foreign operations discussed in note 5.9.2 are translated to Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5.9.2 Foreign operations

The assets and liabilities of foreign branches are translated to Rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

5.9.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Bank's net investment in foreign branches, which are taken to the capital reserve (exchange translation reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

5.9.4 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the date of the unconsolidated statement of financial position.

5.10 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. During the year, SBP has changed its classification from off balance sheet item to other assets and other liabilities.

5.11 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP) or as permitted by the regulations of the overseas regulatory authorities of countries where the branches operate. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity. regulations of the overseas regulatory authorities of countries where the branches operate. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity.

- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets)

is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.

- Commission income is recognized on a time proportion basis.

- Dividend income is recognized when the Bank's right to receive dividend is established.

- Gain / loss on sale of investments is credited / charged to profit and loss account currently.

5.12 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

5.13 Assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation and impairment loss. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non banking assets' account through statement of comprehensive income in equity which was previously shown below equity and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to profit and loss account and not capitalised.

5.14 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn Nostro balances) in current and deposit accounts.

5.15 Financial instruments

5.15.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

5.15.3 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in these unconsolidated financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

5.16 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

5.17 Segment reporting

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

5.17.1 Business segments

Retail banking

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

Corporate banking

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

Consumer Banking

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

Treasury

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

Others

This includes the head office related activities and other functions which cannot be classified in any of the above segments.

5.17.2 Geographical segments

The Bank operates in three geographic regions being:

- Pakistan
- South Asia
- Middle East

5.18 Business combination

Business combinations other than under common control transaction are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognized directly in the profit and loss account. The gain on bargain purchase arisen on acquisition had been recognised directly in equity as per the directive of the SBP.

5.19 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

5.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

5.21 Subordinated debt

Sub-ordinated loans are initially recorded at the amount of proceeds received and subsequently measured at amortised cost. Markup accrued on these loans is charged to profit and loss account over the period at effective interest rate.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		16,462,132	18,165,829
Foreign currencies		2,529,716	3,299,941
		18,991,848	21,465,770
With State Bank of Pakistan in			
Local currency current account	6.1	40,305,992	47,159,434
Foreign currency current account	6.2	279,023	271,923
Foreign currency deposit account	6.3	12,621,991	9,194,970
		53,207,006	56,626,327
With other central banks in			
Foreign currency current account	6.4	5,197,681	6,809,706
With National Bank of Pakistan in			
Local currency current account		25,657,815	21,023,365
Prize bonds		120,247	146,916
		103,174,597	106,072,084

6.1 This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

6.2 This represents US Dollar settlement account maintained with SBP.

6.3 This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. This includes balance of Rs. 9,466,493 million (2017: Rs. 6,896,228 million) which carries interest rate of 1.35% (2017: 0.37%) per annum as declared by SBP.

6.4 Foreign currency current account with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2018	2017
(Rupees in '000)			
7. BALANCES WITH OTHER BANKS			
Outside Pakistan			
In current account		9,232,223	2,664,893
In deposit account	7.1	2,646,752	1,914,382
		11,878,975	4,579,275
		11,878,975	4,579,275

7.1 Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 2.90% to 3.90% (2017: 1.85% to 11%) per annum.

	Note	2018	2017
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	8.1	2,069,329	3,779,086
Repurchase agreement lendings (Reverse Repo)	8.2	33,036,912	619,028
		35,106,241	4,398,114

8.1 Call money lendings carry mark-up rate ranging from 2.4% to 9.0% (2017: 1.25% to 8.15%) per annum and are due to mature latest by February 2019.

8.2 Repurchase agreement lendings carry mark-up rate ranging from 8.0% to 10.35% (2017: 7.25%) per annum and are due to mature latest by January 2019.

8.3 Particulars of lending

	2018	2017
(Rupees in '000)		
In local currency	33,603,697	2,524,590
In foreign currencies	1,502,544	1,873,524
	35,106,241	4,398,114

	2018			2017		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
(Rupees in '000)						
8.4 Securities held as collateral against lending to financial institutions						
Market Treasury Bills	32,972,346	-	32,972,346	619,028	-	619,028
Total	32,972,346	-	32,972,346	619,028	-	619,028

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

9. INVESTMENTS

9.1 Investments by type:	Note	2018				2017			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)									
Held-for-trading securities									
Federal Government Securities		9,348,153	-	(2,599)	9,345,554	4,975	-	(1)	4,974
Shares		18,549	-	126	18,675	29,396	-	(5,651)	23,745
		9,366,702	-	(2,473)	9,364,229	34,371	-	(5,652)	28,719
Available-for-sale securities									
Federal Government Securities		674,920,983	-	(3,990,667)	670,930,316	581,813,224	-	5,889,032	587,702,256
Shares and units		26,098,138	(7,371,946)	(236,174)	18,490,018	25,325,978	(5,419,932)	1,148,387	21,054,433
Non Government Debt Securities		1,096,296	-	36	1,096,332	1,354,410	(122,865)	13,414	1,244,959
Foreign Securities		2,545,151	-	(16,492)	2,528,659	2,447,967	-	7,813	2,455,780
		704,660,568	(7,371,946)	(4,243,297)	693,045,325	610,941,579	(5,542,797)	7,058,646	612,457,428
Held-to-maturity securities									
Federal Government Securities		20,699,709	(1,675)	-	20,698,034	23,486,700	-	-	23,486,700
Provincial Government Securities		118	(118)	-	-	118	(118)	-	-
Non Government Debt Securities		8,196,110	(490,924)	-	7,705,186	6,224,940	(442,068)	-	5,782,872
Foreign Securities		5,809,776	-	-	5,809,776	3,613,954	-	-	3,613,954
		34,705,713	(492,717)	-	34,212,996	33,325,712	(442,186)	-	32,883,526
Associates	9.12	700,401	-	-	700,401	748,172	-	-	748,172
Subsidiaries	9.12	12,046,512	(725)	-	12,045,787	10,846,512	(725)	-	10,845,787
Total Investments		761,479,896	(7,865,388)	(4,245,770)	749,368,738	655,896,346	(5,985,708)	7,052,994	656,963,632
(Rupees in '000)									
2018									
2017									
9.2 Investments by segments:		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)									
Federal Government Securities:									
Market Treasury Bills		575,683,207	-	(290,163)	575,393,044	382,036,988	-	(101,571)	381,935,417
Pakistan Investment Bonds		127,913,919	-	(3,703,103)	124,210,816	222,838,154	-	5,990,602	228,828,756
Ijarah Sukuks		140,601	-	-	140,601	113,261	-	-	113,261
Euro Bonds		1,231,118	(1,675)	-	1,229,443	316,496	-	-	316,496
		704,968,845	(1,675)	(3,993,266)	700,973,904	605,304,899	-	5,889,031	611,193,930
Provincial Government Securities		118	(118)	-	-	118	(118)	-	-
Shares:									
Listed Companies		24,552,022	(7,210,806)	(236,048)	17,105,168	23,840,709	(5,258,792)	1,142,736	19,724,653
Unlisted Companies		1,564,665	(161,140)	-	1,403,525	1,514,665	(161,140)	-	1,353,525
		26,116,687	(7,371,946)	(236,048)	18,508,693	25,355,374	(5,419,932)	1,142,736	21,078,178
Non Government Debt Securities									
Listed		3,538,999	(16,269)	-	3,522,730	2,331,056	-	(2,864)	2,328,192
Unlisted		5,753,407	(474,655)	36	5,278,788	5,248,294	(564,933)	16,278	4,699,639
		9,292,406	(490,924)	36	8,801,518	7,579,350	(564,933)	13,414	7,027,831
Foreign Securities									
Government securities		7,870,174	-	(16,492)	7,853,682	5,510,642	-	7,813	5,518,455
Non Government Debt securities		478,548	-	-	478,548	545,155	-	-	545,155
Unlisted equity securities		6,205	-	-	6,205	6,124	-	-	6,124
		8,354,927	-	(16,492)	8,338,435	6,061,921	-	7,813	6,069,734
Associates									
- Adamjee Insurance Company Limited	9.8	647,880	-	-	647,880	695,651	-	-	695,651
- Euronet Pakistan (Private) Limited		52,521	-	-	52,521	52,521	-	-	52,521
		700,401	-	-	700,401	748,172	-	-	748,172
Subsidiaries									
MNET Services (Private) Limited		49,975	-	-	49,975	49,975	-	-	49,975
MCB Islamic Bank Limited	9.9	11,200,000	-	-	11,200,000	10,000,000	-	-	10,000,000
MCB Arif Habib Savings & Investments Limited		320,123	-	-	320,123	320,123	-	-	320,123
Financial Management Services (Pvt) Limited	9.10	725	(725)	-	-	725	(725)	-	-
MCB Leasing Closed Joint Stock Company		448,189	-	-	448,189	448,189	-	-	448,189
MCB Financial Services Limited		27,500	-	-	27,500	27,500	-	-	27,500
		12,046,512	(725)	-	12,045,787	10,846,512	(725)	-	10,845,787
Total Investments		761,479,896	(7,865,388)	(4,245,770)	749,368,738	655,896,346	(5,985,708)	7,052,994	656,963,632
9.2.1 Investments given as collateral								2018	2017
(Rupees in '000)									
- Market Treasury Bills								155,324,815	88,895,281
- Pakistan Investment Bonds								10,489,134	-
								165,813,949	88,895,281
9.3 Provision for diminution in value of investments									
9.3.1 Opening balance								5,985,708	1,886,821
Exchange adjustments								286	-
Charge / (reversals)									
Charge for the year								2,790,754	4,003,005
Reversals for the year								(4,620)	(236)
Reversal on disposals								(835,803)	(432,568)
								1,950,331	3,570,201
Transfer from NIB under merger								-	528,686
Amounts written off								(70,937)	-
Closing Balance								7,865,388	5,985,708
9.3.2 Particulars of provision against debt securities									
Category of classification								2018	2017
(Rupees in '000)									
Domestic								NPI	Provision
Loss								491,042	491,042
								565,051	565,051

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

9.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2018		2017	
	Cost (Rupees in '000)			
Federal Government Securities – Government guaranteed				
Market Treasury Bills	566,335,054		382,032,013	
Pakistan Investment Bonds	108,585,929		199,781,211	
	674,920,983		581,813,224	
Listed Companies and mutual funds				
Automobile Assembler	1,230,989		737,163	
Automobile Part and Accessories	413,930		413,930	
Cable and Electrical Goods	535,265		353,611	
Cement	2,081,418		1,915,015	
Chemical	5,132		226,866	
Close End Mutual Fund	1,186,851		2,235,697	
Commercial Banks	2,058,099		2,343,137	
Engineering	1,797,442		1,439,867	
Fertilizer	3,119,461		3,188,313	
Food And Personal Care Products	1,230,825		1,115,588	
Insurance	587,629		706,842	
Investment Banks / Companies	41,784		41,784	
NIT Units	5,253		5,253	
Oil & Gas Exploration Companies	1,733,239		1,567,223	
Oil & Gas Marketing Companies	1,127,898		1,127,638	
Open End Mutual Fund	1,361,195		581,814	
Paper And Board	391,951		365,801	
Pharmaceutical	1,068,443		986,293	
Power Generation and Distribution	2,516,198		2,516,198	
Real Estate Investment Trust	-		174,678	
Refinery	887,318		887,318	
Technology And Communication	706,211		588,142	
Textile	446,942		293,071	
Transport	-		71	
	24,533,473		23,811,313	

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
(Rupees in '000)				
Unlisted Companies				
Central Depository Company Limited	184,426	619,651	184,426	584,268
First Capital Investment (Pvt) Limited	2,500	3,334	2,500	3,945
First Women Bank Limited	63,300	201,807	63,300	212,247
ISE Towers Reit Management company Limited	30,346	86,235	30,346	71,358
National Investment Trust Limited	1,027,651	1,945,933	1,027,651	2,158,061
National Institutional Facilitation Technologies	1,527	59,076	1,527	55,793
Pak Agro Storage And Service Corporation	2,500	605,006	2,500	570,946
Pak Asian Fund Limited	11,500	18,323	11,500	19,530
Arabian Sea Country Club	5,000	-	5,000	-
SME Bank Limited	10,106	-	10,106	-
Al-Ameen Textile Mills Limited	197	-	197	-
Custodian Management Services	1,000	-	1,000	-
Galaxy Textile Mills Limited	30,178	-	30,178	-
Pakistan Textile City (Pvt) Limited	50,000	-	50,000	-
1 Link (Pvt) Limited	50,000	131,847	-	-
Ayaz Textile Mills Limited	2,253	-	2,253	-
Musarrat Textile Mills Limited	36,045	-	36,045	-
Sadiqabad Textile Mills Limited	26,361	-	26,361	-
Al-Arabia Sugar Mills Limited - Preference shares	4,775	-	4,775	-
Pak Elektron Limited - Preference shares	25,000	25,000	25,000	25,000
	1,564,665	3,696,212	1,514,665	3,701,148

	2018		2017	
	Cost (Rupees in '000)			
Non Government Debt Securities				
Listed				
- AA+, AA, AA-	657,840		654,553	
- A+, A, A-	-		50,062	
	657,840		704,615	
Unlisted				
- AA+, AA, AA-	438,456		264,842	
- A+, A, A-	-		262,088	
- Unrated	-		122,865	
	438,456		649,795	

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Foreign Securities

Government Securities

	2018		2017	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
- Bahrain	140,078	B2	111,515	B1
- Sri Lanka	2,398,868	B2	2,330,328	B1
	2,538,946		2,441,843	

Unlisted

	2018		2017	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
Lanka Clear (Private) Limited	760		720	
Credit Information Bureau of Sri Lanka	22		21	
Lanka Financial Services Bureau Limited	760		720	
Society for Worldwide Inter Fund Transfer (SWIFT)	4,663		4,663	
	6,205		6,124	

9.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	19,327,990	23,056,943
Ijarah Sukuks	140,601	113,261
Euro Bonds	1,231,118	316,496
	20,699,709	23,486,700

Provincial Government Securities

Non Government Debt Securities

Listed

- AA+, AA, AA-	3,923,839	2,735,442
- BBB+, BBB, BBB-	50,051	-
- Unrated	16,269	8,135
	3,990,159	2,743,577

Unlisted

- AA+, AA, AA-	3,099,684	2,385,878
- A+, A, A-	481,613	241,667
- BBB+, BBB, BBB-	-	90,000
- Unrated	624,654	763,818
	4,205,951	3,481,363

Foreign Securities

Government Securities

	2018		2017	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
- Sri Lanka	1,172,721	B2	664,015	B1
- United Arab Emirates	4,158,507	Aa2	2,404,784	Aa2
	5,331,228		3,068,799	

Non Government Debt Securities

Listed

- A+, A, A-	136,729	221,246
	136,729	221,246

Unlisted

- AA+, AA, AA-	265,860	-
- A+, A, A-	75,959	323,909
	341,819	323,909

9.5.1 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 32,921.417 million (December 31, 2017: Rs. 32,921.291 million).

9.6 "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan.

9.7 Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (2017: Rs. 67.9 million) earmarked by the SBP against TT discounting facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2017: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account and Pakistan Investment Bonds amounting to Rs. 50 million (2017: Rs. NIL) have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) on account of removal of irrevocable undertaking as alternate option for collateral against participant's exposure in stock market.

9.8 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 647,880 million (2017: Rs. 695,651 million) as at December 31, 2018. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2018 amounted to Rs. 2,941.400 million (2017: Rs. 3,906.139 million).

9.9 During the year, the Bank injected additional equity of Rs 1.2 billion in MCB Islamic Bank Limited through subscription of rights shares.

9.10 The investment is fully provided for. The company is dormant and has no asset and liability.

9.11 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

9.12 Summarized financial information of associates and subsidiaries

Name	Country of incorporation	% of interest held	Revenue	Profit / (loss) after tax	Assets	Liabilities
(Rupees in '000)						
2018						
Associates						
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2018)	Pakistan	30%	368,852	(30,157)	411,190	209,566
Adamjee Insurance Company Limited (unaudited based on September 30, 2018)	Pakistan	20%	18,872,622	1,505,199	79,330,901	28,609,789
Subsidiaries						
MNET Services (Private) Limited (audited based on December 31, 2018)	Pakistan	100.00%	13,085	(3,214)	58,822	13,255
MCB Islamic Bank Limited (audited based on December 31, 2018)	Pakistan	100.00%	4,208,875	(1,095,982)	94,894,435	84,824,921
MCB Arif Habib Savings & Investments Limited (audited based on June 30, 2018)	Pakistan	51.33%	703,021	124,193	2,248,728	681,192
MCB Leasing Closed Joint Stock Company (audited based on December 31, 2018)	Azerbaijan	99.94%	117,835	36,440	700,447	422,137
MCB Financial Services Limited (audited based on December 31, 2018)	Pakistan	100.00%	44,473	9,157	86,004	4,492
2017						
Associates						
Euronet Pakistan (Private) Limited (audited based on December 31, 2017)	Pakistan	30%	374,477	(11,415)	402,031	170,250
Adamjee Insurance Company (audited based on December 31, 2017)	Pakistan	21.47%	22,844,109	1,199,841	71,050,513	26,600,515
Subsidiaries						
MNET Services (Private) Limited (audited based on December 31, 2017)	Pakistan	100.00%	27,084	9,119	59,403	10,622
MCB Islamic Bank Limited (audited based on December 31, 2017)	Pakistan	100.00%	2,060,927	(262,997)	51,745,997	42,115,218
MCB Arif Habib Savings & Investments Limited (audited based on June 30, 2017)	Pakistan	51.33%	793,504	202,194	2,263,774	684,236
MCB Leasing Closed Joint Stock Company (audited based on December 31, 2017)	Azerbaijan	99.94%	108,846	39,389	534,919	333,137
MCB Financial Services Limited (audited based on December 31, 2017)	Pakistan	100.00%	42,096	7,246	77,101	4,746

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

10. ADVANCES

	Note	Performing		Non Performing		Total	
		2018	2017	2018	2017	2018	2017
(Rupees in '000)							
Loans, cash credits, running finances, etc.	10.1	479,948,340	445,123,985	47,976,277	47,665,373	527,924,617	492,789,358
Bills discounted and purchased		17,887,661	21,181,250	979,271	1,087,247	18,866,932	22,268,497
Advances - gross		497,836,001	466,305,235	48,955,548	48,752,620	546,791,549	515,057,855
Provision against advances							
- Specific		-	-	(41,943,509)	(44,586,915)	(41,943,509)	(44,586,915)
- General		(1,266,717)	(1,115,091)	-	-	(1,266,717)	(1,115,091)
		(1,266,717)	(1,115,091)	(41,943,509)	(44,586,915)	(43,210,226)	(45,702,006)
Advances - net of provision		496,569,284	465,190,144	7,012,039	4,165,705	503,581,323	469,355,849

10.1 Includes Net Investment in Finance Lease as disclosed below:

	2018				2017			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
(Rupees in '000)								
Lease rentals receivable	104,622	2,046,561	2,721,816	4,872,999	77,385	1,912,403	2,789,791	4,779,579
Residual value	15,000	25,867	5,397	46,264	17,779	35,590	4,837	58,206
Minimum lease payments	119,622	2,072,428	2,727,213	4,919,263	95,164	1,947,993	2,794,628	4,837,785
Financial charges for future periods	(10,382)	(199,795)	(496,750)	(706,927)	(13,159)	(144,425)	(408,920)	(566,504)
Present value of minimum lease payments	109,240	1,872,633	2,230,463	4,212,336	82,005	1,803,568	2,385,708	4,271,281

10.2 Particulars of advances (Gross)	2018		2017	
	(Rupees in '000)			
In local currency		502,170,129		465,854,590
In foreign currencies		44,621,420		49,203,265
		546,791,549		515,057,855

10.3 Advances include Rs. 48,955,548 million (2017: Rs. 48,752,620 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2018		2017	
		Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)					
Domestic					
Other Assets Especially Mentioned	10.3.1	49,212	2,591	171,209	9,934
Substandard		1,141,738	284,313	396,984	98,475
Doubtful		1,734,078	866,961	218,714	109,357
Loss		38,336,086	37,706,005	41,869,272	41,113,793
		41,261,114	38,859,870	42,656,179	41,331,559
Overseas					
Not past due but impaired		62,287	62,287	364	91
Overdue by:					
Upto 90 days		624,403	433,424	-	-
91 to 180 days		140,323	35,205	186,552	70,584
181 to 365 days		7,473	3,736	344,151	172,075
> 365 days		6,859,948	2,548,987	5,565,374	3,012,606
		7,694,434	3,083,639	6,096,441	3,255,356
Total		48,955,548	41,943,509	48,752,620	44,586,915

10.3.1 This represents non-performing portfolio of agricultural and small enterprise financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural and Small Enterprise Financing issued by the State Bank of Pakistan.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

10.4 Particulars of provision against advances

	Note	2018			2017		
		Specific	General	Total	Specific	General	Total
(Rupees in '000)							
Opening balance		44,586,915	1,115,091	45,702,006	18,938,091	759,839	19,697,930
Transfer from NIB under merger	10.4.3	-	-	-	28,769,002	178,878	28,947,880
Exchange adjustments		513,168	18,341	531,509	101,986	1,628	103,614
Charge for the year		1,613,562	133,330	1,746,892	3,162,762	174,746	3,337,508
Reversals	10.4.4	(4,618,549)	(45)	(4,618,594)	(6,234,395)	-	(6,234,395)
		(3,004,987)	133,285	(2,871,702)	(3,071,633)	174,746	(2,896,887)
Amounts written off	10.5	(151,587)	-	(151,587)	(150,531)	-	(150,531)
Closing balance		41,943,509	1,266,717	43,210,226	44,586,915	1,115,091	45,702,006

10.4.1 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	38,859,870	1,087,110	39,946,980	41,331,559	1,037,477	42,369,036
In foreign currencies	3,083,639	179,607	3,263,246	3,255,356	77,614	3,332,970
	41,943,509	1,266,717	43,210,226	44,586,915	1,115,091	45,702,006

10.4.2 State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No.1 of 2011 dated October 21, 2011 has allowed benefit of forced sale value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for five years from the date of classification. However, management has not taken the FSV benefit in calculation of specific provision.

10.4.3 In 2017, classified portfolio amounting to Rs. 29,649.756 million had been transferred from NIB Bank Limited under merger scheme.

10.4.4 This includes reversal of provisions and reduction of non-performing loans amounting to Rs. 307 million (2017: Rs. 164 million) as a result of settlement on debt asset swap arrangement with customers.

10.4.5 General provision against consumer loans represents provision maintained against fully secured performing portfolio and unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision against Small Enterprise Finance represents provision maintained at an amount equal to 1% of unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries in which the overseas branches operate. General provision against all other advances represents provision maintained at around 0.1% of gross advances.

10.5 Particulars Of Write Offs:

	Note	2018	2017
(Rupees in '000)			
10.5.1 Against Provisions	10.4	151,587	150,531
Directly charged to Profit & Loss account	33	30	14
		151,617	150,545
10.5.2 Write Offs of Rs. 500,000 and above			
- Domestic	10.6	151,393	150,336
- Overseas		-	-
Write Offs of below Rs. 500,000		224	209
		151,617	150,545

10.6 Details Of Loan Write Off Of Rs. 500,000/- And Above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2018 is given at Annexure-I of unconsolidated financial statements. However, this write off does not affect the Bank's right to recover the debts from these customers.

11. FIXED ASSETS

	Note	2018	2017
(Rupees in '000)			
Capital work-in-progress	11.1	1,497,227	935,158
Property and equipment	11.2	39,572,534	38,234,448
		41,069,761	39,169,606
11.1 Capital work-in-progress			
Civil works		622,609	397,487
Advances to suppliers		868,708	528,720
Others		5,910	8,951
		1,497,227	935,158

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

11.2 Property and Equipment

	2018								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
	(Rupees '000)								
At January 1, 2018									
Cost / Revalued amount	18,944,318	2,392,866	11,240,399	460,136	1,632,930	13,841,043	1,109,632	352,010	49,973,334
Accumulated depreciation	-	-	(526,571)	(96,357)	(990,803)	(9,394,871)	(556,137)	(174,147)	(11,738,886)
Net book value	18,944,318	2,392,866	10,713,828	363,779	642,127	4,446,172	553,495	177,863	38,234,448
Year ended December 31, 2018									
Opening net book value	18,944,318	2,392,866	10,713,828	363,779	642,127	4,446,172	553,495	177,863	38,234,448
Additions	864,930	47,285	842,987	98,338	197,464	1,318,525	138,680	191,176	3,699,385
Transfer from Non-Banking assets	-	-	101,714	-	-	-	-	-	101,714
Transfer under demerger scheme (note 1.1)	-	-	-	-	(27,071)	(148,680)	-	-	(175,751)
Disposals	(253,112)	-	(52,728)	-	(1,001)	(893)	(20,569)	-	(328,303)
Depreciation charge	-	-	(336,903)	(20,021)	(123,190)	(1,262,020)	(137,833)	(100,839)	(1,980,606)
Exchange rate adjustments	-	-	4,139	4,357	4,644	5,557	1,840	1,110	21,647
Closing net book value	19,556,136	2,440,151	11,273,037	446,453	692,973	4,358,661	535,813	269,310	39,572,534
At December 31, 2018									
Cost / Revalued amount	19,556,136	2,440,151	12,138,906	563,273	1,689,662	13,954,280	1,149,293	521,985	52,013,686
Accumulated depreciation	-	-	(865,869)	(116,820)	(996,689)	(9,595,619)	(613,480)	(252,675)	(12,441,152)
Net book value	19,556,136	2,440,151	11,273,037	446,453	692,973	4,358,661	535,813	269,310	39,572,534
Rate of depreciation / estimated useful life	-	-	Upto 60 years	Upto 50 years	10%	10%-25%	20%	33.33%	-
	2017								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
	(Rupees '000)								
At January 1, 2017									
Cost / Revalued amount	16,812,385	309,941	9,783,543	140,221	1,223,844	11,113,202	933,023	770,755	41,086,914
Accumulated depreciation	-	-	-	-	(747,642)	(7,790,380)	(443,925)	(633,657)	(9,615,604)
Net book value	16,812,385	309,941	9,783,543	140,221	476,202	3,322,822	489,098	137,098	31,471,310
Year ended December 31, 2017									
Opening net book value	16,812,385	309,941	9,783,543	140,221	476,202	3,322,822	489,098	137,098	31,471,310
Additions	1,337,484	-	708,483	15,434	201,672	1,842,594	208,902	118,924	4,433,493
Acquisitions through business combinations	794,449	2,082,925	508,299	218,734	72,306	388,041	1,236	-	4,065,990
Disposals	-	-	-	-	(470)	(3,999)	(12,025)	-	(16,494)
Depreciation charge	-	-	(288,553)	(11,575)	(109,884)	(1,102,406)	(134,241)	(82,629)	(1,729,288)
Write off	-	-	-	-	(5)	(8)	-	-	(13)
Exchange rate adjustments	-	-	2,056	965	2,306	(872)	525	4,470	9,450
Closing net book value	18,944,318	2,392,866	10,713,828	363,779	642,127	4,446,172	553,495	177,863	38,234,448
At December 31, 2017									
Cost / Revalued amount	18,944,318	2,392,866	11,240,399	460,136	1,632,930	13,841,043	1,109,632	352,010	49,973,334
Accumulated depreciation	-	-	(526,571)	(96,357)	(990,803)	(9,394,871)	(556,137)	(174,147)	(11,738,886)
Net book value	18,944,318	2,392,866	10,713,828	363,779	642,127	4,446,172	553,495	177,863	38,234,448
Rate of depreciation / estimated useful life	-	-	Upto 60 years	Upto 50 years	10%	10%-25%	20%	33.33%	-

11.2.1 Leasehold land include a plot of land having book value of Rs. 1,092.161 million situated in Railway Quarters, I.I. Chundrigar Road, Karachi, (the "Plot"), where a tenant is claiming for the possession as tenant of an insignificant area of only 18 square feet of the plot measuring 3,120.46 square yards, however there is no issue over the title of the subject property. Both the Constitutional Petitions filed by the Bank have been dismissed by the Sindh High Court on 28 January 2016 against the Bank. The Bank has filed an appeal before the Supreme Court of Pakistan.

11.2.2 The land and buildings of the Bank were revalued as at December 31, 2016 by independent valuers (Arch-e-Decon, Tristar International Consultant (Pvt) Limited & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. The total surplus against revaluation of fixed assets as at December 31, 2018 amounts to Rs. 13,185.366 million.

11.2.3 Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2018 would have been as follows:

	(Rupees in '000)
Land	11,647,160
Buildings	8,883,251

11.2.4 The gross carrying amount (cost) of fully depreciated assets that are still in use are as follows:

	(Rupees in '000)
Furniture and fixture	451,995
Electrical, computers and office equipment	6,461,614
Vehicles	315,312
Leasehold Improvements	17,842

11.2.5 Carrying amount of temporarily idle property of the Bank is Rs. 45.485 million (2017: Rs. 74,980 million)

11.2.6 The information relating to disposal of operating fixed assets to related parties is given in Annexure II of these unconsolidated financial statements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	(Rupees in '000)	
12. INTANGIBLE ASSETS		
	Computer software	
At January 1		
Cost	3,148,929	2,987,426
Accumulated amortisation	(2,744,603)	(2,644,139)
Net book value	404,326	343,287
Year ended December 31		
Opening net book value	404,326	343,287
Additions - directly purchased	221,949	304,492
Amortisation charge	(255,629)	(243,529)
Exchange rate adjustments	1,690	76
Closing net book value	372,336	404,326
At December 31		
Cost	3,380,565	3,148,929
Accumulated amortisation and impairment	(3,008,229)	(2,744,603)
Net book value	372,336	404,326
Rate of amortisation (percentage)	14% to 33.33%	14% to 33.33%
Useful life	3 - 7 years	3 - 7 years

12.1 The gross carrying amount (cost) of fully depreciated intangible assets that are still in use is Rs. 2,527,489 million.

	Note	2018	2017
		(Rupees in '000)	
13. OTHER ASSETS			
Income/ mark-up accrued in local currency		11,232,274	13,296,080
Income/ mark-up accrued in foreign currencies		128,921	315,327
Advances, deposits, advance rent and other prepayments		2,340,059	2,007,400
Advance taxation (payments less provisions)		7,354,020	13,633,808
Compensation for delayed income tax refunds		133,809	239,947
Non-banking assets acquired in satisfaction of claims	13.1	3,653,840	4,095,546
Branch adjustment account		146,299	240,871
Mark to market gain on forward foreign exchange contracts		3,520,808	2,864,186
Unrealized gain on derivative financial instruments		852,465	38,569
Acceptances	20	15,847,453	15,926,851
Receivable from the pension fund	38.4	3,815,170	5,990,536
Others		6,622,685	6,447,611
		55,647,803	65,096,732
Less: Provision held against other assets	13.2	2,550,584	3,016,792
Other Assets (net of provision)		53,097,219	62,079,940
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		480,871	215,065
Other Assets - total		53,578,090	62,295,005
13.1 Market value of Non-banking assets acquired in satisfaction of claims		4,035,114	4,288,001

Non-banking assets acquired in satisfaction of claims of the Bank are revalued as at December 31, 2018 by independent valuers (Arch-e-Decon, Fks Building Services, T&M Associates, Orient Engineering Services & Sama Engineering), valuation and engineering consultants, on the basis of market value.

	Note	2018	2017
		(Rupees in '000)	
13.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		4,288,001	1,180,750
Additions		309,163	199,167
Revaluation / (reversal on disposal)		265,806	(2,395)
Disposals		(600,000)	(107,555)
Depreciation		(49,155)	(29,947)
Acquisitions through business combinations		-	3,047,981
Impairment		(76,987)	-
Transfer to fixed assets		(101,714)	-
Closing balance		4,035,114	4,288,001
13.1.2 Gain / (loss) on disposal of non-banking assets acquired in satisfaction of claims			
Disposal proceeds		682,410	108,070
- Cost		600,500	107,555
- Depreciation		(500)	-
		600,000	107,555
Gain	13.1.2.1	82,410	515

13.1.2.1 This represents gain on sale of a plot in Clifton Karachi.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
13.2 Provision held against other assets			
Non banking assets acquired in satisfaction of claims		99,597	22,610
Others		2,450,987	2,994,182
		<u>2,550,584</u>	<u>3,016,792</u>
13.2.1 Movement in provision held against other assets			
Opening balance		3,016,792	1,564,036
Charge for the year		112,529	562,827
Reversals		(721,119)	-
	33	(608,590)	562,827
Transfer from NIB under merger		-	916,248
Amount written off		(7,180)	(9,448)
Exchange and other adjustments		149,562	(16,871)
Closing balance		<u>2,550,584</u>	<u>3,016,792</u>

14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2018 (2017: NIL).

		2018 (Rupees in '000)	2017 (Rupees in '000)
15. BILLS PAYABLE			
In Pakistan		15,644,752	22,638,257
Outside Pakistan		54,528	42,410
		<u>15,699,280</u>	<u>22,680,667</u>
16. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.1	27,443,517	24,776,965
Under long term financing facility	16.2	14,628,994	12,797,076
Under renewable energy performance platform	16.3	28,420	3,680
Under financing facility for storage of agricultural produce	16.4	165,267	254,045
		42,266,198	37,831,766
Repurchase agreement borrowings	16.5	165,703,249	88,849,251
Total secured		<u>207,969,447</u>	<u>126,681,017</u>
Unsecured			
Borrowings from other financial institution	16.6	556,939	1,831,801
Call borrowings	16.7	5,458,050	3,285,818
Overdrawn nostro accounts		1,872,164	1,108,634
Others		162,286	162,286
Total unsecured		<u>8,049,439</u>	<u>6,388,539</u>
	16.8	<u>216,018,886</u>	<u>133,069,556</u>
16.1	The Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within six months. These carry mark up rates ranging from 1.0% to 2.0% per annum.		
16.2	These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 3.0% to 4.50% per annum.		
16.3	These borrowings have been obtained from the SBP for providing financing facilities to customers against renewable energy projects. These borrowings are repayable within a period of twelve years with two years grace period from date of disbursement. These carry mark up rate of 6% per annum.		
16.4	These Borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.50% to 3.50% per annum.		
16.5	These carry mark-up rates ranging from 9.0% to 10.25% per annum (2017: 5.65% to 9.02% per annum) and are secured against government securities of carrying value of Rs. 165,813.949 million (2017: Rs. 88,895,281 million). These are repayable latest by March 2019.		
16.6	These carry mark-up rate of 2.30% per annum (2017: 1.60% to 11.15% per annum).		
16.7	These carry mark-up ranging from 2.25% to 10.25% per annum (2017: 0.75% to 5.70% per annum). These are repayable by June 2019.		
16.8	Particulars of borrowings with respect to currencies		
In local currency		212,073,343	126,988,022
In foreign currencies		3,945,543	6,081,534
		<u>216,018,886</u>	<u>133,069,556</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

17. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	325,800,150	34,643,583	360,443,733	306,318,410	27,504,908	333,823,318
Savings deposits	502,660,835	39,470,374	542,131,209	481,156,845	32,869,484	514,026,329
Term deposits	73,140,915	13,877,453	87,018,368	55,901,662	10,295,359	66,197,021
Others	27,009,821	4,340,402	31,350,223	30,114,885	2,609,953	32,724,838
	928,611,721	92,331,812	1,020,943,533	873,491,802	73,279,704	946,771,506
Financial Institutions						
Current deposits	7,560,308	2,267,492	9,827,800	8,733,462	1,574,288	10,307,750
Savings deposits	10,762,643	20,548	10,783,191	8,238,660	15,540	8,254,200
Term deposits	661,580	6,544,203	7,205,783	2,204,585	717,001	2,921,586
Others	-	277,308	277,308	-	227,593	227,593
	18,984,531	9,109,551	28,094,082	19,176,707	2,534,422	21,711,129
	947,596,252	101,441,363	1,049,037,615	892,668,509	75,814,126	968,482,635

	2018	2017
	(Rupees in '000)	
17.1 Composition of deposits		
- Individuals	670,185,660	600,744,849
- Government (Federal and Provincial)	51,552,271	43,966,465
- Public Sector Entities	54,059,201	41,405,132
- Banking Companies	6,346,735	4,432,642
- Non-Banking Financial Institutions	21,747,347	17,278,487
- Private Sector	245,146,401	260,655,060
	1,049,037,615	968,482,635

17.2 Deposits and other accounts include deposits eligible to be covered under the Deposits Protection insurance arrangements amounting to Rs 719,636.806 million (2017:Rs 699,108.288).

18. SUBORDINATED DEBT

	2018	2017
	(Rupees in '000)	
Term Finance Certificates - Listed, Unsecured	3,891,019	3,892,578
Issue amount	Rs. 4,198.035 million	
Issue date	June 19, 2014	
Maturity date	June 19, 2022	
Rating	AAA (triple A)	
Security	The TFCs are unsecured and subordinated to all other indebtedness of the Bank including deposits	
Profit payment frequency	Semi-Annually	
Redemption	Fifteen equal semi-annual installments of 0.02% of the Issue Amount for the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month.	
Mark-up	Floating (no floor, no cap) rate of return at Base Rate +1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR"))	
Call option	The Bank may call the TFCs, in part or full, on any profit payment date from the 60th month from the last day of public subscription and on all subsequent profit payment dates, subject to the SBP approval and not less than forty five days prior notice being given to the Trustee and the Investors.	
Lock-in-clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Banks' Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR and CAR. In case the lock-in clause goes into effect, the Bank will be required to comply with the SBP instructions prevalent or issued at the time.	
Loss absorbency clause	The TFCs will be subject to loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".	

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

19. DEFERRED TAX LIABILITIES

Note	2018					
	At January 01, 2018	Recognised in P&L A/C	Recognised in OCI	At December 31, 2018		
	(Rupees in '000)					
Taxable Temporary Differences on						
- Surplus on revaluation of fixed assets	23.1	1,025,234	(32,550)	-	992,684	
- Surplus on revaluation of Non-banking assets	23.2	75,273	-	93,032	168,305	
- Accelerated tax depreciation		1,534,613	72,948	-	1,607,561	
- Receivable from pension fund		2,096,688	(225,585)	(535,794)	1,335,309	
- Business combination		705,218	-	-	705,218	
- Surplus/deficit on revaluation of investments	23	2,470,526	-	(2,470,526)	-	
		7,907,552	(185,187)	(2,913,288)	4,809,077	
Deductible Temporary Differences on						
- Provision against advances		(3,282,517)	1,490,770	-	(1,791,747)	
- Surplus/deficit on revaluation of investments	23	-	-	(1,485,153)	(1,485,153)	
		(3,282,517)	1,490,770	(1,485,153)	(3,276,900)	
		4,625,035	1,305,583	(4,398,441)	1,532,177	
		2017				
		At January 01, 2017	Recognised in P&L A/C	Recognised in OCI	Adjustment due to merger	At December 31, 2017
		(Rupees in '000)				
Taxable Temporary Differences on						
- Surplus on revaluation of fixed assets	23.1	1,054,091	(28,857)	-	-	1,025,234
- Surplus on revaluation of non-banking assets	23.2	76,111	-	(838)	-	75,273
- Accelerated tax depreciation		1,425,265	109,348	-	-	1,534,613
- Receivable from pension fund		2,720,719	200,056	(824,087)	-	2,096,688
- Business combination		-	-	-	705,218	705,218
- Surplus on revaluation of investments	23	5,998,542	-	(3,528,016)	-	2,470,526
		11,274,728	280,547	(4,352,941)	705,218	7,907,552
Deductible Temporary Differences on						
- Tax losses carried forward		-	2,781,300	-	(2,781,300)	-
- Post retirement employee benefits		(7,465)	7,465	-	-	-
- Provision against advances		(7,048)	3,135,408	-	(6,410,877)	(3,282,517)
- Others		-	916,515	-	(916,515)	-
		(14,513)	6,840,688	-	(10,108,692)	(3,282,517)
		11,260,215	7,121,235	(4,352,941)	(9,403,474)	4,625,035

Note	2018		2017	
	(Rupees in '000)			
20. OTHER LIABILITIES				
Mark-up/ return/ interest payable in local currency		12,775,306		7,625,237
Mark-up/ return/ interest payable in foreign currencies		468,339		300,862
Unearned commission and income on bills discounted		201,151		207,738
Accrued expenses		5,022,283		5,205,686
Workers' welfare fund	20.1	7,071,660		6,430,388
Acceptances	13	15,847,453		15,926,851
Unclaimed/dividends payable		1,470,406		2,600,251
Mark to market loss on forward foreign exchange contracts		3,495,971		2,338,530
Unrealized loss on derivative financial instruments		863,617		28,076
Staff welfare fund		5,490		5,661
Provision for employees' compensated absences	38.4	1,028,129		1,145,135
Provision for post retirement medical benefits	38.4	1,730,409		2,140,300
Provision for employees' contributory benevolent scheme	38.4	214,252		248,518
Retention money		20,657		20,657
Insurance payable against consumer assets		688,107		659,374
Unclaimed balances		1,133,843		1,361,906
Duties and taxes payable		577,222		604,337
Provision against off-balance sheet obligations		37,430		37,430
Security deposits against lease		479,428		488,936
Others		9,542,202		9,545,210
		62,673,355		56,921,083

20.1 Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Bank maintained its provision in respect of WWF.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

21. SHARE CAPITAL

21.1 Authorized Capital

2018		2017		2018		2017	
(Number of shares)				(Rupees in '000)			
1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each		15,000,000		15,000,000	

21.2 Issued, subscribed and paid up

2018		2017		2018		2017	
(Number of shares)				(Rupees in '000)			
Ordinary shares							
197,253,795	197,253,795	Fully paid in cash		1,972,538		1,972,538	
915,776,953	915,776,953	Issued as bonus shares		9,157,769		9,157,769	
72,029,258	72,029,258	Issued for consideration other than cash		720,293		720,293	
1,185,060,006	1,185,060,006			11,850,600		11,850,600	

21.3 The movement in the issued, subscribed and paid-up capital during the year is as follows:

2018		2017		2018		2017	
(Number of shares)				(Rupees in '000)			
1,185,060,006	1,113,030,748	Opening balance at January 1		11,850,600		11,130,307	
-	72,029,258	Shares issued under merger scheme		-		720,293	
1,185,060,006	1,185,060,006	Closing balance at December 31		11,850,600		11,850,600	

21.4 Number of shares held by the associated undertakings as at December 31, are as follows:

	2018	2017
	(Number of shares)	
Adamjee Insurance Company Limited	47,827,287	47,159,787
Adamjee Life Assurance Company Limited	4,616,500	1,687,500
Nishat Mills Limited	88,015,291	88,015,291
Din Leather (Private) Limited	-	6,789,633
Siddiqsons Limited	14,276,462	14,276,462
Maybank International Trust (Labuan) Berhad	222,606,147	222,606,147
	377,341,687	380,534,820

22. RESERVES

	Note	2018	2017
		(Rupees in '000)	
Share premium		23,751,114	23,751,114
Non-distributable capital reserve - gain on bargain purchase option	22.1	908,317	908,317
Exchange translation reserve		1,629,543	483,993
Statutory reserve	22.2	29,259,007	27,123,049
General reserve		18,600,000	18,600,000
		74,147,981	70,866,473

22.1 Under IFRS-3 a bargain purchase represents an economic gain which should be immediately recognized by the acquirer as income. However, the amount of bargain purchase gain was not been taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 recommended that the amount of gain may be routed directly into equity as a Non-distributable Capital Reserve (NCR). The NCR may become available for distribution through a stock dividend only with prior approval of the SBP. The Bank, before distribution of the gain as a stock dividend, may adjust any subsequent provisions/deficit, assessed by the Bank or recommended by the Banking Inspection Department of SBP, in the acquired assets and liabilities of NIB Bank Limited against the NCR.

22.2 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

23. SURPLUS ON REVALUATION OF ASSETS

	Note	2018	2017
		(Rupees in '000)	
Surplus / (deficit) on revaluation of			
- Available for sale securities	9.1	(4,243,297)	7,058,646
- Fixed Assets	23.1	13,185,366	13,370,529
- Non-banking assets acquired in satisfaction of claims	23.2	480,871	215,065
		9,422,940	20,644,240
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities	19	(1,485,153)	2,470,526
- Fixed Assets	23.1	992,684	1,025,234
- Non-banking assets acquired in satisfaction of claims	23.2	168,305	75,273
		(324,164)	3,571,033
		9,747,104	17,073,207

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 (Rupees in '000)	2017
23.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 1	13,370,529	13,452,977
Realised on disposal during the year - net of deferred tax	(99,081)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(53,532)	(53,591)
Related deferred tax liability on incremental depreciation charged during the year	(28,824)	(28,857)
Related deferred tax liability on surplus realised on disposal	(3,726)	-
Surplus on revaluation of fixed assets as at December 31	13,185,366	13,370,529
Less: related deferred tax liability on:		
- revaluation as at January 1	1,025,234	1,054,091
- surplus realised on disposal during the year	(3,726)	-
- incremental depreciation charged during the year	(28,824)	(28,857)
	992,684	1,025,234
	12,192,682	12,345,295

23.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at January 1	215,065	217,460
Recognised during the year	265,806	-
Realised on disposal during the year - net of deferred tax	-	(2,395)
Surplus on revaluation as at December 31	480,871	215,065
Less: related deferred tax liability on:		
- revaluation as at January 1	75,273	76,111
- revaluation recognised during the year	93,032	-
- surplus realised on disposal during the year	-	(838)
	168,305	75,273
	312,566	139,792

	Note	2018 (Rupees in '000)	2017
24. CONTINGENCIES AND COMMITMENTS			
-Guarantees	24.1	170,138,859	133,641,217
-Commitments	24.2	397,683,110	308,555,812
-Other contingent liabilities	24.3	16,612,336	5,938,071
		584,434,305	448,135,100
24.1 Guarantees:			
Financial guarantees		140,350,012	86,242,273
Performance guarantees		29,003,435	43,112,826
Other guarantees		785,412	4,286,118
		170,138,859	133,641,217

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 (Rupees in '000)	2017
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		132,940,176	126,924,090
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	216,768,127	160,312,448
- forward government securities transactions	24.2.2	27,935,661	7,000,000
- derivatives	24.2.3	11,285,103	5,280,080
- operating leases	24.2.4	7,223,152	8,942,795
Commitments for acquisition of:			
- operating fixed assets		1,420,585	90,176
- intangible assets		110,306	6,223
		397,683,110	308,555,812
24.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		125,528,129	85,101,993
Sale		91,239,998	75,210,455
		216,768,127	160,312,448
24.2.2 Commitments in respect of forward government securities transactions			
Purchase		13,660,947	7,000,000
Sale		14,274,714	-
		27,935,661	7,000,000
24.2.3 Commitments in respect of derivatives			
FX options (notional)			
Purchase		1,378,370	865,718
Sale		1,378,370	865,718
		2,756,740	1,731,436
Cross Currency Swaps (notional)			
Purchase		4,026,814	1,510,582
Sale		4,185,049	1,721,562
		8,211,863	3,232,144
Interest Rate Swaps (notional)			
Purchase		316,500	316,500
Sale		-	-
		316,500	316,500
		11,285,103	5,280,080
24.2.4 Commitments in respect of operating leases			
Not later than one year		1,211,422	1,471,987
Later than one year and not later than five years		3,754,916	4,646,916
Later than five years		2,256,814	2,823,892
		7,223,152	8,942,795

24.2.5 The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	2018 (Rupees in '000)	2017
24.3 Other contingent liabilities			
Claims against the Bank not acknowledged as debts	24.3.1	16,612,336	5,938,071

24.3.1 These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.

24.4 The Income Tax returns of the Bank have been filed up to the tax year 2018 (accounting year ended December 31, 2017) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue. The income tax authorities have issued amended assessment orders for various tax years. The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

25. DERIVATIVE INSTRUMENTS

2018						
Counterparties	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to Market gain/ Loss
(Rupees in '000)						
With Banks for						
Hedging	4,026,814	725,117	316,500	14,771	1,378,370	48,090
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	4,185,049	(751,040)	-	-	1,378,370	(48,090)
Total						
Hedging	4,026,814	725,117	316,500	14,771	1,378,370	48,090
Market Making	4,185,049	(751,040)	-	-	1,378,370	(48,090)
2017						
Counterparties	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to Market gain/ Loss
(Rupees in '000)						
With Banks for						
Hedging	1,510,582	25,609	316,500	(4,708)	865,718	12,960
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	1,721,562	(10,408)	-	-	865,718	(12,960)
Total						
Hedging	1,510,582	25,609	316,500	(4,708)	865,718	12,960
Market Making	1,721,562	(10,408)	-	-	865,718	(12,960)

25.2 Maturity Analysis

2018					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
Upto 1 month	44	1,462,433	(85,020)	85,050	30
1 to 3 months	66	1,512,180	(26,820)	26,820	-
3 to 6 months	14	197,096	(4,241)	4,241	-
1 to 2 Year	10	3,526,504	(431,981)	384,758	(47,223)
2 to 3 Years	6	2,418,453	(171,636)	184,301	12,665
3 to 5 Years	4	2,168,437	(143,919)	167,295	23,376
Total			(863,617)	852,465	
2017					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
Upto 1 month	24	682,674	(3,363)	3,363	-
1 to 3 months	36	802,035	(6,538)	6,538	-
3 to 6 months	20	246,728	(3,058)	3,058	-
6 month to 1 Year	2	415,206	(5,646)	6,451	805
1 to 2 Year	2	414,968	(558)	1,656	1,098
2 to 3 Years	8	2,718,469	(8,913)	17,503	8,590
Total			(28,076)	38,569	

25.3 Disclosure relating to qualitative and quantitative information on exchange traded derivatives are disclosed in note 45.5.

25.4 Risk management related to derivatives is discussed in note 45.5.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 (Rupees in '000)	2017
26. MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		36,963,557	26,930,687
b) Investments		44,719,383	46,875,754
c) Lendings to financial institutions		1,390,346	173,759
d) Balances with banks		245,708	110,772
		83,318,994	74,090,972
27. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		32,081,328	22,104,998
Borrowings		4,252,854	8,836,710
Subordinated debt		307,789	138,081
Cost of foreign currency swaps against foreign currency deposits / borrowings		662,873	348,970
		37,304,844	31,428,759
28. FEE & COMMISSION INCOME			
Branch banking customer fees		2,459,709	2,322,457
Consumer finance related fees		270,806	210,460
Card related fees (debit and credit cards)		2,579,871	2,200,103
Credit related fees		150,733	186,466
Investment banking fee		103,639	296,657
Commission on trade		1,411,010	1,148,287
Commission on guarantees		415,822	406,571
Commission on cash management		600,347	536,571
Commission on remittances including home remittances		981,721	716,862
Commission on utility bills		109,641	99,755
Commission income - Bancassurance		1,143,620	1,000,453
Rent on lockers		242,072	243,856
Commission on investments services		83,948	167,434
Other Commission		177,565	204,812
		10,730,504	9,740,744
29. GAIN ON SECURITIES, NET			
Realised	29.1	1,295,604	4,746,658
Unrealised - held for trading	9.1	(2,473)	(5,652)
		1,293,131	4,741,006
29.1 Realised gain on:			
Federal Government Securities		269,209	899,732
Shares		1,026,395	3,846,926
		1,295,604	4,746,658
30. OTHER INCOME			
Rent on property		47,234	22,505
Gain on sale of fixed assets-net		245,655	19,938
Gain on sale of non banking assets - net		82,410	515
Compensation on tax refunds		86,862	-
		462,161	42,958

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 (Rupees in '000)	2017
31. OPERATING EXPENSES			
Total compensation expense	31.1	14,053,111	12,301,037
Property expense			
Rent and taxes		1,959,368	1,525,703
Insurance		25,807	27,312
Utilities cost		1,094,732	910,928
Fuel expense generators		513,533	458,984
Security (including guards)		1,602,667	1,392,077
Repair and maintenance (including janitorial charges)		945,267	789,513
Depreciation	11.2	457,946	382,759
		6,599,320	5,487,276
Information technology expenses			
Software maintenance		785,379	601,170
Hardware maintenance		363,778	349,385
Depreciation	11.2	559,696	526,661
Amortisation		255,629	243,529
Network charges		615,522	621,373
Insurance		4,400	4,606
		2,584,404	2,346,724
Other operating expenses			
Directors' fees and allowances		40,741	38,692
Legal and professional charges		302,042	328,071
Outsourced services costs	37.1	1,119,136	1,167,001
Travelling and conveyance		343,137	292,949
NIFT clearing charges		145,508	136,080
Depreciation	11.2	962,964	819,868
Depreciation on non-banking assets acquired in satisfaction of claims	13.1.1	49,155	29,947
Training and development		51,038	60,098
Postage and courier charges		271,494	322,883
Communication		316,790	384,276
Stationery and printing		703,853	645,762
Marketing, advertisement & publicity		518,146	530,751
Donations	31.2	696	11,817
Auditors' remuneration	31.3	34,203	40,876
Cash transportation charges		743,593	631,131
Repair and maintenance		825,561	774,526
Subscription		24,247	17,943
Entertainment		232,634	234,965
Remittance charges		184,004	151,929
Brokerage expenses		23,376	26,840
Card related expenses		737,528	562,239
CNIC verification charges		138,237	107,363
Insurance		820,692	254,368
Others		265,183	252,399
		8,853,958	7,822,774
		32,090,793	27,957,811

Total cost for the year included in other operating expenses relating to outsourced activities is Rs 335.367 million (2017: Rs 329.591 million) pertains to the payment to companies incorporated in Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs 263.283 million (2017: Rs 177.579 million).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 (Rupees in '000)	2017
31.1 Total compensation expense			
Fees and allowances		471,711	474,072
Managerial remuneration			
i) Fixed		9,813,266	9,200,431
ii) Variable - cash bonus / awards		1,736,848	1,935,807
Charge / (reversal) for defined benefit plan		943,661	(144,497)
Contribution to defined contribution Plan		347,043	301,713
Commission		230,032	138,658
Staff group insurance		331,000	256,229
Rent and house maintenance		53,422	38,366
Medical		30,706	26,226
Conveyance		81,506	68,266
Sub-total		14,039,195	12,295,271
Sign-on bonus	31.1.1	960	4,172
Severance allowance	31.1.2	12,956	1,594
Grand Total		14,053,111	12,301,037

31.1.1 During the year sign on bonus is paid to 1 employee (2017: 8).

31.1.2 Severance allowance is paid to 4 employees (2017: 1).

	2018 (Rupees in '000)	2017
31.2 Detail of donations made during the year is as follows:		
District Head Quarter Hospital, Gawadar	696	-
Saleem Memorial Trust Hospital	-	5,000
SKMC Hospital & Research Center	-	1,500
Diabetic Association of Pakistan	-	1,000
The Indus Hospital	-	1,000
FRESH Foundation	-	767
Murshid Hospital & Charity Hospital Care Center	-	500
Rising Sun Education & Welfare Society	-	500
The Citizens Foundation	-	500
Pink Ribbon Hospital	-	500
Pakistan Association of the Blind	-	500
Donations individually not exceeding Rs.0.5 million	-	50
	696	11,817

31.3 Auditors' remuneration

Audit fee	14,606	14,450
Fee for audit of foreign branches	13,669	12,354
Special certifications and sundry advisory services	3,360	10,300
Sales tax	730	1,342
Out-of-pocket expenses	1,838	2,430
	34,203	40,876

32. OTHER CHARGES

Write off of fixed assets	-	13
Penalties of State Bank of Pakistan	7,097	1,611
VAT & National Building tax & Crop Insurance Levy	151,159	128,508
Education cess	11,593	12,713
	169,849	142,845

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 (Rupees in '000)	2017
33. (REVERSALS) / PROVISIONS & WRITE OFFS - NET			
Provision against balance with Banks		4,357	-
Provisions for diminution in value of investments	9.3.1	1,950,331	3,570,201
Provisions / (reversals) against loans & advances	10.4	(2,871,702)	(2,896,887)
Provisions / (reversals) against other assets	13.2.1	(608,590)	562,827
Bad debts written off directly	10.5.1	30	14
Recovery of written off / charged off bad debts		(227,682)	(191,136)
		<u>(1,753,256)</u>	<u>1,045,019</u>
34. TAXATION			
Current		11,105,084	3,609,900
Prior years		(1,706,627)	(2,175,828)
Deferred	19	1,305,583	7,121,235
		<u>10,704,040</u>	<u>8,555,307</u>
34.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		32,063,618	31,014,208
Tax rate		35%	35%
Tax on income		11,222,266	10,854,973
Tax effect of permanent differences		2,484	564
Tax effect of prior years reversals		(1,706,627)	(2,175,828)
Others		1,185,917	(124,402)
Tax charge for the year		<u>10,704,040</u>	<u>8,555,307</u>
35. BASIC AND DILUTED EARNINGS PER SHARE			
		2018	2017
		(Rupees in '000)	
Profit for the year after tax		<u>21,359,578</u>	<u>22,458,901</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,185,060,006</u>	<u>1,147,960,005</u>
		(Rupees)	
Basic and diluted earnings per share		<u>18.02</u>	<u>19.56</u>
In 2017, the Bank issued 72,029,258 shares in pursuant to NIB Bank Limited amalgamation with and into MCB Bank Limited as on July 07, 2017.			

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

36. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks
Balances with other banks
Overdrawn nostro accounts

	2018	2017
	(Rupees in '000)	
	103,174,597	106,072,084
	11,878,975	4,579,275
	(1,872,164)	(1,108,634)
	113,181,408	109,542,725

Note

36.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2018						2017					
	Liabilities		Equity		Total		Liabilities		Equity		Total	
	Sub-ordinated loan	Other liabilities	Share Capital	Reserves	Unappropriated profit	Total	Sub-ordinated loan	Other liabilities	Share Capital	Reserves	Unappropriated profit	Total
Balance as at January 01,	3,892,578	56,921,083	11,850,600	70,866,473	53,776,057	197,306,791	-	50,689,582	11,130,307	53,346,861	53,469,072	188,635,832
Changes from Financing cash flows												
Redemption of Subordinated loan	(1,559)	-	-	-	-	(1,559)	(779)	-	-	-	-	(779)
Dividend paid	-	-	-	(20,090,805)	(20,090,805)	(20,090,805)	-	-	-	-	(17,201,874)	(17,201,874)
Total changes from financing cash flows	(1,559)	-	-	(20,090,805)	(20,090,805)	(20,090,805)	(779)	-	-	-	(17,201,874)	(17,202,653)
Changes arising from business combination	-	-	-	-	-	-	4,192,997	4,495,374	720,293	14,956,903	-	24,365,567
Cancellation of Sub-ordinated loan on merger	-	-	-	-	-	-	(299,640)	-	-	-	-	(299,640)
Changes arising from demerger (note 1.2)	-	(39,862)	-	-	-	(39,862)	-	-	-	-	-	-
Liability related												
Changes in Other liabilities												
- Cash based	-	6,921,268	-	-	-	6,921,268	-	4,391,352	-	-	-	4,391,352
- Dividend payable	-	(1,129,845)	-	-	1,129,845	-	-	1,182,852	-	-	(1,182,852)	-
- Non cash based	-	711	-	-	-	711	-	(3,838,087)	-	-	-	(3,838,087)
Total liability related other changes	-	5,792,134	-	-	1,129,845	6,921,979	-	1,736,117	-	-	(1,182,852)	553,265
Total equity related other changes	-	-	-	3,281,508	18,716,947	21,998,455	-	-	-	2,562,709	18,691,711	21,254,420
Balance as at December 31	3,891,019	62,673,355	11,850,600	74,147,981	53,532,044	206,094,999	3,892,578	56,921,083	11,850,600	70,866,473	53,776,057	197,306,791

37. STAFF STRENGTH

Permanent
On Bank contract
Bank's own staff strength at the end of the year

	2018	2017
	(Number)	
	12,860	13,155
	578	107
	13,438	13,262

37.1 In addition to the above, 271 (2017: 1,726) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding, tea and janitorial services. Outsourced staff includes 264 (2017: 1,717) working domestically and 7 (2017: 9) working abroad.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

38. DEFINED BENEFIT PLAN

38.1 General description

The Bank operates the following retirement benefits for its employees:

- Pension fund - funded
- Benevolent scheme - unfunded
- Post retirement medical benefits - unfunded
- Employees compensated absence - unfunded

The plan assets and defined benefit obligations are based in Pakistan.

38.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2018	2017
	(Number)	
- Pension fund - funded	6,554	6,853
- Benevolent scheme - unfunded	1,730	1,654
- Post retirement medical benefits - unfunded	12,716	13,015
- Employees compensated absence - unfunded	12,716	13,015

38.3 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2018. The principal actuarial assumptions used are as follows:

	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	%	%	%	%	%	%
Discount rate	13.25	8	13.25	8	13.25	8	13.25	8
Expected rate of return on plan assets	13.25	8	-	-	-	-	-	-
Expected rate of salary increase	11.25	6.75	11.25	6.75	-	-	11.25	6.75
Expected rate of increase in pension	0-5	-	-	-	-	-	-	-
Expected rate of increase in medical benefit	-	-	-	-	11.25	6.5	-	-

38.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Rupees in '000)							
Present value of obligations	4,690,587	3,757,366	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135
Fair value of plan assets	(8,505,757)	(9,747,902)	-	-	-	-	-	-
(Receivable) / payable	(3,815,170)	(5,990,536)	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135

38.5 Movement in defined benefit obligations

Obligations at the beginning of the year	3,757,366	3,519,114	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870
Current service cost	79,236	50,292	30,660	5,168	50,364	11,162	32,366	32,366
Interest cost	282,259	265,940	18,096	15,221	162,569	162,391	85,302	78,477
Benefits paid	(458,268)	(389,734)	(44,628)	(38,189)	(144,664)	(149,108)	(157,708)	(145,807)
Past service cost	1,044,533	-	-	-	-	-	-	-
Re-measurement loss / (gain)	(14,539)	311,754	(38,394)	56,966	(478,160)	11,411	(76,966)	126,229
Obligations at the end of the year	4,690,587	3,757,366	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135

38.6 Movement in fair value of plan assets

Fair value at the beginning of the year	9,747,902	11,292,596	-	-	-	-	-	-
Interest income on plan assets	761,501	887,818	-	-	-	-	-	-
Benefits paid	(458,268)	(389,734)	-	-	-	-	-	-
Re-measurement loss	(1,545,378)	(2,042,778)	-	-	-	-	-	-
Fair value at the end of the year	8,505,757	9,747,902	-	-	-	-	-	-

38.7 Movement in (receivable) / payable under defined benefit schemes

Opening balance	(5,990,536)	(7,773,482)	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870
Charge / (reversal) for the year	644,527	(571,586)	45,499	16,464	212,933	173,553	40,702	237,072
Employees' contribution	-	-	3,257	3,925	-	-	-	-
Re-measurement loss / (gain) recognised in OCI during the year	1,530,839	2,354,532	(38,394)	56,966	(478,160)	11,411	-	-
Benefits paid by the Bank	-	-	(44,628)	(38,189)	(144,664)	(149,108)	(157,708)	(145,807)
Closing balance	(3,815,170)	(5,990,536)	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135

38.8 Charge for defined benefit plans

38.8.1 Cost recognised in profit and loss

Current service cost	79,236	50,292	30,660	5,168	50,364	11,162	32,366	32,366
Net interest on defined benefit asset / liability	(479,242)	(621,878)	18,096	15,221	162,569	162,391	85,302	78,477
Employees' contribution	-	-	(3,257)	(3,925)	-	-	-	-
Actuarial loss / (gain)	-	-	-	-	-	-	(76,966)	126,229
Past service cost	1,044,533	-	-	-	-	-	-	-
	644,527	(571,586)	45,499	16,464	212,933	173,553	40,702	237,072

38.8.2 Pursuant to the order of the Honorable Supreme Court of Pakistan, the Bank has recorded past service cost of Rs. 1,044,533 million (one-off provision) on account of pension liability based on actuarial valuation.

38.8.3 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation - financial assumptions	(14,539)	311,754	(38,394)	56,966	(478,160)	11,411	-	-
Actual return on plan assets over expected interest income	1,545,378	2,042,778	-	-	-	-	-	-
Re-measurement loss / (gain) recognised in OCI	1,530,839	2,354,532	(38,394)	56,966	(478,160)	11,411	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2018	2017	2018	2017	2018	2017	2018	2017
38.9 Components of plan assets								
Cash and cash equivalents - net	74,685	329,080	-	-	-	-	-	-
Shares	8,158,899	9,154,391	-	-	-	-	-	-
Open ended mutual funds units	272,173	264,431	-	-	-	-	-	-
	8,505,757	9,747,902						

38.9.1 Significant risk associated with the plan assets

The Fund's investments in equity securities and units of mutual funds are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

38.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	Approved Pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees' compensated absences
	(Rupees in '000)			
1% increase in discount rate	(347,234)	(15,436)	(176,626)	(61,363)
1% decrease in discount rate	404,423	17,626	216,361	68,308
1% increase in expected rate of salary increase	183,587	-	-	69,535
1% decrease in expected rate of salary increase	(136,275)	-	-	(63,458)
1% increase in expected rate of pension increase	243,456	-	-	-
1% decrease in expected rate of pension increase	(214,612)	-	-	-
1% increase in expected rate of medical benefit increase	-	-	128,811	-
1% decrease in expected rate of medical benefit increase	-	-	(110,074)	-

38.11 Expected contributions to be paid to the funds in the next financial year

No contributions are being made to pension fund due to surplus of fair value of plan's assets over present value of defined obligation. No contribution to the pension fund is expected in the next year.

38.12 Expected (reversal) / for the next financial year

Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2019 would be as follows:

	Approved Pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees' compensated absences
	(Rupees in '000)			
Expected (reversal) / charge for the next financial year	(455,231)	42,854	272,932	160,967

38.13 Maturity profile

The weighted average duration of the obligation (in years)

8.01 7.72 11.36 6.31

38.14 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

38.15 The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

Investment risk	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Longevity risk	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
Salary increase risk	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Withdrawal rate	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

39. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 10,357 (2017: 10,575) employees where contributions are made by the Bank at 8.33% (2017: 8.33%) and employees ranging from 8.33% -12.5% per annum (2017: 8.33% to 12.5% per annum) of the basic salary.

The Bank also operates an approved non-contributory provident fund for 815 (2017: 888) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 12.50% per annum (2017: 8.33% to 12.50% per annum) of the basic salary.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

40. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for compensation, including all benefits, to the Chief Executive, Directors and Executives of the Bank is as follows:

	Note	President / Chief Executive		Directors		Executives	
		2018	2017	2018	2017	2018	2017
(Rupees in '000)							
Fees		-	-	40,741	38,692	-	-
Managerial remuneration and bonus		79,377	73,667	-	-	3,742,792	2,935,963
Retirement benefits		3,095	2,866	-	-	160,907	127,748
Rent and house maintenance	40.1	16,714	15,476	-	-	871,457	688,028
Utilities	40.1	3,714	3,439	-	-	187,748	148,693
Medical	40.1	150	-	-	-	55,176	37,921
Conveyance	40.1	-	-	-	-	713,669	593,391
		103,050	95,448	40,741	38,692	5,731,748	4,531,744
Number of persons		1	1	14	13	1,964	1,599

40.1 These allowances have been classified under fixed salary in total compensation note 31.1.

40.2 The Chairman has been provided with free use of the Bank maintained car. In addition to the above, the Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

41. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates and subsidiaries is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.3 to these unconsolidated financial statements.

The maturity and repricing profile and effective rates are stated in note 45.

In the opinion of the management, the fair value of the financial assets and financial liabilities other than those carried at fair value and disclosed in note 41.1 are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

41.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Valuation techniques used in determination of fair valuation of financial instruments within level 2

Item	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined using the PKRV rates.
Term Finance and Bonds	Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.
Operating fixed assets (land and building) & NBA	Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and building.

	2018				Total
	Carrying value	Level 1	Level 2	Level 3	
(Rupees in '000)					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	680,275,870	-	680,275,870	-	680,275,870
Shares	17,105,168	17,105,168	-	-	17,105,168
Non-Government Debt Securities	1,096,332	-	1,096,332	-	1,096,332
Foreign Securities	2,522,454	-	2,522,454	-	2,522,454
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares, subsidiaries and associates)	48,368,914	-	-	-	-
Cash and balances with treasury banks	103,174,597	-	-	-	-
Balances with other banks	11,878,975	-	-	-	-
Lendings to financial institutions	35,106,241	-	-	-	-
Advances	503,581,323	-	-	-	-
Other assets	35,753,619	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	33,715,777	-	33,715,777	-	33,715,777
Non-banking assets	4,035,114	-	4,035,114	-	4,035,114
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	125,528,129	-	3,477,211	-	3,477,211
Forward sale of foreign exchange	91,239,998	-	3,452,374	-	3,452,374
Derivatives purchase	5,721,684	-	787,978	-	787,978
Derivatives sale	5,563,419	-	799,130	-	799,130
2017					
	Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	587,707,230	-	587,707,230	-	587,707,230
Shares	19,724,653	19,724,653	-	-	19,724,653
Non-Government Debt Securities	1,244,959	-	1,244,959	-	1,244,959
Foreign Securities	2,449,656	-	2,449,656	-	2,449,656
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares, subsidiaries and associates)	45,837,134	-	-	-	-
Cash and balances with treasury banks	106,072,084	-	-	-	-
Balances with other banks	4,579,275	-	-	-	-
Lendings to financial institutions	4,398,114	-	-	-	-
Advances	469,355,849	-	-	-	-
Other assets	35,894,442	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	32,414,791	-	32,414,791	-	32,414,791
Non-banking assets	4,288,001	-	4,288,001	-	4,288,001
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	85,101,993	-	2,851,188	-	2,851,188
Forward sale of foreign exchange	75,210,455	-	2,325,532	-	2,325,532
Derivatives purchase	2,692,800	-	33,861	-	33,861
Derivatives sale	2,587,280	-	23,368	-	23,368

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options, Cross Currency Swaps, Interest Rate Swaps and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

42. SEGMENT INFORMATION

42.1 Segment details with respect to business activities

The segment analysis with respect to business activity is as follows:

	2018							
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	Others	Sub-total	Eliminations	Total
	(Rupees in '000)							
Profit & Loss								
Net mark-up/return/profit	(19,999,097)	2,425,240	22,571,031	41,399,090	(382,114)	46,014,150	-	46,014,150
Inter segment revenue - net	50,778,451	(774,576)	(17,208,202)	(38,240,495)	5,444,822	-	-	-
Non mark-up / return / interest income	6,820,225	1,732,440	3,771,009	3,970,534	903,918	17,198,126	-	17,198,126
Total Income	37,599,579	3,383,104	9,133,838	7,129,129	5,966,626	63,212,276	-	63,212,276
Segment direct expenses	20,935,783	1,372,159	1,610,739	281,947	8,701,286	32,901,914	-	32,901,914
Inter segment expense allocation	-	-	-	-	-	-	-	-
Total expenses	20,935,783	1,372,159	1,610,739	281,947	8,701,286	32,901,914	-	32,901,914
Provisions	(186,311)	(66,393)	(733,366)	1,952,015	(2,719,201)	(1,753,256)	-	(1,753,256)
Profit before tax	16,850,107	2,077,338	8,256,465	4,895,167	(15,459)	32,063,618	-	32,063,618
Balance Sheet								
Cash & Bank balances	49,001,673	33,515	17,486,827	46,395,674	2,135,883	115,053,572	-	115,053,572
Investments	-	-	18,505,331	730,863,407	-	749,368,738	-	749,368,738
Net inter segment lending	838,264,563	-	-	-	134,139,482	972,404,045	(972,404,045)	-
Lendings to financial institutions	-	-	1,502,544	33,603,697	-	35,106,241	-	35,106,241
Advances - gross	129,656,470	24,268,379	365,400,739	-	27,465,961	546,791,549	-	546,791,549
- provision held	(6,627,798)	(1,702,655)	(7,413,812)	-	(27,465,961)	(43,210,226)	-	(43,210,226)
Others	31,327,270	1,887,934	8,326,592	8,127,064	45,351,327	95,020,187	-	95,020,187
Total Assets	1,041,622,178	24,487,173	403,808,221	818,989,842	181,626,692	2,470,534,106	(972,404,045)	1,498,130,061
Borrowings	35,293,396	-	9,172,202	171,553,288	-	216,018,886	-	216,018,886
Subordinated debt	-	-	-	-	3,891,019	3,891,019	-	3,891,019
Deposits & other accounts	969,799,371	16,556	79,196,248	-	25,440	1,049,037,615	-	1,049,037,615
Net inter segment borrowing	-	22,478,042	307,402,415	642,523,588	-	972,404,045	(972,404,045)	-
Others	36,529,411	1,992,575	8,037,356	4,912,966	28,432,504	79,904,812	-	79,904,812
Total liabilities	1,041,622,178	24,487,173	403,808,221	818,989,842	32,348,963	2,321,256,377	(972,404,045)	1,348,852,332
Equity	-	-	-	-	149,277,729	149,277,729	-	149,277,729
Total Equity & liabilities	1,041,622,178	24,487,173	403,808,221	818,989,842	181,626,692	2,470,534,106	(972,404,045)	1,498,130,061
Contingencies & Commitments	114,095,804	-	204,311,803	247,754,264	18,272,434	-	-	584,434,305
	2017							
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	Others	Sub-total	Eliminations	Total
	(Rupees in '000)							
Profit & Loss								
Net mark-up/return/profit	(11,968,986)	1,739,112	14,798,224	37,972,672	121,191	42,662,213	-	42,662,213
Inter segment revenue - net	36,786,402	(783,160)	(10,219,266)	(30,534,733)	4,750,757	-	-	-
Non mark-up / return / interest income	6,135,163	1,559,178	2,900,828	7,433,916	88,869	18,117,954	-	18,117,954
Total Income	30,952,579	2,515,130	7,479,786	14,871,855	4,960,817	60,780,167	-	60,780,167
Segment direct expenses	18,750,470	1,223,199	1,407,779	270,169	7,069,323	28,720,940	-	28,720,940
Inter segment expense allocation	-	-	-	-	-	-	-	-
Total expenses	18,750,470	1,223,199	1,407,779	270,169	7,069,323	28,720,940	-	28,720,940
Provisions	(262,806)	(177,069)	(526,403)	3,570,437	(1,559,140)	1,045,019	-	1,045,019
Profit before tax	12,464,915	1,469,000	6,598,410	11,031,249	(549,366)	31,014,208	-	31,014,208
Balance Sheet								
Cash & Bank balances	44,522,823	37,221	11,740,549	51,727,835	2,622,931	110,651,359	-	110,651,359
Investments	-	-	13,523,275	641,372,549	2,067,808	656,963,632	-	656,963,632
Net inter segment lending	708,281,466	-	-	-	144,592,086	852,873,552	(852,873,552)	-
Lendings to financial institutions	-	-	1,873,524	2,524,590	-	4,398,114	-	4,398,114
Advances - gross	199,566,137	19,906,369	287,067,771	-	8,517,578	515,057,855	-	515,057,855
- provision held	(31,201,950)	(1,764,808)	(4,217,670)	-	(8,517,578)	(45,702,006)	-	(45,702,006)
Others	25,334,193	1,898,262	21,283,688	11,049,283	42,303,511	101,868,937	-	101,868,937
Total Assets	946,502,669	20,077,044	331,271,137	706,674,257	191,586,336	2,196,111,443	(852,873,552)	1,343,237,891
Borrowings	33,698,763	-	9,049,493	90,091,987	229,313	133,069,556	-	133,069,556
Subordinated debt	-	-	-	-	3,892,578	3,892,578	-	3,892,578
Deposits & other accounts	894,416,068	1,236	74,042,363	-	22,968	968,482,635	-	968,482,635
Net inter segment borrowing	-	18,232,819	220,723,332	613,917,401	-	852,873,552	(852,873,552)	-
Others	18,387,838	1,842,989	27,455,949	2,664,869	33,875,140	84,226,785	-	84,226,785
Total liabilities	946,502,669	20,077,044	331,271,137	706,674,257	38,019,999	2,042,545,106	(852,873,552)	1,189,671,554
Equity	-	-	-	-	153,566,337	153,566,337	-	153,566,337
Total Equity & liabilities	946,502,669	20,077,044	331,271,137	706,674,257	191,586,336	2,196,111,443	(852,873,552)	1,343,237,891
Contingencies & Commitments	141,707,827	-	128,200,658	168,486,488	9,740,127	-	-	448,135,100

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

42.2 Segment details with respect to geographical locations

	2018					
	Pakistan	South Asia	Middle East	Sub-total	Eliminations	Total
	(Rupees in '000)					
Profit & Loss						
Net mark-up/return/profit	44,613,921	909,102	491,127	46,014,150	-	46,014,150
Inter segment revenue - net	(5,588)	(12,926)	18,514	-	-	-
Non mark-up / return / interest income	16,481,810	233,086	483,230	17,198,126	-	17,198,126
Total Income	61,090,143	1,129,262	992,871	63,212,276	-	63,212,276
Segment direct expenses	31,882,563	641,781	377,570	32,901,914	-	32,901,914
Inter segment expense allocation	-	-	-	-	-	-
Total expenses	31,882,563	641,781	377,570	32,901,914	-	32,901,914
Provisions	(1,800,652)	10,624	36,772	(1,753,256)	-	(1,753,256)
Profit before tax	31,008,232	476,857	578,529	32,063,618	-	32,063,618
Balance Sheet						
Cash & Bank balances	98,630,269	1,906,785	14,516,518	115,053,572	-	115,053,572
Investments	739,664,924	4,040,982	5,662,832	749,368,738	-	749,368,738
Net inter segment lendings	9,753,427	-	-	9,753,427	(9,753,427)	-
Lendings to financial institutions	33,603,697	368,406	1,134,138	35,106,241	-	35,106,241
Advances - gross	524,617,549	16,346,935	5,827,065	546,791,549	-	546,791,549
- provision held	(42,604,233)	(132,295)	(473,698)	(43,210,226)	-	(43,210,226)
Others	94,578,655	315,568	125,964	95,020,187	-	95,020,187
Total Assets	1,458,244,288	22,846,381	26,792,819	1,507,883,488	(9,753,427)	1,498,130,061
Borrowings	213,220,309	616,822	2,181,755	216,018,886	-	216,018,886
Subordinated debt	3,891,019	-	-	3,891,019	-	3,891,019
Deposits & other accounts	1,012,916,251	16,266,330	19,855,034	1,049,037,615	-	1,049,037,615
Net inter segment borrowing	-	5,058,214	4,695,213	9,753,427	(9,753,427)	-
Others	78,938,980	905,015	60,817	79,904,812	-	79,904,812
Total liabilities	1,308,966,559	22,846,381	26,792,819	1,358,605,759	(9,753,427)	1,348,852,332
Equity	149,277,729	-	-	149,277,729	-	149,277,729
Total Equity & liabilities	1,458,244,288	22,846,381	26,792,819	1,507,883,488	(9,753,427)	1,498,130,061
Contingencies & Commitments	564,195,725	12,396,092	7,842,488	-	-	584,434,305
	2017					
	Pakistan	South Asia	Middle East	Sub-total	Eliminations	Total
	(Rupees in '000)					
Profit & Loss						
Net mark-up/return/profit	41,463,487	851,091	347,635	42,662,213	-	42,662,213
Inter segment revenue - net	18,039	(18,978)	939	-	-	-
Non mark-up / return / interest income	17,546,034	229,045	342,875	18,117,954	-	18,117,954
Total Income	59,027,560	1,061,158	691,449	60,780,167	-	60,780,167
Segment direct expenses	27,886,780	522,772	311,388	28,720,940	-	28,720,940
Inter segment expense allocation	-	-	-	-	-	-
Total expenses	27,886,780	522,772	311,388	28,720,940	-	28,720,940
Provisions	998,990	25,498	20,531	1,045,019	-	1,045,019
Profit before tax	30,141,790	512,888	359,530	31,014,208	-	31,014,208
Balance Sheet						
Cash & Bank balances	99,523,627	1,303,923	9,823,809	110,651,359	-	110,651,359
Investments	650,468,804	3,549,348	2,945,480	656,963,632	-	656,963,632
Net inter segment lendings	7,887,166	-	-	7,887,166	(7,887,166)	-
Lendings to financial institutions	2,524,590	971,730	901,794	4,398,114	-	4,398,114
Advances - gross	492,515,787	14,814,211	7,727,857	515,057,855	-	515,057,855
- provision held	(45,274,267)	(114,056)	(313,683)	(45,702,006)	-	(45,702,006)
Others	101,459,837	287,378	121,722	101,868,937	-	101,868,937
Total Assets	1,309,105,544	20,812,534	21,206,979	1,351,125,057	(7,887,166)	1,343,237,891
Borrowings	127,814,839	1,887,082	3,367,635	133,069,556	-	133,069,556
Subordinated debt	3,892,578	-	-	3,892,578	-	3,892,578
Deposits & other accounts	940,340,272	13,159,012	14,983,351	968,482,635	-	968,482,635
Net inter segment borrowing	-	5,092,390	2,794,776	7,887,166	(7,887,166)	-
Others	83,491,518	674,050	61,217	84,226,785	-	84,226,785
Total liabilities	1,155,539,207	20,812,534	21,206,979	1,197,558,720	(7,887,166)	1,189,671,554
Equity	153,566,337	-	-	153,566,337	-	153,566,337
Total Equity & liabilities	1,309,105,544	20,812,534	21,206,979	1,351,125,057	(7,887,166)	1,343,237,891
Contingencies & Commitments	433,541,303	9,543,753	5,050,044	448,135,100	-	448,135,100

42.3 Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include inter segment balances. Costs which are not allocated to segments are included in the Head office. Income taxes are managed at bank level and are not allocated to operating segments.

42.4 No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2018 or 2017.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

43. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its subsidiaries, associates, employee benefit plans, its directors and key management personnel and their close family members. The detail of investments in subsidiary companies and associates are stated in note 9.12 to these unconsolidated financial statements.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	2018						2017					
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties		
(Rupees in '000)												
Lendings to Financial Institutions												
Opening balance	-	-	524,590	-	-	-	-	-	-	-	-	
Addition during the year	-	-	40,942,611	-	-	-	-	21,687,308	-	-	-	
Repaid during the year	-	-	(40,835,850)	-	-	-	-	(21,162,718)	-	-	-	
Closing balance	-	-	631,351	-	-	-	-	524,590	-	-	-	
Investments												
Opening balance	-	-	10,846,512	748,172	254,253	-	-	10,845,787	845,396	-	79,827	
Investment made during the year	-	-	1,200,000	-	-	-	-	-	-	-	-	
Investment redeemed / disposed off during the year	-	-	-	(47,771)	-	-	-	-	(97,224)	-	-	
Transfer under NIB merger	-	-	-	-	-	-	-	725	-	-	174,426	
Closing balance	-	-	12,046,512	700,401	254,253	-	-	10,846,512	748,172	-	254,253	
Provision for diminution in value of investments												
	-	-	725	-	5,000	-	-	725	-	-	5,000	
Advances												
Opening balance	946	84,167	293,837	-	2,324,608	926	87,324	276,349	-	-	262,338	
Addition / exchange adjustment	14,723	73,571	73,035	-	6,640,565	13,495	25,778	296,337	-	-	2,231,497	
Repaid during the year	(15,011)	(99,288)	-	-	(7,357,817)	(13,475)	(33,991)	(278,849)	-	-	(2,458,727)	
Transfer in / (out) including under NIB merger	-	22,940	-	-	(557,079)	-	5,056	-	-	-	2,289,500	
Closing balance	658	141,390	366,872	-	1,050,277	946	84,167	293,837	-	-	2,324,608	
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018					2017				
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
	(Rupees in '000)									
Other Assets										
Markup receivable	-	3,101	16,725	-	25,538	-	-	9,604	-	14,958
Advances, deposits, advance rent and other prepayments	-	-	8,820	86,579	30,620	-	-	18,767	52,008	29,549
Acceptances	-	-	-	-	25,387	-	-	-	-	34,871
Receivable from Pension Fund	-	-	-	-	3,815,170	-	-	-	-	5,990,537
Provision held against other assets	-	-	-	-	-	-	-	-	-	-
Borrowings										
Opening balance	-	-	39,993	-	993,755	-	-	1,682	-	936,788
Borrowings / exchange adjustment during the year	-	-	92,529	-	-	-	-	113,018	-	1,356,967
Settled during the year	-	-	(113,377)	-	(993,755)	-	-	(74,706)	-	(1,300,000)
Closing balance	-	-	19,146	-	-	-	-	39,993	-	993,755
Deposits and other accounts										
Opening balance	3,953,730	148,080	51,048	2,744,432	3,800,959	2,542,067	105,761	38,868	2,568,584	5,852,008
Received during the year	4,259,454	849,270	1,917,297	17,580,902	55,702,326	3,686,510	721,438	1,632,422	37,478,917	60,757,429
Withdrawn during the year	(4,457,255)	(851,481)	(1,902,412)	(16,985,487)	(56,301,430)	(2,274,847)	(693,388)	(1,620,242)	(37,303,069)	(62,808,478)
Transfer in / (out) - net	(10,472)	22,659	-	-	10,765	-	14,269	-	-	-
Closing balance	3,745,457	168,528	65,933	3,539,847	3,212,620	3,953,730	148,080	51,048	2,744,432	3,800,959
Other Liabilities										
Markup payable	32,342	282	134	15,968	36,943	12,586	113	144	8,063	22,553
Accrued expenses and other payable	7,299	-	17,966	78,922	884	5,401	-	20,415	39,768	559
Advance received against sale of property	-	-	20,000	-	-	-	-	20,000	-	-
Unrealized loss on forward foreign exchange contracts - outstanding	-	-	10,196	-	-	-	-	5,072	-	68,442
Contingencies and Commitments										
Commitments and contingent liabilities - outstanding	-	-	-	10,227	4,374,481	-	-	-	9,840	941,715
Forward purchase of government securities	-	-	-	-	8,739,500	-	-	-	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	2,121,196	-	-	-	-	577,292	-	17,562,997

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

RELATED PARTY TRANSACTIONS

	2018					2017				
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
	(Rupees in '000)									
Income										
Markup / return / interest earned	38	11,022	146,341	-	103,646	2	6,030	77,601	-	64,549
Fee and commission income	-	-	37,915	1,109,700	27,258	-	-	128,086	929,674	6,818
Dividend income	-	-	64,674	140,000	37,470	-	-	120,109	302,497	48,301
Foreign exchange income	-	-	-	-	206,723	-	-	-	-	213,322
Net gain on sale of securities	-	-	-	53	46,195	-	-	-	48	5,127
Gain on sale of fixed assets	-	85	-	-	156,400	-	36	151	-	-
Rent income and reimbursement of other expenses	-	-	39,668	3,679	3,375	-	-	27,054	3,341	3,240
Expense										
Markup / return / interest expensed	213,721	1,982	1,491	98,218	246,176	105,126	1,036	871	69,138	157,881
Other Operating expenses										
Clearing expenses paid to NIFT	-	-	-	-	145,508	-	-	-	-	136,080
Contribution to provident fund	-	-	-	-	347,043	-	-	-	-	301,713
Rent expenses	-	-	8,855	-	47,576	-	-	8,229	4,656	52,640
Cash sorting expenses	-	-	-	-	157,249	-	-	-	-	96,648
Stationery expenses	-	-	-	-	234,318	-	-	-	-	185,132
Security guards expenses	-	-	-	-	398,773	-	-	-	-	388,231
Remuneration to key executives and non-executive directors fee	143,791	483,820	-	-	-	134,140	414,100	-	-	-
Outsourcing service expenses	-	-	-	263,283	-	-	-	-	177,579	5,000
Donation during the year	-	-	-	-	-	-	-	-	-	-
Commission expenses	-	-	11,814	-	-	-	-	6,576	-	-
E-dividend processing fee and CDC charges	-	-	-	-	5,816	-	-	-	-	35,491
Travelling Expenses	-	-	-	-	38,571	-	-	-	-	24,949
Hotel stay expenses	-	-	-	-	10,676	-	-	-	-	-
Repair & Maintenance Charges	-	-	-	-	1,726	-	-	-	-	4,012
Miscellaneous expenses and payments	-	-	-	-	4,330	-	-	-	-	2,456
Insurance premium-net of refund	-	-	-	554,703	-	-	-	-	554,432	-
Insurance claim settled	-	-	-	280,532	-	-	-	-	13,110	-
Other Transactions										
Payment against scheme of demerger	-	-	22,214,180	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	2,503	3,216	-	-	425,000	-	36	-	-	-
Sale of foreign currency	-	-	19,362,244	-	-	-	-	9,540,546	-	-
Purchase of foreign currency	-	-	11,361,607	-	-	-	-	4,121,570	-	-
Payments against home remittances	-	-	1,706,791	-	-	-	-	91,009	-	-
Sale of government securities	-	36,452	-	4,611,381	296,705,958	-	-	-	6,568,012	54,075,755
Purchase of government securities	-	27,486	-	6,699,290	297,767,019	-	-	-	5,535,578	41,411,268
Forward exchange contracts matured during the year	-	-	-	-	101,658,555	-	-	-	-	67,068,454
Insurance premium paid on behalf of related party	-	-	-	12,912	-	-	-	-	-	-
Reimbursement of Insurance premium paid on behalf of a related party	-	-	-	-	12,912	-	-	-	-	-
Insurance claim received on behalf of related party	-	-	-	333	-	-	-	-	-	-
Insurance claim paid to related party	-	-	-	-	333	-	-	-	-	-

The chairman has been provided with free use of the Bank maintained car. The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	(Rupees in '000)	
44. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
44.1 Capital Adequacy		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,850,600	11,850,600
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	128,999,274	129,130,051
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	128,999,274	129,130,051
Eligible Tier 2 Capital	16,987,978	18,097,291
Total Eligible Capital (Tier 1 + Tier 2)	145,987,252	147,227,342
Risk Weighted Assets (RWAs):		
Credit Risk	637,480,582	633,997,455
Market Risk	54,814,473	144,786,487
Operational Risk	112,882,444	116,630,794
Total	805,177,499	895,414,736
Common Equity Tier 1 Capital Adequacy ratio	16.02%	14.42%
Tier 1 Capital Adequacy Ratio	16.02%	14.42%
Total Capital Adequacy Ratio	18.13%	16.44%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid up capital (net of losses) for all locally incorporated banks of Rs. 10 billion. The paid up capital of the Bank for the year ended December 31, 2018 stood at Rs. 11,851 billion and is in compliance with the SBP requirements. Further, under Basel III instructions, banks are required to maintain minimum Capital Adequacy Ratio (CAR) of 11.90% (including 1.90% capital conservation buffer), Common Equity Tier 1 (CET 1) ratio of 6.0% and Tier 1 ratio of 7.50% as at December 31, 2018. The Bank is fully compliant with prescribed ratios.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under comprehensive approach.

44.2 Leverage Ratio (LR):		
Eligible Tier-1 Capital	128,999,274	129,130,051
Total Exposures	1,820,404,530	1,683,406,323
Leverage Ratio	7.09%	7.67%
44.3 Liquidity Requirements		
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	609,585,939	608,139,885
Total Net Cash Outflow	341,044,576	313,260,304
Liquidity Coverage Ratio	178.74%	194.13%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	895,570,558	814,278,652
Total Required Stable Funding	685,678,115	632,207,998
Net Stable Funding Ratio	130.61%	128.80%

The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time is available at:
<https://www.mcb.com.pk/investor-relations/capital-adequacy-statements>

45. RISK MANAGEMENT

Risk is an inherent part of banking business activities. The risk management framework and governance structure at MCB helps to mitigate and counter any foreseeable risk in its various lines of business. Risk awareness forms an integral part of strategic and operational activities of risk management. Through its risk management policy the Bank sets the best course of action under uncertainty by identifying, prioritizing, mitigating and monitoring risk issues, with the goal of enhancing shareholders' value. Bank's risk management structure is based on the following five guiding principles:

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

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM&PRC), the senior management and its relevant committees, i.e. the Management Credit and Risk Committee (MC&RC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring processes which are closely aligned with the activities of the bank. The framework combines core policies, procedures and process designs with broad oversight and is supported by an efficient monitoring mechanism across the bank to ensure that risks are kept within an acceptable level.

The Bank ensures that not only the relevant risks are identified but their implications are also considered and basis provided for managing and measuring the risks. Through Internal Control units, the Bank ensures that effective controls are in place to mitigate each of the identified risk.

Independent from business groups, Head of Risk Management reports functionally to the Risk Management & Portfolio Review Committee (RM&PRC) and administratively to the President; the RM&PRC convenes regular meetings to evaluate bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Risk Management Policy Formulation
- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management
- IT Risk Management

Keeping in view the international best practices and SBP requirements, Board of Directors of the Bank has approved a Risk Appetite Statement, which takes into account quantitative and qualitative risk indicators, covering target ratios, credit, market, operational, liquidity and business risks.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.1 Credit Risk

Credit risk arises from bank's dealings with individuals, corporate borrowers, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its lending and investment activities. Credit risk makes up the largest part of the Bank's exposure and it stems from Bank's both on and off-balance sheet activities. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Bank has developed rating systems and all its borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, Probability Default based internal credit risk rating (ICRR) system based on the statistical modeling and validation in line with Basel principles. The revamped ICRR is currently focused on Corporate Commercial and Corporate Large customer categories. The Internal Credit Risk Rating Model for rating of SME Customers has also been revamped to achieve more accurate results and to improve the quality of credit decisions.

In order to manage bank's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control is responsible for performing following activities:

- Credit disbursement authorization
- Collateral coverage and monitoring
- Compliance of loan covenants/ terms of approval
- Maintenance/ custody of collateral and security documentation
- Credit Risk Limit Controls

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulations.

The Bank creates specific provision against Non-Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans and Small enterprise (SEs) made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Please refer note No. 10.4 for reconciliation of changes in specific and general provisions.

Management of Non Performing Loans

The Bank has a Assets Rehabilitation Group (ARG), which is responsible for management of non performing loans. ARG undertakes restructuring / rescheduling of problem loans, as well as litigation of both civil and criminal cases for collection of debt.

Stress Testing

Credit Risk stress testing is a regular exercise. Bank's credit exposures including funded and non-funded facilities are subjected to stress tests. This exercise is conducted on a quarterly basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

45.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	1,198,704	619,028	-	-	-	-
Private	33,907,537	3,779,086	-	-	-	-
	35,106,241	4,398,114	-	-	-	-

45.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Construction	29,964	29,964	29,964	29,964	29,964	29,964
Electricity, gas, steam and air conditioning supply	188,456	262,089	-	-	-	-
Financials including government securities	721,780,711	617,963,142	118	118	118	118
Manufacture of cement	285,000	285,000	285,000	285,000	285,000	285,000
Manufacture of sugar	150,000	150,000	-	-	-	-
Manufacture of textiles	53,531	125,737	53,531	125,737	53,531	125,737
Others	7,682	7,682	7,682	7,682	7,682	7,682
Telecommunications	114,747	116,550	114,747	116,550	114,747	116,550
	722,610,091	618,940,164	491,042	565,051	491,042	565,051

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	712,839,136	610,815,658	-	-	-	-
Private	9,770,955	8,124,506	491,042	565,051	491,042	565,051
	722,610,091	618,940,164	491,042	565,051	491,042	565,051

45.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Agriculture, forestry and fishing	7,863,709	10,706,376	798,008	657,181	763,426	522,573
Construction	21,144,096	16,711,731	343,453	373,510	339,991	349,240
Electricity, gas, steam and air conditioning supply	42,900,207	36,727,906	381,282	384,221	379,485	382,424
Electronics and electrical appliances	4,805,636	4,933,192	119,040	107,559	113,320	101,839
Financials	14,241,054	13,734,072	741,551	777,469	739,169	777,469
Footwear and Leather garments	3,406,115	3,565,927	179,687	200,531	179,292	200,113
Human health and social work activities	4,258,217	5,599,076	52,395	76,874	37,025	48,314
Individuals	38,641,227	33,381,699	4,310,937	4,116,200	4,002,049	3,935,588
Manufacture of basic metals and metal products	14,349,676	12,421,426	2,193,872	2,318,177	2,190,086	2,314,017
Manufacture of cement	12,850,003	6,419,049	392,862	392,862	392,862	392,862
Manufacture of chemicals and chemical and pharmaceutical products	38,954,379	40,420,717	376,631	335,998	366,010	316,468
Manufacture of coke and refined petroleum products	22,581,791	19,697,260	361,167	288,215	360,551	287,599
Manufacture of food & beverages products	53,415,267	50,163,111	3,233,140	3,498,986	3,169,855	3,467,137
Manufacture of machinery, equipment and transport Equipment	1,229,934	782,787	474,815	527,872	456,142	463,445
Manufacture of rubber and plastics products	4,793,034	2,434,304	711,653	49,119	428,762	46,298
Manufacture of sugar	34,643,259	31,193,807	2,483,424	2,527,266	1,843,056	2,446,248
Manufacture of textiles	74,543,561	75,740,466	13,854,193	13,845,711	13,210,706	13,612,889
Mining and quarrying	2,510,868	280,377	10,078	2,920	10,013	2,349
Manufacturing of Pulp, Paper, Paperboard	4,170,766	4,356,005	261,677	273,789	232,751	244,413
Ship Breaking	9,207,374	7,025,143	3,040,220	2,968,619	3,040,220	2,968,619
Services	10,241,030	13,265,580	1,135,283	1,588,028	1,030,585	1,508,513
Telecommunications	17,945,996	21,269,227	57,304	77,215	52,791	72,703
Transportation and storage	57,345,264	56,154,195	507,773	593,241	402,386	486,007
Wholesale and retail traders	45,042,652	42,461,339	12,116,637	11,732,252	7,448,877	8,691,481
Others	5,706,434	5,613,083	818,466	1,038,805	754,099	948,307
	546,791,549	515,057,855	48,955,548	48,752,620	41,943,509	44,586,915

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	90,401,960	88,686,569	639,826	639,824	639,825	639,825
Private	456,389,589	426,371,286	48,315,722	48,112,796	41,303,684	43,947,090
	546,791,549	515,057,855	48,955,548	48,752,620	41,943,509	44,586,915

45.1.4 Contingencies and Commitments

Credit risk by industry sector	2018		2017	
	(Rupees in '000)			
	2018	2017	2018	2017
Agriculture, forestry and fishing	458,978	1,108,523		
Construction	34,419,245	18,487,483		
Electricity, gas, steam and air conditioning supply	5,283,833	13,961,385		
Electronics and electrical appliances	2,263,031	2,442,979		
Financials	349,849,294	233,265,696		
Footwear and Leather garments	142,180	658,192		
Human health and social work activities	804,687	251,751		
Individuals	8,758,774	11,913,597		
Manufacture of basic metals and metal products	6,846,779	7,726,774		
Manufacture of cement	1,951,187	6,509,373		
Manufacture of chemicals and chemical and pharmaceutical products	19,050,871	12,874,902		
Manufacture of coke and refined petroleum products	3,951,612	5,726,433		
Manufacture of food & beverages products	13,378,114	15,172,508		
Manufacture of machinery, equipment and transport Equipment	8,023,653	2,726,068		
Manufacture of rubber and plastics products	1,391,038	1,574,827		
Manufacture of sugar	4,105,751	3,298,893		
Manufacture of textiles	15,797,412	15,813,049		
Mining and quarrying	96,453	47,025		
Manufacturing of Pulp, Paper, Paperboard	1,099,265	365,070		
Ship Breaking	2,269,451	90,964		
Services	61,195,351	53,176,154		
Telecommunications	16,839,614	16,424,642		
Transportation and storage	3,471,149	3,329,244		
Wholesale and retail traders	13,525,999	17,578,531		
Others	9,460,584	3,611,017		
	584,434,305	448,135,100		
Credit risk by public / private sector				
Public/ Government	146,299,566	82,756,282		
Private	438,134,739	365,378,818		
	584,434,305	448,135,100		

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 233,522.506 million (2017: Rs. 205,291.895 million) are as following:

	2018 (Rupees in '000)	2017
Funded	91,638,103	109,885,020
Non Funded	141,884,403	95,406,875
Total Exposure	233,522,506	205,291,895

The sanctioned limits against these top 10 exposures aggregated to Rs 281,681.726 million (2017: 267,059.555 million)

There is no provision against these top 10 exposures.

45.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	293,747,889	269,934,074	19,679,281	4,067,489	-	49,111	17,935
Sindh	180,248,076	10,961,509	150,699,678	3,187,372	12,250,912	3,148,604	-
KPK including FATA	4,320,762	-	-	4,290,549	-	30,214	-
Balochistan	4,135,089	-	-	-	4,135,089	-	-
Islamabad	41,780,825	856,373	-	2,363,815	-	38,443,096	117,542
AJK including Gilgit-Baltistan	460,785	-	-	-	-	-	460,783
Total	524,693,426	281,751,956	170,378,959	13,909,225	16,386,001	41,671,025	596,260

Province/Region	2017						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	267,264,893	242,929,367	18,260,151	553,867	-	5,521,508	-
Sindh	167,376,511	11,760,862	147,188,001	1,444,499	6,757,105	221,390	4,654
KPK including FATA	4,857,245	83	1,842	4,855,320	-	-	-
Balochistan	1,554,017	-	-	-	1,554,017	-	-
Islamabad	45,787,896	4,608,707	-	1,314,562	-	39,864,627	-
AJK including Gilgit-Baltistan	464,339	-	-	-	-	-	464,339
Total	487,304,901	259,299,019	165,449,994	8,168,248	8,311,122	45,607,525	468,993

45.2 Market Risk

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. MCB is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign Exchange Group and the Capital Market Division. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Bank's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, Management Credit and Risk Committee, ALCO and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk function works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. Market Risk seeks to facilitate efficient risk/return management decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

In line with regulatory requirements, MCB has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market Risk by using different risk parameters with combinations of various limits. A specific Board approved Market Risk Limit Policy provides guidelines for assuming controlled market risk, its monitoring and management. The approved Limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Besides conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its treasury and capital market groups. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon.

A framework of stress testing, scenario analysis and reverse stress tests covering both banking and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by senior management and also reported to the SBP.

The Bank is also exposed to interest rate risk both in trading and banking books. Risk parameters along with the marked to market values of government securities held by the Bank's treasury are generated on daily basis. The risk parameters include duration, PVPB, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	103,174,597	-	103,174,597	106,072,084	-	106,072,084
Balances with other banks	11,878,975	-	11,878,975	4,579,275	-	4,579,275
Lendings to financial institutions	35,106,241	-	35,106,241	4,398,114	-	4,398,114
Investments	46,959,184	702,409,554	749,368,738	44,477,485	612,486,147	656,963,632
Advances	503,581,323	-	503,581,323	469,355,849	-	469,355,849
Fixed assets	41,069,761	-	41,069,761	39,169,606	-	39,169,606
Intangible assets	372,336	-	372,336	404,326	-	404,326
Other assets	53,578,090	-	53,578,090	62,295,005	-	62,295,005
	<u>795,720,507</u>	<u>702,409,554</u>	<u>1,498,130,061</u>	<u>730,751,744</u>	<u>612,486,147</u>	<u>1,343,237,891</u>

45.2.2 Foreign Exchange Risk

Foreign exchange risk exposes the bank to changes in the values of current holdings and future cash flows denominated in currencies other than home currency due to the exchange rate fluctuation and volatility. The types of instruments exposed to this risk include investments in foreign branches, foreign currency-denominated loans, foreign currency-denominated deposits, future cash flows in foreign currencies arising from foreign exchange transactions, etc.

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

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

	2018				2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	28,040,303	52,379,053	24,320,327	(18,423)	36,607,981	41,601,091	2,552,361	(2,440,749)
Sri Lankan Rupees	(364,982)	-	171,106	(193,876)	20,799,971	20,812,534	4,081,628	4,069,065
Arad Emirates Dirham	(116,907)	-	-	(116,907)	16,056,539	15,944,630	24,048	135,957
Euro	628,921	5,213,276	4,485,718	(98,637)	1,290,660	5,828,424	4,493,576	(44,188)
Great Britain Pound Sterling	474,696	5,839,034	5,315,794	(48,544)	862,452	5,566,089	4,594,953	(108,684)
Japanese Yen	(8,967)	17	8,824	(160)	6,419	95	(1,785)	4,539
Other currencies	52,851	-	25,692	78,543	108,727	-	(131)	108,596
	<u>28,705,915</u>	<u>63,431,380</u>	<u>34,327,461</u>	<u>(398,004)</u>	<u>75,732,749</u>	<u>89,752,863</u>	<u>15,744,650</u>	<u>1,724,536</u>

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on - Profit and loss account	-	4,199	-	4,005

45.2.3 Equity position Risk

Bank's proprietary positions in the equity instruments exposes it to the equity price risk in its trading and banking books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR analysis and stress testing of the equity portfolio are also performed and reported to senior management on daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index using certain assumptions. In addition to this Stress Testing, historical scenario analysis on Equities is also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

	2018		2017	
	AFS	HFT	AFS	HFT
	(Rupees in '000)			
Impact of 5% change in equity prices on - Profit and loss account - Other comprehensive income	- 854,324	934 -	- 985,046	1,187

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Base II Specific

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

The increase / (decrease) in earnings due to change in the interest rate is as follows:

	2018			2017		
	Banking book	Trading book	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on						
- Profit and loss account	2,621,559	-	2,200,465	-	-	-
- Other comprehensive income	-	1,477,422	-	-	-	3,262,584

The Bank has classified Available for Sale investments as Trading in Base-II.

45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	Total	2018						Non-interest bearing financial instruments														
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Exposed to Yield/ Interest risk 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	1.35%	103,174,597	9,466,493	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	93,706,104	
Balances with other banks	0.33%	11,878,975	2,369,028	277,724	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,232,223	
Lending to financial institutions	6.88%	35,106,241	34,474,890	631,351	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments	7.56%	749,368,738	466,394,574	119,714,644	41,941,537	15,156,060	34,915,013	14,498,941	10,071,227	15,485,864	3,071,331	2,576,565	4,850,422	35,753,619	169,884,924	-	-	-	-	-	-	31,190,978	
Advances	7.72%	503,581,323	472,395,717	7,608,875	3,825,431	18,504,062	37,075,120	18,243,714	18,557,195	12,647,792	4,850,422	4,850,422	4,850,422	471,684,478	-	-	-	-	-	-	-	35,753,619	
Other assets		1,438,863,493	985,100,702	128,232,594	45,766,968	18,504,062	37,075,120	18,243,714	18,557,195	12,647,792	4,850,422	4,850,422	4,850,422	169,884,924	-	-	-	-	-	-	-	169,884,924	
Liabilities																							
Bills payable	0%	15,699,280	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,699,280
Borrowings	4.81%	216,018,886	160,077,688	11,794,618	8,445,473	699,729	1,402,299	1,743,962	3,097,690	996,118	6,722,977	6,722,977	6,722,977	2,034,450	-	-	-	-	-	-	-	2,034,450	
Deposits and other accounts	3.18%	1,049,037,615	576,551,892	24,571,755	16,898,047	23,460,911	2,422,004	2,237,823	996,118	1,084,219	1,084,219	1,084,219	1,084,219	401,899,065	-	-	-	-	-	-	-	401,899,065	
Subordinated debt	7.91%	3,891,019	3,891,019	-	3,891,019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		52,051,683	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
On-balance sheet gap		1,336,638,483	756,629,560	36,366,373	29,234,539	24,160,640	3,824,303	3,961,765	4,033,808	6,722,977	5,924,815	5,924,815	5,924,815	471,684,478	-	-	-	-	-	-	-	471,684,478	
Off-balance sheet financial instruments																							
FX options purchase		1,378,370	523,732	756,090	98,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forward purchase of Government securities		13,660,947	13,660,947	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cross Currency Swaps purchase		4,026,814	207,483	-	-	-	1,526,885	1,209,227	1,084,219	1,084,219	1,084,219	1,084,219	1,084,219	-	-	-	-	-	-	-	-	-	
Interest Rate Swaps purchase		316,500	-	-	-	-	316,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts Purchase		125,528,129	62,649,641	33,523,691	28,834,032	520,765	1,842,385	1,209,227	1,084,219	1,084,219	1,084,219	1,084,219	1,084,219	-	-	-	-	-	-	-	-	-	
		144,910,760	77,041,803	34,279,781	28,932,580	520,765	1,842,385	1,209,227	1,084,219	1,084,219	1,084,219	1,084,219	1,084,219	-	-	-	-	-	-	-	-	-	
FX options sale																							
Forward sale of Government securities		1,378,370	523,732	756,090	98,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cross Currency Swaps sale		14,274,714	14,274,714	-	-	-	1,684,120	1,209,227	1,084,219	1,084,219	1,084,219	1,084,219	1,084,219	-	-	-	-	-	-	-	-	-	
Foreign exchange contracts Sale		4,185,049	207,483	-	-	-	1,975,033	1,684,120	1,684,120	1,684,120	1,684,120	1,684,120	1,684,120	-	-	-	-	-	-	-	-	-	
		911,239,998	38,964,602	21,251,103	29,049,260	1,975,033	1,884,120	1,209,227	1,084,219	1,084,219	1,084,219	1,084,219	1,084,219	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap		111,078,131	53,970,531	22,007,193	29,147,808	1,975,033	1,884,120	1,209,227	1,084,219	1,084,219	1,084,219	1,084,219	1,084,219	-	-	-	-	-	-	-	-	-	
Total Yield/Interest Risk Sensitivity Gap		33,832,629	23,071,272	12,272,568	(215,228)	(1,454,268)	158,265	33,409,982	14,261,929	14,463,387	14,463,387	14,463,387	14,463,387	4,850,422	-	-	-	-	-	-	-	-	
Cumulative Yield/Interest Risk Sensitivity Gap		251,542,394	251,542,394	355,681,203	371,988,404	364,887,558	388,296,640	412,558,569	427,021,956	432,946,771	437,797,193	437,797,193	437,797,193	-	-	-	-	-	-	-	-	-	

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2017

	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk							Above 10 Years	Non-interest bearing financial instruments	
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years			Over 5 to 10 Years
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.37%	106,072,084	-	-	-	-	-	-	-	-	-	99,175,856
Balances with other banks	0.17%	4,579,275	6,896,228	-	-	-	-	-	-	-	-	2,664,893
Lending to financial institutions	4.06%	4,398,114	1,914,362	-	-	-	-	-	-	-	-	-
Investments	7.13%	656,963,632	162,281,603	232,801,534	28,669,653	70,402,828	59,425,727	26,031,477	41,194,066	3,715,859	32,440,885	-
Advances	6.81%	469,355,849	396,220,249	29,347,185	6,781,742	2,515,534	2,729,759	4,441,575	11,613,376	10,715,502	4,990,927	-
Other assets	-	35,894,442	-	-	-	-	-	-	-	-	-	35,894,442
		1,277,263,396	571,710,576	262,148,719	35,451,395	72,918,362	62,155,486	30,473,052	52,807,442	14,431,361	4,990,927	170,176,076
Liabilities												
Bills payable	-	22,680,667	-	-	-	-	-	-	-	-	-	22,680,667
Borrowings	5.12%	133,069,556	92,070,007	13,446,429	12,604,346	6,937,734	6,740,120	-	-	-	-	1,270,920
Deposits and other accounts	2.50%	968,482,635	530,801,326	17,334,174	13,758,172	24,724,251	2,242,536	1,179,924	1,388,753	-	-	377,083,499
Subordinated debt	7.12%	3,892,578	-	-	3,892,578	-	-	-	-	-	-	-
Other liabilities	-	46,352,405	-	-	-	-	-	-	-	-	-	46,352,405
		1,174,477,841	622,871,333	30,780,603	30,255,096	31,661,985	8,982,656	1,179,924	1,358,753	-	-	447,387,491
On-balance sheet gap		102,785,555	(51,160,757)	231,368,116	5,196,299	41,256,377	53,172,830	29,293,128	51,448,689	14,431,361	4,990,927	(277,211,415)
Off-balance sheet financial instruments												
FX options purchase	-	865,718	341,337	401,018	-	-	-	-	-	-	-	-
Outright purchase of Government Securities	-	7,000,000	7,000,000	-	-	-	-	-	-	-	-	-
Cross currency swaps - purchase	-	1,510,982	-	-	-	207,603	207,484	1,095,495	-	-	-	-
Interest Rate Swaps - purchase	-	316,500	-	-	-	-	-	316,500	-	-	-	-
Foreign exchange contracts purchase	-	85,101,893	40,264,340	25,658,086	18,890,209	289,358	-	-	-	-	-	-
		94,794,793	47,605,677	26,059,104	19,013,572	486,961	207,484	1,411,995	-	-	-	-
FX options sale	-	865,718	341,337	401,018	-	-	-	-	-	-	-	-
Cross Currency Swaps - sale	-	1,721,562	-	-	-	207,603	207,484	1,306,475	-	-	-	-
Foreign exchange contracts sale	-	75,210,455	30,449,021	25,783,177	17,111,940	1,651,766	123,611	60,940	-	-	-	-
		77,797,735	30,790,358	26,184,195	17,235,303	1,889,369	331,095	1,367,415	-	-	-	-
Off-balance sheet gap		16,997,058	16,815,319	(125,091)	1,778,269	(1,392,409)	(123,611)	44,580	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		(34,345,438)	231,243,025	6,974,568	39,863,969	53,049,219	29,337,708	51,448,689	14,431,361	4,990,927		
Cumulative Yield/Interest Risk Sensitivity Gap		(34,345,438)	196,897,587	203,872,155	243,736,124	296,785,343	326,123,051	377,571,740	392,003,101	396,994,028		

Also disclose reconciliation of financial assets with total assets and liabilities.

Reconciliation to total assets	2018		2017	
	(Rupees in '000)		(Rupees in '000)	
Balance as per balance sheet	1,498,130,061	1,343,237,891		
Less: Non financial assets				
Fixed assets	41,069,761	39,169,606		
Intangible assets	372,336	404,326		
Other assets	17,824,471	26,400,563		
	59,266,568	65,974,495		
Total financial assets	1,438,863,493	1,277,263,396		
Reconciliation to total liabilities				
Balance as per balance sheet	1,348,852,332	1,189,671,554		
Less: Non financial liabilities				
Other liabilities	10,621,672	10,588,678		
Deferred tax liability	1,532,177	4,625,035		
	12,153,849	15,183,713		
Total financial liabilities	1,336,698,483	1,174,477,841		

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

45.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Bank's operational risk management framework, as laid down in the operational risk policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

Operational Risk Management helps the Bank understand risks and improve mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Bank. Going forward, the Bank will further strengthen its risk function, policies and procedures to facilitate its operations and improve quality of assets to safeguard interest of depositors.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.3.1 Operational Risk- Disclosures Basel II Specific

Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, the Bank took a number of initiative with respect to operational risk management. The parallel run approval for Alternative Standardized Approach (ASA) was accorded by SBP. The bank will initiate further steps for improvement Operational Risk management in the bank.

Operational loss data pertaining to key risk events is also collected on bank-wide basis. Operational Risk Management Software (ORMS) has been developed in house in line with the regulatory requirements, which has enhanced bank's capability to capture and report operational risk events in a more systematic way. The software is also capable for periodical regulatory and management reporting. Periodic review and analysis is prepared for senior management and Risk Management and Portfolio Review Committee (RM&PRC) of the Board. The report covers the significant risk events with root cause analysis and recommendations for further improvements.

45.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Bank understands that liquidity does not come for free, and surplus liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Liquidity is essential to the ability to operate financial services businesses and, therefore, the ability to maintain surplus levels of liquidity through economic cycles is crucial, particularly during periods of adverse conditions. Liquidity management is among the most important activities that the MCB conducts during both normal and stress periods. MCB recognizes that liquidity risk can arise from the Bank's activities and can be grouped into three categories:

- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

Liquidity Management

The Asset Liability Management Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and stress scenarios. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. Bank's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing, to ensure effective and timely decision making.

MCB's liquidity risk management framework is designed to identify measure and manage in a timely manner the liquidity risk position of the Bank. The underlying policies and procedures include: Risk Management policy, Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy and Limit Structure which are reviewed and approved regularly by the senior management/Board members. Moreover, the Bank also prepares a Contingency Funding Plan (CFP), to address liquidity issues in time of stress/crisis situation containing early warning indicators to pre-empt unforeseen liquidity crises. MCB Bank conducts Liquidity Risk Analysis on regular basis as well as Maturity of gaps are also reviewed in order to ensure diversification in terms of tenors. MCB Liquidity Risk Policy envisages to project the Bank's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure, and using other alternatives for controlling stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. MCB's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.

Intraday Liquidity Management

Intraday liquidity management is about managing the daily payments and cash flows. Bank has policies to ensure that sufficient cash is maintained during the day to make payments through local payment system. The policy of the Bank is to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet obligations, repay depositors and fulfill commitments.

Managing Funding Sources

Managing funding sources, as per policy MCB maintain a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash flows for meeting unexpected liquidity requirement. As a part of liquidity management MCB maintains borrowing relationships to ensure the continued access to diverse market of funding sources. MCB's sound credit rating together with excellent market reputation has enabled MCB to secure ample call lines with local and foreign banks. The level of liquidity reserves as per regulatory requirements also mitigates risks. MCB's investment in marketable securities is much higher than the Statutory Liquidity requirements.

45.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 Years
Assets														
Cash and balances with treasury banks	103,174,597	103,174,597	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	11,878,623	11,878,623	-	-	-	631,351	-	-	-	-	-	-	-	-
Lending to financial institutions	35,108,241	32,972,346	337,192,646	2,260,132	127,639,401	111,410,200	3,522,762	38,456,660	11,569,992	5,340,333	39,333,410	18,626,096	19,693,124	33,827,039
Advances	749,368,738	496,923	337,192,646	3,415,939	39,912,286	16,016,572	47,306,326	52,789,907	35,126,272	19,439,737	44,561,335	42,106,802	34,735,353	40,962,588
Fixed assets	41,069,761	9,662	57,964	67,625	154,570	289,819	289,819	869,458	869,458	869,458	1,980,606	1,947,399	1,732,766	31,931,157
Intangible assets	372,336	712	4,260	4,971	11,361	21,302	63,907	63,907	63,907	116,707	116,707	393,188	96,893	265,555
Deferred tax assets	3,276,900	6,798	78,138	39,760	135,031	159,520	152,176	605,792	483,745	446,710	413,594	925,700	8,017,579	-
Other assets	53,578,030	1,735,336	2,472,011	8,260,438	176,672,348	136,889,963	60,632,136	94,936,964	52,595,425	29,933,217	89,829,337	63,999,185	64,275,745	106,986,339
Liabilities														
Bills payable	15,699,280	523,309	3,139,856	3,663,166	8,372,949	8,372,949	8,090,222	8,445,473	421,886	277,843	1,402,299	1,743,962	3,097,690	-
Borrowings	216,018,886	9,807,478	171,464,701	578,556	261,403	3,704,396	12,378,634	16,898,047	11,792,354	11,668,557	2,422,004	2,237,823	996,118	6,722,977
Deposits and other accounts	1,049,037,615	955,472,971	6,803,667	3,679,425	12,394,894	12,192,921	12,378,634	16,898,047	11,792,354	779	1,558	1,558	3,886,345	-
Subordinated debt	3,891,019	290	1,734	2,023	4,914	8,382	8,960	26,302	26,591	26,302	105,498	105,498	1,714,610	2,777,973
Deferred tax liabilities	4,809,077	290	4,809,077	5,148,016	11,265,606	4,631,581	5,709,373	3,196,844	2,434,193	1,710,939	3,817,909	1,260,038	7,900,691	1,246,678
Other liabilities	62,673,355	9,764,850	185,584,598	13,071,186	32,299,766	20,737,280	26,187,389	28,569,445	14,675,024	13,684,420	7,749,268	5,348,876	17,595,454	10,747,628
Net assets	149,277,729	(741,483,449)	197,416,817	(4,810,748)	143,372,582	116,151,683	34,444,747	66,367,519	37,920,401	16,248,797	82,080,069	58,650,309	46,680,291	96,238,711
Share capital	11,850,600													
Reserves	74,147,961													
Surplus on revaluation of assets	9,147,104													
Unappropriated profit	53,532,064													
	149,277,729													

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2017													
(Rupees in '000)													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets													
Cash and balances with treasury banks	106,072,084												
Balances with other banks	4,579,275												
Lending to financial institutions	4,398,114												
Investments	656,963,632	243,507	84,916,907	901,794	77,870,434	203,887,771	28,974,341	22,996,637	970,717	58,469,019	42,264,925	42,203,219	26,800,356
Advances	469,355,849	120,033,164	22,982,732	5,666,193	36,775,642	26,359,387	48,670,851	12,887,621	12,771,810	34,179,337	35,117,990	46,959,735	34,689,198
Fixed assets	391,169,606	8,101	48,596	56,695	129,589	242,980	242,980	728,941	728,941	1,990,606	1,855,952	1,767,113	30,630,171
Intangible assets	404,326	712	4,260	4,971	11,361	21,302	21,302	63,907	63,907	145,697	-	-	-
Deferred tax assets	62,295,005	-	2,825,288	1,799,480	4,623,181	8,231,180	11,427,319	7,551,751	7,519,914	2,777,224	2,888,877	10,278,537	-
Other assets	1,346,520,408	233,871,320	111,749,513	8,937,839	119,410,207	238,742,620	89,336,793	91,364,830	22,055,289	97,554,863	82,127,744	101,228,004	92,119,725
Liabilities													
Bills payable	22,680,667	756,022	4,536,132	5,292,157	12,096,356	-	-	-	607,742	6,740,120	-	-	-
Borrowings	133,069,556	139,329	89,670,079	521,823	3,009,696	5,761,635	7,684,794	6,329,992	24,201,574	2,242,536	1,179,924	1,358,753	-
Deposits and other accounts	968,482,635	889,724,410	2,536,628	25,275	5,598,512	1,337,589	15,996,565	522,677	779	1,558	1,558	3,887,904	-
Subordinated debt	3,892,578	-	-	-	-	-	779	-	779	-	-	-	-
Deferred tax liabilities	7,907,552	8,102	7,890	9,056	1,713	4,529	25,295	743,969	50,840	397,789	278,688	1,500,471	4,835,150
Other liabilities	56,921,083	5,282,099	3,701,017	2,975,673	7,107,816	3,915,004	7,479,460	3,374,102	3,386,720	3,127,986	3,221,472	8,923,341	-
Net assets	1,192,954,071	905,909,962	100,451,746	8,723,984	27,814,093	11,019,157	31,186,134	10,970,740	28,247,655	12,509,989	4,681,642	15,670,469	4,835,150
Share capital	153,566,337	(671,938,642)	11,297,767	213,855	91,596,114	227,723,463	58,150,659	80,394,030	(6,192,366)	85,044,894	77,446,102	85,568,135	87,284,575
Reserves	11,850,600												
Surplus on revaluation of assets	70,866,473												
Unappropriated profit	17,073,207												
	53,776,057												
	153,566,337												

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

		2018									
		(Rupees in '000)									
	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	
Assets											
Cash and balances with treasury banks	103,174,597	-	-	-	-	-	-	-	-	-	-
Balances with other banks	11,878,975	11,878,975	-	-	-	-	-	-	-	-	-
Lending to financial institutions	35,106,241	34,474,890	631,351	-	-	-	-	-	-	-	-
Investments	749,368,738	467,589,102	114,932,982	38,456,660	16,910,325	39,333,410	18,626,096	19,693,124	19,670,396	14,156,643	-
Advances	503,581,323	91,612,532	51,731,662	36,005,234	41,484,805	79,325,856	77,988,025	72,117,715	45,633,251	7,682,243	-
Fixed assets	41,069,761	289,819	579,639	869,458	1,738,917	1,980,606	562,189	3,117,976	3,569,240	28,361,917	-
Intangible assets	372,336	21,302	42,605	63,907	127,815	116,707	-	-	-	-	-
Deferred tax assets	3,276,900	259,727	311,696	605,792	930,455	413,594	393,188	96,893	265,555	-	-
Other assets	53,578,090	13,104,835	17,699,928	2,151,240	8,255,123	3,423,685	925,700	8,017,579	-	-	-
	1,501,406,961	722,405,779	185,929,863	78,152,291	69,447,440	124,593,858	98,495,198	103,043,287	69,138,442	50,200,803	-
Liabilities											
Bills payable	15,699,280	15,699,280	-	-	-	-	-	-	-	-	-
Borrowings	216,018,886	182,112,138	11,794,618	8,445,473	699,729	1,402,299	1,743,962	3,097,690	6,722,977	-	-
Deposits and other accounts	1,049,037,615	75,813,914	66,895,101	79,990,052	61,395,732	230,208,066	230,023,884	228,782,179	75,928,687	-	-
Subordinated debt	3,891,019	-	-	779	779	1,557	1,557	3,886,348	-	-	-
Deferred tax liabilities	4,809,077	8,960	17,053	26,102	52,315	105,498	105,498	1,714,610	892,230	1,886,810	-
Other liabilities	62,673,355	30,563,112	8,799,810	4,939,989	4,145,131	3,817,909	1,260,035	7,900,691	1,246,678	-	-
	1,352,129,232	304,197,404	87,506,582	93,402,395	66,293,686	235,535,329	233,134,936	245,381,518	84,790,572	1,886,810	-
Net assets	149,277,729	418,208,375	98,423,281	(15,250,104)	3,153,754	(110,941,471)	(134,639,738)	(142,338,231)	(15,652,130)	48,313,993	-
Share capital	11,850,600										
Reserves	74,147,981										
Surplus on revaluation of assets	9,747,104										
Unappropriated profit	53,532,044										
	149,277,729										

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2017

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	106,072,084	-	-	-	-	-	-	-	-
Balances with other banks	4,579,275	-	-	-	-	-	-	-	-
Lending to financial institutions	4,398,114	-	-	-	-	-	-	-	-
Investments	656,963,632	232,862,112	22,996,637	67,820,810	58,469,019	42,264,925	42,203,219	15,206,397	11,593,959
Advances	469,355,849	63,604,822	23,804,319	16,068,109	69,988,673	71,714,489	82,849,288	40,523,156	6,421,224
Fixed assets	39,169,606	144,108	432,322	864,644	1,729,288	1,729,288	3,458,576	8,646,440	21,876,725
Intangible assets	404,326	20,294	60,882	121,765	160,797	-	-	-	-
Deferred tax assets	3,282,517	-	-	3,282,517	-	-	-	-	-
Other assets	62,295,005	9,748,836	1,871,367	15,071,665	2,777,224	2,888,877	10,278,537	-	-
	1,346,520,408	316,454,236	49,165,527	103,229,510	133,125,001	118,597,579	138,789,620	64,375,993	39,891,908
Liabilities									
Bills payable	22,680,667	-	-	-	-	-	-	-	-
Borrowings	133,069,556	13,446,429	12,604,346	6,937,734	6,740,120	-	-	-	-
Deposits and other accounts	988,482,635	63,407,436	66,039,649	45,522,749	221,901,407	220,838,796	221,017,625	73,219,624	-
Subordinated debt	3,892,578	-	779	779	1,557	1,557	3,887,906	-	-
Deferred tax liabilities	7,907,552	29,824	44,060	794,809	397,789	278,688	1,500,471	4,100,891	734,259
Other liabilities	56,921,083	18,966,605	4,525,993	6,760,822	3,127,986	3,221,472	8,923,341	-	-
	1,192,954,071	88,278,553	83,214,827	60,016,893	232,163,859	224,340,513	235,929,343	77,320,515	734,259
Net assets	153,566,337	191,340,725	(34,049,300)	43,212,617	(99,043,858)	(105,742,934)	(96,539,729)	(12,944,522)	39,157,649
Share capital	11,850,600								
Reserves	70,866,473								
Surplus on revaluation of assets	17,073,207								
Unappropriated profit	53,776,057								
	<u>153,566,337</u>								

Share capital

Reserves

Surplus on revaluation of assets

Unappropriated profit

Liquidity Gap Reporting

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity. Bank regularly conducts an objective and systematic behavioral study using regression analysis technique to ascertain the maturity of its non-contractual assets and liabilities. Core and non-core parts of the non-contractual assets and liabilities are segregated through the behavioral study. Non Core part is placed among the short term maturity buckets i.e. up to 1 Year based on the model results, whereas core part is distributed among the longer terms buckets based on the discussion and decision by the ALCO. Following percentages are used to distribute the core assets and liabilities among longer term buckets:

Over 1 to 2 Years	30%
Over 2 to 3 Years	30%
Over 3 to 5 Years	30%
Over 5 to 10 Years	10%

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.5 Derivative Risk

Most business clients have either interest rate exposures arising from debt financing or currency exposures arising out of commercial transactions from import and export of goods. Businesses face the risk of sudden movements in interest rates or foreign exchange rates that may adversely affect their profitability. MCB Bank provides solutions to this problem through its derivatives desk in major types of derivative instruments i.e.; forwards, futures, swaps and options. As an Authorized Derivative Dealer (ADD), MCB is an active participant in Derivative market and has flexibility in providing a broad range of derivatives products covering both hedging and market making to satisfy customers' needs. As an ADD, the bank offers derivative products which are permitted under the Financial Derivative Business Regulations (FDBR) or as permitted by the State Bank of Pakistan. Before executing Derivative transactions, the bank ensures that the clients understand the risk and reward associated with the derivative being offered. Derivative transactions are executed with appropriate clients only.

Risk management activities take place at the following different levels.

Strategic Level:

By senior management Assets and Liabilities Management Committee (ALCO), Management Credit and Risk Committee (MC&RC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Bank-wide basis. The Board provides the overall limits/thresholds for derivatives business.

Macro Level

By Treasury and FX Group and Risk Management Group, responsible for policy formulation, procedure development and implementation, monitoring and reporting.

Micro Level:

Treasury Derivatives and Structured Product Desk where risks are actually created and Treasury Operations for settlements of the transactions.

Derivative Risk Management caters the following risks:-

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. In line with SBP's regulatory guidelines, Bank hedges back-to-back all option transactions with other financial institutions. Bank minimizes the exchange rate risk on its Cross Currency Swap Portfolio by hedging the exposure in interbank market. Bank also manages interest rate risk on its Interest Rate Derivatives and Cross Currency Swaps through various sensitivity limits approved by ALCO. Marked to market positions and sensitivity of the derivatives transactions are monitored on regular basis. All individual deals are approved at the appropriate level of authority after analyzing the risk and benefits associated with the deals.

Credit risk is a probable risk of loss resulting from customer's inability to meet contractual obligation that may have adverse impact on Bank's profitability. Bank manages the risk by setting policies and limits for counterparty based on a pre-defined criteria linked with financial health of the customer. The exposure of each counterparty is monitored by Risk Management Function of the Bank on daily basis.

Considering small Derivative portfolio, bank is not exposed to any liquidity risk. However; Bank manages its liquidity risk through Bank's Liquidity Risk Policy which is defined in relevant Liquidity Risk Section.

Bank has adequate system and controls for smooth execution of derivative transactions. Transactions are executed in line with well defined accounting and operational aspects to mitigate the operational risk. Policies and control functions are regularly reviewed on periodic basis. The Bank uses a third party's Super Derivative System which provides front end sales and structuring capabilities, end to end valuation solutions, risk management systems, back end processing and provides analytical tools to measure various risk exposures and carry out sensitivity analysis.

The Bank uses a third party's Super Derivative System which provides front end sales and structuring capabilities, end to end valuation solutions, risk management systems, back end processing and provides analytical tools to measure various risk exposures and carry out sensitivity analysis.

The goal of asset/liability management (ALM) is to properly manage the risk related to changes in interest rates, the mix of balance sheet assets and liabilities, the holding of foreign currencies, and the use of derivatives. Due to thin liquidity in the derivative market, interest rate derivatives are not actively used to manage/alter the interest rate risk profile of the bank.

Accounting policy has been disclosed in the note 5.

46 EVENTS AFTER THE REPORTING DATE

- 46.1 The Board of Directors in its meeting held on February 20, 2019 has announced a final cash dividend in respect of the year ended December 31, 2018 of Rs.4.00 per share (2017: Rs. 4.00 per share). These unconsolidated financial statements for the year ended December 31, 2018 do not include the effect of these appropriations which will be accounted for subsequent to the year end.
- 46.2 The Government has announced 4% Super tax for the Tax year 2018 (accounting year ended December 31, 2017) after year end though not yet approved. These unconsolidated financial statements for the year ended December 31, 2018 do not include the impact of Super tax announced for tax year 2018.

47 GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

Under BPRD circular No.2 dated January 25, 2018 'Revised Forms of Annual Financial Statements' comparative information has been reclassified, rearranged in these unconsolidated financial statements for the purposes of better presentation. However, no significant reclassifications have been made in these unconsolidated financial statements.

48 DATE OF AUTHORIZATION FOR ISSUE

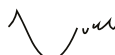
These unconsolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 20, 2019.



Imran Maqbool
President/Chief Executive



Hammad Khalid
Chief Financial Officer



S. M. Muneer
Director



Muhammad Tariq Rafi
Director



Muhammad Ali Zeb
Director

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year			Principal Written off	Interest/ Markup Written off/waived	Other Fin. Reliefs Provided	Total
		Name	CNIC No.		Principal	Interest / mark up	Others				
	Domestic										
1	New Usman Paint & Hardware Storezzz Plot No-45-X-26, Madina Town Faisalabad.	Shahid Nazir	33100-0812468-3	Nazir Ahmed	-	486	-	523	486	37	523
2	Star Traders House No. 235, Street No.02, Mohallah Gobindpura Faisalabad	Ch. Muhammad Tufail	33100-2958551-9	Ch. Ghulam Hussain	-	1,732	-	1,802	1,732	70	1,802
3	Abid Abrar House # A-254, Block 'J', Kda Scheme # 2, North Nazimabad, Karachi	Abid Abrar	42101-3433571-9	Abirar Ahmed Khan	-	2,147	-	2,180	2,146	33	2,179
4	National Medicos 61/2, 24th Lane, Khayaban-e-Badban, Phase VII, Defence Housing Authority, Karachi.	Kamran Aijaz Qureshi	42000-0497495-3	Aijaz Qureshi	-	658	-	658	658	-	658
5	Sarwat Saeed & Mahjabeen Sarwat House No. R-72, Phase-VII, Khayaban-E-Rizwan, Dha Karachi.	Sarwat Saeed Mahjabeen Sarwat	42000-0453148-7 42201-7399513-6	Babban Khan Sarwat Saeed	-	2,289	-	2,322	2,289	33	2,322
6	Muhammad Ayub Naseem House # 104-D, Askari Housing Complex, Near Kalma Chowk, Lahore	Muhammad Ayub Naseem	35202-5068295-5	Khawaja Hamid Ali	-	2,403	-	2,455	2,403	52	2,455
7	Muhammad Kashif Khan House # 606, Safari Villas, St. # 15, Trailiacoil Square, Bahria Town, Lahore	Muhammad Kashif Khan	35202-1479454-1	Amanat Ullah Khan	-	769	-	769	769	-	769
8	S.W.S Inter General Trading Co House # 16, St. # 2, Nagina Colony, New Shalimar Road, Midlan Road, Lahore	Muhammad Saleem Asi	35201-1917886-3	Noor Muhammad	-	263	-	3,927	562	-	562
9	Saboochi Rasheed House# 12, Kahlid Kark Road, Lahore.	Saboochi Rasheed	35201-1549892-8	Abdul Raheed Butt	-	2,565	-	2,582	2,565	17	2,582
10	Muhammad Shabbir & Nalia Shabbir House No. 498, Nishier Block, Allama Iqbal Town, Lahore	Muhammad Shabbir Nalia Shabbir	35202-3744777-5 35202-7111651-0	Muhammad Bashir Muhammad Shabbir	-	1,821	-	1,881	1,821	60	1,881
11	Muhammad Shabbir , Bashir Ahmed, Zohra Bibi House No. 498, Nishier Block, Allama Iqbal Town, Lahore	Muhammad Shabbir Bashir Ahmed Zohra Bibi	35202-3744777-5 35202-7111651-0 35202-4303674-8	Muhammad Bashir Muhammad Shabbir Bashir Ahmed	-	1,354	-	1,404	1,354	50	1,404
12	Jameel Hussain House No. 378-N, Block N, 134 Acie Scheme Samaanabad, Lahore	Jameel Hussain	35202-9335116-7	Muhammad Ameer	-	2,490	-	2,490	2,490	-	2,490
13	Danish Commission Shop Saroop Wala District Hatizabad	Ittikhar Ahmad	34301-2036566-7	Muhammad Anwar	-	485	-	562	485	77	562
14	Syed Abdul Bari House # 326,G-III, Johar Town Lahore	Syed Abdul Bari	35202-3033863-7	Syed Munawar Hussain	-	3,815	-	3,815	3,815	-	3,815
15	Akbar Ali House # 80, Street # 6, Meraj Park, Hassan Town, Lahore	Akbar Ali	35202-3010422-7	Muhammad Hussain	-	550	-	550	550	-	550
16	Javed Iqbal, Ghulam Hussain & Talib Hussain House No. 18, Near Telenor Tower, Michallah Nabli Bakhsish Park, Shad Bagh, Lahore (Khasra No. 11387/4173)	Javed Iqbal Ghulam Hussain Talib Hussain	35202-7129625-3 35202-9806510-7 35202-9486817-7	Muhammad Ramzan	-	2,744	-	2,744	2,497	248	2,745
17	Eagle Leather Works 100 futri road new mullan colony house # 38, Block Z Mullan.	Kausar Kamal	36302-9615774-5	Ghulam Akbar Khan	-	1,296	-	1,313	1,296	17	1,313
18	Muhammad Rizwan House # 3 B 2/25, Nazimabad # 3, Karachi.	Muhammad Rizwan	42101-9050131-1	Muhammad Sadiq	386	1,509	-	1,895	1,509	-	1,895
19	NRM Corporation Office -505,Sharjah Centre, New Challi, Karachi, House No F-45, Rizvia Society, Nazimabad, District Karachi Cenytal.	Syed Masood Hassan Jafri	42101-3105089-5	Syed Hassan Ahmed Jafri	-	1,433	-	1,433	1,433	-	1,433

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year			Interest/ Markup Written off/waived	Other Fin. Reliefs Provided	Total	
		Name	ONC No.		Principal	Interest / mark up	Others				
20	Noor Flour & General Mills 59-A & 59-B Industrial Area I-10/3, Islamabad	Abdul Rehman Khan Habibullah Khan Ameerullah Khan Waheesqullah Khan Mushqata Ebi Nusrat Bibi Ata Muhammad Khokhar	37405-0378001-3 37405-0377900-7 37405-0549904-7 37405-0685076-5 37405-0342927-0 37405-0342937-0 33100-1847452-5	Haji Gul Rehman Khan Abdul Rehman Khan Abdul Rehman Khan Abdul Rehman Khan Abdul Rehman Khan Habibullah Khan Bashir Ahmed Khokhar	-	1,875	-	-	1,875	1,875	
21	Atta Muhammad Khokhar House No. 24-Z-7 Madina Town Faisalabad.										
22	Cheema Rice Mills Mouza Kassoana, Tehsil Ahmed Pur Sial, District Jhang	Abdul Qadeer Usman Qadeer	33203-1414414-1 33203-1414411-5	Muhammad Yahya Abdul Qadeer	-	13,138	-	421	-	13,138	13,559
23	Noor Trucking Station Mouza Kassoana, Tehsil Ahmed Pur Sial, District Jhang	Abdul Qadeer	33203-1414414-1	Muhammad Yahya	-	1,562	-	-	-	1,562	1,562
24	Mumtaz Hosiery Uggoke Road, Hassan Abad, Muzafar Pura, Sialkot.	Shahzada Muhammad Anwar Bhatti	34603-2221553-9	Khuda Baksh Late	-	563	-	40	-	563	603
25	Ali Raza & Co Rasool Pur Tarrar, Tehsil Pindi Bhattian, District Hafizabad	Ali Raza	34302-1247602-9	Pervaz Ahmad	-	1,553	-	63	-	1,553	1,616
26	Muhammad Younas Street Khatkan Wali, H No 236/24, Bazar Churi Garan, Gujranwala	Muhammad Younas	34101-3902203-3	Muhammad Ibrahim	-	516	-	27	-	516	543
27	Azard Nine Limited Avian--Science, Off. Shahrah--Roomi, Lahore.	Ahmed Humayun Sheikh Nasir Ali Khan Bhatti Amir Chais Usman Rasheed Malina Sarda Azam Munir Aslam Zamid Mahmood	35201-8953938-7 35200-1532448-1 35201-4464173-3 45101-0633360-7 35202-1349008-2 22401-1826695-7 42501-1542129-5	Humayun Naseer Shaikh	121,020	186,671	2,890	-	-	186,671	310,581
28	Naseer Ahmed Samma & Nusrat Naseer House # 333, Block X, Phase-III, D.H.A., Lahore	Naseer Ahmed Samma Nusrat Naseer	35201-46159732-1 35201-8500632-2	Chaudhry Muhammad Hussain Chaudhry Naseer	-	3,111	17	-	-	3,111	3,128
29	Ghousia Bricks Company Dhodwal Sharif Tehsil Sambrial District Sialkot.	Syed Farooq Sabir	34601-9967963-3	Syed Muhammad Sabir	-	600	47	-	-	600	647
30	Sana Ullah Commission Shop Fateh Pur, Rasool Pur Tarrar, Hafizbada.	Sana Ullah	34301-1746503-1	Muhammad Inayat	1,850	1,987	75	-	-	1,990	2,065
31	Muhammad Zaman Khanpur Road, Rasoolpur Tarrar, District Hafizabad.	Muhammad Zaman Tarrar	34301-8911448-1	Ch. Muhammad Malik Tarrar	-	1,044	77	-	-	1,044	1,121
32	TS Brothers House No 2/A Nazir Garden, Hadbast Mauza Harbanspura, Tehsil Cantt, District Lahore	Sultan Ahmad	35200-1469588-3	Bashir Ahmad	-	1,320	17	-	-	1,320	1,337
33	Muhammad Ijaz Chughtai 59S-Veeliem Block, Allama Iqbal Town, Lahore	Muhammad Ijaz Chughtai	35202-1456166-6	Muhammad Sharif Chughtai	-	682	65	-	-	682	747
34	Baleegh Ur Rehman House# 289-A, Street # 06, Cavalary Ground, Lahore Cantt.	Chaudhary Baleegh Ur Rehman	35201-1569306-3	Abdul Rehman Jami	-	5,099	67	-	-	5,099	5,166
35	Muneeb Corporation, Jalalpur Bhattian, District Hafizabad.	Muhammad Muneeb	34302-2283280-9	Muhammad Ashraf	907	1,100	437	-	-	1,064	1,501
36	Syed Mumtaz Mehdi House # 16, Karim Block, Allama Iqbal town, Lahore	Syed Mumtaz Mehdi	35202-2898614-9	Syed Hashim Nawab	-	1,359	53	-	-	1,359	1,412
37	Altab & Co. Adda Khanpur, Tehsil & District Hafizabad.	Altab Ahmad	34301-1743686-3	Bashir Ahmad	-	2,624	17	-	-	2,624	2,641
38	Warach Enterprises Nisbat Park, Paris Road Sialkot.	Imran Muzaffar Warrach Tariq Muzaffar Chaudhary	34201-9448793-7 34603-5512353-9	Muzaffar Khan Chaudhary Muzaffar Khan	100	6,972	133	-	-	6,972	7,105

Annexure I

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's/Husband's name	Outstanding liabilities at beginning of year			Principal Written off	Interest/ Markup Written off/unavailed	Other Fin. Reliefs Provided	Total
		Name	CNIC No.		Principal	Interest/ mark up	Others				
39	Gairi Maharaja Rice Mills Gairi Maharaja, Tehsil Ahmed Pur Sial, Jhang.	Muhammad Nawazish Ali Khan Muhammad Aun Abbas Gulnaz Ali	33203-0157891-1 33203-9047619-1 33203-1296389-6	Muhammad Muzaffar Ali Muhammad Muzaffar Ali Muzaffar Ali Khan	-	1,746	60	1,806	1,746	60	1,806
40	Meva Khan House No. 382, St. No. 31, Sector G-10, Islamabad	Meva Khan Khwajaha Bibi Zahid Ur Rehman Jahangir Ayub	61101-1808486-7 61101-1920911-8 61101-3258735-7 41304-7344337-1	Qatar Khan Qatar Khan Qatar Khan S.M Ayub	-	2,645	-	2,645	2,645	-	2,645
41	Barkat Packaging Plot # F-9 SITE Area, Hyderabad,	Saeed Ahmad Mughal	35201-2975395-9	Abduli Rasheed	542	2,253	53	2,848	1,850	-	1,850
42	Saeed Ahmad Mughal 13AA, Defence Road, Khuda Baksh Colony, Lahore.	Mubashar Hassan Muhammad Sarwar	35202-8234442-9 35201-9350965-3	Mushaoq Ahmad Ch. Fateh Muhammad	1,997	2,812	-	4,809	1,670	-	1,670
43	M M Embroidery Plot # 2, Bara Street, Jamal Colony, Hanjarwal, Mullan Road, Lahore.	Muhammad Latif	34102-0728469-5	Muhammad Hanif	4,799	2,570	-	7,369	2,636	-	2,636
44	Latif Hanif Commission New Galla Mandi, Kamoki Distt. Gujranwala	Arshad Ali	36402-0829630-5	Haji Muhammad Sadiq	-	1,917	-	1,917	1,917	-	1,917
45	Ashad Ali 197-Karim Block, Allama Iqbal Town, Lahore	Mian Muhammad Shahbaz Mian Muhammad Fayyaz Akbar Ali Matta	34201-0407286-1 91509-0140661-7 34101-2439541-1	Mian Khan Ghulam Muhammad	-	903	53	956	903	53	956
46	Razaq Brothers Jamia Bye Pass New G.T. Road, Gujrat,	Syed Nasir Hussain	37405-6268044-3	Syed Zakir Hussain	2,000	1,848	57	3,905	1,864	57	1,921
47	Matta Brothers More Emanabad, G. T. Road, Gujranwala, House No. P/1515, Asghar Mall Road, Rawalpindi	Muhammad Rasheed Mansoor Rasheed Saud Rasheed Tanveer Rasheed	36302-0479679-5 36302-3805509-9 36302-0319483-5 36302-9179515-6	Muhammad Amin Muhammad Rasheed Muhammad Rasheed Muhammad Rasheed	16,000	34,024	15	50,039	34,024	15	50,039
48	Syed Nasir Hussain House No. P/1515, Asghar Mall Road, Rawalpindi	Muhammad Waheed Malik Malik Muhammad Atiq Muhammad Saeed Malik	35202-0321866-1 35202-6317953-1 35202-2941409-5	Malik Muhammad Ijaz Malik Muhammad Ijaz Malik Muhammad Ijaz	-	3,400	17	3,417	3,400	17	3,417
49	Three Star Hosiery Mills (Pvt) Ltd 41C-Business Center, Mumtaz Hassan Road, Off I.I Chundrigar Road, Karachi	Amir Khan	42000-9675759-5	Aman Khan	-	248	-	248	249	258	507
50	Babu Muhammad Ijaz & Sons 31-B, New Fruit Market, Ravi Link Road, Lahore.	Liaqat Ali	35200-1529806-9	Nazar Hussain	-	2,481	-	2,481	2,481	-	2,481
51	Shan Electronics Quaid Millat Colony # 1, New Jail Road, Chungi Amar Sidhu, Lahore	Hassan Hussain Khalid Hussain Muhammad Arif Khalid Hussain	34603-2127260-5 54213-2543456-2 34603-7504284-5 34603-7504284-5	Allah Rukha	400	4,810	66	5,276	4,817	66	4,883
52	Sheikh Muhammad Siddique House No. E/68 A, St. Town, Rwp	Muhammad Abubakar Latif Eehab Latif	35202-2707708-9 35202-2639210-5	Muhammad Latif Muhammad Latif	10,699	10,551	17	21,267	10,620	16	10,636
53	Eehabs Engineering Co Pvt. Ltd 2-Km Defence Road Off 24 Km Mullan Road Lahore	Muhammad Hassan Latif Muhammad Latif Muhammad Jaraid	35200-1539893-5 35202-2518616-9 42101-1139786-9	Muhammad Latif Nabi Baksh Muhammad Iqbal	-	6,058	93	6,151	6,058	93	6,151
54	Gharib Nawaz Corporation C-I-383-384/421-422, Sector 16-B, North Karachi, Karachi	Muhammad Rahat	42101-3456161-3	Muhammad Latif	-	8,382	323	8,705	8,382	323	8,705
55	Muhammad Rahat House # D-64, Block F, Kda Scheme # 2, North Nazimabad, Karachi	Syed Waseem Ahmed Syed Nadeem Ahmed	42201-0380169-5 90403-0151716-9	Syed Naseer Ahmed	1,606	539	35	2,180	548	35	583
56	Syed Waseem Ahmed & Syed Nadeem Ahmed Flat # 901-A, 9th Floor, West Point Tower, Phase II, Extension Dha, Karachi										

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year			Principal Written off	Interest/ Markup Written off/waived	Other Fin. Reliefs Provided	Total
		Name	ONC No.		Principal	Interest / mark up	Others				
59	Zakir & Co. House # 35/18, Allard Street, Nashar Road, Garden West And Shop # Re-1 & Ls-1 Sl-22, Sector 10, Orangi Township, Karachi	Zahir Hussain	42201-0763568-3	Shakir Hussain	4,277	2,293	34	6,604	1,623	34	1,657
60	Mass Brothers International Ran Mansion, Suite 1, Airport Road, Shah Faisal Colony, Karachi	Qazi Syed Abul Hassan Rizvi	42201-2818948-9	Qazi Syed Hadi Hassan	-	1,395	-	1,395	1,395	-	1,395
61	Naseem Fatima House No.B-31, Block -17, Deccan Cooperative Housing Society, Federal B Area, Karachi.	Naseem Fatima	42101-7034925-2	Iqbal Hussain	-	3,089	-	3,089	3,089	-	3,089
62	Ashraf Weaving Factory House No.285-C, Peoples Colony No.02 Faisalabad.	Muhammad Ashraf	33100-6028070-1	Muhammad Ali	2,000	895	41	2,936	870	41	911
63	Sadar Iron Store Faisalabad Road Chiniot	Muhammad Rashid	261-89-417464	Shamas-Ud-Din	-	810	-	810	501	-	501
64	Malik Commission Shop Fetipur PO, Rasulpur Tarar The & Dist. Hattizabad.	Imdad Ullah	34302-2317289-9	Ali Muhammad	-	1,776	67	1,843	1,776	67	1,843
65	National Consumer Services 29-Zaman Center, Mehrabad, Peshawar Road, Rawalpindi	Ghayas Ud Din	37405-6387803-3	Sheikh Yaqeen Ud Din	-	1,972	37	2,009	1,565	-	1,565
66	Muhammad Atzal Dar Dar Street, Shornali Mohella, Jhelum	Muhammad Atzal Dar	37301-2197324-9	Muhammad Aslam Dar	474	2,008	-	2,482	903	-	903
67	Iqram Color Services Prime Square, Railway Road, Jhelum	Muhammad Ikram Dar	37301-4910946-5	Muhammad Aslam	-	2,061	-	2,061	967	-	967
68	A.R. Towels R-40, Sector 11-C-3, Sir Syed Town, North Karachi.	Zahid Akhtar Muhammad Sajid Akhtar	42101-9432057-7 42101-1782454-3	Abul Lais Abul Lais	444	1,953	33	2,430	1,953	33	1,986
69	Javed Omer Vohra House No.A-B-A, Central Avenue,, Phase II, DHA, Karachi	Javed Omer Vohra	42201-0302902-7	Muhammad Omer	-	23,103	438	23,541	23,103	438	23,541
70	Sakhi Baba Store C.S. # B-2539/A Ward-B, 3rd Floor, Lariki Bazaar, Sajikur.	Mahindar Kumar	46504-4900747-1	Murfi Dhar	795	584	20	1,399	584	20	604
71	Sky Hawks International Katchery Road, Sialkot.	Wajid Ali Sheikh Zeeshan Ali Shehbaz Sajid Ch. Ashfaq Ahmed	34603-9759174-9 34603-7588975-1 34603-2906551-0 34603-7816485-5	Muhabat Ali Muhabat Ali Said Amin Ch. Muzaffar Ahmed	2,101	1,346	67	3,514	1,346	67	1,413
72	Chaudary Construction Company Post Office, Khaas Butler, Sialkot.	Shabbir Abbas Rizvi	35202-2848165-3	Ifthikhar Rizvi	2,816	778	-	3,594	1,753	-	1,753
73	Shabbir Abbas Rizvi 45-Sattar Park, Raj Garh, Lahore.	Shabbir Abbas Rizvi	34104-2339340-7	Nabi Ahmad	3,500	1,341	-	4,841	1,432	-	1,432
74	Arooj & Company Noor Kot, Ghakhar Mandi.	Zulfiqar Ali	34201-3605017-5	Ghulam Sarwar	500	466	26	1,012	482	26	508
75	Paramount Bone Crushing Ahmad Nagar Road Wazirabad	Abdul Ghaffar	34101-8855383-7	Munir Ahmad	-	530	62	592	530	62	592
76	Abdul Ghaffar Khaili Shahpur, Abd Colony Gujranwala,	Ch Muhammad Nadeem	34101-2608872-5	Ch Muhammad Amin	1,497	2,702	63	4,262	2,605	63	2,668
77	Ch Muhammad Nadeem 2529-B, Model Town ,Gujranwala	Shaahzad Ahmad	34104-4793506-3	Nabi Ahmad	-	694	80	774	694	80	774
78	Shaahzad & Co Ghalla Mandi, Tehsil Wazirabad, District Gujranwala	Muhammad Tahir Sultan Khan	38302-1221389-3	Mohammad Younis	4,993	3,034	67	8,094	3,136	67	3,203
79	Muhammad Tahir Sultan Khan Ballo Khaili, Watta Khaili Road, Mianwali.	Abdul Rauf Tariq & Aishan Tariq	35202-7332025-9 35202-8189984-4	Abdul Ghaloor Abdul Rauf Tariq	416	976	17	1,409	790	17	807
80	House No. 820, Nizam Block, Allama Iqbal Town, Lahore	Faisal Qayyum	35202-9625525-9	Seikh Abdul Qayyum	2,049	3,840	17	5,906	3,005	17	3,022
81	Faisal Qayyum & Ifrat Sultana House # 153-E, Model Town, Lahore	Ifrat Sultana	35202-7249919-6	Seikh Abdul Qayyum	-	-	-	-	-	-	-

Annexure I

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's/Husband's name	Outstanding liabilities at beginning of year				Principal Written off	Interest/ Markup Written off/waived	Other Fin. Reliefs Provided	Total
		Name	CNIC No.		Principal	Interest / mark up	Others	Total				
82	Menathil Textiles (Pvt) Ltd 85-Shahran-E-Qaid-E-Azam, Lahore.	Naveed Ikhtlas Raheel Ikhtlas Asad Hafeez Imran Tahir	35201-2640980-7 35202-2367676-3 35201-4757214-1 35202-1165264-9	Muhammad Ikhtlas (Late) Muhammad Ikhtlas Saleem Tahir	-	8,275	1,112	9,387	-	8,275	1,112	9,387
83	Fasih ud din 765-2, St. # 17, X-Block, DHA, Lahore.	Fasih Ud Din	34101-2373185-7	Saif Ud Din	1,742	1,463	-	3,205	-	1,349	17	1,366
84	Saleem Filling Station 12-KM away from Bhawana Jhang Road Faisalabad.	Chaudhry Muhammad Ali	33100-0311053-3	Buland Khan Dogar	113	1,941	18	2,072	-	1,894	18	1,912
85	Imran Javed Weaving Factory House No. P-37, Block-A, Mohallah Noorpur Chak No. 122/JB, Faisalabad.	Raheel Ahmad	33100-0716605-5	Muhammad Aslam	2,489	725	44	3,258	-	611	44	655
86	Husain International (Pvt) Ltd. 5th Floor Hassan Arcade/Motgomery Bazar Faisalabad.	Mubashar Javed Muddassar Javed Hina Saeed Rizwan Anwar Shaista Attique Ali Mubashar Khalid Ghani Ghazala Yaseen	33100-1883350-7 33100-8169426-9 33100-3893621-4 33100-723784-9 33100-1883350-7 33100-3664001-5 33203-0380963-5 33203-1311950-4	Ghulam Sarwar Ghulam Sarwar Muddassar Javed Muhammad Anwar Attique Anwar Mubashar Javed Chaudhry Abdul Ghani Khalid Ghani	1,967	10,536	74	12,577	-	10,343	74	10,417
87	Chaudhry Rice Mills Shahid Shaheed Road, Ward # 04, Shorkot city, District, Jhang.	Waseem Ahmad Shakeel Ahmad Ijaz Ahmad	34403-1943788-9 34403-1943789-3 35202-9275525-3	Muhammad Nawaz Muhammad Nawaz Muhammad Shaif	3,499	1,556	77	5,134	-	1,560	77	1,637
88	Gonda Cold Storage & Ice Factory Mano Chak, Tehsil Phalia, Mandi Bahaudin District, Faisalabad.	Sh. Muhammad Ibrahim	35201-7100889-3	Abdul Latif	-	2,262	67	2,329	-	2,262	67	2,329
89	Adara Tableegh Uj Quran 14 Empress Road Near Kes Peria Hall Opp St And Rews Church High School, Lahore.	Aamer Iqbal Omer Iqbal Touseef Ahmed	35200-1571569-1 35202-2639447-1 35202-3850934-5	Muhammad Iqbal Muhammad Iqbal Waheed Ahmed	-	4,490	168	4,658	-	4,490	168	4,658
90	VARLEQ (PVT) LTD. 3 Sun Flower Building Liberty Market lahore.	Muhammad Iqbal Muhammad Aslam	35202-6288464-7 35202-8695882-9	Mian Muhammad Sharif Ch. Fazal Elahi	5,299	3,344	17	8,660	-	3,394	17	3,411
91	Hope Color Laboratories 86 - Chamberlain Road (Nisbat Chowk), Lahore	Mirza Salah-Ud-Din	35202-6433435-1	Allah Rakha Mirza	-	1,269	50	1,319	-	1,269	50	1,319
92	Mirza Salah-Ud-Din House No. 288, Block D-III, Phase-I, Wapda Town, Lahore	Mirza Salah-Ud-Din	35202-6433435-1	Allah Rakha Mirza	-	872	-	872	-	872	-	872
93	MAQ Engineering 9-C, Street No.1, Akbar Road, New Elahi Park, Kachupura, Lahore	Segheer Ahmad Muhammad Aslam Tariq Nadeem Muhammad Amir	35202-2311129-9 36302-6673737-5 36101-0270163-7 35201-7959063-9	Muhammad Arif Muhammad Rafiq Muhammad Rafiq Muhammad Muna	13,987	14,450	3,091	31,528	13,987	14,450	3,091	31,528
94	Paras Oil Industries 28-KM Duniya Pur Road, Mullan.	Muhammad Amin	35202-2543766-1	Khushi Muhammad	4,982	1,488	18	6,488	-	1,649	108	1,757
95	Five Star Autos House No. No. SE-XVII-24-S-14, Street No.24, Situated at Jahangir Road, Gunj Mughalpura, Lahore	Muhammad Amin	35202-2543766-1	Khushi Muhammad	4,490	1,343	18	5,851	-	1,488	108	1,596
96	Azad Enterprises (Pvt) Ltd. 12KM Kala Khatal Road-Asya Nagar, Tahsil Ferozwalla Dist. Shakhupura.	Muhammad Ikram Hatiz Abdul Jabbar	35202-7494332-3 35202-7470977-7	Muhammad Sharif	-	12,928	19	12,947	-	12,928	19	12,947
97	Ali Cables (Pvt) Ltd. 165A, Phase 1, DHA Lahore	Muhammad Ali	35201-5984129-9	Ahmed Din	-	925	-	925	-	925	-	925
98	Sabir Hussain Mouza Ferozabad, Dist. Sheikhupura.	Sabir Hussain	35404-2482132-9	Muhammad Siddique	-	796	17	813	-	796	17	813
99	Rajpoot Trading 176-Model Town, Lahore	Sohail Aslam Siddiqui	35202-5006978-1	M.A. Alam Siddiqui	1,371	21,150	75	22,596	-	21,151	75	21,226

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year			Principal Written off	Interest/ Markup Written off/waived	Other Fin. Reliefs Provided	Total
		Name	ONC No.		Principal	Interest / mark up	Others				
103	Iqam Hussain & Co. 473-Katch Rahim Road, Misri Shah Lahore	Iqam Hussain	35202-1351015-1	Muhammad Yameen	11,999	6,429	18	18,446	6,583	18	6,601
104	Haji Building Material & Sanitary Store Main Ferozpur Road, Near Nbp, Kahna-Nau, Lahore.	Zahid Mehmood	35201-5990768-9	Faqir Muhammad	-	907	-	907	907	-	907
105	Ashraf Building Material Store Lahore Sargodha Road Wazir Ferooz abad	Muhammad Ashraf	35404-0189600-5	Muhammad Boota	-	2,089	18	2,107	2,089	18	2,107
106	Unair Steel industries (Pvt) Ltd. Noor Road, Badami Bagh Lahore.	Malik Nadeem Siddique Abid Malik Farah Nadeem Mateen Abid Syed Mahmood Bukhari	35202-2933698-7 35202-2746401-3 35202-7766300-8 35202-6979240-8 35202-2693560-1	Malik Mohammad Siddiq Malik Nadeem Siddique Mohammad Abid Syed Abdullah Bukhari	10,995	10,982	100	22,077	11,096	100	11,196
107	Syed Mahmood Bukhari City Kotwali Steel Sheet Market Lahore	Syed Mahmood Bukhari	35202-9434996-9	Nazir Ahmed	1,098	463	43	1,604	465	43	508
108	Waleed Rice Traders Rehmat Colony Ratiqabad Narangmandi	Munir Ahmed Malik	35202-3049898-5	Nazir Ahmed	-	1,026	18	1,044	1,026	18	1,044
109	Mian Brothers Shop No.1 Col. Plaza, Pasa Akhtar, Lahore	Mian Anjad Hussain Noor Imran Alzai Ghulam Ali	35202-2855038-7 33100-0900400-7	Mian Fazal Mehmood Muhammad Alzal Taj Din	745	2,112	-	2,857	1,366	16	1,382
110	Gulzar Fabrics Main Susan Road Madina Town Faisalabad.	Imran Akhtar	33100-0624342-9	Shabeer Akhtar	1,911	458	90	2,459	411	90	501
111	Imran Akhtar P-53/2, Street No.06 Gulberg Colony Faisalabad.	Imran Akhtar	33100-0624342-9	Shabeer Akhtar	1,911	458	90	2,459	411	90	501
112	Karigor Tailors 185-B Peoples Colony Faisalabad	Ijaz Ahmed Bhutta	33100-0589835-5	Abdul Haq	-	815	70	885	815	70	885
113	Aslan Enterprises Rasool Pur Tarar, District Hafizabad	Ghazanfar Mehmood	34302-782722-1	Inyat Ullah	779	4,814	216	5,809	4,604	216	4,820
114	Aslan Ullah Commission shop Rasool Pur Tarar, District Hafizabad	Ahad Baksh	34302-6524664-5	Ishaad Ullah	-	1,526	217	1,743	1,526	217	1,743
115	Ahad Baksh Enterprises Rasool Pur Tarar, District Hafizabad	Aamir Shahzad	34302-5980495-7	Muhammad Mansha	-	3,030	217	3,247	3,030	217	3,247
116	Blial Hussain Chaudhry & Rehana Ghulam Hussain House # E-3/3, Street # 06, Zaman Colony, Cavalry Ground, Ext. Cantt, Lahore	Blial Hussain Chaudhry Rehana Ghulam Hussain	35201-1341214-7 35202-5618463-4	Ghulam Hussain Ch Ghulam Hussain Ch	3,140	3,972	46	7,158	3,987	46	4,033
117	Muhammad Ali & Gulnaz Anwar House # 419/G-IV, Phase-II, Johar Town, Lahore	Muhammad Ali Gulnaz Anwar	35202-1888129-5 35202-2599287-4	Zafar Ahmed Zafar Ahmed	14,973	8,196	180	23,349	8,285	180	8,465
118	Muhammad Riaz Adda Puli Miru Garah More Tehsil Malisli District Vehari	Muhammad Riaz	36602-5200931-9	Muhammad Moazzam	-	805	-	805	805	-	805
119	M Usman House # 677, Block E-2, Phase 1 Wapda Town Lahore.	Muhammad Usman	35202-7119404-3	Ghulam Murtaza	2,357	1,059	-	3,416	1,168	-	1,168
120	Muzaffar Ali H 321-C, Faisal Town, Lahore	Muzaffar Ali	37405-6160800-9	Khalid Athar Bhatti	5,832	-	-	5,832	1,224	-	1,224
121	Muhammad Tariq Khan Lodhi - St# 1, Mohallah Taing Abad, Mda Road, Mullan	Muhammad Tariq Khan Lodhi	36302-7803830-9	Muhammad Sadiq Khan Lodhi	426	556	-	982	487	35	522
122	Zaheer Abbas Ghani - H On 6 Zaman Street Nal Abadi Near Allama Iqbal Public School Morgah	Zaheer Abbas Ghani	34201-0692639-9	Abduli Ghani	195	407	-	602	523	17	540
123	Rai Zaka and Co Village & Post Office Thatha Ghahra Dist Hattabab	Rai Zaka	34302-1231365-7	Ahmed Ali	-	706	-	706	706	-	706
124	Surf Steel Industries Deen Road Badami Bagh Lahore	Muhammad Azeem Muhammad Naeem Hatiz Muhammad Aleem Muhammad Kaleem Muhammad Saleem Aamir Mehmood Ashraf Abubakar Siddique Azeem	37404-0238864-7 37404-0235650-3 37405-6058408-3 35202-8137425-3 37404-0235364-5 37404-3624788-5 35202-3174137-3	Muhammad Ashraf Muhammad Ashraf Muhammad Ashraf Muhammad Ashraf Hatiz Muhammad Ashraf Muhammad Azeem	98,911	17,123	240	116,274	19,051	-	19,051
125	Mohsein Ehsan Supreme Rice Mill Pvt. Ltd 7K/M Tobia Road Jhang	Muhammad Gulsher Hassan Guj Mst. Tanzeela Kausar Asif Mehmood Shams un Nisa	33202-6688920-7 33202-5628855-4 37405-2980871-7 37405-2920161-2	Falek Sher Gulsher Gulsher Nazir Ur Haq Asif Mehmood	-	13,429	108	13,537	13,429	108	13,537

Annexure I

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year			Principal Written off	Interest/ Markup Written off/waived	Other Fin. Reliefs Provided	Total
		Name	CNIC No.		Principal	Interest / mark up	Others				
126	Mohsin Ehsan Rice Mills 7Km Toba Road Jhang	Muhammad Gulsher Hassan Gul	33202-7066370-1 33202-6688920-7	Falak Sher Gulsher	-	8,686	-	8,686	81	8,767	
127	Mohsin Ehsan Solvent & Extraction Plant Toba Road Jhang	Mst. Tanzeela Kausar Muhammad Gulsher Hassan Gul	33202-5829885-4 33202-7066370-1 33202-6688920-7	Falak Sher Gulsher	-	10,616	-	10,616	97	10,713	
128	Mohsin Ehsan Seed Processing & Dairling Toba Road Jhang	Mst. Tanzeela Kausar Muhammad Gulsher Hassan Gul	33202-5829885-4 33202-7066370-1 33202-6688920-7	Falak Sher Gulsher	-	2,218	-	2,218	73	2,291	
129	Mohsin Ehsan Roller Flour & General Flour Mills Pvt. Ltd Jhang, Toba Road Jhang	Mst. Tanzeela Kausar Muhammad Gulsher Hassan Gul	33202-5829885-4 33202-7066370-1 33202-6688920-7	Falak Sher Gulsher	-	5,776	-	5,776	104	5,880	
130	New Road Star Filling Station, Shah Alam Bridge, Charsaddar Road, Peshawar	Mst. Tanzeela Kausar Fajr Gul	33202-5829885-4 17301-6633427-3	Gulsher Saad Ullah Jan	3,535	3,295	-	6,830	-	714	
131	Zain Suiting, Gali Thaneedar Abdul Latif Wali, Kabrastan Road, Gujranwala	Syed Nawazish Ali	34101-6268033-7	Syed Wajid Ali	4,973	7,644	-	12,617	-	3,653	
132	Khan Pottery G. T. Road, Attawa Gujranwala	Muhammad Tahir Saleem Muhammad Shaid Saleem	34101-1761631-1 34101-1587984-7	Muhammad Saleem Muhammad Saleem	5,976	7,272	77	13,325	77	7,330	
133	Ihsan Nazir & Co. Ali Abad, Tehsil & District Hafizabad,	Muhammad Ihsan	34301-1781841-5	Nazir Ahmad	1,550	1,369	100	3,019	100	1,486	
134	Wahab Anwar - Bismillah Chowk GM Abad Faisalabad	Wahab Anwar	33100-6401906-9	MUHAMMAD ANWAR	452	242	-	694	439	62	
	Total Domestic				409,983	642,582	17,783	1,070,348	151,393	14,535	795,630
1	Overseas La Vogue International Pvt Ltd No. 13/5, Arthur'S Place, Kaldemulla, Moratuwa.	Mohamed Sahib Tuan Raliff	592940248V		1,242	963	-	2,205	-	673	673
	Total Overseas				1,242	963	-	2,205	-	673	673
	Grand Total				411,225	643,545	17,783	1,072,553	151,393	14,535	796,303

Disposal of fixed assets (refer note 11.2.6)

Description	Cost/ revalued amount	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal	Particulars of buyers	Location
Computers							
Laptop	87	87	-	9	As per Bank's policy	Zargham Khan Durani	Lahore
Laptop	117	112	5	17	As per Bank's policy	Salman Zafar Siddiqi	Lahore
Laptop	116	116	-	12	As per Bank's policy	Fida Ali Mirza	Lahore
Laptop	116	116	-	12	As per Bank's policy	Kamran Zaffar Muggo	Lahore
	435	430	5	49			
Vehicles							
Honda Civic	2,522	2,018	504	504	As per Bank's policy	Imran Maqbool	Lahore
Honda CRV	7,816	6,253	1,563	1,563	As per Bank's policy	Salman Zafar Siddiqi	Lahore
Honda CRV	7,816	6,253	1,563	1,563	As per Bank's policy	Muhtashim Ashai	Lahore
BMW 520	9,995	7,996	1,999	1,999	As per Bank's policy	Imran Maqbool	Lahore
	28,149	22,519	5,630	5,630			
Land and Building							
Bank House	270,892	2,292	268,600	425,000	Negotiation	Security General Insurance Company Limited	Karachi
	299,476	25,241	274,235	430,679			



Consolidated Financial Statements 2018

Directors' Report on Consolidated Financial Statements

The Board of Directors present the report on the consolidated financial statements of MCB Bank Limited and its subsidiaries namely MCB-Arif Habib Savings & Investments Limited, MCB Financial Services Limited, MNET Services (Private) Limited, MCB Islamic Bank Limited, Financial & Management Services (Private) Limited and MCB Leasing Closed Joint Stock Company for the year ended December 31, 2018.

Profit and Appropriations

The profit before and after taxation for the year ended December 31, 2018 together with appropriations is as under:

	(Rs. in Million)
Profit before taxation	30,806
Taxation	(10,391)
Profit after taxation	20,415
Profit attributable to non-controlling interest	(62)
Profit attributable to ordinary shareholders	20,353
Un-appropriated profit brought forward	55,221
Other comprehensive income - net of tax	(659)
Surplus realized on disposal of revalued fixed assets – net of tax	99
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to un-appropriated profit – net of tax	54
	54,715
Profit available for appropriation	75,068
Appropriations:	
Statutory Reserve	2,137
Final Cash Dividend at Rs. 4.0 per share - December 31, 2017	4,740
Interim Cash Dividend at Rs. 4.0 per share - March 31, 2018	4,740
Interim Cash Dividend at Rs. 4.0 per share - June 30, 2018	4,740
Interim Cash Dividend at Rs. 4.0 per share - September 30, 2018	4,740
Total appropriations	21,097
Un-appropriated Profit Carried Forward	53,971

Earnings per Share

The consolidated financial statements reflect Rs. 17.17 earnings per share for the year under review.

For and on behalf of the Board of Directors

Imran Maqbool

Imran Maqbool
President & CEO,
MCB Bank Limited

February 20, 2019

Iqraa Hassan Mansha

Iqraa Hassan Mansha
Director,
MCB Bank Limited

ڈائریکٹرز رپورٹ:

بورڈ آف ڈائریکٹرز ایم سی بی بینک لمیٹڈ اور اس کے ذیلی ادارے ایم سی بی عارف حبیب سیونگ اور انسٹیٹوشن لمیٹڈ، ایم سی بی فنانشل سروسز لمیٹڈ، ایم نیٹ سروسز پرائیویٹ لمیٹڈ، ایم سی بی اسلامک بینک لمیٹڈ اور ایم سی بی لیزنگ کمپنی کی فنانشل اسٹیٹمنٹس پر اپنی رپورٹ پیش کرتے ہیں۔

منافع اور تخصیص:

31 دسمبر 2018 کو اختتام پذیر سال میں اور بعد از ٹیکس منافع اور اسکی تخصیص کچھ اس طرح سے ہے:

ملین روپے	
30,806 (10,391)	منافع قبل از ٹیکس
20,415 (62)	منافع بعد از ٹیکس
20,353	منافع برائے اقلیتی شیئر ہولڈرز
55,221 (659)	منافع برائے ایکویٹی شیئر ہولڈرز
99	افتتاحی غیر تخصیص شدہ منافع
54	دیگر جامع (کمپرہینسو) آمدنی خالص بعد از ٹیکس
54,715	پائیدار اثاثوں کے سرپلس پر فروخت سے حاصل آمدن (خالص از ٹیکس)
75,068	پائیدار اثاثوں کی تخمینہ نو سے انسانی آمدنی کی غیر تخصیص شدہ منافع
	انگریجمنٹل ڈیپریسی ایشن کی منتقلی
	تخصیص کیلئے دستیاب منافع
	تخصیص:
2,137	قانونی ریزرو
4,740	حتمی کیش ڈیویڈنڈ @ 4.0 روپے فی حصص - دسمبر 2017
4,740	عبوری کیش ڈیویڈنڈ @ 4.0 روپے فی حصص - مارچ 2018
4,740	عبوری کیش ڈیویڈنڈ @ 4.0 روپے فی حصص - جون 2018
4,740	عبوری کیش ڈیویڈنڈ @ 4.0 روپے فی حصص - ستمبر 2018
21,097	کل تخصیص
53,971	اختتامی غیر تخصیص شدہ منافع

فی حصص آمدنی:

سال کی فی حصص آمدنی (EPS) 17.17 روپے رہی۔

منجانب و برائے بورڈ آف ڈائریکٹرز:

عمران مقبول

صدر - ایم سی بی بینک لمیٹڈ،

20 فروری 2019

اقراء حسن نشاء

ڈائریکٹر - ایم سی بی بینک لمیٹڈ

Auditor's Report to the Members

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of MCB Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit 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 year. 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 are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Provision against Loans and Advances	
	<p>Refer to note 10 and the accounting policies in notes 4.2 (b) and 5.4 to the consolidated financial statements.</p> <p>The Group's advances to the customers represent 35.76% of its total assets as at 31 December 2018 and are stated at Rs. 566.79 billion which is net of provision of Rs. 43.23 billion.</p> <p>The provision against advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and compliance with the Prudential Regulations (PRs) issued by the State Bank of Pakistan.</p>	<p>Our audit procedures in respect of provision against loans and advances included the following:</p> <ul style="list-style-type: none"> • Assessing the design and operating effectiveness of manual and automated controls over classification and provisioning of advances including: <ul style="list-style-type: none"> - The accuracy of data input into the system used for disbursement and recovery of credit facilities; - Controls over correct classification of non-performing advances on time based criteria; - Controls over accurate computation and recording of provisions; and - Controls over the governance and approval process related to provision. • Testing, on a sample basis, credit exposures identified by the management as displaying indicators of impairment, assessed the number of days overdue and assessed appropriateness of amount reported for provision in accordance with the PRs; • Testing, on a sample basis, credit exposure where the management has not identified as displaying indicators of impairment challenged the management's assessment by reviewing the historical performances, account movement, financial ratios and reports on security maintained and formed our own view whether any impairment indicators are present; • For consumer and SME advances, analyzed the days past due report for calculation of provision required in accordance with the PRs; and • Checking, on a sample basis, accuracy of specific provision against non-performing advances and of general provision against consumer and SME advances by recomputing the provision made in accordance with the criteria prescribed under the PRs.

S. No.	Key Audit Matters	How the matter was addressed in our audit
2	Valuation of Investments	
	<p>Refer to note 9 and the accounting policies in notes 4.2 (c) and 5.2 to the consolidated financial statements.</p> <p>As at December 31, 2018, the Group has investments classified as "Available-for-sale", "Held for trading" and "Held to maturity", amounting to Rs. 750,36 billion in aggregate represent 47.34 % of the total assets of the Bank.</p> <p>Investments are carried at cost or fair value in the accordance with the Group's accounting policy relating to their recognition. Provision against investments is based on impairment policy of the Group which includes both objective and subjective factors.</p> <p>We identified the valuation of investments including determination of impairment allowance on investments classified as 'Available-for-sale' and "Held to maturity" as a key audit matter because of their significance in relation to the total assets of the Group and judgment involved in assessing impairment allowance.</p>	<p>Our procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> Assessing the design and tested the operating effectiveness of the relevant controls in place relating to valuation of investments; Checking, on a sample basis, the valuation of investments to supporting documents, externally quoted market prices and break-up values; and Evaluating the management's assessment of available for sale and held to maturity investments for any additional impairment in accordance with the Group's accounting policies and performed an independent assessment of the assumptions.
3	Change in the format of the financial statements	
	<p>Refer note 3.2 to the consolidated financial statements.</p> <p>The State Bank of Pakistan (SBP) has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Group has prepared these consolidated financial statements on the new format prescribed by the State Bank of Pakistan. As part of this transition to the new requirements, the management performed a gap analysis to identify differences between the previous and current format. The adoption of the new format required certain recognition requirements and reclassification of certain financial information. The amended format also introduced certain new disclosures in the consolidated financial statements.</p> <p>In view of the significant impact of the first time adoption of the revised format on these consolidated financial statements, we considered this a key audit matter.</p>	<p>Our audit procedures to assess compliance with the requirements of the SBP's amended format of annual financial statements for banks included the following:</p> <ul style="list-style-type: none"> considering the management's process to identify the changes required in the consolidated financial statements to comply with the new format; and obtaining relevant underlying supports relating to changes required in the consolidated financial statements consequent to the adoption of the new format to assess their appropriateness and verified them on test basis.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report but does not include the consolidated 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 Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- a) 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.
- b) 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.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) 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.
- e) 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.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.


We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is M. Rehan Chughtai.

Lahore
Date: March 04, 2019



KPMG Taseer Hadi & Co.
Chartered Accountants
M.Rehan Chughtai

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	2018	2017 Restated	2016 Restated
(Rupees in '000)				
ASSETS				
Cash and balances with treasury banks	6	110,165,006	109,462,902	75,732,185
Balances with other banks	7	13,338,117	7,348,882	7,201,459
Lendings to financial institutions	8	39,149,890	5,273,524	2,809,752
Investments	9	754,385,775	660,070,246	556,770,384
Advances	10	566,792,265	500,965,801	364,470,288
Fixed assets	11	43,789,201	41,391,887	34,491,127
Intangible assets	12	1,194,657	1,173,561	734,738
Deferred tax assets		-	-	-
Other assets	13	56,395,096	63,805,253	55,071,317
		<u>1,585,210,007</u>	<u>1,389,492,056</u>	<u>1,097,281,250</u>
LIABILITIES				
Bills payable	15	17,003,272	22,994,877	13,291,328
Borrowings	16	223,216,115	140,462,138	77,438,993
Deposits and other accounts	17	1,122,306,535	1,001,146,162	795,689,546
Liabilities against assets subject to finance lease		-	-	-
Subordinated debt	18	3,891,019	3,892,578	-
Deferred tax liabilities	19	1,983,145	5,661,073	12,889,649
Other liabilities	20	65,487,042	58,792,147	52,011,664
		<u>1,433,887,128</u>	<u>1,232,948,975</u>	<u>951,321,180</u>
NET ASSETS		<u>151,322,879</u>	<u>156,543,081</u>	<u>145,960,070</u>
REPRESENTED BY				
Share capital	21	11,850,600	11,850,600	11,130,307
Reserves	22	74,374,573	71,027,912	53,512,633
Surplus on revaluation of assets	23	10,417,875	17,736,093	25,117,958
Unappropriated profit		53,971,079	55,221,069	55,509,013
		<u>150,614,127</u>	<u>155,835,674</u>	<u>145,269,911</u>
Non-controlling interest		708,752	707,407	690,159
		<u>151,322,879</u>	<u>156,543,081</u>	<u>145,960,070</u>

CONTINGENCIES AND COMMITMENTS

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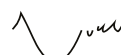
The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.



Imran Maqbool
President/Chief Executive



Hammad Khalid
Chief Financial Officer



S. M. Muneer
Director



Muhammad Tariq Rafi
Director



Muhammad Ali Zeb
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017	
(Rupees in '000)				
Mark-up / return / interest earned	26	87,502,337	76,189,800	
Mark-up / return / interest expensed	27	39,495,913	32,393,716	
Net mark-up / interest income		48,006,424	43,796,084	
NON MARK-UP / INTEREST INCOME				
Fee and commission income	28	11,636,751	10,454,980	
Dividend income		1,156,944	1,632,466	
Foreign exchange income		3,568,576	1,677,861	
Income from derivatives		11,845	15,487	
Gain on securities	29	1,257,148	4,666,214	
Other income	30	434,351	51,203	
Total non-markup / interest income		18,065,615	18,498,211	
Total income		66,072,039	62,294,295	
NON MARK-UP / INTEREST EXPENSES				
Operating expenses	31	35,715,447	30,297,380	
Workers welfare fund		644,304	625,969	
Other charges	32	174,431	142,953	
Total non-markup / interest expenses		36,534,182	31,066,302	
Share of profit of associates		446,257	433,119	
Profit before provisions		29,984,114	31,661,112	
(Reversals) / provisions and write offs - net	33	(821,807)	1,047,405	
Extra ordinary / unusual items		-	-	
PROFIT BEFORE TAXATION		30,805,921	30,613,707	
Taxation	34	10,390,637	8,565,943	
PROFIT AFTER TAXATION		20,415,284	22,047,764	
Profit attributable to non-controlling interest		(62,528)	(84,618)	
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE BANK		20,352,756	21,963,146	
Basic and diluted earnings per share	Rupees	35	17.17	19.13


The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.



Imran Maqbool
President/Chief Executive



Hammad Khalid
Chief Financial Officer



S. M. Muneer
Director



Muhammad Tariq Rafi
Director



Muhammad Ali Zeb
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	(Rupees in '000)	
Profit after taxation for the year	20,415,284	22,047,764
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the bank	1,200,257	332,722
- Non-controlling interest	143	442
- Share of exchange translation reserve of associate	10,446	(20,236)
	1,210,846	312,928
Movement in surplus/ deficit on revaluation of investments - net of tax		
- Equity shareholders of the bank	(7,145,219)	(6,993,443)
- Non-controlling interest	-	(54,077)
Movement in surplus on associated undertaking - net of tax	(192,315)	(344,715)
	(7,337,534)	(7,392,235)
	(6,126,688)	(7,079,307)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	(659,286)	(1,574,754)
Surplus on revaluation of operating fixed assets - net of tax	-	12,286
Surplus on revaluation of non-banking assets - net of tax	172,774	(1,557)
	(486,512)	(1,564,025)
Total comprehensive income	13,802,084	13,404,432
Attributable to:		
- Equity shareholders of the bank	13,739,413	13,373,449
- Non-controlling interest	62,671	30,983
	13,802,084	13,404,432

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.


Imran Maqbool
President/Chief Executive


Hammad Khalid
Chief Financial Officer


S. M. Muneer
Director


Muhammad Tariq Rafi
Director


Muhammad Ali Zeb
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

	Share capital		Capital reserve		Revenue reserve		Surplus/(deficit) on revaluation of		Unappropriated profit	Total	Non-controlling interest	Grand Total
	Share premium	Non-distributable capital reserve	Exchange translation reserve	General reserve	Investments	Associate	Fixed / non-banking assets					
Balance as at December 31, 2016 - as previously reported	11,130,307	9,924,438	84,593	18,600,000	11,236,047	786,276	13,003,635	55,509,013	120,151,953	509,331	120,661,284	
Reclassification of surplus to equity (note 3.2)	-	-	-	-	11,236,047	786,276	13,003,635	-	25,117,958	180,638	25,298,596	
Balance as at December 31, 2016 - restated	11,130,307	9,924,438	84,593	18,600,000	11,236,047	786,276	13,003,635	55,509,013	145,269,911	690,159	145,960,070	
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	(6,993,443)	(343,715)	10,729	(1,574,754)	(8,359,697)	(53,655)	(8,413,352)	
Profit after taxation for the year ended December 31, 2017	-	-	-	-	(6,993,443)	(343,715)	10,729	(1,574,754)	(8,359,697)	(53,655)	(8,413,352)	
Other comprehensive income - net of tax	-	-	-	-	(6,993,443)	(343,715)	10,729	(1,574,754)	(8,359,697)	(53,655)	(8,413,352)	
Transfer to statutory reserve	-	-	-	-	2,445,690	-	-	(2,445,690)	-	-	-	
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	54,436	54,436	-	54,436	
Share issued under amalgamation scheme	720,293	14,088,586	-	-	-	-	-	-	14,768,879	-	14,768,879	
Gain on bargain purchase arising on amalgamation of NIB Bank Limited	-	-	-	-	-	-	-	-	906,317	-	906,317	
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	
Final cash dividend at Rs. 4.0 per share - December 31, 2016	-	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)	
Interim cash dividend at Rs. 4.0 per share - March 31, 2017	-	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)	
Interim cash dividend at Rs. 4.0 per share - June 30, 2017	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)	-	(4,740,240)	
Interim cash dividend at Rs. 4.0 per share - September 30, 2017	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)	-	(4,740,240)	
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	(18,384,726)	(18,384,726)	(113,891)	(18,498,617)	
Adjustment in Non-controlling interest	-	-	-	-	-	-	-	(100,156)	(100,156)	100,156	-	
Balance as at December 31, 2017 - restated	11,850,600	23,973,024	397,579	18,600,000	4,332,604	443,561	12,959,928	55,221,069	155,636,674	707,407	156,344,081	
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	-	20,382,756	20,382,756	62,628	20,445,384	
Profit after taxation for the year ended December 31, 2018	-	-	-	-	(7,145,219)	(192,315)	172,774	19,693,470	(6,613,343)	143	(6,613,200)	
Other comprehensive income - net of tax	-	-	-	-	(7,145,219)	(192,315)	172,774	19,693,470	(6,613,343)	143	(6,613,200)	
Transfer to statutory reserve	-	-	-	-	2,135,958	-	-	(2,135,958)	-	-	-	
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	54,377	54,377	-	54,377	
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	99,081	99,081	-	99,081	
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	
Final cash dividend at Rs. 4.0 per share - December 31, 2017	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)	-	(4,740,240)	
Interim cash dividend at Rs. 4.0 per share - March 31, 2018	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)	-	(4,740,240)	
Interim cash dividend at Rs. 4.0 per share - June 30, 2018	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)	-	(4,740,240)	
Interim cash dividend at Rs. 4.0 per share - September 30, 2018	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)	-	(4,740,240)	
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	(18,963,958)	(18,963,958)	(61,326)	(19,025,284)	
Balance as at December 31, 2018	11,850,600	23,973,024	1,607,782	18,600,000	(2,812,615)	251,246	12,979,244	53,971,075	150,614,127	708,752	151,322,879	

For details of dividend declaration and appropriations, please refer note 46 to these consolidated financial statements.

For details of reserves, please refer note 22 to these consolidated financial statements.

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.

Imran Maqbool

Imran Maqbool
President/Chief Executive

S. M. Muneer

S. M. Muneer
Director

Muhammad Tariq Rafi

Muhammad Tariq Rafi
Director

Muhammad Ali Zeb

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Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		30,805,921	30,613,707
Less: Dividend income and share of profit of associates		(1,603,201)	(2,065,585)
		29,202,720	28,548,122
Adjustments:			
Depreciation on fixed assets	11.2	2,205,841	1,858,466
Depreciation on non-banking assets acquired in satisfaction of claims	31	49,155	29,947
Amortization	12	356,533	278,366
(Reversals) / provisions and write offs - net	33	(821,807)	1,047,405
Fixed assets written off	32	-	13
Workers welfare fund		644,304	625,969
Gain on sale of fixed assets	30	(245,866)	(19,954)
Gain on sale of non-banking assets acquired in satisfaction of claims	30	(82,410)	(515)
Charge / (reversal) for defined benefit plan	31.1	943,661	(144,497)
Unrealized loss on revaluation of investments classified as held for trading	29	47,766	272
Gain on sale of shares in associates		(51,360)	(286,706)
		3,045,817	3,388,766
		32,248,537	31,936,888
Increase in operating assets			
Lendings to financial institutions		(33,876,366)	(2,463,772)
Held-for-trading securities		(10,019,549)	83,239
Advances		(63,057,860)	(64,337,255)
Others assets (excluding advance taxation)		(1,188,977)	(2,769,268)
		(108,142,752)	(69,487,056)
Increase in operating liabilities			
Bills Payable		(5,991,605)	6,765,359
Borrowings from financial institutions		81,874,414	37,833,810
Deposits		121,160,373	123,715,772
Other liabilities (excluding current taxation)		7,955,642	4,820,500
		204,998,824	173,135,441
Defined benefits paid		(343,743)	(329,179)
Income tax paid		(3,421,728)	(7,805,618)
Net cash flow from operating activities		125,339,138	127,450,476
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(96,176,337)	(84,808,364)
Net investments in held-to-maturity securities		(2,380,874)	(4,102,188)
Net cash inflow on amalgamation		-	14,268,116
Proceeds from divestment in an associate		295,448	782,816
Dividends received		1,619,685	1,629,251
Investments in fixed assets		(4,812,362)	(4,698,825)
Investments in intangible assets		(376,872)	(717,113)
Proceeds from sale of fixed assets		574,720	38,395
Proceeds from sale of non-banking assets acquired in satisfaction of claims		682,410	108,070
Effect of translation of net investment in foreign branches & subsidiaries		1,200,400	333,164
Net cash flow used in investing activities		(99,373,782)	(77,166,678)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(1,559)	(779)
Dividend paid		(20,152,021)	(17,315,565)
Net cash flow used in financing activities		(20,153,580)	(17,316,344)
Effects of exchange rate changes on cash and cash equivalents		5,575,328	1,040,532
Increase in cash and cash equivalents		11,387,104	34,007,986
Cash and cash equivalents at beginning of the year	36	110,169,913	81,737,255
Cash and cash equivalents at end of the year	36	121,557,017	115,745,241

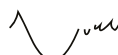
The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.



Imran Maqbool
President/Chief Executive



Hammad Khalid
Chief Financial Officer



S. M. Muneer
Director



Muhammad Tariq Rafi
Director



Muhammad Ali Zeb
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of

Holding company

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on the Pakistan Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,376 branches (2017: 1,433 branches) within Pakistan and 11 branches (2017: 11 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

1.1 Subsidiary companies

MCB Financial Services Limited

MCB Financial Services Limited (the Company) was incorporated on February 12, 1992 as a private limited company. The company converted its status from Private Limited Company to Unlisted Public Limited Company on June 19, 2009. The principal objects of the company are to act as Trustee of investment trust schemes, voluntary pension schemes, real estate investment trust schemes, to provide custodian services and to act as transfer agent/share registrar of securities of listed and non listed companies and mutual funds etc. The Company's main source of income is from trusteeship services provided to mutual funds. Its registered office is located at Karachi. The Bank owns 100% shares of the company while remaining shares are held by nominees of the Bank.

MNET Services (Private) Limited

MNET Services (Private) Limited (the Company) is a private limited company incorporated in Pakistan on September 7, 2001. The company's registered office and principal place of business are situated at MCB Building, F-6 / G-6, Jinnah Avenue, Islamabad and Sheikh Sultan Trust Building, Beaumont Road, Karachi respectively. The core objective of the company is to provide services in Information Technology and to develop computer software and other data processing equipment for planning, designing, management and execution of all types of financial, personal, organizational and institutional activities. The Bank owns 100% shares of the company while remaining shares are held by nominees of the Bank.

MCB - Arif Habib Savings and Investments Limited

MCB - Arif Habib Savings and Investments Limited (the Company) was incorporated on August 30, 2000, as an unquoted public limited company. During 2008, the Company was listed on the Pakistan Stock Exchange by way of offer for sale of shares by a few of the existing shareholders of the Company to the general public. The

registered office of the Company is situated at 24th Floor, Centre point, Off Shaheed-e-Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan.

The Company is registered as an Asset Management Company and Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Pension Fund Manager under Voluntary Pension System Rules 2005. The Company also manages discretionary portfolio accounts. The Bank owns 51.33% shares of the company.

"MCB Leasing" Closed Joint Stock Company

"MCB Leasing" CJSC (the "Company") was incorporated on 16 October 2009 and domiciled in the Republic of Azerbaijan. The Company is a closed joint stock company limited by shares and was set up in accordance with Azerbaijani regulations. The registered office of the company is located at 49B Tbilisi Ave. Baku AZ1065, Republic of Azerbaijan. The Bank owns 99.94% shares of the company.

The Company's principal business activity is provision of finance leases within the Republic of Azerbaijan. The Company leases out various types of industrial equipments, equipments used in medicine, health care, and for other business needs. In addition, the Company leases out cars and trucks. Further the Company is also involved in real estate finance leases.

MCB Islamic Bank Limited

MCB Islamic Bank Limited (MCBIBL) was incorporated in Pakistan as an unlisted public limited company on May 15, 2014 to carry out the business of an Islamic Commercial Bank in accordance and in conformity with the principles of Islamic Shari'ah and in accordance with regulations and guidelines of the State Bank of Pakistan. The Securities and Exchange Commission of Pakistan granted "Certificate of Commencement of Business" to MCBIBL on January 30, 2015. MCBIBL is a wholly owned subsidiary of MCB Bank Limited (MCB).

The State Bank of Pakistan (SBP) granted a "Certificate of Commencement of Banking Business" to MCBIBL on September 14, 2015 under Section 27 of the Banking Companies Ordinance, 1962. MCBIBL formally commenced operations as a Scheduled Islamic Commercial Bank with effect from October 15, 2015 upon receiving notification in this regard from SBP under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, micro finance, investment and retail banking activities.

MCBIBL is operating through 176 branches in Pakistan (December 31, 2017: 76 branches). The Registered Office of MCBIBL is situated at 59 Block T, Phase II, DHA, Lahore Cantt and Principal Office is situated at 339 Block Z, Phase III, DHA Lahore Cantt. The Bank owns 100% share of MCBIBL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Financial & Management Services (Private) Limited

Financial & Management Services (Private) Limited is fully provided subsidiary and the company is dormant and has no asset and liability. The Board of Directors of the Bank has approved winding up of the Company. The Bank holds 95.90% shareholding in this subsidiary.

2. BASIS OF PRESENTATION

- 2.1 These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of associates (the "Group").
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The Islamic Banking operations of the Group have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Act, 2017.
- 2.3 Key financial figures of the MCBIBL are disclosed in Annexure II to these consolidated financial statements.
- 2.4 These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded off to the nearest thousand.

3. STATEMENT OF COMPLIANCE

- 3.1 These consolidated financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017; and

- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP).

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

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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 that the requirements of consolidation under section 237 of the repealed Companies Ordinance 1984 (Section 228 of Companies Act 2017) and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure, through S.R.O 56(I)/2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective; however, the amendments, interpretations and improvements are considered not to be relevant or do not have any significant effect on the Group operations and therefore not detailed in these consolidated financial statements.

State Bank of Pakistan prescribed a new format for financial statements of banks effective from the year ended December 31, 2018. Accordingly, these consolidated financial statements are prepared in accordance with the new format. Major changes impacting (other than certain presentation changes) these consolidated financial statements include:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

- Acceptances amounting to Rs 16,256.882 million (2017: Rs 16,061.606 million, 2016: Rs 20,591.014 million) which were previously shown as part of contingencies and commitments are now recognized on balance sheet both as assets and liabilities. They are included in Other Assets (note 13) and Other Liabilities (note 20).
- Surplus on revaluation of assets (note 23) amounting to Rs 10,417.875 million (2017: Rs 17,736.093 million, 2016: Rs 25,117.958 million) which was previously shown below equity has now been included as part of equity.
- Intangibles (note 12) amounting to Rs 1,194.657 million (2017: Rs 1,173.561 million, 2016: Rs 734.738 million) which were previously shown as part of fixed assets (note 11) are now shown separately on the consolidated statement of financial position.
- Cost of foreign currency swaps (note 27) amounting to Rs 662.873 million (2017: Rs 348.970 million) which was previously shown as part of foreign exchange income has now been shown as part of mark-up / return / interest expense in the consolidated statement of profit and loss account.

In addition, Companies Act 2017 also became effective for the financial statements for the year ended December 31, 2018. As the Group's financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on these consolidated financial statements except for the change as mentioned in note 5.5 of these consolidated financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2019:

	Effective date (annual periods beginning on or after)
- IFRS 16 Leases	January 1, 2019
- Amendments to IFRS 9 'Financial Instruments'	January 1, 2019
- Amendments to IAS 19 'Employee Benefits'	January 1, 2019
- IFRS 15 - Revenue from contracts with customers	January 1, 2019
- Amendments to IAS 28 'Investments in Associates and Joint Ventures'	January 1, 2019
- IFRIC 23 'Uncertainty over Income Tax Treatments'	January 1, 2019

*IFRS 9 - Financial Instruments - The Group is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions.

There are other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact except IFRS-16 on these consolidated financial statements. The Group is currently in the process of assessing the impact of IFRS-16.

4. BASIS OF MEASUREMENT

- 4.1 These consolidated financial statements have been prepared under the historical cost convention except that certain classes of fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.

4.2 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification of investments

In classifying investments, the Group follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investment to maturity.
- The investments other than those in associates which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) Provision against advances

The Group reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in note 10.5.4.

c) Impairment of 'available for sale' equity investments

The Group determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational/financial cash flows.

d) Taxation

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

e) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.

f) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Group estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 38 of these consolidated financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except for the changes explained in notes 5.2, 5.4, 5.5 and 5.11.

5.1 Basis of consolidation

- a) These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of associates are accounted for under the equity basis of accounting.
- b) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiaries are disposed off. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the financial statements as at December 31, 2018 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statement. Material intra-group balances and transactions have been eliminated.
- c) Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost, thereafter for the post-acquisition change in the Group's share of net assets of the associate, the cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.
- d) Non-controlling interest is that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5.2 Investments

The Group classifies its investments as follows:

a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity.

c) Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment. Transaction costs on investments held for trading are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', investments in associates are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is taken to surplus / deficit on revaluation of investments through statement of comprehensive income in equity which was previously shown below equity. Surplus / deficit arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account, currently.

Unquoted equity securities (excluding investments in associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. Investments classified as 'held to maturity' are carried at amortized cost less accumulated impairment losses, if any.

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. Impairment

of 'available for sale' equity investments is discussed in 4.2(c). Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associate and subsidiary at the date of acquisition. Goodwill on acquisitions of associates is included in 'investments in associates'.

5.3 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in these consolidated financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in these consolidated financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

5.4 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Advances are written off when there is no realistic prospect of recovery.

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

In Murabaha transactions, the Group purchases the goods through its agent or client and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction. Under Murabaha financing, funds disbursed for purchase of goods are recorded as 'Advance against Murabaha

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

finance'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financing are recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

In Ijarah financing, the Group provides the asset on pre-agreed rentals for specific tenors to the customers. Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental on Ijarah under Islamic Financial Accounting Standard - 2 Ijarah (IFAS 2) are recorded as income / revenue. The Group charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method.

In Diminishing Musharaka based financing, the Group enters into Musharaka based on Shirkat-ul-Milk for financing and agreed share of fixed assets (example: house, land, plant, machinery or vehicle) with its customers and enters into period profit payment agreement for the utilization of the Group's Musharaka share by the customer.

In Istisna financing, the Group 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 and the amount financed is received back by the Group alongwith profit.

In Salam financing, the Group pays full in advance to its customer for buying specified goods / commodities to be delivered to the Group within an agreed time. The goods are then sold the amount financed is received back by the Group alongwith profit.

In Running Musharaka based financing, the Group enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in the customer's operating business where the funds can be withdrawn or refunded during the Musharakah period.

During the current year, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for overseas branches and subsidiaries of the Group. Accordingly, in respect of overseas branches and subsidiaries, the Group has changed its accounting policy and has followed the requirements of IFRS 9. The impact has been accounted for in the profit or loss of the current period and opening balance of retained earnings has not been adjusted as the amount is not material.

5.5 Fixed assets, depreciation and intangibles

5.5.1 Fixed assets other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Buildings are carried at revalued amount less any accumulated depreciation and subsequent impairment losses, if any. Land is carried at revalued amount less any subsequent impairment

losses, if any. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets become available for use.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value.

Depreciation on all fixed assets (excluding land) is charged using the straight line method in accordance with the rates specified in note 11.2 to these consolidated financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses on sale of property and equipment are credited / charged to the profit and loss account currently, except that the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets was being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly the management has changed the accounting policy to bring accounting of revaluation surplus on fixed assets in accordance with IAS 16 "Property, plant and equipment". The revaluation is measured on individual assets where the surplus is taken to surplus on revaluation of fixed assets through statement of comprehensive income in equity. The deficit on revaluation of the asset is charged to profit and loss account after netting of any surplus

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

already recorded on that asset. The management of the Group believes that the impact of change in accounting policy is not material, therefore no adjustments are being made in these consolidated financial statements.

5.5.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible assets are amortized over its estimated useful lives over which economic benefits are expected to flow to the Group. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

5.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.7 Staff retirement benefits

MCB Bank Limited

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
 - an approved contributory provident fund;
 - an approved gratuity scheme; and
 - a contributory benevolent scheme
- b) For clerical / non-clerical staff who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
 - an approved pension fund; and
 - contributory benevolent scheme
- c) For officers who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:

- an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
- an approved pension fund, and
- contributory benevolent fund.

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.

- d) For executives and officers who joined the Bank on or after January 01, 2000, the Bank operates an approved contributory provident fund.
- e) Post retirement medical benefits to entitled employees.

Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the Projected Unit Credit Method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income in the period of occurrence.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognises past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs; and
- (ii) when the Bank recognises related restructuring costs or termination benefits.

Employees' compensated absences

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss account in the period of occurrence.

MCB Islamic Bank Limited

MCBIBL operates a recognised contributory provident fund scheme for all its permanent employees. Equal monthly contributions are made both by the Bank and its permanent employees, to the Fund at the rate of 8.33% of the basic salaries of employees. However, an employee has an option to increase his/her contribution upto 15% but the Bank will still contribute 8.33% of the employee's basic salary. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

MNET Services (Private) Limited

The company operates an unfunded gratuity scheme for its eligible employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company. Accrual of charge for the year is made on the basis of actuarial valuations carried out under the Projected Unit Credit Method.

MCB Financial Services

The Company operates a recognised contributory provident fund scheme for all its permanent employees. Equal monthly contributions are made both by the Bank and its permanent employees.

5.8 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Group records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.9 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to

settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

5.10 Foreign currencies

5.10.1 Foreign currency transactions

Transactions in foreign currencies other than the results of foreign operations discussed in note 5.10.2 are translated to Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities.

5.10.2 Foreign operations

The assets and liabilities of foreign branches and subsidiaries are translated to Rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

5.10.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Group's net investment in foreign branches and subsidiaries, which are taken to the capital reserve (exchange translation reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

5.10.4 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the date of the consolidated statement of financial position.

5.11 Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. During the year, SBP has changed its classification from off balance sheet item to other assets and other liabilities.

5.12 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP) or as permitted by the regulations of the overseas regulatory authorities of countries where the branches operate. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity.

- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.
- Profit on investments in Sukuks is recognised on time proportion basis. Where Sukuks (excluding those classified as held for trading) are purchased at a premium or discount, such premiums / discounts are amortised through the profit or loss account using the effective yield method.
- Profit on Salam financing is recognised on time proportion basis.
- Profit on Running Musharaka financing is booked on an accrual basis and is subject to adjustment (if any) upon declaration of profit by Musharakah partners.
- Commission income is recognized on a time proportion basis.
- Dividend income is recognized when the Group's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account currently.
- Ijarah income is recognized on an accrual basis as and when the rental becomes due.
- Profit from Bai-Mua'jjal is recognised on an accrual basis.
- Profit on Diminishing Musharaka is recognised on an accrual basis.
- Profit on Istisna financing is recognised on an accrual basis.
- Profit from Murabaha financing is accounted for on culmination of Murabaha transaction. Profit on Murabaha is recognised on an accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately on the later date.
- Outsourcing revenue, payment system managed service income, subscription fee in Switch product revenue and networking services revenue is

recognised on an accrual basis when the related services are rendered.

- Revenue for acting as trustee is recognized on Net Assets Value (NAV) of respective funds.
- Management / advisory fee is calculated on a daily / monthly basis by charging specified rates to the net assets value / income of the Collective Investment Schemes. Advisory fee from the discretionary portfolio is calculated in accordance with the respective agreements with the clients. Management fee from the pension funds is calculated by charging the specified rates to the average net assets value.
- Revenue from trusteeship and custodian is recognised when the group satisfies a performance obligation by rendering promised services as per respective agreements.

5.13 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

5.14 Assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation and impairment loss. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non banking assets' account through statement of comprehensive income in equity which was previously shown below equity and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to profit and loss account and not capitalised.

5.15 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn Nostro balances) in current and deposit accounts.

5.16 Financial instruments

5.16.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5.16.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

5.16.3 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in these consolidated financial statements when there is a legally enforceable right to set off and the Group intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

5.17 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Savings deposits' or 'Fixed deposits'. No profit or loss is passed to current account depositors.

Profits realized in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Profits are distributed from the pool such that the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investments.

Asset pools may be created at the Group's discretion and the Group may add, amend, and transfer an asset to any other pool in the interests of the deposit holders.

5.18 Segment reporting

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

5.18.1 Business segments

Retail banking

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

Corporate banking

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

Consumer Banking

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

Islamic Banking

This segment primarily constitutes Islamic lending and deposits, banking services, cards and branchless banking.

Treasury

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

Assets Management

It includes asset management, investment advisory, portfolio management, equity research and underwriting.

Others

This includes the head office related activities and other functions which cannot be classified in any of the above segments.

5.18.2 Geographical segments

The Group operates in three geographic regions being:

- Pakistan
- South Asia
- Middle East

5.19 Business combination

Business combinations other than under common control transaction are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognized directly in the profit and loss account. The gain on bargain purchase arisen on acquisition had been recognised directly in equity as per the directive of the SBP.

5.20 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

5.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

5.22 Subordinated debt

Sub-ordinated loans are initially recorded at the amount of proceeds received and subsequently measured at amortised cost. Markup accrued on these loans is charged to profit and loss account over the period at effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		18,425,271	19,051,929
Foreign currencies		3,091,560	3,508,250
		21,516,831	22,560,179
With State Bank of Pakistan in			
Local currency current account	6.1	43,735,552	48,926,928
Foreign currency current account	6.2	571,438	309,346
Foreign currency deposit account	6.3	12,841,393	9,285,512
		57,148,383	58,521,786
With other central banks in			
Foreign currency current account	6.4	5,197,681	6,809,706
With National Bank of Pakistan in			
Local currency current account		26,181,864	21,424,315
Prize bonds		120,247	146,916
		110,165,006	109,462,902

6.1 This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

6.2 This represents US Dollar settlement account maintained with SBP.

6.3 This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. This includes balance of Rs. 9,466.493 million (2017: Rs. 6,896.228 million) which carries interest rate of 1.35% (2017: 0.37%) per annum as declared by SBP.

6.4 Foreign currency current account with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2018	2017
(Rupees in '000)			
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		3,812	3,593
In deposit account	7.1	1,011,404	2,199,274
		1,015,216	2,202,867
Outside Pakistan			
In current account		9,676,073	3,216,380
In deposit account	7.2	2,646,828	1,929,635
		12,322,901	5,146,015
		13,338,117	7,348,882

7.1 This represents savings accounts carrying profit at expected rates ranging from 0.03% to 9.95% per annum (2017: 0.05% to 5.75% per annum).

7.2 Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 2.90% to 6% (2017: 1.85% to 11%) per annum.

	Note	2018	2017
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	8.1	1,437,978	3,254,496
Repurchase agreement lendings (Reverse Repo)	8.2	33,036,912	619,028
Musharaka arrangements	8.3	4,675,000	1,400,000
		39,149,890	5,273,524

8.1 Call money lendings carry mark-up rate ranging from 2.4% to 9.0% (2017: 1.25% to 8.15%) per annum and are due to mature latest by February 2019.

8.2 Repurchase agreement lendings carry mark-up rate ranging from 8.0% to 10.35% (2017: 7.25%) per annum and are due to mature latest by January 2019.

8.3 This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 9.25% to 9.55% per annum (2017: 5.80% to 5.85% per annum) and are due to mature latest January, 2019.

8.4 Particulars of lending

	2018	2017
(Rupees in '000)		
In local currency	37,647,346	3,400,000
In foreign currencies	1,502,544	1,873,524
	39,149,890	5,273,524

	2018			2017		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
(Rupees in '000)						
8.5 Securities held as collateral against lending to financial institutions						
Market Treasury Bills	32,972,346	-	32,972,346	619,028	-	619,028
Total	32,972,346	-	32,972,346	619,028	-	619,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

9. INVESTMENTS

9.1 Investments by type:	Note	2018				2017			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)									
Held-for-trading securities									
Federal Government Securities		9,348,153	-	(2,599)	9,345,554	4,975	-	(1)	4,974
Shares and units		1,093,588	-	(45,167)	1,048,421	417,489	-	(271)	417,218
		10,441,741	-	(47,766)	10,393,975	422,464	-	(272)	422,192
Available-for-sale securities									
Federal Government Securities		683,373,062	-	(4,031,830)	679,341,232	587,558,784	-	5,890,410	593,449,194
Shares and units		27,929,718	(8,253,849)	(279,499)	19,396,370	27,715,853	(5,419,932)	775,752	23,071,673
Non Government Debt Securities		2,523,629	-	4,452	2,528,081	2,373,410	(122,865)	46,097	2,296,642
Foreign Securities		2,545,151	-	(16,492)	2,528,659	2,447,967	-	7,813	2,455,780
		716,371,560	(8,253,849)	(4,323,369)	703,794,342	620,096,014	(5,542,797)	6,720,072	621,273,289
Held-to-maturity securities									
Federal Government Securities		21,859,645	(1,675)	-	21,857,970	23,486,700	-	-	23,486,700
Provincial Government Securities		118	(118)	-	-	118	(118)	-	-
Non Government Debt Securities		9,001,110	(490,924)	-	8,510,186	7,259,940	(442,068)	-	6,817,872
Foreign Securities		5,809,776	-	-	5,809,776	3,613,954	-	-	3,613,954
		36,670,649	(492,717)	-	36,177,932	34,360,712	(442,186)	-	33,918,526
Associates	9.8 & 9.9	4,019,526	-	-	4,019,526	4,456,239	-	-	4,456,239
Total Investments		767,503,476	(8,746,566)	(4,371,135)	754,385,775	659,335,429	(5,984,983)	6,719,800	660,070,246

9.2 Investments by segments:	Note	2018				2017			
		Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)									
Federal Government Securities									
Market Treasury Bills		575,683,207	-	(290,163)	575,393,044	382,036,988	-	(101,571)	381,935,417
Pakistan Investment Bonds		127,913,919	-	(3,703,103)	124,210,816	222,838,154	-	5,990,602	228,828,756
Ijarah Sukuks		8,592,680	-	(41,163)	8,551,517	5,858,821	-	1,378	5,860,199
Euro Bonds		1,231,118	(1,675)	-	1,229,443	316,496	-	-	316,496
Bai Mu'ajjal		1,159,936	-	-	1,159,936	-	-	-	-
		714,580,860	(1,675)	(4,034,429)	710,544,756	611,050,459	-	5,890,409	616,940,868
Provincial Government Securities		118	(118)	-	-	118	(118)	-	-
Shares:									
Listed Companies		27,458,641	(8,092,709)	(324,666)	19,041,266	26,618,679	(5,258,792)	775,481	22,135,368
Unlisted Companies		1,564,665	(161,140)	-	1,403,525	1,514,663	(161,140)	-	1,353,523
		29,023,306	(8,253,849)	(324,666)	20,444,791	28,133,342	(5,419,932)	775,481	23,488,891
Non Government Debt Securities									
Listed		4,697,999	(16,269)	4,367	4,686,097	4,385,056	-	(2,862)	4,382,194
Unlisted		6,826,740	(474,655)	85	6,352,170	5,248,294	(564,933)	48,959	4,732,320
		11,524,739	(490,924)	4,452	11,038,267	9,633,350	(564,933)	46,097	9,114,514
Foreign Securities									
Government securities		7,870,174	-	(16,492)	7,853,682	5,510,642	-	7,813	5,518,455
Non Government Debt securities		478,548	-	-	478,548	545,155	-	-	545,155
Unlisted equity securities		6,205	-	-	6,205	6,124	-	-	6,124
		8,354,927	-	(16,492)	8,338,435	6,061,921	-	7,813	6,069,734
Associates									
- Adamjee Insurance Company Limited	9.8	3,959,039	-	-	3,959,039	4,385,602	-	-	4,385,602
- Euronet Pakistan (Private) Limited	9.9	60,487	-	-	60,487	70,637	-	-	70,637
		4,019,526	-	-	4,019,526	4,456,239	-	-	4,456,239
Total Investments		767,503,476	(8,746,566)	(4,371,135)	754,385,775	659,335,429	(5,984,983)	6,719,800	660,070,246

9.2.1 Investments given as collateral	2018		2017	
	(Rupees in '000)			
- Market Treasury Bills		155,324,815		88,895,281
- Pakistan Investment Bonds		10,489,134		-
		165,813,949		88,895,281
9.3 Provision for diminution in value of investments				
9.3.1 Opening balance			5,984,983	1,886,821
Exchange adjustments			286	-
Charge / (reversals)				
Charge for the year			3,700,485	4,003,005
Reversals for the year			(4,620)	(236)
Reversal on disposals			(835,803)	(432,568)
			2,860,062	3,570,201
Transfer from NIB under merger			-	527,961
Amounts written off			(98,765)	-
Closing Balance			8,746,566	5,984,983

9.3.2 Particulars of provision against debt securities Category of classification	2018		2017	
	NPI	Provision	NPI	Provision
(Rupees in '000)				
Domestic				
Loss	492,717	492,717	565,051	565,051

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	2018	2017
	Cost (Rupees in '000)	
9.4 Quality of Available for Sale Securities		
Details regarding quality of Available for Sale (AFS) securities are as follows:		
Federal Government Securities - Government guaranteed		
Market Treasury Bills	566,335,054	382,032,013
Pakistan Investment Bonds	108,585,929	199,781,211
GOP Ijarah Sukuks	8,452,079	5,745,560
	<u>683,373,062</u>	<u>587,558,784</u>
Listed Companies and mutual funds		
Automobile Assembler	1,316,749	822,923
Automobile Part and Accessories	413,930	413,930
Cable and Electrical Goods	671,668	490,014
Cement	2,081,418	1,915,015
Chemical	5,132	226,866
Close End Mutual Fund	1,186,851	2,235,697
Commercial Banks	2,058,099	2,343,137
Engineering	2,132,161	1,695,870
Fertilizer	3,287,154	3,571,526
Food And Personal Care Products	1,230,825	1,115,588
Insurance	587,629	706,842
Investment Banks / Companies	41,784	41,784
NIT Units	5,253	5,253
Oil & Gas Exploration Companies	1,733,239	1,567,223
Oil & Gas Marketing Companies	1,413,084	1,412,824
Open End Mutual Fund	1,361,195	990,014
Paper And Board	700,059	673,909
Pharmaceutical	1,230,159	1,232,608
Power Generation and Distribution	2,702,805	2,702,804
Real Estate Investment Trust	-	174,678
Refinery	981,399	981,399
Technology And Communication	706,211	588,142
Textile	518,249	293,071
Transport	-	71
	<u>26,365,053</u>	<u>26,201,188</u>

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Unlisted Companies				
Central Depository Company Limited	184,426	619,651	184,426	584,268
First Capital Investment (Pvt) Limited	2,500	3,334	2,500	3,945
First Women Bank Limited	63,300	201,807	63,300	212,247
ISE Towers Reit Management Company Limited	30,346	86,235	30,346	71,358
National Investment Trust Limited	1,027,651	1,945,933	1,027,651	2,158,061
National Institutional Facilitation Technologies	1,527	59,076	1,527	55,793
Pak Agro Storage And Service Corporation	2,500	605,006	2,500	570,946
Pak Asian Fund Limited	11,500	18,323	11,500	19,530
Arabian Sea Country Club	5,000	-	5,000	-
SME Bank Limited	10,106	-	10,106	-
Al-Ameen Textile Mills Limited	197	-	197	-
Custodian Management Services	1,000	-	1,000	-
Galaxy Textile Mills Limited	30,178	-	30,178	-
Pakistan Textile City (Pvt) Limited	50,000	-	50,000	-
1 Link (Pvt) Limited	50,000	131,847	-	-
Ayaz Textile Mills Limited	2,253	-	2,253	-
Musarrat Textile Mills Limited	36,045	-	36,045	-
Sadiqabad Textile Mills Limited	26,361	-	26,361	-
Al-Arabia Sugar Mills Limited - Preference shares	4,775	-	4,775	-
Pak Elektron Limited - Preference shares	25,000	25,000	25,000	25,000
	<u>1,564,665</u>	<u>3,696,212</u>	<u>1,514,665</u>	<u>3,701,148</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2018		2017	
	Cost (Rupees in '000)			
Non Government Debt Securities				
Listed				
- AA+, AA, AA-	882,840		654,553	
- A+, A, A-	129,000		179,062	
	1,011,840		833,615	
Unlisted				
- AA+, AA, AA-	1,411,789		1,054,842	
- A+, A, A-	100,000		362,088	
- Unrated	-		122,865	
	1,511,789		1,539,795	
Foreign Securities				
Government Securities				
	2018		2017	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
- Bahrain	140,078	B2	111,515	B1
- Sri Lanka	2,398,868	B2	2,330,328	B1
	2,538,946		2,441,843	
Unlisted				
Lanka Clear (Private) Limited	760		720	
Credit Information Bureau of Sri Lanka	22		21	
Lanka Financial Services Bureau Limited	760		720	
Society for Worldwide Inter Fund Transfer (SWIFT)	4,663		4,663	
	6,205		6,124	
9.5 Particulars relating to Held to Maturity securities are as follows:				
Federal Government Securities - Government guaranteed				
Pakistan Investment Bonds	19,327,990		23,056,943	
Ijarah Sukuks	140,601		113,261	
Euro Bonds	1,231,118		316,496	
Bai Mu'ajjal	1,159,936		-	
	21,859,645		23,486,700	
Provincial Government Securities				
	118		118	
Non Government Debt Securities				
Listed				
- AA+, AA, AA-	4,728,839		2,735,442	
- BBB+, BBB, BBB-	50,051		-	
- Unrated	16,269		8,135	
	4,795,159		2,743,577	
Unlisted				
- AA+, AA, AA-	3,099,684		3,420,878	
- A+, A, A-	481,613		241,667	
- BBB+, BBB, BBB-	-		90,000	
- Unrated	624,654		763,818	
	4,205,951		4,516,363	
Foreign Securities				
Government Securities				
	2018		2017	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
- Sri Lanka	1,172,721	B2	664,015	B1
- United Arab Emirates	4,158,507	Aa2	2,404,784	Aa2
	5,331,228		3,068,799	
Unlisted				
- A+, A, A-	136,729		221,246	
	136,729		221,246	
Non Government Debt Securities				
Listed				
- A+, A, A-	136,729		221,246	
Unlisted				
- AA+, AA, AA-	265,860		-	
- A+, A, A-	75,959		323,909	
	341,819		323,909	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

- 9.5.1** The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 34,895.775 million (December 31, 2017: Rs. 33,979.581 million).
- 9.6** "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan.
- 9.7** Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (2017: Rs. 67.9 million) earmarked by the SBP against TT discounting facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2017: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account and Pakistan Investment Bonds amounting to Rs. 50 million (2017: Rs. NIL) have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) on account of removal of irrevocable undertaking as alternate option for collateral against participant's exposure in stock market.
- 9.8** Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2018 amounted to Rs. 2,941.400 million (2017: Rs. 3,906.139 million).

Investment in Adamjee Insurance Company Limited under equity method - holding 20.00% (2017: 21.47%)

	2018	2017
	(Rupees in '000)	
Opening balance	4,385,602	5,375,158
Share of profit for the year before tax	446,121	426,892
Dividend from associate	(140,000)	(302,497)
Share of tax	(208,759)	(119,142)
	97,362	5,253
Share of other comprehensive income	(222,761)	(335,698)
Disposal during the year	(301,164)	(659,111)
Closing balance	3,959,039	4,385,602
Share of other comprehensive income		
Share of unrealized surplus on assets -net of tax	(239,821)	51,160
Share of exchange translation reserve of associate	17,060	1,053
	(222,761)	52,213

- 9.9** Investment of the Group in Euronet Pakistan Private Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

Investment in Euronet Pakistan Private Limited under equity method - holding 30% (2017: 30.00%)

	2018	2017
	(Rupees in '000)	
Opening balance	70,637	72,357
Share of profit for the year before tax	136	6,227
Share of tax	(10,286)	(7,947)
Closing balance	(10,150)	(1,720)
	60,487	70,637

- 9.10** Certain approved/ Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

9.11 Summarized financial information of associates

	Country of incorporation	% of interest held	Revenue	Profit / (loss) after tax	Assets	Liabilities
(Rupees in '000)						
2018						
Associates						
- Euronet Pakistan (Private) Limited (unaudited based on December 31, 2018)	Pakistan	30%	368,852	(30,157)	411,190	209,566
- Adamjee Insurance Company Limited (unaudited based on September 30, 2018)	Pakistan	20%	18,872,622	1,505,199	79,330,901	28,609,789
2017						
Associates						
- Euronet Pakistan (Private) Limited (audited based on December 31, 2017)	Pakistan	30%	374,477	(11,415)	402,031	170,250
- Adamjee Insurance Company (audited based on December 31, 2017)	Pakistan	21.47%	22,844,109	1,199,841	71,050,513	26,600,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

10. ADVANCES

	Note	Performing		Non Performing		Total	
		2018	2017	2018	2017	2018	2017
(Rupees in '000)							
Loans, cash credits, running finances, etc.	10.1	480,263,372	445,424,427	47,976,277	47,665,373	528,239,649	493,089,800
Islamic financing and related assets	10.2	62,911,298	31,312,675	10,766	729	62,922,064	31,313,404
Bills discounted and purchased		17,887,661	21,181,250	979,271	1,087,247	18,866,932	22,268,497
Advances - gross		561,062,331	497,918,352	48,966,314	48,753,349	610,028,645	546,671,701
Provision against advances							
- Specific		-	-	(41,944,267)	(44,587,644)	(41,944,267)	(44,587,644)
- General		(1,292,113)	(1,118,256)	-	-	(1,292,113)	(1,118,256)
		(1,292,113)	(1,118,256)	(41,944,267)	(44,587,644)	(43,236,380)	(45,705,900)
Advances - net of provision		559,770,218	496,800,096	7,022,047	4,165,705	566,792,265	500,965,801

10.1 Includes Net Investment in Finance Lease as disclosed below:

	2018				2017			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
(Rupees in '000)								
Lease rentals receivable	555,270	2,445,911	2,721,816	5,722,997	386,574	2,142,165	2,789,791	5,318,530
Residual value	15,000	25,867	5,397	46,264	17,779	35,590	4,837	58,206
Minimum lease payments	570,270	2,471,778	2,727,213	5,769,261	404,353	2,177,755	2,794,628	5,376,736
Financial charges for future periods	(119,266)	(252,971)	(496,750)	(868,987)	(88,716)	(177,054)	(408,920)	(674,690)
Present value of minimum lease payments	451,004	2,218,807	2,230,463	4,900,274	315,637	2,000,701	2,385,708	4,702,046

10.2 Information relating to Islamic financing and related assets is given in Annexure II of these consolidated financial statements.

10.3 Particulars of advances (Gross)	2018	2017
	(Rupees in '000)	
In local currency	565,091,153	497,328,744
In foreign currencies	44,937,492	49,342,957
	610,028,645	546,671,701

10.4 Advances include Rs. 48,966.314 million (2017: Rs. 48,753.349 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2018		2017	
		Non Performing	Provision	Non Performing	Provision
(Rupees in '000)					
Domestic					
Other Assets Especially Mentioned	10.4.1	59,044	2,591	171,209	9,934
Substandard		1,141,973	284,372	396,984	98,475
Doubtful		1,734,078	866,961	218,714	109,357
Loss		38,336,785	37,706,704	41,870,001	41,114,522
		41,271,880	38,860,628	42,656,908	41,332,288
Overseas					
Not past due but impaired		62,287	62,287	364	91
Overdue by:					
Upto 90 days		624,403	433,424	-	-
91 to 180 days		140,323	35,205	186,552	70,584
181 to 365 days		7,473	3,736	344,151	172,075
> 365 days		6,859,948	2,548,987	5,565,374	3,012,606
		7,694,434	3,083,639	6,096,441	3,255,356
Total		48,966,314	41,944,267	48,753,349	44,587,644

10.4.1 This represents non-performing portfolio of agricultural and small enterprise financing classified as OAE as per the requirements of the Prudential Regulation for Agricultural and Small Enterprise Financing issued by the State Bank of Pakistan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

10.5 Particulars of provision against advances

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	44,587,644	1,118,256	45,705,900	18,939,120	760,194	19,699,314
Transfer from NIB under merger	-	-	-	28,769,002	178,878	28,947,880
Exchange adjustments	513,168	19,014	532,182	101,986	1,753	103,739
Charge for the year	1,613,591	158,663	1,772,254	3,162,762	177,431	3,340,193
Reversals	(4,618,549)	(3,820)	(4,622,369)	(6,234,695)	-	(6,234,695)
	(3,004,958)	154,843	(2,850,115)	(3,071,933)	177,431	(2,894,502)
Amounts written off	(151,587)	-	(151,587)	(150,531)	-	(150,531)
Closing balance	41,944,267	1,292,113	43,236,380	44,587,644	1,118,256	45,705,900

10.5.1 Particulars of provision against advances

In local currency	38,860,628	1,100,149	39,960,777	41,331,559	1,037,477	42,369,036
In foreign currencies	3,083,639	191,964	3,275,603	3,255,356	77,614	3,332,970
	41,944,267	1,292,113	43,236,380	44,586,915	1,115,091	45,702,006

10.5.2 State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No.1 of 2011 dated October 21, 2011 has allowed benefit of forced sale value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for five years from the date of classification. However, management has not taken the FSV benefit in calculation of specific provision.

10.5.3 In 2017, classified portfolio amounting to Rs. 29,649.756 million had been transferred from NIB Bank Limited under merger scheme.

10.5.4 This includes reversal of provisions and reduction of non-performing loans amounting to Rs. 307 million (2017: Rs. 164 million) as a result of settlement on debt asset swap arrangement with customers.

10.5.5 General provision against consumer loans represents provision maintained against fully secured performing portfolio and unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision against Small Enterprise Finance represents provision maintained at an amount equal to 1% of unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries in which the overseas branches operate. General provision against all other advances represents provision maintained at around 0.1% of gross advances.

Note	2018	2017
	(Rupees in '000)	
10.6 Particulars of write offs:		
10.6.1 Against Provisions	151,587	150,531
Directly charged to Profit & Loss account	30	14
	151,617	150,545
10.6.2 Write Offs of Rs. 500,000 and above		
- Domestic	151,393	150,336
- Overseas	-	-
Write Offs of below Rs. 500,000	224	209
	151,617	150,545

10.7 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2018 is given at Annexure- I of unconsolidated financial statements. However, this write off does not affect the Bank's right to recover the debts from these customers.

Note	2018	2017
	(Rupees in '000)	
11. FIXED ASSETS		
Capital work-in-progress	1,759,606	1,159,870
Property and equipment	42,029,595	40,232,017
	43,789,201	41,391,887
11.1 Capital work-in-progress		
Civil works	719,229	544,588
Advances to suppliers	1,005,655	576,832
Others	34,722	38,450
	1,759,606	1,159,870

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

11.2 Property and Equipment

	2018								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
	(Rupees '000)								
At January 1, 2018									
Cost / Revalued amount	19,651,902	2,392,866	11,598,762	460,136	1,734,672	14,673,873	1,160,908	702,531	52,375,650
Accumulated depreciation	-	-	(543,788)	(96,357)	(1,021,937)	(9,594,418)	(582,315)	(304,818)	(12,143,633)
Net book value	19,651,902	2,392,866	11,054,974	363,779	712,735	5,079,455	578,593	397,713	40,232,017
Year ended December 31, 2018									
Opening net book value	19,651,902	2,392,866	11,054,974	363,779	712,735	5,079,455	578,593	397,713	40,232,017
Additions	888,213	47,285	957,666	98,338	225,696	1,553,797	179,485	262,146	4,212,626
Transfer from Non-Banking assets	-	-	101,714	-	-	-	-	-	101,714
Disposals	(253,112)	-	(52,728)	-	(1,269)	(1,176)	(20,569)	-	(328,854)
Depreciation charge	-	-	(345,021)	(20,021)	(135,042)	(1,409,898)	(146,590)	(149,269)	(2,205,841)
Write off	-	-	-	-	(701)	-	-	(2,399)	(3,100)
Exchange rate adjustments	-	-	4,139	4,357	4,134	5,453	1,840	1,110	21,033
Closing net book value	20,287,003	2,440,151	11,720,744	446,453	805,553	5,227,631	592,759	509,301	42,029,595
At December 31, 2018									
Cost / Revalued amount	20,287,003	2,440,151	12,602,260	563,273	1,831,107	15,115,272	1,231,531	870,429	54,941,026
Accumulated depreciation	-	-	(881,516)	(116,820)	(1,025,554)	(9,887,641)	(638,772)	(361,128)	(12,911,431)
Net book value	20,287,003	2,440,151	11,720,744	446,453	805,553	5,227,631	592,759	509,301	42,029,595
Rate of depreciation / estimated useful life	-	-	Upto 60 years	Upto 50 years	10%	10%-25%	20%	33.33%	-
	2017								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
	(Rupees '000)								
At January 1, 2017									
Cost / Revalued amount	17,412,390	309,941	10,104,984	140,221	1,285,143	11,431,857	969,580	973,508	42,627,624
Accumulated depreciation	-	-	(9,667)	-	(770,272)	(7,918,313)	(463,239)	(719,076)	(9,880,587)
Net book value	17,412,390	309,941	10,095,297	140,221	514,871	3,513,544	506,341	254,432	32,747,037
Year ended December 31, 2017									
Opening net book value	17,412,390	309,941	10,095,297	140,221	514,871	3,513,544	506,341	254,432	32,747,037
Additions	1,433,991	-	743,537	15,434	241,361	2,354,575	222,705	261,549	5,273,152
Revaluation surplus	11,072	-	1,868	-	-	-	-	-	12,940
Acquisitions through business combinations	794,449	2,082,925	508,299	218,734	72,306	388,041	1,236	-	4,065,990
Disposals	-	-	-	-	(470)	(4,421)	(13,549)	-	(18,440)
Depreciation charge	-	-	(296,083)	(11,575)	(117,838)	(1,171,472)	(138,760)	(122,738)	(1,858,466)
Write off	-	-	-	-	(5)	(8)	-	-	(13)
Exchange rate adjustments	-	-	2,056	965	2,510	(804)	620	4,470	9,817
Closing net book value	19,651,902	2,392,866	11,054,974	363,779	712,735	5,079,455	578,593	397,713	40,232,017
At December 31, 2017									
Cost / Revalued amount	19,651,902	2,392,866	11,598,762	460,136	1,734,672	14,673,873	1,160,908	702,531	52,375,650
Accumulated depreciation	-	-	(543,788)	(96,357)	(1,021,937)	(9,594,418)	(582,315)	(304,818)	(12,143,633)
Net book value	19,651,902	2,392,866	11,054,974	363,779	712,735	5,079,455	578,593	397,713	40,232,017
Rate of depreciation / estimated useful life	-	-	Upto 60 years	Upto 50 years	10%	10%-25%	20%	33.33%	-
11.2.1	Leasehold land include a plot of land having book value of Rs. 1,092.161 million situated in Railway Quarters, I.I. Chundrigar Road, Karachi, (the "Plot"), where a tenant is claiming for the possession as tenant of an insignificant area of only 18 square feet of the plot measuring 3,120.46 square yards, however there is no issue over the title of the subject property. Both the Constitutional Petitions filed by the Group have been dismissed by the Sindh High Court on 28 January 2016 against the Group. The Group has filed an appeal before the Supreme Court of Pakistan.								
11.2.2	The land and buildings of the Group were revalued as at December 31, 2016 by independent valuers (Arch-e-Decon, Tristar International Consultant (Pvt) Limited & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. The total surplus against revaluation of fixed assets as at December 31, 2018 amounts to Rs. 13,685,180 million.								
11.2.3	Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2018 would have been as follows:								
	(Rupees in '000)								
Land	11,951,978								
Buildings	9,257,193								
11.2.4	The gross carrying amount (cost) of fully depreciated assets that are still in use are as follows:								
	(Rupees in '000)								
Furniture and fixture	452,614								
Electrical, computers and office equipment	6,470,998								
Vehicles	317,352								
Leasehold Improvements	31,541								
11.2.5	Carrying amount of temporarily idle property of the Group is Rs. 45,485 million (2017: Rs. 74,980 million)								
11.2.6	The information relating to disposal of operating fixed assets to related parties is given in Annexure I of these consolidated financial statements.								

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

12. INTANGIBLE ASSETS

	2018			
	Computer Software	Goodwill	Management rights	Total
	(Rupees in '000)			
At January 1				
Cost	3,791,731	82,127	192,000	4,065,858
Accumulated amortisation	(2,892,297)	-	-	(2,892,297)
Net book value	899,434	82,127	192,000	1,173,561
Year ended December 31				
Opening net book value	899,434	82,127	192,000	1,173,561
Additions - directly purchased	376,872	-	-	376,872
Amortisation charge	(356,533)	-	-	(356,533)
Exchange rate adjustments	757	-	-	757
Closing net book value	920,530	82,127	192,000	1,194,657
At December 31				
Cost	4,114,222	82,127	192,000	4,388,349
Accumulated amortisation and impairment	(3,193,692)	-	-	(3,193,692)
Net book value	920,530	82,127	192,000	1,194,657
Rate of amortisation (percentage)			14% to 33.33%	14% to 33.33%
Useful life			3 - 7 years	3 - 7 years

12.1 The gross carrying amount (cost) of fully depreciated intangible assets that are still in use is Rs. 2,527.489 million.

	2017			
	Computer Software	Goodwill	Management rights	Total
	(Rupees in '000)			
At January 1				
Cost	3,217,607	82,127	192,000	3,491,734
Accumulated amortisation	(2,756,996)	-	-	(2,756,996)
Net book value	460,611	82,127	192,000	734,738
Year ended December 31				
Opening net book value	460,611	82,127	192,000	734,738
Additions - directly purchased	717,113	-	-	717,113
Amortisation charge	(278,366)	-	-	(278,366)
Exchange rate adjustments	76	-	-	76
Closing net book value	899,434	82,127	192,000	1,173,561
At December 31				
Cost	3,791,731	82,127	192,000	4,065,858
Accumulated amortisation and impairment	(2,892,297)	-	-	(2,892,297)
Net book value	899,434	82,127	192,000	1,173,561
Rate of amortisation (percentage)			14% to 33.33%	14% to 33.33%
Useful life			3 - 7 years	3 - 7 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 (Rupees in '000)	2017
13. OTHER ASSETS			
Income/ mark-up accrued in local currency		12,291,231	13,734,873
Income/ mark-up accrued in foreign currencies		134,709	319,995
Advances, deposits, advance rent and other prepayment		2,737,424	2,199,223
Advance taxation (payments less provisions)		7,464,966	13,758,353
Compensation for delayed income tax refunds		133,809	239,947
Non-banking assets acquired in satisfaction of claims	13.1	3,653,840	4,095,546
Branch adjustment account		-	210,802
Mark to market gain on forward foreign exchange contracts		3,690,505	2,866,382
Unrealized gain on derivative financial instruments		852,465	38,569
Acceptances	20	16,256,882	16,061,606
Receivable from the pension fund	38.4	3,815,170	5,990,536
Others		7,433,809	7,091,149
		58,464,810	66,606,981
Less: Provision held against other assets	13.2	2,550,585	3,016,793
Other Assets (net of provision)		55,914,225	63,590,188
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		480,871	215,065
Other Assets - total		56,395,096	63,805,253
		4,035,114	4,288,001

13.1 Market value of Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims of the Group are revalued as at December 31, 2018 by independent valuers (Arch-e-Decon, Fks Building Services, T&M Associates, Orient Engineering Services & Sama Engineering), valuation and engineering consultants, on the basis of market value.

	Note	2018 (Rupees in '000)	2017
13.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		4,288,001	1,180,750
Additions		309,163	199,167
Revaluation / (reversal on disposal)		265,806	(2,395)
Disposals		(600,000)	(107,555)
Depreciation		(49,155)	(29,947)
Acquisitions through business combinations		-	3,047,981
Impairment		(76,987)	-
Transfer to fixed assets		(101,714)	-
Closing balance		4,035,114	4,288,001

13.1.2 Gain / (loss) on disposal of non-banking assets acquired in satisfaction of claims

Disposal proceeds		682,410	108,070
less			
- Cost		600,500	107,555
- Depreciation		(500)	-
		600,000	107,555
Gain	13.1.2.1	82,410	515

13.1.2.1 This represents gain on sale of a plot in Clifton Karachi.

13.2 Provision held against other assets

Non banking assets acquired in satisfaction of claims		99,597	22,610
Others		2,450,988	2,994,183
	13.2.1	2,550,585	3,016,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

13.2.1 Movement in provision held against other assets

	Note	2018	2017
(Rupees in '000)			
Opening balance		3,016,793	1,564,036
Charge for the year		112,529	562,827
Reversals		(721,119)	-
	33	(608,590)	562,827
Transfer from NIB under merger		-	916,248
Amount written off		(7,180)	(9,448)
Exchange and other adjustments		149,562	(16,870)
Closing balance		2,550,585	3,016,793

14. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2018 (2017: NIL).

15. BILLS PAYABLE

In Pakistan	16,948,744	22,952,467
Outside Pakistan	54,528	42,410
	17,003,272	22,994,877

16. BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.1	29,430,925	25,784,165
Under long term financing facility	16.2	14,628,994	12,797,076
Under renewable energy performance platform	16.3	28,420	3,680
Under financing facility for storage of agricultural produce	16.4	165,267	254,045
		44,253,606	38,838,966
Repurchase agreement borrowings	16.5	165,703,249	88,849,251
Total secured		209,956,855	127,688,217

Unsecured

Borrowings from other financial institution	16.6	6,324,169	8,259,274
Call borrowings	16.7	4,826,699	3,285,818
Overdrawn nostro accounts		1,946,106	1,066,543
Others		162,286	162,286
Total unsecured		13,259,260	12,773,921
	16.8	223,216,115	140,462,138

16.1 The Group has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current account maintained by the Group with SBP. These borrowings are repayable within six months. These carry mark up rates ranging from 1.0% to 2.0% per annum.

16.2 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 3.0% to 4.50% per annum.

16.3 These borrowings have been obtained from the SBP for providing financing facilities to customers against renewable energy projects. These borrowings are repayable within a period of twelve years with two years grace period from date of disbursement. These carry mark up rate of 6% per annum.

16.4 These Borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.50% to 3.50% per annum.

16.5 These carry mark-up rates ranging from 9.0% to 10.25% per annum (2017: 5.65% to 9.02% per annum) and are secured against government securities of carrying value of Rs. 165,813,949 million (2017: Rs. 88,895,281 million). These are repayable latest by March 2019.

16.6 These carry mark-up rate ranging from 2.30% to 13.0% per annum (2017: 1.60% to 11.15% per annum).

16.7 These carry mark-up ranging from 2.25% to 10.25% per annum (2017: 0.75% to 5.70% per annum). These are repayable by June 2019.

		2018	2017
(Rupees in '000)			
16.8	Particulars of borrowings with respect to currencies		
	In local currency	219,160,751	134,348,131
	In foreign currencies	4,055,364	6,114,007
		223,216,115	140,462,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

17. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
(Rupees in '000)						
Customers						
Current deposits	346,298,054	36,242,971	382,541,025	313,237,032	27,631,923	340,868,955
Savings deposits	532,295,382	41,139,150	573,434,532	494,392,390	33,404,587	527,796,977
Term deposits	78,181,102	13,981,644	92,162,746	60,542,815	10,295,359	70,838,174
Others	30,699,847	4,340,402	35,040,249	31,901,875	2,609,953	34,511,828
	987,474,385	95,704,167	1,083,178,552	900,074,112	73,941,822	974,015,934
Financial Institutions						
Current deposits	7,633,474	2,268,698	9,902,172	8,794,327	1,574,288	10,368,615
Savings deposits	16,647,671	20,548	16,668,219	11,434,894	15,540	11,450,434
Term deposits	5,736,081	6,544,203	12,280,284	4,366,585	7,17,001	5,083,586
Others	-	277,308	277,308	-	227,593	227,593
	30,017,226	9,110,757	39,127,983	24,595,806	2,534,422	27,130,228
	1,017,491,611	104,814,924	1,122,306,535	924,669,918	76,476,244	1,001,146,162

	2018	2017
(Rupees in '000)		
17.1 Composition of deposits		
- Individuals	700,871,292	614,325,491
- Government (Federal and Provincial)	56,639,743	45,076,254
- Public Sector Entities	54,340,556	41,577,188
- Banking Companies	7,653,537	4,491,299
- Non-Banking Financial Institutions	31,437,255	22,638,929
- Private Sector	271,364,152	273,037,001
	1,122,306,535	1,001,146,162

17.2 Deposits and other accounts include deposits eligible to be covered under the Deposits Protection insurance arrangements amounting to Rs 719,677.340 million (2017:Rs 699,130.510 million).

18. SUBORDINATED DEBT

	2018	2017
(Rupees in '000)		
Term Finance Certificates - Listed, Unsecured	3,891,019	3,892,578
Issue amount	Rs. 4,198.035 million	
Issue date	June 19, 2014	
Maturity date	June 19, 2022	
Rating	AAA (triple A)	
Security	The TFCs are unsecured and subordinated to all other indebtedness of the Group including deposits	
Profit payment frequency	Semi-Annually	
Redemption	Fifteen equal semi-annual installments of 0.02% of the Issue Amount for the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month.	
Mark-up	Floating (no floor, no cap) rate of return at Base Rate + 1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR"))	
Call option	The Group may call the TFCs, in part or full, on any profit payment date from the 60th month from the last day of public subscription and on all subsequent profit payment dates, subject to the SBP approval and not less than forty five days prior notice being given to the Trustee and the Investors.	
Lock-in-clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Group's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR and CAR. In case the lock-in clause goes into effect, the Group will be required to comply with the SBP instructions prevalent or issued at the time.	
Loss absorbency clause	The TFCs will be subject to loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

19. DEFERRED TAX LIABILITIES

Note	2018				
	At January 01, 2018	Recognised in P&L/A/C	Recognised in OCI	At December 31, 2018	
(Rupees in '000)					
Taxable Temporary Differences on					
- Surplus on revaluation of fixed assets	23.1	1,051,507	(33,005)	-	1,018,502
- Surplus on revaluation of Non-banking assets	23.2	75,273	-	93,032	168,305
- Accelerated tax depreciation		1,704,905	108,475	(2,546)	1,810,834
- Receivable from pension fund		2,096,688	(225,585)	(535,794)	1,335,309
- Business combination		705,218	-	-	705,218
- Investments in associated undertaking		1,291,483	(34,648)	(97,929)	1,158,906
- Surplus/deficit on revaluation of investments	23	2,260,717	-	(2,260,717)	-
		9,185,791	(184,763)	(2,803,954)	6,197,074
Deductible Temporary Differences on					
- Tax losses carried forward		(209,657)	(608,995)	-	(818,652)
- Post retirement employee benefits		(201)	201	-	-
- Provision against advances		(3,282,517)	1,490,749	-	(1,791,768)
- Others		(32,343)	(60,412)	-	(92,755)
- Surplus/deficit on revaluation of investments	23	-	4,989	(1,515,743)	(1,510,754)
		(3,524,718)	826,532	(1,515,743)	(4,213,929)
		5,661,073	641,769	(4,319,697)	1,983,145

Note	2017					
	At January 01, 2017	Recognised in P&L/A/C	Recognised in OCI	Adjustment due to merger	At December 31, 2017	
(Rupees in '000)						
Taxable Temporary Differences on						
- Surplus on revaluation of fixed assets	23.1	1,080,165	(29,312)	654	-	1,051,507
- Surplus on revaluation of non-banking assets	23.2	76,111	-	(838)	-	75,273
- Accelerated tax depreciation		1,511,887	195,555	(2,537)	-	1,704,905
- Receivable from pension fund		2,720,719	200,056	(824,087)	-	2,096,688
- Business combination		-	-	-	705,218	705,218
- Investments in associated undertaking		1,563,003	(137,772)	(133,748)	-	1,291,483
- Surplus on revaluation of investments	23	6,005,556	-	(3,744,839)	-	2,260,717
		12,957,441	228,527	(4,705,395)	705,218	9,185,791
Deductible Temporary Differences on						
- Tax losses carried forward		(34,142)	2,605,785	-	(2,781,300)	(209,657)
- Post retirement employee benefits		(7,945)	7,744	-	-	(201)
- Provision against advances		(7,048)	3,135,408	-	(6,410,877)	(3,282,517)
- Others		(18,657)	902,829	-	(916,515)	(32,343)
		(67,792)	6,651,766	-	(10,108,692)	(3,524,718)
		12,889,649	6,880,293	(4,705,395)	(9,403,474)	5,661,073

20. OTHER LIABILITIES

Note	2018	2017	
(Rupees in '000)			
Mark-up/ return/ interest payable in local currency	13,166,020	7,810,866	
Mark-up/ return/ interest payable in foreign currencies	478,001	302,603	
Unearned commission and income on bills discounted	231,516	207,738	
Accrued expenses	5,415,975	5,658,985	
Workers' welfare fund	20.1	7,099,086	6,454,782
Acceptances	13	16,256,882	16,061,606
Unclaimed/dividends payable		1,474,816	2,604,551
Mark to market loss on forward foreign exchange contracts		3,495,971	2,338,530
Unrealized loss on derivative financial instruments		863,617	28,076
Staff welfare fund		5,490	5,661
Branch adjustment account		44,770	-
Provision for employees' compensated absences	38.4	1,028,129	1,145,135
Provision for post retirement medical benefits	38.4	1,730,409	2,140,300
Provision for employees' contributory benevolent scheme	38.4	214,252	248,518
Provision for gratuity		719	653
Retention money		38,437	33,649
Insurance payable against consumer assets		688,107	659,374
Unclaimed balances		1,133,843	1,361,906
Duties and taxes payable		1,007,800	1,030,010
Charity fund balance		25,402	5,513
Provision against off-balance sheet obligations		37,430	37,430
Security deposits against lease		1,291,857	822,781
Others		9,758,513	9,833,480
		65,487,042	58,792,147

20.1 Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Group maintained its provision in respect of WWF.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

21. SHARE CAPITAL

21.1 Authorized Capital

2018		2017	
(Number of shares)		(Rupees in '000)	
1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	15,000,000
			15,000,000

21.2 Issued, subscribed and paid up

2018		2017	
(Number of shares)		(Rupees in '000)	
		Ordinary shares	
197,253,795	197,253,795	Fully paid in cash	1,972,538
915,776,953	915,776,953	Issued as bonus shares	9,157,769
72,029,258	72,029,258	Issued for consideration other than cash	720,293
1,185,060,006	1,185,060,006		11,850,600
			11,850,600

21.3 The movement in the issued, subscribed and paid-up capital during the year is as follows:

2018		2017	
(Number of shares)		(Rupees in '000)	
1,185,060,006	1,113,030,748	Opening balance at January 1	11,850,600
-	72,029,258	Shares issued under merger scheme	-
1,185,060,006	1,185,060,006	Closing balance at December 31	11,850,600
			11,850,600

21.4 Number of shares held by the associated undertakings as at December 31, are as follows:

	2018	2017
	(Number of shares)	
Adamjee Insurance Company Limited	47,827,287	47,159,787
Adamjee Life Assurance Company Limited	4,616,500	1,687,500
Nishat Mills Limited	88,015,291	88,015,291
Din Leather (Private) Limited	-	6,789,633
Siddiqsons Limited	14,276,462	14,276,462
Maybank International Trust (Labuan) Berhad	222,606,147	222,606,147
	377,341,687	380,534,820

22. RESERVES

	Note	2018	2017
		(Rupees in '000)	
Share premium		23,973,024	23,973,024
Non-distributable capital reserve - gain on bargain purchase option	22.1	908,317	908,317
Exchange translation reserve		1,607,782	397,079
Statutory reserve	22.2	29,285,450	27,149,492
General reserve		18,600,000	18,600,000
		74,374,573	71,027,912

22.1 Under IFRS-3 a bargain purchase represents an economic gain which should be immediately recognized by the acquirer as income. However, the amount of bargain purchase gain was not been taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 recommended that the amount of gain may be routed directly into equity as a Non-distributable Capital Reserve (NCR). The NCR may become available for distribution through a stock dividend only with prior approval of the SBP. The Group, before distribution of the gain as a stock dividend, may adjust any subsequent provisions/deficit, assessed by the Group or recommended by the Banking Inspection Department of SBP, in the acquired assets and liabilities of NIB Bank Limited against the NCR.

22.2 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

	Note	2018	2017
		(Rupees in '000)	
23. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	9.1	(4,323,369)	6,720,072
- Fixed Assets	23.1	13,685,180	13,871,643
- Non-banking assets acquired in satisfaction of claims	23.2	480,871	215,065
- Associated undertaking		444,027	734,272
		10,286,709	21,541,052
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities	19	(1,510,754)	2,260,717
- Fixed Assets	23.1	1,018,502	1,051,507
- Non-banking assets acquired in satisfaction of claims	23.2	168,305	75,273
- Associated undertaking		192,781	290,711
		(131,166)	3,678,208
Less: surplus on revaluation of available for sale securities recognised in non-controlling interest		-	(126,751)
		10,417,875	17,736,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 (Rupees in '000)	2017 (Rupees in '000)
23.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 1	13,871,643	13,942,451
Surplus during the year	-	12,940
Realised on disposal during the year - net of deferred tax	(99,081)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(54,377)	(54,436)
Related deferred tax liability on incremental depreciation charged during the year	(29,279)	(29,312)
Related deferred tax liability on surplus realised on disposal	(3,726)	-
Surplus on revaluation of fixed assets as at December 31	13,685,180	13,871,643
Less: related deferred tax liability on:		
- revaluation as at January 1	1,051,507	1,080,165
- surplus during the year	-	654
- surplus realised on disposal during the year	(3,726)	-
- incremental depreciation charged during the year	(29,279)	(29,312)
	1,018,502	1,051,507
	<u>12,666,678</u>	<u>12,820,136</u>
23.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 1	215,065	217,460
Recognised during the year	265,806	-
Realised on disposal during the year - net of deferred tax	-	(2,395)
Surplus on revaluation as at December 31	480,871	215,065
Less: related deferred tax liability on:		
- revaluation as at January 1	75,273	76,111
- revaluation recognised during the year	93,032	-
- surplus realised on disposal during the year	-	(838)
	168,305	75,273
	<u>312,566</u>	<u>139,792</u>
	Note	
	2018	2017
	(Rupees in '000)	
24. CONTINGENCIES AND COMMITMENTS		
-Guarantees	24.1 173,231,396	135,910,746
-Commitments	24.2 409,846,618	315,082,792
-Other contingent liabilities	24.3 17,038,156	5,938,071
	<u>600,116,170</u>	<u>456,931,609</u>
24.1 Guarantees		
Financial guarantees	140,350,012	86,242,273
Performance guarantees	30,103,382	43,713,231
Other guarantees	2,778,002	5,955,242
	<u>173,231,396</u>	<u>135,910,746</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		144,579,352	132,511,662
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	217,219,090	161,197,387
- forward government securities transactions	24.2.2	27,935,661	7,000,000
- derivatives	24.2.3	11,285,103	5,280,080
- operating leases	24.2.4	7,256,479	8,942,795
Commitments for acquisition of:			
- operating fixed assets		1,430,980	139,265
- intangible assets		139,953	11,603
		409,846,618	315,082,792
24.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		126,872,293	85,637,860
Sale		90,346,797	75,559,527
		217,219,090	161,197,387
24.2.2 Commitments in respect of forward government securities transactions			
Purchase		13,660,947	7,000,000
Sale		14,274,714	-
		27,935,661	7,000,000
24.2.3 Commitments in respect of derivatives			
FX options (notional)			
Purchase		1,378,370	865,718
Sale		1,378,370	865,718
		2,756,740	1,731,436
Cross Currency Swaps (notional)			
Purchase		4,026,814	1,510,582
Sale		4,185,049	1,721,562
		8,211,863	3,232,144
Interest Rate Swaps (notional)			
Purchase		316,500	316,500
Sale		-	-
		316,500	316,500
		11,285,103	5,280,080
24.2.4 Commitments in respect of operating leases			
Not later than one year		1,219,754	1,471,987
Later than one year and not later than five years		3,779,911	4,646,916
Later than five years		2,256,814	2,823,892
		7,256,479	8,942,795

24.2.5 The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

24.2.6 During the year, a subsidiary has obtained a credit line facility limited to AZN 500,000 from a local bank carrying interest rate of 13% per annum. However, the subsidiary has no outstanding amount against this facility as at December 31, 2018. The maturity date of the facility is July 19, 2020.

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
24.3 Other contingent liabilities			
Claims against the Group not acknowledged as debts	24.3.1	17,038,156	5,938,071
24.3.1 These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.			
24.4 The Income Tax returns of the Bank have been filed up to the tax year 2018 (accounting year ended December 31, 2017) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.			

The income tax authorities have issued amended assessment orders for various tax years. The Group has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. The management of the Group is confident that the appeals will be decided in favor of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

25. DERIVATIVE INSTRUMENTS

25.1 Product Analysis

2018						
Counterparties	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss
(Rupees in '000)						
With Banks for						
Hedging	4,026,814	725,117	316,500	14,771	1,378,370	48,090
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	4,185,049	(751,040)	-	-	1,378,370	(48,090)
Total						
Hedging	4,026,814	725,117	316,500	14,771	1,378,370	48,090
Market Making	4,185,049	(751,040)	-	-	1,378,370	(48,090)
2017						
Counterparties	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss
(Rupees in '000)						
With Banks for						
Hedging	1,510,582	25,609	316,500	(4,708)	865,718	12,960
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	1,721,562	(10,408)	-	-	865,718	(12,960)
Total						
Hedging	1,510,582	25,609	316,500	(4,708)	865,718	12,960
Market Making	1,721,562	(10,408)	-	-	865,718	(12,960)

25.2 Maturity Analysis

2018					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
Upto 1 month	44	1,462,433	(85,020)	85,050	30
1 to 3 months	66	1,512,180	(26,820)	26,820	-
3 to 6 months	14	197,096	(4,241)	4,241	-
1 to 2 Year	10	3,526,504	(431,981)	384,758	(47,223)
2 to 3 Years	6	2,418,453	(171,636)	184,301	12,665
3 to 5 Years	4	2,168,437	(143,919)	167,295	23,376
Total			(863,617)	852,465	
2017					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
Upto 1 month	24	682,674	(3,363)	3,363	-
1 to 3 months	36	802,035	(6,538)	6,538	-
3 to 6 months	20	246,728	(3,058)	3,058	-
6 month to 1 Year	2	415,206	(5,646)	6,451	805
1 to 2 Year	2	414,968	(558)	1,656	1,098
2 to 3 Years	8	2,718,469	(8,913)	17,503	8,590
Total			(28,076)	38,569	

25.3 Disclosure relating to qualitative and quantitative information on exchange traded derivatives are disclosed in note 45.5.

25.4 Risk management related to derivatives is discussed in note 45.5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees in '000)	
26. MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		40,472,966	28,585,588
b) Investments		45,364,359	47,238,279
c) Lendings to financial institutions		1,368,635	155,470
d) Balances with banks		296,377	210,463
		87,502,337	76,189,800
27. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		33,730,188	22,784,555
Borrowings		4,795,063	9,122,110
Subordinated debt		307,789	138,081
Cost of foreign currency swaps against foreign currency deposits / borrowings		662,873	348,970
		39,495,913	32,393,716
28. FEE & COMMISSION INCOME			
Branch banking customer fees		2,469,298	2,325,444
Consumer finance related fees		278,132	210,749
Card related fees (debit and credit cards)		2,634,203	2,210,135
Credit related fees		150,733	186,902
Investment banking fee		836,691	888,240
Commission on trade		1,460,206	1,170,611
Commission on guarantees		431,287	414,666
Commission on cash management		603,687	537,584
Commission on remittances including home remittances		981,721	716,862
Commission on utility bills		109,641	99,755
Commission income - Bancassurance		1,169,169	1,000,453
Rent on lockers		245,842	244,934
Commission on investments services		83,948	167,434
Other Commission		182,193	281,211
		11,636,751	10,454,980
29. GAIN ON SECURITIES, NET			
Realised	29.1	1,304,914	4,666,486
Unrealised - held for trading	9.1	(47,766)	(272)
		1,257,148	4,666,214
29.1 Realised gain on:			
Federal Government Securities		269,209	897,765
Shares & units		1,035,705	3,768,721
		1,304,914	4,666,486
30. OTHER INCOME			
Rent on property		19,213	30,734
Gain on sale of fixed assets-net		245,866	19,954
Gain on sale of non banking assets - net		82,410	515
Compensation on tax refunds		86,862	-
		434,351	51,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

31. OPERATING EXPENSES	Note	2018 (Rupees in '000)	2017
Total compensation expense	31.1	15,759,480	13,609,027
Property expense			
Rent and taxes		2,469,920	1,773,829
Insurance		103,573	48,136
Utilities cost		1,184,003	957,615
Fuel expense generators		513,533	458,984
Security (including guards)		1,743,167	1,464,258
Repair and maintenance (including janitorial charges)		1,013,249	825,407
Depreciation	11.2	557,142	453,953
		7,584,587	5,982,182
Information technology expenses			
Software maintenance		843,053	626,773
Hardware maintenance		407,378	360,141
Depreciation	11.2	657,053	563,582
Amortisation		356,533	278,366
Network charges		706,488	698,280
Insurance		4,400	4,606
		2,974,905	2,531,748
Other operating expenses			
Directors' fees and allowances		40,741	38,692
Fees and allowances to Sharia Board members		14,479	6,548
Legal and professional charges		345,683	374,022
Outsourced services costs	37.1	1,271,889	1,242,348
Travelling and conveyance		418,253	335,636
NIFT clearing charges		157,898	141,070
Depreciation	11.2	991,646	840,928
Depreciation on non-banking assets acquired in satisfaction of claims	13.1.1	49,155	29,947
Training and development		61,849	67,567
Postage and courier charges		313,962	339,386
Communication		327,215	393,075
Stationery and printing		752,488	668,544
Marketing, advertisement & publicity		559,566	546,085
Donations	31.2	696	11,817
Auditors' remuneration	31.3	45,454	52,085
Cash transportation charges		743,593	631,131
Repair and maintenance		827,531	776,326
Subscription		39,437	32,483
Entertainment		268,356	256,536
Remittance charges		186,476	154,065
Brokerage expenses		44,319	32,047
Card related expenses		737,528	562,239
CNIC verification charges		138,237	107,363
Insurance		821,590	255,090
Others		238,434	279,393
		9,396,475	8,174,423
		35,715,447	30,297,380

Total cost for the year included in other operating expenses relating to outsourced activities is Rs 335.367 million (2017: Rs 329.591 million) pertains to the payment to companies incorporated in Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs 263.283 million (2017: Rs 177.579 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees in '000)	
31.1 Total compensation expense			
Fees and allowances		495,049	495,896
Managerial remuneration			
i) Fixed		10,988,881	9,979,567
ii) Variable - cash bonus / awards		1,686,428	2,136,488
Charge / (reversal) for defined benefit plan		943,661	(144,497)
Contribution to defined contribution plan		387,735	326,616
Commission		235,391	138,658
Staff group insurance		370,363	277,786
Rent and house maintenance		310,364	188,780
Medical		54,867	42,714
Conveyance		272,825	161,253
Sub-total		15,745,564	13,603,261
Sign-on bonus	31.1.1	960	4,172
Severance allowance	31.1.2	12,956	1,594
Grand Total		15,759,480	13,609,027

31.1.1 During the year sign on bonus is paid to 1 employee (2017: 8).

31.1.2 Severance allowance is paid to 4 employees (2017: 1).

31.2 Detail of donations made during the year is as follows:

	2018	2017
		(Rupees in '000)
District Head Quarter Hospital, Gawadar	696	-
Saleem Memorial Trust Hospital	-	5,000
SKMC Hospital & Research Center	-	1,500
Diabetic Association of Pakistan	-	1,000
The Indus Hospital	-	1,000
FRESH Foundation	-	767
Murshid Hospital & Charity Hospital Care Center	-	500
Rising Sun Education & Welfare Society	-	500
The Citizens Foundation	-	500
Pink Ribbon Hospital	-	500
Pakistan Association of the Blind	-	500
Donations individually not exceeding Rs.0.5 million	-	50
	696	11,817

31.3 Auditors' remuneration

Audit fee	14,606	14,450
Fee for audit of foreign branches	13,669	12,354
Fee for audit of subsidiaries	6,271	5,702
Special certifications and sundry advisory services	7,210	14,853
Sales tax	1,060	1,707
Out-of-pocket expenses	2,638	3,019
	45,454	52,085

32. OTHER CHARGES

Write off of fixed assets	-	13
Penalties of State Bank of Pakistan	11,679	1,719
VAT & National Building Tax & Crop Insurance Levy	151,159	128,508
Education cess	11,593	12,713
	174,431	142,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

33. (REVERSALS) / PROVISIONS & WRITE OFFS - NET	Note	2018	2017
		(Rupees in '000)	
Provision against balance with Banks		4,386	-
Provisions for diminution in value of investments	9.3.1	2,860,062	3,570,201
Provisions / (reversals) against loans & advances	10.5	(2,850,115)	(2,894,502)
Provisions / (reversals) against other assets	13.2.1	(608,590)	562,827
Bad debts written off directly	10.6.1	30	14
Recovery of written off / charged off bad debts		(227,682)	(191,136)
Other write offs		102	1
		(821,807)	1,047,405
34. TAXATION			
Current		11,239,855	3,725,143
Prior years		(1,710,032)	(2,166,582)
Deferred	19	641,769	6,880,293
Share of tax of associates		219,045	127,089
		10,390,637	8,565,943
34.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		30,805,921	30,613,707
Tax rate		35%	35%
Tax on income		10,782,072	10,714,797
Tax effect of permanent differences		4,088	602
Tax effect of prior years reversals		(1,710,032)	(2,166,582)
Others		1,314,509	17,126
Tax charge for the year		10,390,637	8,565,943
35. BASIC AND DILUTED EARNINGS PER SHARE		2018	2017
		(Rupees in '000)	
Profit for the year after tax attributable to equity shareholders		20,352,756	21,963,146
		(Number)	
Weighted average number of ordinary shares		1,185,060,006	1,147,960,005
		(Rupees in '000)	
Basic and diluted earnings per share		17.17	19.13

In 2017, the Group issued 72,029,258 shares in pursuant to NIB Bank Limited amalgamation with and into the Group as on July 07, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

36. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks
Balances with other banks
Overdrawn nostro accounts

Note	2018 (Rupees in '000)	2017 (Rupees in '000)
6	110,165,006	109,462,902
7	19,338,117	7,948,882
16	(1,946,106)	(1,066,543)
	<u>121,557,017</u>	<u>115,745,241</u>

36.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2018					2017								
	Sub-ordinated loan	Other liabilities	Share Capital	Reserves	Equity Unappropriated profit	Non-controlling interest	Total	Sub-ordinated loan	Other liabilities	Share Capital	Reserves	Equity Unappropriated profit	Non-controlling interest	Total
Balance as at January 01,	3,892,578	58,792,147	11,850,600	71,027,912	55,221,069	707,407	201,491,713	-	52,011,664	11,130,307	53,512,633	55,509,013	630,159	172,853,776
Changes from Financing cash flows														
Redemption of Subordinated loan	(1,559)	-	-	-	-	(61,326)	(1,559)	(779)	-	-	-	(17,201,674)	-	(17,981)
Dividend paid	-	-	-	-	(20,090,695)	(61,326)	(20,152,021)	-	-	-	-	-	-	(17,315,565)
Total changes from financing cash flows	(1,559)	-	-	-	(20,090,695)	(61,326)	(20,153,580)	(779)	-	-	-	(17,201,674)	-	(17,315,344)
Changes arising from business combination	-	-	-	-	-	-	-	4,192,987	4,495,374	720,293	14,986,903	-	-	24,965,567
Cancellation of Sub-ordinated loan on merger	-	-	-	-	-	-	-	(299,640)	-	-	-	-	-	(299,640)
Liability related														
Changes in Other liabilities														
- Cash based	-	7,955,642	-	-	-	-	7,955,642	-	4,820,500	-	-	-	-	4,820,500
- Dividend payable	-	(1,129,735)	-	-	-	-	(1,129,735)	-	1,183,052	-	-	(1,183,052)	-	-
- Non cash based	-	(131,012)	-	-	-	-	(131,012)	-	(3,718,443)	-	-	-	-	(3,718,443)
Total liability related other changes	-	6,694,895	-	-	1,129,735	-	7,824,630	-	2,285,109	-	-	(1,183,052)	-	1,102,057
Total equity related other changes	-	-	-	3,346,661	17,710,970	62,671	21,120,302	-	-	-	2,588,376	18,096,782	131,139	20,786,297
Balance as at December 31	3,891,019	65,487,042	11,850,600	74,374,573	53,971,079	708,752	210,283,065	3,892,578	58,792,147	11,850,600	71,027,912	55,221,069	707,407	201,491,713

37. STAFF STRENGTH

Permanent
On Bank contract
Bank's own staff strength at the end of the year

	2018 (Number)	2017 (Number)
Permanent	14,354	14,033
On Bank contract	598	343
Bank's own staff strength at the end of the year	<u>14,952</u>	<u>14,376</u>

37.1 In addition to the above, 623 (2017: 1,925) employees of outsourcing services companies were assigned to the Group as at the end of the year to perform services other than guarding, tea and janitorial services. Outsourced staff includes 616 (2017: 1,916) working domestically and 7 (2017: 9) working abroad.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

38. DEFINED BENEFIT PLAN

38.1 General description

The Bank operates the following retirement benefits for its employees:

- Pension fund - funded
- Benevolent scheme - unfunded
- Post retirement medical benefits - unfunded
- Employees compensated absence - unfunded

The plan assets and defined benefit obligations are based in Pakistan.

38.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2018	2017
	(Number)	
- Pension fund - funded	6,554	6,853
- Benevolent scheme - unfunded	1,730	1,654
- Post retirement medical benefits - unfunded	12,716	13,015
- Employees compensated absence - unfunded	12,716	13,015

38.3 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2018. The principal actuarial assumptions used are as follows:

	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	%	%	%	%	%	%
Discount rate	13.25	8	13.25	8	13.25	8	13.25	8
Expected rate of return on plan assets	13.25	8	-	-	-	-	-	-
Expected rate of salary increase	11.25	6.75	11.25	6.75	-	-	11.25	6.75
Expected rate of increase in pension	0-5	-	-	-	-	-	-	-
Expected rate of increase in medical benefit	-	-	-	-	11.25	6.5	-	-

38.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Rupees in '000)							
Present value of obligations	4,690,587	3,757,366	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135
Fair value of plan assets	(8,505,757)	(9,747,902)	-	-	-	-	-	-
(Receivable) / payable	(3,815,170)	(5,990,536)	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135

38.5 Movement in defined benefit obligations

Obligations at the beginning of the year	3,757,366	3,519,114	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870
Current service cost	79,236	50,292	30,660	5,168	50,364	11,162	32,366	32,366
Interest cost	282,259	265,940	18,096	15,221	162,569	162,391	85,302	78,477
Benefits paid	(458,268)	(389,734)	(44,628)	(38,189)	(144,664)	(149,108)	(157,708)	(145,807)
Past service cost	1,044,533	-	-	-	-	-	-	-
Re-measurement loss / (gain)	(14,539)	311,754	(38,394)	56,966	(478,160)	11,411	(76,966)	126,229
Obligations at the end of the year	4,690,587	3,757,366	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135

38.6 Movement in fair value of plan assets

Fair value at the beginning of the year	9,747,902	11,292,596	-	-	-	-	-	-
Interest income on plan assets	761,501	887,818	-	-	-	-	-	-
Benefits paid	(458,268)	(389,734)	-	-	-	-	-	-
Re-measurement loss	(1,545,378)	(2,042,778)	-	-	-	-	-	-
Fair value at the end of the year	8,505,757	9,747,902	-	-	-	-	-	-

38.7 Movement in (receivable) / payable under defined benefit schemes

Opening balance	(5,990,536)	(7,773,482)	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870
Charge / (reversal) for the year	644,527	(571,586)	45,499	16,464	212,933	173,553	40,702	237,072
Employees' contribution	-	-	3,257	3,925	-	-	-	-
Re-measurement loss / (gain) recognised in OCI during the year	1,530,839	2,354,532	(38,394)	56,966	(478,160)	11,411	-	-
Benefits paid by the Bank	-	-	(44,628)	(38,189)	(144,664)	(149,108)	(157,708)	(145,807)
Closing balance	(3,815,170)	(5,990,536)	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135

38.8 Charge for defined benefit plans

38.8.1 Cost recognised in profit and loss

Current service cost	79,236	50,292	30,660	5,168	50,364	11,162	32,366	32,366
Net interest on defined benefit asset / liability	(479,242)	(621,878)	18,096	15,221	162,569	162,391	85,302	78,477
Employees' contribution	-	-	(3,257)	(3,925)	-	-	-	-
Actuarial loss / (gain)	-	-	-	-	-	-	(76,966)	126,229
Past service cost	1,044,533	-	-	-	-	-	-	-
	644,527	(571,586)	45,499	16,464	212,933	173,553	40,702	237,072

38.8.2 Pursuant to the order of the Honorable Supreme Court of Pakistan, the Bank has recorded past service cost of Rs. 1,044.533 million (one-off provision) on account of pension liability based on actuarial valuation.

38.8.3 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation - financial assumptions	(14,539)	311,754	(38,394)	56,966	(478,160)	11,411	-	-
Actual return on plan assets over expected interest income	1,545,378	2,042,778	-	-	-	-	-	-
Re-measurement loss / (gain) recognised in OCI	1,530,839	2,354,532	(38,394)	56,966	(478,160)	11,411	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

38.9 Components of plan assets	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Rupees in '000)							
Cash and cash equivalents - net	74,685	329,080	-	-	-	-	-	-
Shares	8,158,899	9,154,391	-	-	-	-	-	-
Open ended mutual funds units	272,173	264,431	-	-	-	-	-	-
	8,505,757	9,747,902	-	-	-	-	-	-

38.9.1 Significant risk associated with the plan assets

The Fund's investments in equity securities and units of mutual funds are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

38.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	Approved Pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees' compensated absences
	(Rupees in '000)			
1% increase in discount rate	(347,234)	(15,436)	(176,626)	(61,363)
1% decrease in discount rate	404,423	17,626	216,361	68,308
1% increase in expected rate of salary increase	183,587	-	-	69,535
1% decrease in expected rate of salary increase	(136,275)	-	-	(63,458)
1% increase in expected rate of pension increase	243,456	-	-	-
1% decrease in expected rate of pension increase	(214,612)	-	-	-
1% increase in expected rate of medical benefit increase	-	-	128,811	-
1% decrease in expected rate of medical benefit increase	-	-	(110,074)	-

38.11 Expected contributions to be paid to the funds in the next financial year

No contributions are being made to pension fund due to surplus of fair value of plan's assets over present value of defined obligation. No contribution to the pension fund is expected in the next year.

38.12 Expected (reversal) / for the next financial year

Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2019 would be as follows:

	Approved Pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees' compensated absences
	(Rupees in '000)			
Expected (reversal) / charge for the next financial year	(455,231)	42,854	272,932	160,967

38.13 Maturity profile

The weighted average duration of the obligation (in years)

	Approved Pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees' compensated absences
	8.01	7.72	11.36	6.31

38.14 Funding Policy

The Bank endeavors to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

38.15 The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

Investment risk	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Longevity risk	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
Salary increase risk	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Withdrawal rate	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

39. DEFINED CONTRIBUTION PLAN

39.1 MCB Bank Limited (holding company)

The Bank operates an approved contributory provident fund for 10,357 (2017: 10,575) employees where contributions are made by the Bank at 8.33% (2017: 8.33%) and employees ranging from 8.33% -12.5% per annum (2017: 8.33% to 12.5% per annum) of the basic salary.

The Bank also operates an approved non-contributory provident fund for 815 (2017: 888) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 12.50% per annum (2017: 8.33% to 12.50% per annum) of the basic salary.

39.2 MCB Islamic Bank Limited

The Bank operates an approved contributory provident fund for 1,050 (2017: 596) employees. Equal monthly contributions are made both by the Bank and its permanent employees to the Fund at the rate of 8.33% of the basic salaries of employees. However, an employee has an option to increase his / her contribution upto 15% but the Bank will still contribute 8.33% of the employee's basic salary.

39.3 MCB Financial Services Limited

The company operates the provident fund scheme covering all permanent employees. Contribution at the rate of 8.33% per annum are made both by the Company and employees to the fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

40. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the consolidated financial statements for compensation, including all benefits, to the Chief Executive, Directors and Executives of the Group is as follows:

	Note	President / Chief Executive		Directors		Executives	
		2018	2017	2018	2017	2018	2017
(Rupees in 000)							
Fees		-	-	40,741	38,692	-	-
Managerial remuneration and bonus		79,377	73,667	-	-	4,420,432	3,411,092
Retirement benefits		3,095	2,866	-	-	192,397	149,933
Rent and house maintenance	40.1	16,714	15,476	-	-	1,054,133	817,609
Utilities	40.1	3,714	3,439	-	-	228,330	177,318
Medical	40.1	150	-	-	-	67,613	49,484
Conveyance	40.1	-	-	-	-	801,684	727,193
		<u>103,050</u>	<u>95,448</u>	<u>40,741</u>	<u>38,692</u>	<u>6,764,589</u>	<u>5,332,629</u>
Number of persons		<u>1</u>	<u>1</u>	<u>14</u>	<u>13</u>	<u>2,311</u>	<u>1,599</u>

40.1 These allowances have been classified under fixed salary in total compensation note 31.1.

40.2 The Chairman has been provided with free use of the Group maintained car. In addition to the above, the Chief Executive and certain executives are provided with free use of the Group's maintained cars and household equipment in accordance with the terms of their employment.

41. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates and subsidiaries is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5.4 to these consolidated financial statements.

The maturity and repricing profile and effective rates are stated in note 45.

In the opinion of the management, the fair value of the financial assets and financial liabilities other than those carried at fair value and disclosed in note 41.1 are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

41.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Valuation techniques used in determination of fair valuation of financial instruments within level 2

Item	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined using the PKRV rates.
Term Finance and Bonds	Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Government of Pakistan (GoP) - Ijarah Sukuks	Fair values of GoP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.
Operating fixed assets (land and building) & NBA	Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Group essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Group has adopted revaluation model (as per IAS 16) in respect of land and building.

	2018				
	Carrying value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	688,686,786	-	688,686,786	-	688,686,786
Shares	19,041,266	19,041,266	-	-	19,041,266
Non-Government Debt Securities	2,528,081	-	2,528,081	-	2,528,081
Foreign Securities	2,522,454	-	2,522,454	-	2,522,454
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares and associates)	41,607,188	-	-	-	-
Cash and balances with treasury banks	110,165,006	-	-	-	-
Balances with other banks	13,338,117	-	-	-	-
Lendings to financial institutions	39,149,890	-	-	-	-
Advances	566,792,265	-	-	-	-
Other assets	38,208,613	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	34,894,351	-	34,894,351	-	34,894,351
Non-banking assets	4,035,114	-	4,035,114	-	4,035,114
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	126,872,293	-	3,477,211	-	3,477,211
Forward sale of foreign exchange	90,346,797	-	3,452,374	-	3,452,374
Derivatives purchase	5,721,684	-	787,978	-	787,978
Derivatives sale	5,563,419	-	799,130	-	799,130
	2017				
	Carrying value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	593,454,168	-	593,454,168	-	593,454,168
Shares	22,135,368	22,135,368	-	-	22,135,368
Non-Government Debt Securities	2,296,642	-	2,296,642	-	2,296,642
Foreign Securities	2,449,656	-	2,449,656	-	2,449,656
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares and associates)	39,734,412	-	-	-	-
Cash and balances with treasury banks	109,462,902	-	-	-	-
Balances with other banks	7,348,882	-	-	-	-
Lendings to financial institutions	5,273,524	-	-	-	-
Advances	500,965,801	-	-	-	-
Other assets	34,148,396	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	33,431,521	-	33,431,521	-	33,431,521
Non-banking assets	4,288,001	-	4,288,001	-	4,288,001
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	85,637,860	-	2,851,188	-	2,851,188
Forward sale of foreign exchange	75,559,527	-	2,325,532	-	2,325,532
Derivatives purchase	2,692,800	-	33,861	-	33,861
Derivatives sale	2,587,280	-	23,368	-	23,368

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.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options, Cross Currency Swaps, Interest Rate Swaps and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

42 SEGMENT INFORMATION

42.1 Segment details with respect to business activities

The segment analysis with respect to business activity is as follows:

	2018									
	Retail Banking	Consumer banking	Corporate Banking	Treasury	Islamic Banking	Asset Management	Others	Sub-total	Eliminations	Total
	(Rupees in '000)									
Profit & Loss										
Net mark-up/return/profit	(19,999,097)	2,425,240	22,571,031	41,399,090	1,903,925	1,950	(295,715)	48,006,424	-	48,006,424
Inter segment revenue - net	50,778,451	(774,576)	(17,208,202)	(38,240,495)	-	-	5,444,822	-	-	-
Non mark-up / return / interest income	6,620,225	1,732,440	3,771,009	3,970,534	399,262	884,808	1,418,975	18,997,253	(485,381)	18,511,872
Total Income	37,599,579	3,383,104	9,133,838	7,129,129	2,303,187	886,758	6,568,082	67,003,677	(485,381)	66,518,296
Segment direct expenses	20,935,783	1,372,159	1,610,739	281,947	3,087,754	526,852	8,803,299	36,618,533	(84,351)	36,534,182
Inter segment expense allocation	-	-	-	-	-	-	-	-	-	-
Total expenses	20,935,783	1,372,159	1,610,739	281,947	3,087,754	526,852	8,803,299	36,618,533	(84,351)	36,534,182
Provisions	(186,311)	(66,393)	(733,366)	1,952,015	895,646	27,828	(2,711,226)	(821,807)	-	(821,807)
Profit before tax	16,850,107	2,077,338	8,256,465	4,895,167	(1,680,213)	332,078	476,009	31,206,951	(401,030)	30,805,921
Balance Sheet										
Cash and Bank balances	49,001,673	33,515	17,486,827	46,395,674	8,413,070	28,204	2,190,352	123,549,315	(46,192)	123,503,123
Investments	-	-	18,505,331	730,863,407	12,713,954	959,252	3,529,618	766,571,562	(12,185,787)	754,385,775
Net inter segment lending	838,264,563	-	-	-	-	-	134,139,482	972,404,045	(972,404,045)	-
Lendings to financial institutions	-	-	1,502,544	33,603,697	4,675,000	-	39,781,241	(631,351)	(631,351)	39,149,890
Advances - gross	129,656,470	24,268,379	365,400,739	-	62,921,024	-	28,153,868	610,400,480	(371,835)	610,028,645
- provision held	(6,627,798)	(1,702,655)	(7,413,812)	-	(13,820)	-	(27,478,295)	(43,236,380)	-	(43,236,380)
Others	31,327,270	1,887,934	8,326,592	8,127,064	5,434,142	1,114,256	45,384,334	101,601,592	(222,638)	101,378,954
Total Assets	1,041,622,178	24,487,173	403,808,221	818,989,842	94,143,370	2,101,712	185,919,359	2,571,071,855	(985,861,848)	1,585,210,007
Borrowings	35,293,396	-	9,172,202	171,553,288	7,800,628	-	407,714	224,227,228	(1,011,113)	223,216,115
Subordinated debt	-	-	-	-	-	-	3,891,019	3,891,019	-	3,891,019
Deposits & other accounts	969,799,371	16,556	79,196,248	-	73,307,185	-	25,440	1,122,344,800	(38,265)	1,122,306,535
Net inter segment borrowing	-	22,478,042	307,402,415	642,523,588	-	-	-	972,404,045	(972,404,045)	-
Others	36,529,411	1,992,575	8,033,356	4,912,966	2,966,043	645,896	29,611,850	84,696,037	(222,638)	84,473,459
Total liabilities	1,041,622,178	24,487,173	403,808,221	818,989,842	84,073,856	645,896	33,936,023	2,407,663,189	(973,676,061)	1,433,887,128
Equity	-	-	-	-	10,069,514	1,455,816	151,983,336	163,508,666	(12,185,787)	151,322,879
Total Equity & liabilities	1,041,622,178	24,487,173	403,808,221	818,989,842	94,143,370	2,101,712	185,919,359	2,571,071,855	(985,861,848)	1,585,210,007
Contingencies & Commitments	111,974,609	-	204,311,803	247,754,264	17,535,062	-	18,540,432	600,116,170	-	600,116,170
	2017									
	Retail Banking	Consumer banking	Corporate Banking	Treasury	Islamic Banking	Asset Management	Others	Sub-total	Eliminations	Total
	(Rupees in '000)									
Profit & Loss										
Net mark-up/return/profit	(11,968,986)	1,739,112	14,798,224	37,972,672	1,055,256	654	199,152	43,796,084	-	43,796,084
Inter segment revenue - net	36,786,402	(783,160)	(10,219,266)	(30,534,733)	-	-	4,750,757	-	-	-
Non mark-up / return / interest income	6,135,163	1,559,178	2,900,828	7,433,916	439,010	672,358	612,370	19,752,823	(821,493)	18,931,330
Total Income	30,952,579	2,515,130	7,479,786	14,871,855	1,494,266	673,012	5,562,279	63,548,907	(821,493)	62,727,414
Segment direct expenses	18,750,470	1,223,199	1,407,779	270,169	1,845,248	409,260	7,160,177	31,066,302	-	31,066,302
Inter segment expense allocation	-	-	-	-	-	-	-	-	-	-
Total expenses	18,750,470	1,223,199	1,407,779	270,169	1,845,248	409,260	7,160,177	31,066,302	-	31,066,302
Provisions	(262,806)	(177,069)	(526,403)	3,570,437	(55)	-	(1,556,699)	1,047,405	-	1,047,405
Profit before tax	12,464,915	1,469,000	6,598,410	11,031,249	(350,927)	263,752	(41,199)	31,435,200	(821,493)	30,613,707
Balance Sheet										
Cash and Bank balances	44,522,823	37,221	11,740,549	51,727,835	6,094,004	9,475	2,749,249	116,881,156	(69,372)	116,811,784
Investments	-	-	13,523,275	641,372,549	9,186,213	1,003,821	6,132,672	671,218,530	(11,148,284)	660,070,246
Net inter segment lending	708,281,466	-	-	-	-	-	144,592,086	852,873,552	(852,873,552)	-
Lendings to financial institutions	-	-	1,873,524	2,524,590	1,400,000	-	5,798,114	(524,590)	(524,590)	5,273,524
Advances - gross	199,566,137	19,906,369	287,067,771	-	31,474,154	-	8,948,992	546,963,423	(291,722)	546,671,701
- provision held	(31,201,950)	(1,764,808)	(4,217,670)	-	(1,219)	-	(8,520,253)	(45,705,900)	-	(45,705,900)
Others	25,334,193	1,898,262	21,283,688	11,049,283	3,432,835	1,099,608	42,345,382	106,443,251	(72,550)	106,370,701
Total Assets	946,502,669	20,077,044	331,271,137	706,674,257	51,585,987	2,112,904	196,248,128	2,254,472,126	(864,980,070)	1,389,492,056
Borrowings	33,698,763	-	9,049,493	90,091,987	7,926,790	-	553,508	141,320,541	(858,403)	140,462,138
Subordinated debt	-	-	-	-	-	-	3,892,578	3,892,578	-	3,892,578
Deposits & other accounts	894,416,068	1,236	74,042,363	-	32,690,808	-	22,968	1,001,173,443	(27,281)	1,001,146,162
Net inter segment borrowing	-	18,232,819	220,723,332	613,917,401	-	-	-	852,873,552	(852,873,552)	-
Others	18,387,838	1,842,989	27,455,949	2,664,869	1,337,610	660,653	35,170,739	87,520,647	(72,550)	87,448,097
Total liabilities	946,502,669	20,077,044	331,271,137	706,674,257	41,955,208	660,653	39,639,793	2,086,780,761	(853,831,786)	1,232,948,975
Equity	-	-	-	-	9,630,779	1,452,251	156,608,335	167,691,365	(11,148,284)	156,543,081
Total Equity & liabilities	946,502,669	20,077,044	331,271,137	706,674,257	51,585,987	2,112,904	196,248,128	2,254,472,126	(864,980,070)	1,389,492,056
Contingencies & Commitments	132,765,032	-	128,200,658	168,486,488	17,739,304	-	9,740,127	456,931,609	-	456,931,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

42.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2018						
	Pakistan	South Asia	Middle East	Azerbaijan	Sub-total	Eliminations	Total
	(Rupees in '000)						
Profit & Loss							
Net mark-up/return/profit	46,521,993	909,102	491,127	84,202	48,006,424	-	48,006,424
Inter segment revenue - net	(5,588)	(12,926)	18,514	-	-	-	-
Non mark-up / return / interest income	18,273,662	233,086	483,230	7,275	18,997,253	(485,381)	18,511,872
Total Income	64,790,067	1,129,262	992,871	91,477	67,003,677	(485,381)	66,518,296
Segment direct expenses	35,549,030	641,781	377,570	50,152	36,618,533	(84,351)	36,534,182
Inter segment expense allocation	-	-	-	-	-	-	-
Total expenses	35,549,030	641,781	377,570	50,152	36,618,533	(84,351)	36,534,182
Provisions	(877,178)	10,624	36,772	7,975	(821,807)	-	(821,807)
Profit before tax	30,118,215	476,857	578,529	33,350	31,206,951	(401,030)	30,805,921
Balance Sheet							
Cash & Bank balances	107,123,649	1,906,785	14,516,518	2,363	123,549,315	(46,192)	123,503,123
Investments	756,867,748	4,040,982	5,662,832	-	766,571,562	(12,185,787)	754,385,775
Net inter segment lendings	9,753,427	-	-	-	9,753,427	(9,753,427)	-
Lendings to financial institutions	38,278,697	368,406	1,134,138	-	39,781,241	(631,351)	39,149,890
Advances - gross	587,538,573	16,346,935	5,827,065	687,907	610,400,480	(371,835)	610,028,645
- provision held	(42,618,053)	(132,295)	(473,698)	(12,334)	(43,236,380)	-	(43,236,380)
Others	101,149,210	315,568	125,964	10,850	101,601,592	(222,638)	101,378,954
Total Assets	1,558,093,251	22,846,381	26,792,819	688,786	1,608,421,237	(23,211,230)	1,585,210,007
Borrowings	221,020,937	616,822	2,181,755	407,714	224,227,228	(1,011,113)	223,216,115
Subordinated debt	3,891,019	-	-	-	3,891,019	-	3,891,019
Deposits & other accounts	1,086,223,436	16,266,330	19,855,034	-	1,122,344,800	(38,265)	1,122,306,535
Net inter segment borrowing	-	5,058,214	4,695,213	-	9,753,427	(9,753,427)	-
Others	83,727,503	905,015	60,817	2,762	84,696,097	(222,638)	84,473,459
Total liabilities	1,394,862,895	22,846,381	26,792,819	410,476	1,444,912,571	(11,025,443)	1,433,887,128
Equity	163,230,356	-	-	278,310	163,508,666	(12,185,787)	151,322,879
Total Equity & liabilities	1,558,093,251	22,846,381	26,792,819	688,786	1,608,421,237	(23,211,230)	1,585,210,007
Contingencies & Commitments	579,844,263	12,396,092	7,842,488	33,327	600,116,170	-	600,116,170
	2017						
	Pakistan	South Asia	Middle East	Azerbaijan	Sub-total	Eliminations	Total
	(Rupees in '000)						
Profit & Loss							
Net mark-up/return/profit	42,521,646	851,091	347,635	75,712	43,796,084	-	43,796,084
Inter segment revenue - net	18,039	(18,978)	939	-	-	-	-
Non mark-up / return / interest income	19,163,176	229,045	342,875	17,727	19,752,823	(821,493)	18,931,330
Total Income	61,702,861	1,061,158	691,449	93,439	63,548,907	(821,493)	62,727,414
Segment direct expenses	30,191,640	522,772	311,388	40,502	31,066,302	-	31,066,302
Inter segment expense allocation	-	-	-	-	-	-	-
Total expenses	30,191,640	522,772	311,388	40,502	31,066,302	-	31,066,302
Provisions	998,936	25,498	20,531	2,440	1,047,405	-	1,047,405
Profit before tax	30,512,285	512,888	359,530	50,497	31,435,200	(821,493)	30,613,707
Balance Sheet							
Cash & Bank balances	105,683,039	1,303,923	9,823,809	70,385	116,881,156	(69,372)	116,811,784
Investments	664,723,702	3,549,348	2,945,480	-	671,218,530	(11,148,284)	660,070,246
Net inter segment lendings	7,887,166	-	-	-	7,887,166	(7,887,166)	-
Lendings to financial institutions	3,924,590	971,730	901,794	-	5,798,114	(524,590)	5,273,524
Advances - gross	523,989,941	14,814,211	7,727,857	431,414	546,963,423	(291,722)	546,671,701
- provision held	(45,275,486)	(114,056)	(313,683)	(2,675)	(45,705,900)	-	(45,705,900)
Others	106,018,131	287,378	121,722	16,020	106,443,251	(72,550)	106,370,701
Total Assets	1,366,951,083	20,812,534	21,206,979	515,144	1,409,485,740	(19,993,684)	1,389,492,056
Borrowings	135,741,629	1,887,082	3,367,635	324,195	141,320,541	(858,403)	140,462,138
Subordinated debt	3,892,578	-	-	-	3,892,578	-	3,892,578
Deposits & other accounts	973,031,080	13,159,012	14,983,351	-	1,001,173,443	(27,281)	1,001,146,162
Net inter segment borrowing	-	5,092,390	2,794,776	-	7,887,166	(7,887,166)	-
Others	86,796,213	674,050	61,217	(10,833)	87,520,647	(72,550)	87,448,097
Total liabilities	1,199,461,500	20,812,534	21,206,979	313,362	1,241,794,375	(8,845,400)	1,232,948,975
Equity	167,489,583	-	-	201,782	167,691,365	(11,148,284)	156,543,081
Total Equity & liabilities	1,366,951,083	20,812,534	21,206,979	515,144	1,409,485,740	(19,993,684)	1,389,492,056
Contingencies & Commitments	442,337,812	9,543,753	5,050,044	-	456,931,609	-	456,931,609

42.3 Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include inter segment balances. Costs which are not allocated to segments are included in the Head office.

42.4 No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2018 or 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

43 RELATED PARTY TRANSACTIONS

The Group has related party relationship with associates, employee benefit plans, its directors and key management personnel and their close family members. The detail of associates are stated in note 9.11 to the consolidated financial statements.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Remuneration to Chief Executive, Directors and Executives is disclosed in note 40 to the consolidated financial statements.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2018				2017			
	Directors	Key Management Personnel	Associates	Other Related Parties	Directors	Key Management Personnel	Associates	Other Related Parties
(Rupees in '000)								
Investments								
Opening balance	-	-	748,172	1,312,374	-	-	845,396	895,864
Investment made during the year	-	-	-	2,996,011	-	-	-	2,555,939
Investment redeemed / disposed off during the year	-	-	(47,771)	(3,024,387)	-	-	(97,224)	(2,313,855)
Transfer under NIB merger	-	-	-	-	-	-	-	174,426
Closing balance	-	-	700,401	1,283,998	-	-	748,172	1,312,374
Provision for diminution in value of investments	-	-	-	5,000	-	-	-	5,000
Advances								
Opening balance	946	189,022	-	2,638,740	926	170,304	-	922,906
Addition / exchange adjustment	14,723	113,559	-	7,899,213	13,495	73,475	-	4,817,997
Repaid during the year	(15,011)	(55,351)	-	(8,440,083)	(13,475)	(49,421)	-	(5,391,663)
Transfer in / (out) including under NIB merger	-	6,715	-	(557,079)	-	(5,336)	-	2,289,500
Closing balance	658	253,945	-	1,540,791	946	189,022	-	2,638,740
Provision held against advances	-	-	-	-	-	-	-	-
Other Assets								
Markup receivable	-	4,731	-	29,913	-	1,432	-	19,400
Advances, deposits, advance rent and other prepayments	-	150	86,579	633,281	-	3,089	52,008	589,676
Acceptances	-	-	-	25,387	-	-	-	34,871
Receivable from Pension Fund	-	-	-	3,815,170	-	-	-	5,990,537
Provision held against other assets	-	-	-	-	-	-	-	-
Borrowings								
Opening balance	-	-	-	993,755	-	-	-	936,788
Borrowings / exchange adjustment during the year	-	-	-	-	-	-	-	1,356,967
Settled during the year	-	-	-	(993,755)	-	-	-	(1,300,000)
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	993,755
Deposits and other accounts								
Opening balance	3,953,730	208,466	3,100,739	3,824,540	2,542,067	132,196	2,691,699	5,880,676
Received during the year	4,259,454	1,092,745	17,580,902	64,459,081	3,686,510	1,009,554	48,200,885	60,895,417
Withdrawn during the year	(4,457,255)	(1,121,818)	(16,985,487)	(64,891,958)	(2,274,847)	(947,553)	(47,791,845)	(62,951,553)
Transfer in / (out) - net	(10,472)	22,621	-	(146,256)	-	14,269	-	-
Closing balance	3,745,457	202,014	3,696,154	3,245,407	3,953,730	208,466	3,100,739	3,824,540
Other Liabilities								
Markup payable	32,342	282	15,968	38,354	12,586	113	8,175	23,142
Accrued expenses and other payable	7,409	55	82,805	11,551	14,851	-	52,146	19,236
Unrealized loss on forward foreign exchange contracts - outstanding	-	-	-	-	-	-	-	68,442
Contingencies and Commitments								
Commitments and contingent liabilities - outstanding	-	-	10,227	5,063,359	-	-	9,840	1,501,361
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	790,886	-	-	-	18,251,209
Forward purchase of government securities	-	-	-	8,739,500	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

RELATED PARTY TRANSACTIONS

	2018				2017			
	Directors	Key Management Personnel	Associates	Other Related Parties	Directors	Key Management Personnel	Associates	Other Related Parties
	(Rupees in '000)							
Income								
Markup / return / interest earned	38	15,458	-	142,545	540	9,318	-	84,814
Fee and commission income	-	21	1,109,700	136,272	-	-	929,674	83,736
Dividend income	-	-	-	43,701	-	-	-	73,876
Foreign exchange income	-	-	-	206,723	-	-	-	213,322
Net gain on sale of securities	-	0	53	46,195	-	-	48	5,127
Gain on sale of fixed assets	-	85	-	156,400	-	36	-	-
Rent income and reimbursement of other expenses	-	-	3,679	49,719	-	-	3,341	49,691
Management fee and Advisory income	-	-	-	653,353	-	-	-	712,147
Expense								
Markup / return / interest expensed	213,722	30,629	98,218	252,549	105,126	2,571	69,138	164,595
Other Operating expenses								
Clearing expenses paid to NIFT	-	-	-	145,508	-	-	-	136,080
Contribution to provident fund	-	-	-	469,967	-	-	-	355,375
Rent expenses	-	-	-	53,739	-	-	4,656	52,640
Cash sorting expenses	-	-	-	157,249	-	-	-	96,648
Stationery expenses	-	-	-	234,318	-	-	-	185,132
Security guards expenses	-	-	-	446,267	-	-	-	429,425
Remuneration to key executives and non-executive directors fee	143,791	687,539	-	-	179,676	558,255	-	-
Outsourcing service expenses	-	-	264,691	-	-	-	178,818	-
Donation during the year	-	-	-	-	-	-	-	5,000
E-dividend processing fee and CDC charges	-	-	-	5,816	-	-	-	35,491
Travelling and hotel stay Expenses	-	-	-	49,247	-	-	-	24,949
Repair & Maintenance Charges	-	-	-	1,726	-	-	-	4,012
Miscellaneous expenses and payments	-	900	-	4,817	740	-	-	3,263
Sharia Fee Paid	-	-	-	3,595	-	-	-	4,050
Insurance premium-net of refund	-	-	554,703	95,995	-	-	563,067	36,139
Insurance claim settled	-	-	280,532	-	-	-	13,110	-
Other Transactions								
Proceeds from sale of fixed assets	2,503	3,216	-	425,000	-	68	-	-
Sale of government securities	-	36,452	4,611,381	296,705,958	-	-	6,568,012	54,507,456
Purchase of government securities	-	27,486	6,699,290	297,767,019	-	-	5,535,578	41,411,268
Forward exchange contracts matured during the year	-	-	-	104,091,795	-	-	-	70,895,322
Insurance premium paid on behalf of related party	-	-	12,912	-	-	-	-	-
Reimbursement of Insurance premium paid on behalf of a related party	-	-	-	12,912	-	-	-	-
Insurance claim received on behalf of related party	-	-	333	-	-	-	-	-
Insurance claim paid to related party	-	-	-	333	-	-	-	-
Dividend received	-	-	140,000	-	-	-	302,497	-

The chairman has been provided with free use of the Bank maintained car. The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2018	2017
	(Rupees in '000)	
44.1 Capital Adequacy		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,850,600	11,850,600
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	125,999,355	130,830,150
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	125,999,355	130,830,150
Eligible Tier 2 Capital	17,503,483	19,426,904
Total Eligible Capital (Tier 1 + Tier 2)	143,502,838	150,257,054
Risk Weighted Assets (RWAs):		
Credit Risk	666,892,937	650,341,111
Market Risk	59,642,582	150,163,491
Operational Risk	116,673,450	118,811,771
Total	843,208,969	919,316,374
Common Equity Tier 1 Capital Adequacy ratio	14.94%	14.23%
Tier 1 Capital Adequacy Ratio	14.94%	14.23%
Total Capital Adequacy Ratio	17.02%	16.34%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid up capital (net of losses) for all locally incorporated banks of Rs. 10 billion. The paid up capital of the Bank for the year ended December 31, 2018 stood at Rs. 11.851 billion and is in compliance with the SBP requirements. Further, under Basel III instructions, banks are required to maintain minimum Capital Adequacy Ratio (CAR) of 11.90% (including 1.90% capital conservation buffer), Common Equity Tier 1 (CET 1) ratio of 6.0% and Tier 1 ratio of 7.50% as at December 31, 2018. The Bank is fully compliant with prescribed ratios.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under comprehensive approach.

	2018	2017
	(Rupees in '000)	
44.2 Leverage Ratio (LR):		
Eligible Tier-1 Capital	125,999,355	130,830,150
Total Exposures	1,927,024,025	1,739,400,339
	6.54%	7.52%
44.3 Liquidity Requirements		
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	625,831,686	618,215,949
Total Net Cash Outflow	355,738,136	321,109,281
Liquidity Coverage Ratio	175.92%	192.53%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	952,851,382	839,957,166
Total Required Stable Funding	730,504,652	654,386,866
Net Stable Funding Ratio	130.44%	128.36%

The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time is available at:
<https://www.mcb.com.pk/investor-relations/capital-adequacy-statements>

45 RISK MANAGEMENT

Risk is an inherent part of banking business activities. The risk management framework and governance structure at Group helps to mitigate and counter any foreseeable risk in its various lines of business. Risk awareness forms an integral part of strategic and operational activities of risk management. Through its risk management policy the Group sets the best course of action under uncertainty by identifying, prioritizing, mitigating and monitoring risk issues, with the goal of enhancing shareholders' value. Group's risk management structure is based on the following five guiding principles:

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

Keeping in view dynamics of internal and external environment, the Group regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Group executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM&PRC), the senior management and its relevant committees, i.e. the Management Credit and Risk Committee (MC&RC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring processes which are closely aligned with the activities of the Group. The framework combines core policies, procedures and process designs with broad oversight and is supported by an efficient monitoring mechanism across the Group to ensure that risks are kept within an acceptable level.

The Group ensures that not only the relevant risks are identified but their implications are also considered and basis provided for managing and measuring the risks. Through Internal Control units, the Group ensures that effective controls are in place to mitigate each of the identified risk.

Independent from business groups, Head of Risk Management reports functionally to the Risk Management & Portfolio Review Committee (RM&PRC) and administratively to the President; the RM&PRC convenes regular meetings to evaluate bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Risk Management Policy Formulation
- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management
- IT Risk Management

Keeping in view the international best practices and SBP requirements, Board of Directors of the Group has approved a Risk Appetite Statement, which takes into account quantitative and qualitative risk indicators, covering target ratios, credit, market, operational, liquidity and business risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.1 Credit Risk

Credit risk arises from Group's dealings with individuals, corporate borrowers, financial institutions, sovereigns etc. The Group is exposed to credit risk through its lending and investment activities. Credit risk makes up the largest part of the Group's exposure and it stems from Group's both on and off-balance sheet activities. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Group provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.

The Group has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Group has developed rating systems and all its borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, Probability Default based internal credit risk rating (ICRR) system based on the statistical modeling and validation in line with Basel principles. The revamped ICRR is currently focused on Corporate Commercial and Corporate Large customer categories. The Internal Credit Risk Rating Model for rating of SME Customers has also been revamped to achieve more accurate results and to improve the quality of credit decisions.

In order to manage Group's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Group from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Group's Credit Risk Control is responsible for performing following activities:

- Credit disbursement authorization
- Collateral coverage and monitoring
- Compliance of loan covenants/ terms of approval
- Maintenance/ custody of collateral and security documentation
- Credit Risk Limit Controls

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Group manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulations.

The Group creates specific provision against Non-Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans and Small enterprise (SEs) made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Please refer note No. 10.4 for reconciliation of changes in specific and general provisions.

Management of Non Performing Loans

The Group has a Assets Rehabilitation Group (ARG), which is responsible for management of non performing loans. ARG undertakes restructuring / rescheduling of problem loans, as well as litigation of both civil and criminal cases for collection of debt.

Stress Testing

Credit Risk stress testing is a regular exercise. Group's credit exposures including funded and non-funded facilities are subjected to stress tests. This exercise is conducted on a quarterly basis through assigning shocks to all assets of the Group and assessing its resulting affect on capital adequacy inline with SBP requirements.

45.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	1,198,704	619,028	-	-	-	-
Private	37,951,186	4,654,496	-	-	-	-
	39,149,890	5,273,524	-	-	-	-

45.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Construction	29,964	29,964	29,964	29,964	29,964	29,964
Electricity, gas, steam and air conditioning supply	498,643	262,089	-	-	-	-
Financials including government securities	731,116,604	624,427,702	118	118	118	118
Manufacture of cement	285,000	285,000	285,000	285,000	285,000	285,000
Manufacture of sugar	150,000	150,000	-	-	-	-
Manufacture of textiles	53,531	125,737	53,531	125,737	53,531	125,737
Power (electricity), Gas, Water, Sanitary	805,000	1,035,000	-	-	-	-
Telecommunications	1,508,015	116,550	114,747	116,550	114,747	116,550
Others	7,682	307,682	7,682	7,682	7,682	7,682
	734,454,439	626,739,724	491,042	565,051	491,042	565,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	721,291,216	616,561,218	-	-	-	-
Private	13,163,223	10,178,506	491,042	565,051	491,042	565,051
	734,454,439	626,739,724	491,042	565,051	491,042	565,051

45.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Agriculture, forestry and fishing	9,386,665	12,922,135	798,008	657,181	763,426	522,573
Construction	22,685,213	18,175,825	343,453	373,510	339,991	349,240
Electricity, gas, steam and air conditioning supply	45,349,612	37,827,906	381,282	384,221	379,485	382,424
Electronics and electrical appliances	6,058,899	6,359,320	119,040	107,559	113,320	101,839
Financials	15,525,588	14,296,871	741,551	777,469	739,169	777,469
Footwear and Leather garments	3,604,384	3,575,940	179,687	200,531	179,292	200,113
Human health and social work activities	4,258,217	5,599,076	52,395	76,874	37,025	48,314
Individuals	41,591,645	34,111,686	4,320,944	4,116,200	4,002,049	3,935,588
Manufacture of basic metals and metal products	14,349,676	12,421,426	2,193,872	2,318,177	2,190,086	2,314,017
Manufacture of cement	15,290,708	7,015,203	392,862	392,862	392,862	392,862
Manufacture of chemicals and chemical and pharmaceutical products	41,436,107	42,567,285	376,631	335,998	366,010	316,468
Manufacture of coke and refined petroleum products	22,581,791	19,697,260	361,167	288,215	360,551	287,599
Manufacture of food & beverages products	53,415,267	50,163,111	3,233,140	3,498,986	3,169,855	3,467,137
Manufacture of machinery, equipment and transport Equipment	2,245,534	915,854	474,815	527,872	456,142	463,445
Manufacture of rubber and plastics product	4,793,034	2,434,304	711,653	49,119	428,762	46,298
Manufacture of sugar	38,979,252	34,711,031	2,483,424	2,527,266	1,843,056	2,446,248
Manufacture of textiles	82,724,853	78,174,115	13,854,193	13,845,711	13,210,706	13,612,889
Mining and quarrying	2,510,868	280,377	10,078	2,920	10,013	2,349
Manufacturing of Pulp, Paper, Paperboard	4,170,766	4,356,005	261,677	273,789	232,751	244,413
Ship Breaking	9,207,374	7,025,143	3,040,220	2,968,619	3,040,220	2,968,619
Services	10,835,172	13,287,979	1,135,283	1,588,028	1,030,585	1,508,513
Telecommunications	17,945,996	21,269,227	57,304	77,215	52,791	72,703
Transportation and storage	67,628,034	61,732,003	507,773	593,241	402,386	486,007
Wholesale and retail traders	45,923,376	42,959,954	12,117,336	11,732,252	7,448,877	8,691,481
Others	27,530,614	14,792,665	818,526	1,039,534	754,857	949,036
	610,028,645	546,671,701	48,966,314	48,753,349	41,944,267	44,587,644

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	101,279,217	95,250,585	639,826	639,824	639,825	639,825
Private	508,749,428	451,421,116	48,326,488	48,113,525	41,304,442	43,947,819
	610,028,645	546,671,701	48,966,314	48,753,349	41,944,267	44,587,644

45.1.4 Contingencies and Commitments

Credit risk by industry sector

	2018	2017
	(Rupees in '000)	
	2018	2017
Agriculture, forestry and fishing	929,975	1,335,665
Construction	34,658,187	19,214,476
Electricity, gas, steam and air conditioning supply	5,513,067	14,088,662
Electronics and electrical appliances	2,263,031	2,442,979
Financials	345,910,620	233,265,696
Footwear and Leather garments	316,345	666,488
Human health and social work activities	804,687	251,751
Individuals	8,758,774	11,913,597
Manufacture of basic metals and metal products	6,846,779	7,726,774
Manufacture of cement	2,367,858	6,990,372
Manufacture of chemicals and chemical and pharmaceutical products	20,291,122	13,208,443
Manufacture of coke and refined petroleum products	3,951,612	5,726,433
Manufacture of food & beverages products	13,378,114	15,172,508
Manufacture of machinery, equipment and transport Equipment	8,228,640	3,100,068
Manufacture of rubber and plastics product	1,391,038	1,574,827
Manufacture of sugar	4,202,367	3,298,893
Manufacture of textiles	18,738,315	17,012,186
Mining and quarrying	96,453	47,025
Manufacturing of Pulp, Paper, Paperboard	1,099,265	365,070
Ship Breaking	2,269,451	90,964
Services	61,467,471	53,387,208
Telecommunications	16,839,614	16,424,642
Transportation and storage	5,881,808	3,351,533
Wholesale and retail traders	15,194,470	17,919,890
Others	18,717,107	8,355,459
	600,116,170	456,931,609

Credit risk by public / private sector	2018	2017
	(Rupees in '000)	
	2018	2017
Public/ Government	146,299,566	82,756,282
Private	453,816,604	374,175,327
	600,116,170	456,931,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.1.5 Concentration of Advances

The Group top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 233,522.506 million (2017: Rs. 205,291.895 million) are as following:

	2018 (Rupees in '000)	2017
Funded	91,638,103	109,885,020
Non Funded	141,884,403	95,406,875
Total Exposure	233,522,506	205,291,895

The sanctioned limits against these top 10 exposures aggregated to Rs 281,681.726 million (2017: 267,059.555 million)

There is no provision against these top 10 exposures.

45.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2018						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	(Rupees in '000)						
Punjab	372,960,844	345,921,241	22,641,215	4,093,581	4,078	280,581	20,149
Sindh	211,768,605	10,961,509	182,220,207	3,187,372	12,250,912	3,148,604	-
KPK including FATA	4,323,059	-	-	4,292,846	-	30,214	-
Balochistan	4,136,754	-	-	-	4,136,754	-	-
Islamabad	47,244,116	1,881,845	-	2,363,815	-	42,880,915	117,542
AJK including Gilgit-Baltistan	460,785	-	-	-	-	-	460,783
Total	640,894,163	358,764,595	204,861,422	13,937,614	16,391,744	46,340,314	598,474

Province/Region	2017						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	(Rupees in '000)						
Punjab	330,336,997	302,635,883	21,614,202	553,867	-	5,533,045	-
Sindh	181,670,550	11,760,862	161,405,117	1,521,422	6,757,105	221,390	4,654
KPK including FATA	4,857,245	83	1,842	4,855,320	-	-	-
Balochistan	2,583,904	-	-	-	2,583,904	-	-
Islamabad	50,292,027	5,737,068	-	1,314,562	-	43,240,397	-
AJK including Gilgit-Baltistan	464,339	-	-	-	-	-	464,339
Total	570,205,062	320,133,896	183,021,161	8,245,171	9,341,009	48,994,832	468,993

45.2 Market Risk

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. MCB is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign Exchange Group and the Capital Market Division. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes Group to interest rate risk, foreign exchange risk and equity price risk.

The Group's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, Management Credit and Risk Committee, ALCO and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk function works in close partnership with the business segments to identify and monitor market risks throughout the Group and to define market risk policies and procedures. Market Risk seeks to facilitate efficient risk/return management decisions, reduce volatility in operating performance and provide transparency into the Group's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

In line with regulatory requirements, MCB has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Grouping Book and are treated as per SBP requirements.

The Group measures and manages Market Risk by using different risk parameters with combinations of various limits. A specific Board approved Market Risk Limit Policy provides guidelines for assuming controlled market risk, its monitoring and management. The approved Limits are compared with the numbers generated by the market risk management system based on the trading activity and the outstanding positions.

Besides conventional methods, the Group also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its treasury and capital market groups. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon.

A framework of stress testing, scenario analysis and reverse stress tests covering both Grouping and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by senior management and also reported to the SBP.

The Group is also exposed to interest rate risk both in trading and Grouping books. Risk parameters along with the marked to market values of government securities held by the Group's treasury are generated on daily basis. The risk parameters include duration, PVBP, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	110,165,006	-	110,165,006	109,462,902	-	109,462,902
Balances with other banks	13,338,117	-	13,338,117	7,348,882	-	7,348,882
Lendings to financial institutions	39,149,890	-	39,149,890	5,273,524	-	5,273,524
Investments	40,197,458	714,188,317	754,385,775	38,374,765	621,695,481	660,070,246
Advances	566,792,265	-	566,792,265	500,965,801	-	500,965,801
Fixed assets	43,789,201	-	43,789,201	41,391,887	-	41,391,887
Intangible assets	1,194,657	-	1,194,657	1,173,561	-	1,173,561
Other assets	56,395,096	-	56,395,096	63,805,253	-	63,805,253
	871,021,690	714,188,317	1,585,210,007	767,796,575	621,695,481	1,389,492,056

45.2.2 Foreign Exchange Risk

Foreign exchange risk exposes the Group to changes in the values of current holdings and future cash flows denominated in currencies other than home currency due to the exchange rate fluctuation and volatility. The types of instruments exposed to this risk include investments in foreign branches, foreign currency-denominated loans, foreign currency-denominated deposits, future cash flows in foreign currencies arising from foreign exchange transactions, etc.

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

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

	2018				2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	29,147,140	54,998,521	26,118,156	266,775	37,157,343	42,132,440	2,867,376	(2,107,721)
Sri Lankan Rupees	(364,982)	-	171,106	(193,876)	20,799,971	20,812,534	4,081,628	4,069,065
Arad Emirates Dirham	(116,907)	-	-	(116,907)	16,096,532	15,944,630	(6,012)	145,890
Euro	709,714	5,412,390	4,639,790	(62,885)	986,754	5,680,061	4,594,953	(98,354)
Great Britain Pound Sterling	785,034	6,431,110	5,667,817	21,741	30,357	95	(1,785)	28,477
Japanese Yen	(90,824)	136	103,369	12,410	1,422,161	5,850,621	4,397,825	(30,635)
Other currencies	76,593	-	25,692	102,285	633,556	313,362	(131)	320,063
	30,145,769	66,842,157	36,725,930	29,542	77,126,674	90,733,743	15,933,854	2,326,785

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on - Profit and loss account	4,275	4,199	4,005	4,005

45.2.3 Equity position Risk

Group's proprietary positions in the equity instruments exposes it to the equity price risk in its trading and Grouping books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR analysis and stress testing of the equity portfolio are also performed and reported to senior management on daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index using certain assumptions. In addition to this Stress Testing, historical scenario analysis on Equities is also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

	2018		2017	
	AFS	HFT	AFS	HFT
	(Rupees in '000)			
Impact of 5% change in equity prices on - Profit and loss account	-	52,421	-	20,861
- Other comprehensive income	899,642	-	1,085,907	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.2.4 Yield / Interest Rate Risk-Base II Specific

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on settlement date.

The increase / (decrease) in earnings due to change in the interest rate is as follows:

	2018					2017				
	Banking book	Trading book	Banking book	Trading book	Banking book	Trading book	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on										
- Profit and loss account										
- Other comprehensive income										
	2,726,872			1,514,828				2,231,582		3,302,371

The Group has classified Available for Sale investments as Trading in Base-II.

45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/ Interest rate	Total	2018										Non-interest bearing financial instruments		
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Exposed to Yield/ Interest risk					Above 10 Years			
						Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years				
Assets														
Cash and balances with treasury banks	110,165,006	9,466,493	-	-	-	-	-	-	-	-	-	-	-	100,698,513
Balances with other banks	13,338,117	3,380,508	277,724	-	-	-	-	-	-	-	-	-	-	9,679,885
Lending to financial institutions	39,149,890	39,149,890	-	-	-	-	-	-	-	-	-	-	-	-
Investments	754,385,775	486,925,985	126,401,835	15,156,060	38,431,913	15,658,777	15,485,864	10,071,227	24,400,414	2,576,565	4,850,422	11,094,457	36,208,613	24,400,414
Advances	560,166,475	472,802,593	34,815,145	17,437,286	7,613,696	2,160,107	3,744,873	3,071,331	11,094,457	2,576,565	4,850,422	11,094,457	36,208,613	11,094,457
Other assets	1,515,413,876	991,325,469	161,494,704	59,890,986	22,769,756	40,592,020	19,403,650	18,557,195	12,647,792	4,850,422	4,850,422	184,081,882	184,081,882	184,081,882
Liabilities														
Bills payable	17,003,272	-	-	-	-	-	-	-	-	-	-	-	-	17,003,272
Borrowings	223,216,115	185,653,984	12,925,968	8,853,187	699,729	1,402,299	1,749,982	3,097,690	6,722,877	986,116	-	-	-	2,116,519
Deposits and other accounts	1,122,306,535	624,092,239	24,571,735	16,895,047	23,460,911	2,422,004	2,237,823	986,116	-	-	-	-	-	427,627,658
Subordinated debt	3,691,019	-	-	3,691,019	-	-	-	-	-	-	-	-	-	-
Other liabilities	54,382,490	54,382,490	-	-	-	-	-	-	-	-	-	-	-	54,382,490
	1,420,779,431	809,746,223	37,497,723	29,642,253	24,160,640	3,824,303	3,981,785	4,093,808	6,722,877	14,463,387	4,850,422	501,109,719	501,109,719	
	94,634,445	181,579,246	123,996,981	30,048,733	(1,390,864)	36,767,717	15,421,865	14,463,387	5,924,815	4,850,422	4,850,422	(317,027,837)	(317,027,837)	
On-balance sheet gap														
Off-balance sheet financial instruments														
FX options purchase	1,378,370	523,732	756,090	98,548	-	-	-	-	-	-	-	-	-	-
Forward purchase of Government securities	13,660,947	13,660,947	-	-	-	-	-	-	-	-	-	-	-	-
Cross Currency Swaps purchase	4,098,814	207,483	-	-	-	1,526,885	1,209,227	1,084,219	-	-	-	-	-	-
Interest Rate Swaps purchase	316,500	-	-	-	-	316,500	-	-	-	-	-	-	-	-
Foreign exchange contracts Purchase	128,872,293	63,760,412	34,611,958	27,979,158	520,765	1,684,120	1,209,227	1,084,219	-	-	-	-	-	-
	146,254,924	78,152,574	35,368,048	28,077,706	520,765	1,842,385	1,209,227	1,084,219	-	-	-	-	-	-
FX options sale														
Forward sale of Government securities	1,378,370	523,732	756,090	98,548	-	-	-	-	-	-	-	-	-	-
Cross Currency Swaps sale	14,274,714	14,274,714	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts Sale	4,185,049	207,483	-	-	-	1,684,120	1,209,227	1,084,219	-	-	-	-	-	-
	110,184,930	54,242,406	21,372,858	27,762,429	1,975,033	1,684,120	1,209,227	1,084,219	-	-	-	-	-	-
Off-balance sheet gap														
	36,069,994	23,910,168	13,238,100	21,672,99	(1,454,288)	158,265	1,209,227	1,084,219	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap														
	205,489,414	137,236,081	342,725,495	372,990,957	370,145,805	407,071,787	422,493,659	436,957,038	442,881,854	4,850,422	4,850,422	447,792,276	447,792,276	
Cumulative Yield/Interest Risk Sensitivity Gap														
	205,489,414	137,236,081	342,725,495	372,990,957	370,145,805	407,071,787	422,493,659	436,957,038	442,881,854	4,850,422	4,850,422	447,792,276	447,792,276	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Effective Yield/Interest rate	Total	Exposed to Yield/Interest risk										Above 10 Years	Non-interest bearing financial instruments		
		2017													
		Up to 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	Over 10 Years					
		(Rupees in '000)													
		On-balance sheet financial instruments													
		Assets													
		109,462,902	6,964,134	-	-	-	-	-	-	-	-	-	-	-	102,498,768
0.37%		7,348,882	1,914,382	-	-	-	-	-	-	-	-	-	-	-	5,434,500
0.32%		5,273,524	233,936,534	30,241,527	70,402,828	59,425,727	26,031,477	41,194,066	3,715,859	-	-	-	-	-	-
4.16%		660,070,246	401,765,231	11,123,754	5,922,207	2,963,391	4,441,575	11,613,376	10,715,502	4,990,927	-	-	-	-	32,197,191
7.10%		496,452,711	34,148,396	-	-	-	-	-	-	-	-	-	-	-	1,926,802
6.80%		1,312,756,661	578,842,308	274,926,480	41,365,281	62,389,118	30,473,052	52,807,442	14,431,361	4,990,927	-	-	-	-	34,148,396
		22,994,877	-	-	-	-	-	-	-	-	-	-	-	-	22,994,877
5.14%		140,462,138	95,985,369	16,703,929	6,937,734	6,740,120	-	-	-	-	-	-	-	-	1,270,920
2.51%		1,001,146,162	554,544,080	13,758,172	24,724,251	2,242,536	1,179,924	1,358,753	-	-	-	-	-	-	386,004,272
7.12%		45,613,372	-	3,892,578	-	-	-	-	-	-	-	-	-	-	-
		1,214,109,127	650,529,469	34,038,103	30,474,796	8,982,656	1,179,924	1,358,753	-	-	-	-	-	-	45,613,372
		98,647,534	(71,687,161)	240,888,377	10,890,485	53,406,462	29,283,128	51,446,689	14,431,361	4,990,927	-	-	-	-	455,883,441
		865,718	341,337	401,018	123,363	-	-	-	-	-	-	-	-	-	-
		7,000,000	7,000,000	-	-	-	-	-	-	-	-	-	-	-	-
		1,510,582	-	-	207,603	207,484	1,095,485	-	-	-	-	-	-	-	-
		316,500	40,744,722	18,880,209	289,358	-	316,500	-	-	-	-	-	-	-	-
		85,637,860	48,086,059	26,114,559	496,961	207,484	1,411,395	-	-	-	-	-	-	-	-
		865,718	341,337	401,018	123,363	-	-	-	-	-	-	-	-	-	-
		1,721,562	30,698,264	25,847,367	17,147,579	207,484	1,306,475	-	-	-	-	-	-	-	-
		75,559,527	31,039,601	26,248,385	17,270,942	123,611	60,940	-	-	-	-	-	-	-	-
		78,146,807	17,046,488	(133,796)	1,742,630	(123,611)	44,580	-	-	-	-	-	-	-	-
		17,183,853	17,046,488	(133,796)	1,742,630	(123,611)	44,580	-	-	-	-	-	-	-	-
		(54,640,703)	240,754,581	12,633,115	43,270,642	53,282,851	29,337,709	51,446,689	14,431,361	4,990,927	-	-	-	-	-
		186,113,878	198,746,983	242,017,635	295,300,486	324,638,194	376,066,883	390,518,244	395,509,171	-	-	-	-	-	-
		(54,640,703)	186,113,878	198,746,983	242,017,635	295,300,486	324,638,194	376,066,883	390,518,244	395,509,171	-	-	-	-	-
		1,585,210,007	1,389,492,056												
		6,625,790	4,513,030												
		43,789,201	41,391,897												
		1,194,657	1,173,561												
		18,186,483	29,656,857												
		69,796,131	76,735,395												
		1,515,413,876	1,312,756,661												
		1,433,887,128	1,232,948,975												
		11,124,552	13,178,775												
		1,983,145	5,661,073												
		13,107,697	18,639,848												
		1,420,729,431	1,214,103,127												

Also disclose reconciliation of financial assets with total assets and liabilities.

Reconciliation to total assets	2018		2017	
	(Rupees in '000)		(Rupees in '000)	
Balance as per balance sheet	1,585,210,007	1,389,492,056	1,433,887,128	1,232,948,975
Less: Non financial assets	6,625,790	4,513,030	11,124,552	13,178,775
Islamic financing and related assets	43,789,201	41,391,897	1,983,145	5,661,073
Fixed assets	1,194,657	1,173,561	-	-
Intangible assets	18,186,483	29,656,857	-	-
Other assets	69,796,131	76,735,395	-	-
Total financial assets	1,515,413,876	1,312,756,661	1,420,729,431	1,214,103,127
Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.				
Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.				

Reconciliation to total liabilities

Balance as per balance sheet
Less: Non financial liabilities
Other liabilities
Deferred tax liability
Total financial liabilities

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Group's operational risk management framework, as laid down in the operational risk policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Group. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

Operational Risk Management helps the Group understand risks and improve mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Group. Going forward, the Group will further strengthen its risk function, policies and procedures to facilitate operations and improve quality of assets to safeguard interest of depositors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.3.1 Operational Risk- Disclosures Base II Specific

Currently, the Group is reporting operational risk capital charges under Basic Indicator Approach (BIA). However, the Group took a number of initiatives with respect to operational risk management. The parallel run approval for Alternative Standardized Approach (ASA) was accorded by SBP. The Group will initiate further steps for improvement Operational Risk management in the Group.

Operational loss data pertaining to key risk events is also collected on Group-wide basis. Operational Risk Management Software (ORMS) has been developed in-house in line with the regulatory requirements, which has enhanced Group's capability to capture and report operational risk events in a more systematic way. The software is also capable of periodical regulatory and management reporting. Periodic review and analysis is prepared for senior management and Risk Management and Portfolio Review Committee (RM&PRC) of the Board. The report covers the significant risk events with root cause analysis and recommendations for further improvements.

45.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Group understands that liquidity does not come for free, and a viable liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Liquidity is essential to the ability to operate financial services businesses and, therefore, the ability to maintain surplus levels of liquidity through economic cycles is crucial, particularly during periods of adverse conditions. Liquidity management is among the most important activities that the MCB conducts during both normal and stress periods. MCB recognizes that liquidity risk can arise from the Group's activities and can be grouped into three categories:

- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

Liquidity Management

The Asset Liability Management Committee of the Group has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Groups' liquidity under normal and stress scenarios. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. Group's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing, to ensure effective and timely decision making.

Group's liquidity risk management framework is designed to identify measure and manage in a timely manner the liquidity risk position of the Group. The underlying policies and procedures include: Risk Management policy, Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy and Limit Structure which are reviewed and approved regularly by the senior management/Board members. Moreover, the Group also prepares a Contingency Funding Plan (CFP) to address liquidity issues in time of stress/crisis situation containing early warning indicators to pre-empt unforeseen liquidity crises. Group conducts Liquidity Risk Analysis on regular basis as well as Maturity of gaps are also reviewed in order to ensure diversification in terms of tenors. Group's liquidity Risk Policy envisages to protect the Group's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying/quantifying and ranking all sources of funding preferences, such as reducing/gasets, modifying or increasing liability structure; and using other alternatives for controlling statement of financial position changes. MCB performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Group under both idiosyncratic and systemic market stress conditions. Group's liquidity risk management approach involves intraday liquidity management, managing funding sourced and evaluation of structural imbalances in balance sheet structure.

Intraday Liquidity Management

Intraday liquidity management is about managing the daily payments and cash flows. Group has policies to ensure that sufficient cash is maintained during the day to make payments through local payment system. The policy of the Group is to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet obligations, repay depositors and fulfil commitments.

Managing Funding Sources

Managing funding sources, as per policy/Group maintain a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash flows for meeting unexpected liquidity requirement. As a part of liquidity management Group maintains borrowing relationships to ensure the continued access to diverse market of funding sources. Group's sound credit rating together with excellent market reputation has enabled Group to secure ample call lines with local and foreign Groups. The level of liquidity reserves as per regulatory requirements also mitigates risks. Group's investment in marketable securities is much higher than the Statutory Liquidity requirements.

45.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

	2018													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets														
Cash and balances with treasury banks	110,165,006	110,165,006	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	13,338,117	13,338,117	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	39,149,890	5,043,406	32,972,246	1,134,138	127,822,467	8,790,673	38,624,500	11,685,825	5,508,183	43,184,365	20,120,086	19,808,124	26,071,114	
Investments	754,385,775	1,415,440	337,281,298	2,340,221	41,017,024	49,383,687	68,833,747	41,908,667	24,113,553	50,099,142	47,653,125	44,826,582	45,602,321	
Advances	566,792,265	117,978,845	11,937,006	4,515,142	176,024	311,417	935,113	937,659	938,658	2,253,979	2,202,397	2,109,194	33,379,542	
Fixed assets	43,789,201	109,122	57,964	67,625	176,024	29,357	88,072	88,072	88,072	213,867	96,532	443,639	65,515	
Intangible assets	1,194,657	27,795	4,260	4,971	15,692	29,313	685,797	576,506	486,715	712,463	96,893	96,893	265,555	
Deferred tax assets	4,213,929	6,796	103,740	3,970	13,032	152,178	2,151,240	4,337,554	3,828,545	3,423,885	925,700	8,077,379	96,893	
Other assets	56,350,936	1,749,407	2,875,490	2,970,521	6,910,723	10,182,105	2,151,240	2,151,240	3,828,545	3,423,885	925,700	8,077,379	96,893	
	1,589,429,936	249,953,934	385,212,104	9,541,241	177,271,102	140,886,839	113,326,459	59,154,233	94,923,736	100,097,910	71,710,933	73,326,011	105,384,047	
Liabilities														
Bills payable	17,003,272	566,776	3,400,654	3,967,430	9,068,412	9,068,412	9,903,267	442,272	298,228	1,483,842	1,825,505	3,260,776	6,722,977	
Borrowings	223,216,115	6,878,461	171,466,060	3,480,142	1,965,027	8,447,017	17,389,983	12,232,954	12,431,591	2,454,401	2,284,737	1,002,918	1,002,918	
Deposits and other accounts	1,122,306,535	1,016,523,012	7,920,483	4,372,404	15,084,901	15,130,985	13,509,166	779	779	1,558	1,558	3,886,345	3,886,345	
Subordinated debt	3,891,019	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	6,197,074	388	2,326	2,713	6,589	11,241	35,273	35,661	35,273	141,480	141,480	1,786,574	3,886,060	
Other liabilities	65,487,042	10,292,237	4,923,115	5,296,569	11,609,728	5,056,635	5,946,002	2,691,351	1,968,097	3,817,009	1,280,035	7,928,223	1,246,678	
	1,438,101,057	1,038,260,674	187,121,258	17,121,258	37,734,657	25,243,420	30,754,304	15,402,295	14,753,988	7,899,190	5,513,315	17,864,836	11,955,715	
Net assets	151,322,879	786,426,940	197,699,466	7,380,017	139,476,445	115,642,389	80,572,155	43,731,938	201,189,748	92,188,698	66,186,988	57,437,175	83,428,332	
Share capital	11,850,600													
Reserves	74,374,573													
Surplus on revaluation of assets	10,416,949													
Net profit/loss	53,971,079													
Unappropriated profit	151,322,879													

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

		2017												
		(Rupees in '000)												
Total		Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 Years
Assets														
Cash and balances with treasury banks	109,462,902													
Balances with other banks	7,348,882													
Lending to financial institutions	5,273,324	3,400,000	971,730	901,794	-	-	-	-	-	-	-	-	-	-
Investments	660,070,246	243,507	86,269,500	515,706	77,870,434	203,887,771	30,089,980	23,107,109	66,307,593	2,229,285	61,589,297	44,299,850	42,654,164	20,406,070
Advances	500,985,801	120,511,343	23,355,022	5,908,369	37,144,173	30,151,595	50,148,971	41,496,057	14,202,882	13,880,056	37,370,978	38,437,931	51,126,156	37,231,279
Fixed assets	41,391,887	8,101	45,596	56,685	143,734	257,118	257,113	775,953	775,571	774,887	2,246,941	2,023,936	2,046,576	31,976,666
Intangible assets	1,173,581	712	4,260	4,971	17,729	27,670	27,670	83,121	83,121	83,121	225,553	76,856	430,349	108,428
Deferred tax assets	3,524,718	-	-	-	4,708,334	8,401,486	11,597,625	1,950,713	3,524,718	-	3,397,952	2,888,877	10,278,537	-
Other assets	63,805,253	644,642	2,910,441	1,875,633	4,708,334	8,401,486	11,597,625	1,950,713	7,591,425	7,559,588	3,397,952	2,888,877	10,278,537	-
	1,383,016,774	241,620,089	113,559,549	9,264,157	119,884,404	242,725,640	98,121,339	67,412,853	93,985,310	24,526,937	104,830,721	87,727,450	106,535,792	89,722,443
Liabilities														
Bills payable	22,994,877	834,576	4,614,685	5,370,708	12,174,908	-	-	-	-	-	-	-	-	-
Borrowings	140,462,138	139,329	90,410,461	1,696,823	5,009,696	6,961,635	9,792,994	12,833,346	6,329,992	607,742	6,740,120	-	-	-
Deposits and other accounts	1,001,146,169	925,612,064	5,695,956	343,665	6,031,368	2,019,710	16,217,005	15,176,911	911,343	24,305,135	2,277,014	1,195,424	1,360,567	-
Subordinated debt	3,892,578	-	-	-	-	-	-	779	-	779	1,558	1,558	3,887,904	-
Deferred tax liabilities	9,185,791	8,102	7,890	9,066	1,713	4,529	25,295	44,060	743,989	50,840	397,789	278,688	1,500,471	6,113,389
Other liabilities	58,792,147	6,265,604	3,996,870	3,171,526	7,403,669	3,915,404	7,479,460	4,525,893	3,374,102	3,386,720	3,127,966	3,221,472	8,923,341	-
	1,236,473,693	932,859,675	104,725,892	10,591,778	30,821,954	12,901,278	35,454,754	32,581,089	11,359,406	28,351,216	12,544,467	4,697,142	15,672,283	6,113,389
Net assets	156,543,081	(691,239,586)	8,833,687	(1,327,621)	89,283,050	229,824,362	58,666,585	34,831,864	81,725,904	(3,824,279)	92,296,254	83,030,308	90,863,499	83,609,054
Share capital	11,850,600													
Reserves	71,027,912													
Surplus on revaluation of assets	17,736,093													
Non-controlling interest	707,407													
Unappropriated profit	55,221,069													
	156,543,081													

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

		2018									
		(Rupees in '000)									
	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	
Assets											
Cash and balances with treasury banks	110,165,006	110,165,006	-	-	-	-	-	-	-	-	-
Balances with other banks	13,338,117	13,338,117	-	-	-	-	-	-	-	-	-
Lending to financial institutions	39,149,890	39,149,890	-	-	-	-	-	-	-	-	-
Investments	754,385,775	467,987,454	120,652,884	38,678,902	17,329,972	43,322,583	20,258,305	19,946,343	20,460,967	5,748,365	-
Advances	566,792,265	96,527,149	57,212,873	52,149,075	52,341,015	84,863,663	83,534,348	82,208,915	48,465,501	9,489,726	-
Fixed assets	43,789,201	410,733	621,945	935,113	1,876,298	2,253,979	817,187	3,494,404	3,918,495	29,461,047	-
Intangible assets	1,194,657	52,716	58,671	88,072	176,145	213,367	96,532	443,639	65,515	-	-
Deferred tax assets	4,213,929	259,728	337,300	605,797	1,023,221	912,972	712,463	96,893	265,555	-	-
Other assets	56,395,096	14,106,144	19,404,679	2,151,240	8,366,069	3,423,685	925,700	8,017,579	-	-	-
	1,589,423,936	741,996,937	198,288,352	94,608,199	81,112,720	134,990,248	106,344,535	114,207,773	73,176,033	44,699,138	-
Liabilities											
Bills payable	17,003,272	17,003,272	-	-	-	-	-	-	-	-	-
Borrowings	223,216,115	185,789,690	13,489,558	9,903,267	740,500	1,483,842	1,825,505	3,260,776	6,722,977	-	-
Deposits and other accounts	1,122,306,535	85,853,399	70,963,497	80,450,988	81,525,858	241,785,623	241,615,957	236,485,752	79,777,074	3,846,387	-
Subordinated debt	3,891,019	-	-	779	779	1,557	1,557	3,886,348	-	-	-
Deferred tax liabilities	6,197,074	12,016	22,869	34,976	70,159	141,480	141,480	1,796,574	2,408,681	1,578,839	-
Other liabilities	65,487,042	32,123,649	10,995,098	3,456,002	4,659,448	3,817,909	1,260,035	7,928,223	1,246,678	-	-
	1,438,101,057	320,782,026	95,471,022	93,846,011	86,996,743	247,230,411	244,844,534	253,347,673	90,155,410	5,427,226	-
Net assets	151,322,879	421,214,911	102,817,330	762,188	(5,884,023)	(112,240,162)	(138,499,999)	(139,139,900)	(16,979,377)	39,271,912	-
Share capital	11,850,600										
Reserves	74,374,573										
Surplus on revaluation of assets	10,417,875										
Non-controlling interest	708,752										
Unappropriated profit	53,971,079										
	151,322,879										

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2017

	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
Assets (Rupees in '000)									
Cash and balances with treasury banks	109,462,902	-	-	-	-	-	-	-	-
Balances with other banks	7,348,882	-	-	-	-	-	-	-	-
Lending to financial institutions	5,273,524	-	-	-	-	-	-	-	-
Investments	660,070,246	232,922,302	23,107,109	70,189,616	61,589,298	44,299,850	42,654,163	15,949,831	4,456,239
Advances	500,965,801	68,929,356	33,000,648	18,491,616	73,413,946	75,034,430	87,015,708	41,651,107	7,835,354
Fixed assets	41,391,887	300,799	451,087	902,174	1,911,279	2,059,976	3,843,315	10,575,732	21,197,127
Intangible assets	1,173,561	55,340	83,121	166,242	225,553	76,856	430,349	108,428	-
Deferred tax assets	3,524,718	-	-	3,524,718	-	-	-	-	-
Other assets	63,805,253	19,999,111	1,950,713	15,151,013	3,397,952	2,888,877	10,278,537	-	-
Liabilities	1,393,016,774	392,206,908	58,592,678	108,425,379	140,538,028	124,359,989	144,222,072	68,285,098	33,488,720
Bills payable	22,994,877	-	-	-	-	-	-	-	-
Borrowings	140,462,138	16,703,929	12,824,046	6,937,734	6,740,120	-	-	-	-
Deposits and other accounts	1,001,146,162	64,309,976	71,859,289	46,014,975	224,835,302	223,753,713	226,818,274	74,669,333	1,449,709
Subordinated debt	3,892,578	-	779	779	1,557	1,557	3,887,906	-	-
Deferred tax liabilities	9,185,791	29,824	44,060	583,398	397,789	278,688	1,500,471	4,272,785	2,052,015
Other liabilities	58,792,147	20,837,669	4,525,993	6,760,822	3,127,986	3,221,472	8,923,341	-	-
Net assets	1,236,473,693	208,551,207	89,254,167	60,297,708	235,102,754	227,255,430	241,129,992	78,942,118	3,501,724
	156,543,081	184,346,695	(30,661,489)	48,127,671	(94,564,726)	(102,895,441)	(96,907,920)	(10,657,020)	29,986,996
Share capital	11,850,600								
Reserves	71,027,912								
Surplus on revaluation of assets	17,736,093								
Non-controlling interest	707,407								
Unappropriated profit	55,221,069								
	156,543,081								

Liquidity Gap Reporting

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity. Group regularly conducts an objective and systematic behavioral study using regression analysis technique to ascertain the maturity of its non-contractual assets and liabilities. Core and non-core parts of the non-contractual assets and liabilities are segregated through the behavioral study. Non Core part is placed among the short term maturity buckets i.e. up to 1 Year based on the model results, whereas core part is distributed among the longer terms buckets based on the discussion and decision by the ALCO. Following percentages are used to distribute the core assets and liabilities among longer term buckets:

Over 1 to 2	Over 2 to 3	Over 3 to 5	Over 5 to 10
30%	30%	30%	10%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45.5 Derivative Risk

Most business clients have either interest rate exposures arising from debt financing or currency exposures arising out of commercial transactions from import and export of goods. Businesses face the risk of sudden movements in interest rates or foreign exchange rates that may adversely affect their profitability. Group provides solutions to this problem through its derivatives desk in major types of derivative instruments i.e.; forwards, futures, swaps and options. As an Authorized Derivative Dealer (ADD), Group is an active participant in Derivative market and has flexibility in providing a broad range of derivatives products covering both hedging and market making to satisfy customers' needs. As an ADD, the Group offers derivative products which are permitted under the Financial Derivative Business Regulations (FDBR) or as permitted by the State Bank of Pakistan. Before executing Derivative transactions, the Group ensures that the clients understand the risk and reward associated with the derivative being offered. Derivative transactions are executed with appropriate clients only.

Risk management activities take place at the following different levels.

Strategic Level:

By senior management Assets and Liabilities Management Committee (ALCO), Management Credit and Risk Committee (MC&RC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Group-wide basis. The Board provides the overall limits/thresholds for derivatives business.

Macro Level

By Treasury and FX Group and Risk Management Group, responsible for policy formulation, procedure development and implementation, monitoring and reporting.

Micro Level:

Treasury Derivatives and Structured Product Desk where risks are actually created and Treasury Operations for settlements of the transactions.

Derivative Risk Management caters the following risks:-

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. In line with SBP's regulatory guidelines, Group hedges back-to-back all option transactions with other financial institutions. Group minimizes the exchange rate risk on its Cross Currency Swap Portfolio by hedging the exposure in intergroup market. Group also manages interest rate risk on its Interest Rate Derivatives and Cross Currency Swaps through various sensitivity limits approved by ALCO. Marked to market positions and sensitivity of the derivatives transactions are monitored on regular basis. All individual deals are approved at the appropriate level of authority after analyzing the risk and benefits associated with the deals.

Credit risk is a probable risk of loss resulting from customer's inability to meet contractual obligation that may have adverse impact on Group's profitability. Group manages the risk by setting policies and limits for counterparty based on a pre-defined criteria linked with financial health of the customer. The exposure of each counterparty is monitored by Risk Management Function of the Group on daily basis.

Considering small Derivative portfolio, Group is not exposed to any liquidity risk. However; Group manages its liquidity risk through Group's Liquidity Risk Policy which is defined in relevant Liquidity Risk Section.

Group has adequate system and controls for smooth execution of derivative transactions. Transactions are executed in line with well defined accounting and operational aspects to mitigate the operational risk. Policies and control functions are regularly reviewed on periodic basis. The Group uses a third party's Super Derivative System which provides front end sales and structuring capabilities, end to end valuation solutions, risk management systems, back end processing and provides analytical tools to measure various risk exposures and carry out sensitivity analysis.

The Group uses a third party's Super Derivative System which provides front end sales and structuring capabilities, end to end valuation solutions, risk management systems, back end processing and provides analytical tools to measure various risk exposures and carry out sensitivity analysis.

The goal of asset/liability management (ALM) is to properly manage the risk related to changes in interest rates, the mix of balance sheet assets and liabilities, the holding of foreign currencies, and the use of derivatives. Due to thin liquidity in the derivative market, interest rate derivatives are not actively used to manage/alter the interest rate risk profile of the Group.

Accounting policy has been disclosed in the note 5.

46 EVENTS AFTER THE REPORTING DATE

46.1 The Board of Directors in its meeting held on February 20, 2019 has announced a final cash dividend in respect of the year ended December 31, 2018 of Rs.4.00 per share (2017: Rs. 4.00 per share). These consolidated financial statements for the year ended December 31, 2018 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46.2 The Government has announced 4% Super tax for the Tax year 2018 (accounting year ended December 31, 2017) after year end though not yet approved. These consolidated financial statements for the year ended December 31, 2018 do not include the impact of Super tax announced for tax year 2018.

47 GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

Under BPRD circular No.2 dated January 25, 2018 'Revised Forms of Annual Financial Statements' comparative information has been reclassified, rearranged in these consolidated financial statements for the purposes of better presentation. However, no significant reclassifications have been made in these consolidated financial statements.

48 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Group in their meeting held on February 20, 2019.



Imran Maqbool
President/Chief Executive



Hammad Khalid
Chief Financial Officer



S. M. Muneer
Director



Muhammad Tariq Rafi
Director



Muhammad Ali Zeb
Director

Disposal of fixed assets (refer note 11.2.6)

Annexure - I

Description	Cost/ revalued amount	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal	Particulars of buyers	Location
Computers							
Laptop	87	87	-	9	As per Bank's policy	Zargham Khan Durani	Lahore
Laptop	117	112	5	17	As per Bank's policy	Salman Zafar Siddiqi	Lahore
Laptop	116	116	-	12	As per Bank's policy	Fida Ali Mirza	Lahore
Laptop	116	116	-	12	As per Bank's policy	Kamran Zaffar Muggo	Lahore
	435	430	5	49			
Vehicles							
Honda Civic	2,522	2,018	504	504	As per Bank's policy	Imran Maqbool	Lahore
Honda CRV	7,816	6,253	1,563	1,563	As per Bank's policy	Salman Zafar Siddiqi	Lahore
Honda CRV	7,816	6,253	1,563	1,563	As per Bank's policy	Muhtashim Ashai	Lahore
BMW 520	9,995	7,996	1,999	1,999	As per Bank's policy	Imran Maqbool	Lahore
	28,149	22,519	5,630	5,630			
Land and Building							
Bank House	270,892	2,292	268,600	425,000	Negotiation	Security General Insurance Company Limited	Karachi
	299,476	25,241	274,235	430,679			

MCB ISLAMIC BANK LIMITED (a subsidiary of MCB Bank Limited)

Annexure - II

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

MCB Islamic bank (the 'Bank') is operating 176 Islamic banking branches in Pakistan (December 31, 2017: 76 branches).

	Note	2018	2017 Restated	2016 Restated
(Rupees in '000)				
ASSETS				
Cash and balances with treasury banks		6,990,369	3,390,753	1,509,804
Balances with other banks		1,422,701	2,703,251	2,750,998
Due from financial institutions	1	4,675,000	1,400,000	-
Investments	2	12,713,954	9,186,213	5,769,675
Islamic financing and related assets	3	62,907,204	31,313,404	16,128,913
Fixed assets		2,619,980	2,136,975	1,728,933
Intangible assets		524,791	486,018	375,317
Deferred tax assets		751,065	289,465	-
Other assets		2,289,371	839,918	300,553
		94,894,435	51,745,997	28,564,193
LIABILITIES				
Bills payable		1,303,992	314,210	447,776
Due to financial institutions		7,800,628	7,926,790	2,785,650
Deposits and other accounts	4	73,307,185	32,690,808	14,279,436
Liabilities against assets subject to finance lease		-	-	-
Sub-ordinated debts		-	-	-
Deferred tax liabilities		-	-	40,524
Other liabilities		2,413,116	1,183,410	744,934
		84,824,921	42,115,218	18,298,320
NET ASSETS		10,069,514	9,630,779	10,265,873
REPRESENTED BY				
Share capital		11,200,000	10,000,000	10,000,000
Reserves		26,444	26,444	26,444
Surplus / (deficit) on revaluation of assets - net of tax		132,272	(201,600)	171,342
Accumulated loss	6	(1,289,202)	(194,065)	68,087
		10,069,514	9,630,779	10,265,873
CONTINGENCIES AND COMMITMENTS	7			

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2018**

The profit and loss account of the bank's branches for the year ended 176 (December 31, 2017: 76 branches).

	Note	2018 (Rupees in '000)	2017
Profit / return earned	8	4,208,875	2,060,927
Profit / return expensed	9	2,304,950	1,005,671
Net spread earned		1,903,925	1,055,256
OTHER INCOME			
Fee and commission income		162,245	46,325
Dividend income		58,031	84,593
Foreign exchange income		148,228	29,846
Gain / (loss) on securities		17,738	267,763
Other income		13,020	10,483
Total other income		399,262	439,010
Total income		2,303,187	1,494,266
OTHER EXPENSES			
Operating expenses		3,083,172	1,845,119
Workers welfare fund		-	-
Other charges		4,582	128
Total other expenses		3,087,754	1,845,247
Loss before provisions		(784,567)	(350,981)
Provisions / (reversal of provision) and write offs - net		895,646	(54)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(1,680,213)	(350,927)
Taxation		(584,231)	(87,930)
LOSS AFTER TAXATION		<u>(1,095,982)</u>	<u>(262,997)</u>

MCB ISLAMIC BANK LIMITED (a subsidiary of MCB Bank Limited)
NOTES TO THE FINANCIAL STATEMENTS

Annexure - II

	Note	2018			2017		
		local currency	foreign currencies	Total	local currency	foreign currencies	Total
1 DUE FROM FINANCIAL INSTITUTIONS							
(Rupees in '000)							
Unsecured Musharaka arrangements	1.1	4,675,000	-	4,675,000	1,400,000	-	1,400,000

1.1 This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 9.25% to 9.55% per annum (2017: 5.80% to 5.85% per annum) and are due to mature latest by January 2019.

2 INVESTMENTS

2.1 Investments by segments:	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
Federal Government securities								
GOP Ijarah Sukuks	8,366,893	-	(41,185)	8,325,708	5,630,497	-	911	5,631,408
WAPDA Sukuks	85,187	-	22	85,209	115,063	-	467	115,530
Bai Mu'ajjal	1,159,936	-	-	1,159,936	-	-	-	-
Shares								
Listed companies	1,831,580	881,903	(43,325)	906,352	1,981,675	-	(629,083)	1,352,592
Non Government securities								
Listed	1,159,000	-	4,367	1,163,367	1,164,000	-	2,267	1,166,267
Un listed	1,073,333	-	49	1,073,382	890,000	-	30,416	920,416
Total Investments	13,675,929	881,903	(80,072)	12,713,954	9,781,235	-	(595,022)	9,186,213

2.2 There were no investment given as collateral as at December 31, 2018 (2017: Nil).

2.3 Provision for diminution in value of investments	2018	2017
	(Rupees in '000)	
Opening balance	-	-
Charge for the year	881,903	-
Closing balance	<u>881,903</u>	<u>-</u>

3 ISLAMIC FINANCING AND RELATED ASSETS - NET	Note	2018 (Rupees in '000)	2017
Murabaha	3.1	17,097,127	9,954,763
Ijarah		4,269,903	1,623,509
Istisna		1,793,878	100,000
Salam		4,118	-
Running Musharaka		19,441,575	8,815,983
Diminishing Musharaka		19,057,417	10,151,508
Staff finance		1,258,046	668,860
Islamic financing and related assets - gross		62,922,064	31,314,623
Less: Provision against non-performing Islamic financing and related assets			
- Specific		(758)	(729)
- General		(14,102)	(490)
		(14,860)	(1,219)
Islamic financing and related assets - net of provisions		62,907,204	31,313,404
3.1 Murabaha			
- Murabaha financing	3.1.1	7,334,021	4,701,604
- Murabaha inventory		6,625,790	4,513,090
- Advances against Murabaha financing		3,056,316	639,569
- Murabaha financing under Islamic export refinance scheme		-	100,500
- Advances against Murabaha financing under Islamic export refinance scheme		81,000	-
		17,097,127	9,954,763
3.1.1 Murabaha receivable - gross	3.1.1.2	7,674,572	4,860,060
Less: Deferred Murabaha income	3.1.1.3	340,551	158,456
Murabaha financing		7,334,021	4,701,604
3.1.1.1 Murabaha sale price during the year		23,655,655	15,369,303
Murabaha purchase price during the year		(22,644,766)	(14,930,577)
		1,010,889	438,726
3.1.1.2 Movement in Murabaha receivable during the year:			
Opening balance		4,860,060	2,719,939
Sales during the year		23,655,655	15,369,303
Adjusted during the year		(20,841,143)	(13,229,182)
		7,674,572	4,860,060
3.1.1.3 Deferred Murabaha income			
Opening balance		158,456	43,815
Arising during the year		1,010,889	438,726
Recognised during the year		(828,794)	(324,085)
		340,551	158,456

MCB ISLAMIC BANK LIMITED (a subsidiary of MCB Bank Limited)
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Annexure - II

3.2 Ijarah financing and related assets	Note	2018 (Rupees in '000)	2017
- Net book value of assets in Ijarah under IFAS 2	3.2.1	2,948,075	1,484,260
- Advances against Ijarah		1,321,828	139,249
		4,269,903	1,623,509

3.2.1 Net book value of assets in Ijarah under IFAS 2

	2018						
	Cost			Depreciation			Book Value as at December 31, 2018
	As at January 1, 2018	Additions / (Disposal)	As at December 31, 2018	As at January 1, 2018	Charge / (Disposal)	As at December 31, 2018	
	(Rupees in '000)						
Vehicles	1,662,346	1,588,759 (368,748)	2,882,357	603,033	321,939 (270,691)	654,281	2,228,076
Equipment	788,327	543,461 (128,132)	1,203,656	363,380	226,778 (106,501)	483,657	719,999
Total	2,450,673	2,132,220 (496,880)	4,086,013	966,413	548,717 (377,192)	1,137,938	2,948,075

	2017						
	Cost			Depreciation			Book Value as at December 31, 2017
	As at January 1, 2017	Additions / (Disposal)	As at December 31, 2017	As at January 1, 2017	Charge / (Disposal)	As at December 31, 2017	
	(Rupees in '000)						
Vehicles	1,331,916	689,680 (359,250)	1,662,346	580,692	292,804 (270,463)	603,033	1,059,313
Equipment	879,505	160,118 (251,296)	788,327	386,832	165,321 (188,773)	363,380	424,947
Total	2,211,421	849,798 (610,546)	2,450,673	967,524	458,125 (459,236)	966,413	1,484,260

3.2.2 Future Ijarah payments receivable

	2018			
	Not later than 1 year	Later than 1 year and not later than 5 years	Over Five years	Total
		(Rupees in '000)		
Ijarah rental receivables	904,424	2,174,932	80,941	3,160,297

	2017			
	Not later than 1 year	Later than 1 year and not later than 5 years	Over Five years	Total
		(Rupees in '000)		
Ijarah rental receivables	228,860	1,111,113	-	1,339,973

3.3 Particulars of Islamic financing and related assets - gross	2018 (Rupees in '000)	2017
In local currency	62,922,064	31,314,623

4 DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	20,498,978	1,599,388	22,098,366	6,942,243	130,675	7,072,918
Savings deposits	29,634,547	1,705,967	31,340,514	13,235,545	535,103	13,770,648
Term deposits	5,040,187	104,191	5,144,378	4,641,153	-	4,641,153
Others	3,690,026	-	3,690,026	1,786,990	-	1,786,990
	58,863,738	3,409,546	62,273,284	26,605,931	665,778	27,271,709
Financial Institutions						
Current deposits	73,166	1,206	74,372	60,865	-	60,865
Savings deposits	5,885,028	-	5,885,028	3,196,234	-	3,196,234
Term deposits	5,074,501	-	5,074,501	2,162,000	-	2,162,000
	11,032,695	1,206	11,033,901	5,419,099	-	5,419,099
	69,896,433	3,410,752	73,307,185	32,025,030	665,778	32,690,808

4.1 Composition of deposits

	2018	2017
	(Rupees in '000)	
Individuals	30,685,632	13,580,642
Government (Federal and Provincial)	5,087,472	1,109,789
Public Sector Entities	281,355	172,056
Banking Companies	1,343,993	58,657
Non-Banking Financial Institutions	9,689,908	5,360,442
Private Sector	26,218,825	12,409,222
	73,307,185	32,690,808

4.2 This includes deposits eligible to be covered under takaful arrangements amounting to Rs.40.534 million (2017: Rs.22.221 million).

5 Charity balance

	2018	2017
	(Rupees in '000)	
Opening balance	5,513	10,580
Additions during the year		
- Received from customers against late payment	25,548	7,406
- Dividend purification amount	2,133	592
- Profit on charity saving account	308	135
	27,989	8,133
Charity paid during the year	(8,100)	(13,200)
Closing balance	25,402	5,513
5.1 Charity was paid to the following institutions:		
Aziz Jehan Begum Trust for the Blind	700	1,000
Care Foundation Pakistan	700	1,000
Chiniot Anjuman Islamia	600	1,000
Family Welfare Society	600	1,000
Fast – NU Chiniot – Faisalabad Campus	600	1,000
Fatmid Foundation	700	1,000
Infaq Memorial Trust	700	1,000
M/s Qureshi Nazir Education Trust	-	1,000
Mind Organization	-	1,000
Rising Sun Education & Welfare Society	700	1,000
SADA Welfare Foundation	-	1,000
Sindh Institute of Urology & Transplantation (SIUT)	700	1,000
Shaukat Khanam Memorial Cancer Hospital	1,000	-
The Citizens Foundation	600	700
The Lahore Hospital Welfare Society	500	-
Pakistan Student Loan Scheme (Endowment fund)	-	500
	8,100	13,200

5.2 Charity was not paid to any staff of the Bank or to any individual / organisation in which a director or his spouse had any interest at any time during the year.

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Annexure - II

6 ISLAMIC BANKING BUSINESS ACCUMULATED LOSS	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Opening balance		(194,065)	68,087
Islamic banking loss for the year		(1,680,213)	(350,927)
Taxation		584,231	87,930
Other adjustments		845	845
Closing balance		<u>(1,289,202)</u>	<u>(194,065)</u>
7 CONTINGENCIES AND COMMITMENTS			
Guarantees	7.1	3,092,537	2,269,529
Commitments	7.2	16,137,900	5,828,836
Other contingent liabilities		425,820	-
		<u>19,656,257</u>	<u>8,098,365</u>
7.1 Guarantees:			
Performance guarantees		1,099,947	600,405
Other guarantees		1,992,590	1,669,124
		<u>3,092,537</u>	<u>2,269,529</u>
7.2 Commitments:			
Documentary credits and short-term trade-related transactions			
Letters of credit		11,639,176	5,587,572
Commitments in respect of:			
Forward foreign exchange contracts	7.2.1	2,237,365	186,795
Commitments for acquisition of:			
Fixed assets		10,395	49,089
Intangible assets		29,647	5,380
Other commitments	7.2.2	2,221,317	-
		<u>16,137,900</u>	<u>5,828,836</u>
7.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		3,465,359	535,867
Sale		1,227,994	349,072
		<u>2,237,365</u>	<u>186,795</u>
7.2.2 Other Commitments			
Commitments to extend credit	7.2.2.1	2,221,317	-
7.2.2.1 Other than those stated above, the Bank makes commitment(s) to extend credit in the normal course of business including related parties but these being revocable commitments do not attract any penalty or expense if the facility is unilaterally withdrawn.			
		2018	2017
		(Rupees in '000)	
7.3 Other contingent liabilities			
Claim against the Bank not acknowledged as debt		425,820	-
This represents claim by a third party against the Bank, which is being contested in the Court of law. The management is of the view that this relate to the normal course of business and the possibility of an outflow of economic resources is remote.			
		2018	2017
		(Rupees in '000)	
8 PROFIT / RETURN EARNED			
Financings		3,419,424	1,567,354
Investments in			
- available for sale securities		562,606	282,008
- held to maturity securities		82,370	80,517
		644,976	362,525
Musharaka arrangements with financial institutions		97,176	33,400
Deposits with financial institutions		47,299	97,648
		<u>4,208,875</u>	<u>2,060,927</u>
9 PROFIT / RETURN EXPENSED			
Deposits and other accounts		1,648,860	680,385
Musharaka arrangements with the State Bank of Pakistan under IERS		24,067	14,022
Musharaka arrangements with other financial institutions		632,023	311,264
		<u>2,304,950</u>	<u>1,005,671</u>

10 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITORS' AND SPECIFIC POOLS

10.1 The Bank is maintaining the following types of pools for profit declaration and distribution:

- 1) General Pool
- 2) IERS Musharaka Pool
- 3) Treasury Musharaka / Mudaraba Pools
- 4) Equity Pool

Features, risks and rewards of each pool are given below:

1) General Pool

The Bank manages one general pool for its depositors' (Rabbul Mal) maintaining deposits in both local and foreign currencies and also commingled its equity in this pool. The income (gross income less direct expenses) generated from the pool is distributed between Bank's equity and depositors' fund in proportion to their respective share in the pool. Under the Mudaraba mechanism, the income so distributed to depositors' fund is shared between the Bank (Mudarib) and depositors' (Rabbul Mal) according to the pre-agreed profit sharing ratios and assigned weightages.

The deposits and funds accepted under the General Pool are deployed to diversified sectors and avenues of the economy / business mainly to 'Agriculture, Forestry & Fishing', 'Textile & Allied', 'Food & Allied', 'Distribution & Trade', 'Investment in Government of Pakistan Ijarah Sukuk', etc.

Parameters associated with risk and rewards

Following are the consideration attached with risk and reward of general pool:

- Period, return, safety, security and liquidity of investment.
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of the Bank.
- Element of risk attached to various types of investments.
- SBP rules and Shari'ah clearance.

2) Islamic Export Refinance Scheme (IERS) Musharaka Pool

The Bank manages IERS Musharaka Pool for funds accepted from SBP under IERS. Under the PLS mechanism, the Bank generates revenues from the pool funds which are shared with the SBP according to the pre-agreed profit sharing ratios. Musharaka investments from the SBP under IERS are channeled towards the export sector of the economy and other financings as per SBP guidelines.

3) Treasury Musharaka / Mudaraba Pools

The Bank accepts funds from other banks to manage its liquidity under Musharaka / Mudaraba mode. The funds accepted are tagged to remunerative assets having maturity on or after the period for which funds are accepted. The revenue generated from the pool asset is shared between the bank and other member of the pool according to pre-agreed profit sharing ratios or assigned weightages accordingly.

4) Equity Pool

The Equity Pool consists of Bank's equity and funds accepted on Qard (non-remunerative current deposit account) basis. The funds of this pool are invested in various assets or ventures which are higher in risk or having longer funding period. In addition to that all staff financings are financed by this pool. The risk of assets in the pool is borne by the Bank.

Charging of expenses

Direct expenses are being charged to respective pools, while indirect expenses such as general and administrative expenses are being borne by the Bank as Mudarib. No provision expense is charged to the pool unless it is written off. The direct expenses charged to the pool may include depreciation of Ijarah assets, premium amortization on Sukuk, impairment losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; the Bank's pool management framework and the respective pool creation memo may identify and specify these and any other similar expenses to be charged to the pool.

10.2 Following are the detail of profit distribution among different pool maintained by the Bank:

2018							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	(Rupees in '000)	%	%	(Rupees in '000)

General Pool	Monthly	8.18	50.00	1,350,604	5.00	22.00	298,447
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Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	(Rupees in '000)	%		(Rupees in '000)

Islamic Export Refinance (IERS)	Monthly	4.63	-	-	2.00	-	-
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Treasury Musharaka/ Mudaraba Pool	As required	7.00	-	-	6.64	-	-
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Equity Pool	Monthly	2.10	-	-	-	-	-
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2017							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	(Rupees in '000)	%		(Rupees in '000)

General Pool	Monthly	6.97	50.00	567,234	4.18	19.92	113,019
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Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	(Rupees in '000)	%		(Rupees in '000)

Islamic Export Refinance (IERS)	Monthly	4.88	-	-	2.06	-	-
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Treasury Musharaka/ Mudaraba Pool	As required	6.24	-	-	5.50	-	-
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Equity Pool	Monthly	8.28	-	-	-	-	-
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Branch Network

As of December 31, 2018

Retail Banking Group - Karachi

Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
KARACHI CITY 48	Karachi City	25	-
	Karachi North	23	-
KARACHI EAST 44	Karachi East	23	-
	Karachi South	21	-
KARACHI WEST 44	Karachi Central	21	1
	Karachi West	23	-
Total RBG - Karachi		136	01

Retail Banking Group - South

Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
HYDERABAD 72	Hyderabad	27	-
	Mirpurkhas	23	1
	Nawabshah	22	-
QUETTA 45	Khuzdar	11	1
	Makran	09	-
	Quetta	25	2
Total RBG - South		117	04

Retail Banking Group - East

Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
BAHAWALPUR 98	Bahawalpur	26	-
	Bahawalnagar	17	-
	Rahim Yar Khan	30	-
	Vehari	25	-
MULTAN 107	Dera Ghazi Khan	20	-
	Multan	27	1
	Muzaffargarh	18	-
	Okara	20	-
	Sahiwal	22	-
SUKKUR 73	Larkana	23	-
	Naushero Feroze	23	-
	Sukkur	27	-
Total RBG - East		278	01

Retail Banking Group - Central

Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
LAHORE WEST 55	Lahore Central	26	-
	Lahore City	29	-
LAHORE EAST 62	Lahore East	33	-
	Lahore West	29	1
FAISALABAD 109	Faisalabad	25	-
	Faisalabad City	28	1
	Sheikhupura	30	-
	Toba Tek Singh	26	-
GUJRANWALA 110	Gujranwala	29	-
	Gujrat	22	-
	Mandi Bahauddin	22	-
	Sialkot	37	-
SARGODHA 94	Jhang	28	2
	Mianwali	31	-
	Sargodha	35	-
Total RBG - Central		430	04

Retail Banking Group - North

Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
ISLAMABAD 68	Islamabad	34	-
	Rawalpindi	34	2
JHELUM 90	Chakwal	26	-
	Jhelum	25	-
	Mirpur A.K.	19	-
	Muzaffarabad A.K.	20	-
PESHAWAR 89	Kohat	24	-
	Mardan	23	-
	Peshawar East	21	1
	Peshawar West	21	-
ABBOTTABAD 81	Abbottabad	26	-
	Attock	20	-
	Fateh Jang	15	-
	Swat	20	-
Total RBG - North		328	03

	No. of Branches
Ex-NIB Branches	68
Privilege Banking	09
Corporate Finance International Banking Branches	10

Overseas Operation	No. of Branches
Colombo	1
EPZ	1
Galle	1
Kandy	1
Kattankudy	1
Kollupitiya	1
Maradana	1
Offshore Banking Unit (OBU) - Bahrain	1
Pettah	1
Wellawatte	1
Wholesale Banking Branch Dubai	1
Total	11
Dubai (Rep. Office)	1

Groupwise				
Group	Circles	Regions	No. of Branches	No. of Sub-Branches.
RBG-Karachi	3	6	136	1
RBG-South	2	6	117	4
RBG-East	3	12	278	1
RBG-Central	5	15	430	4
RBG-North	4	14	328	3
Ex-NIB Branches	-	-	68	-
Privilege Banking	-	-	9	-
CFIBG	4	6	10	-
Total	21	59	1,376	13
Overseas	-	-	10	-
EPZ	-	-	1	-
Grand Total	21	59	1,387	13

Province-Wise			
Provinces/Territories/AJK	Branches	Sub-Branches	Total
Azad Jammu & Kashmir	31	-	31
Balochistan	48	3	51
Federal Capital Territory	32	1	33
Gilgit-Baltistan	5	-	5
Khyber Pakhtunkhwa	145	1	146
Punjab	804	6	810
Sindh	311	2	313
Domestic Total	1,376	13	1,389
Overseas	10	-	10
EPZ	1	-	1
Grand Total	1,387	13	1,400

Pattern of Shareholding

As of December 31, 2018

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
28,795	1	100	915,100
13,974	101	500	3,403,655
5,840	501	1,000	4,332,706
7,813	1,001	5,000	13,511,827
413	5,001	10,000	2,937,883
437	10,001	50,000	9,975,931
115	50,001	100,000	8,167,469
142	100,001	500,000	35,066,888
46	500,001	1,000,000	34,005,590
58	1,000,001	5,000,000	138,637,212
6	5,000,001	10,000,000	42,830,516
4	10,000,001	15,000,000	53,775,108
3	15,000,001	25,000,000	52,518,531
12	25,000,001	Above	784,981,590
57,658			1,185,060,006

Categories of Shareholders

As of December 31, 2018

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their Spouse and Minor Children	119,604,830	10.0927%
Associated Companies, Undertakings and Related Parties	218,170,146	18.4101%
NIT and ICP	912	0.0001%
Banks, Development Financial Institutions, Non Banking Financial Institutions	16,689,227	1.4083%
Insurance Companies	97,560,323	8.2325%
Modarabas and Mutual Funds	13,295,678	1.1219%
Shareholders Holding 10%	222,606,147	18.7844%
General Public Local	137,119,274	11.5707%
General Public Foreign	3,415,323	0.2882%
Others	356,598,146	30.0911%
Grand Total	1,185,060,006	100.0000%

Categories Of Shareholders

As of December 31, 2018

Directors, Chief Executive Officer and their Spouse and Minor Children

Mian Mohammad Mansha	7,834	0.0007%
Naz Mansha	6,424,057	0.5421%
S. M. Muneer	2,059	0.0002%
Muhammd Tariq Rafi	32,094,304	2.7082%
Mrs. Nighat Tariq	5,715,093	0.4823%
Mian Umer Mansha	31,986,378	2.6991%
Iqraa Hassan Mansha	8,000	0.0007%
Mian Hassan Mansha	43,363,671	3.6592%
Muhammad Ali Zeb	550	0.0000%
Mohd Suhail Amar Suresh Bin Abdullah	884	0.0001%
Nor Hizam Bin Hashim	500	0.0000%
Yahya Saleem	500	0.0000%
Salman Khalid Butt	1,000	0.0001%
	119,604,830	10.0927%

Associated Companies, Undertakings and Related Parties

Nishat Mills Limited	88,015,291	7.4271%
Adamjee Insurance Company Limited	47,827,287	4.0359%
Siddiqsons Limited	14,276,462	1.2047%
Adamjee Life Assurance Company Ltd-IMF	3,479,000	0.2936%
Adamjee Life Assurance Co. Ltd - DGF	25,000	0.0021%
Adamjee Life Assurance Company Limited-NUIL Fund	415,000	0.0350%
Adamjee Life Assurance Company Limited-ISF	697,500	0.0589%
Nishat Mills Limited Employees Provident Fund Trust	8,284,390	0.6991%
Trustee - MCB Provident Fund Pak Staff	34,166,060	2.8831%
Trustee - MCB Employees Pension Fund	17,578,222	1.4833%
Trustees of Adamjee Insurance Company Ltd. Employees Provident Fund	73,577	0.0062%
Trustee Nishat (Chunian) Limited Employees Provident Fund	8,857	0.0007%
MCB Pakistan Asset Allocation Fund	162,100	0.0137%
Pakistan Capital Market Fund	142,600	0.0120%
MCB Pakistan Stock Market Fund	2,507,300	0.2116%
Trustee Pakistan Tobacco Co. Ltd. - Employees Provident Fund	35,500	0.0030%
Pakistan Tobacco Co. Ltd. Employees Gratuity Fund	74,500	0.0063%
Trustee Pakistan Tobacco Co. Ltd. Management Provident Fund	48,500	0.0041%
Trustee Pakistan Tobacco Co. Ltd. Staff Pension Fund	333,000	0.0281%
Trustee Pakistan Tobacco Co Ltd Staff Defined Contribution Pension Fund	20,000	0.0017%
	218,170,146	18.4101%

NIT and ICP

Investment Corporation of Pakistan	912	0.0001%
	912	0.0001%

Banks, Development Financial Institutions, Non Banking Financial Institutions

The Bank of Punjab	741	0.0001%
Prudential Investment Bank Ltd.	1,386	0.0001%
Crescent Investment Bank Ltd.	590	0.0000%
Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd.	7,992	0.0007%
Trust Leasing Corporation Ltd.	101	0.0000%
Universal Leasing Corporation Ltd.	1	0.0000%
Islamic Investment Bank Ltd.	4	0.0000%
M/s. Prudential Investment Bank Ltd.	7	0.0000%
National Development Finance Corporation	433	0.0000%

M/s. Al Faysal Investment Bank Ltd.	49	0.0000%
IDBL (ICP Unit)	432	0.0000%
Interasia Leasing Company Limited	950	0.0001%
Pakistan Kuwait Investment Co. (Pvt) Ltd.	1,200,000	0.1013%
Allied Bank Limited	2,821,600	0.2381%
Habib Bank Limited	1,306	0.0001%
Faysal Bank Limited	2,555,670	0.2157%
Habib Metropolitan Bank Limited	3,000	0.0003%
Bank Al Habib Limited	700,000	0.0591%
Soneri Bank Limited - Ordinary Shares	1,600,000	0.1350%
Saudi Pak Leasing Company Limited	495	0.0000%
Invest Capital Investment Bank Limited	9,000	0.0008%
Bank Alfalah Limited	2,860,600	0.2414%
The Punjab Provincial Cooperative Bank	1,558	0.0001%
Escorts Investment Bank Limited	225	0.0000%
National Bank of Pakistan	3,043,336	0.2568%
Askari Bank Limited	780,700	0.0659%
Saudi Pak Industrial & Agricultural Investment Co. Ltd.- PMD	450,000	0.0380%
House Building Finance Company Limited	41,951	0.0035%
Pair Investment Company Limited	63,770	0.0054%
Sindh Bank Limited	470,530	0.0397%
Samba Bank Limited - MT	72,800	0.0061%
	16,689,227	1.4083%
Insurance Companies		
Business & Industrial Insurance Co. Ltd.	9	0.0000%
M/s. New Jubilee Insurance Co. Ltd.	2	0.0000%
The South British Insurance Company Ltd.	1,864	0.0002%
M/s. Beema Pakistan Company Ltd.	69	0.0000%
E.F.U. General Insurance Ltd.	713	0.0001%
Orient Insurance Co. Ltd.	3	0.0000%
National General Insurance Co. Ltd	1,359	0.0001%
Premier Insurance Limited	140,204	0.0118%
Jubilee General Insurance Company Limited	821,500	0.0693%
State Life Insurance Corp. of Pakistan	16,727,114	1.4115%
EFU Life Assurance Ltd.	8,430,792	0.7114%
Pakistan Reinsurance Company Limited	573,370	0.0484%
Excel Insurance Co. Ltd.	20,000	0.0017%
The Crescent Star Insurance Co. Ltd.	3	0.0000%
Jubilee Life Insurance Company Limited	12,952,300	1.0930%
Allianz EFU Health Insurance Limited	59,600	0.0050%
Habib Insurance Co. Limited	20,000	0.0017%
Century Insurance Company Ltd.	43,539	0.0037%
Atlas Insurance Limited	60,000	0.0051%
Security General Insurance Co. Ltd.	57,571,876	4.8581%
The Pakistan General Ins. Co. Ltd.	106	0.0000%
IGI Life Insurance Limited.	22,300	0.0019%
Alfalah Insurance Company Limited	88,600	0.0075%
Askari General Insurance Company Limited	25,000	0.0021%
	97,560,323	8.2325%
Modarabas and Mutual Funds		
First Hajveri Modaraba	60	0.0000%
Crescent Modaraba Managment Co. Ltd.	17	0.0000%
First Elite Capital Modaraba	39	0.0000%
First Crescent Modaraba	4,030	0.0003%
Trust Modaraba	313	0.0000%
UNICAP Modaraba	15	0.0000%

First Interfund Modaraba	2	0.0000%
Industrial Capital Modaraba	4	0.0000%
Pak Asian Fund Limited	162	0.0000%
Safeway Mutual Fund Ltd.	4	0.0000%
Golden Arrow Selected Stocks Fund Ltd.	15	0.0000%
Safeway Fund (Pvt) Ltd.	1,665	0.0001%
M/s. Safeway Mutual Fund Limited	12	0.0000%
M/s. Asian Stock Fund Ltd.	4	0.0000%
PICIC Benovelent Fund-2	29	0.0000%
UNICOL Limited Employees Provident Fund	5,000	0.0004%
Nationwide (Pvt) Ltd.	357	0.0000%
MCBFSL - Trustee JS Value Fund	1,400	0.0001%
CDC - Trustee PICIC Investment Fund	566,000	0.0478%
CDC - Trustee PICIC Growth Fund	1,071,400	0.0904%
CDC - Trustee Atlas Stock Market Fund	292,000	0.0246%
CDC - Trustee First Dawood Mutual Fund	16,200	0.0014%
CDC - Trustee Faysal Stock Fund	11,000	0.0009%
CDC - Trustee Alfalah GHP Value Fund	244,100	0.0206%
CDC - Trustee Unit Trust of Pakistan	2,000	0.0002%
CDC - Trustee AKD Index Tracker Fund	96,228	0.0081%
Tri-Star Mutual Fund Limited	754	0.0001%
CDC - Trustee Faysal Asset Allocation Fund	1,000	0.0001%
CDC - Trustee UBL Stock Advantage Fund	481,686	0.0406%
Crescent Standard Business Management (Pvt) Limited	1	0.0000%
CDC - Trustee NAFA Stock Fund	2,172,200	0.1833%
CDC - Trustee NAFA Multi Asset Fund	91,600	0.0077%
CDC - Trustee APF - Equity Sub Fund	10,000	0.0008%
CDC - Trustee HBL - Stock Fund	822,100	0.0694%
MC FSL - Trustee JS Growth Fund	105,000	0.0089%
CDC - Trustee HBL Multi - Asset Fund	42,300	0.0036%
CDC - Trustee Alfalah GHP Stock Fund	580,800	0.0490%
CDC - Trustee Alfalah GHP Alpha Fund	373,800	0.0315%
CDC - Trustee NIT - Equity Market Opportunity Fund	1,067,676	0.0901%
CDC - Trustee ABL Stock Fund	1,133,200	0.0956%
CDC - Trustee First Habib Stock Fund	39,470	0.0033%
CDC - Trustee Lakson Equity Fund	1,241,652	0.1048%
CDC - Trustee NAFA Asset Allocation Fund	176,000	0.0149%
CDC - Trustee NAFA Savings Plus Fund - MT	25,100	0.0021%
CDC - Trustee PICIC Income Fund - MT	2,700	0.0002%
CDC - Trustee HBL Equity Fund	59,300	0.0050%
CDC - Trustee HBL PF Equity Sub Fund	58,500	0.0049%
CDC - Trustee First Capital Mutual Fund	35,900	0.0030%
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	90,800	0.0077%
CDC - Trustee National Investment (Unit) Trust	1,289,535	0.1088%
CDC - Trustee ABL Pension Fund - Equity Sub Fund	19,800	0.0017%
CDC - Trustee NITPF Equity Sub - Fund	25,000	0.0021%
CDC - Trustee NAFA Income Fund - MT	7,500	0.0006%
CDC - Trustee Alfalah GHP Income Multiplier Fund - MT	100	0.0000%
MC FSL Trustee JS - Income Fund - MT	17,900	0.0015%
CDC - Trustee Faysal MTS Fund - MT	4,600	0.0004%
CDC - Trustee Lakson Tactical Fund	244,876	0.0207%
CDC - Trustee Alfalah GHP Sovereign Fund - MT	200	0.0000%
CDC - Trustee UBL Income Opportunity Fund - MT	8,700	0.0007%
CDC - Trustee First Habib Asset Allocation Fund	4,500	0.0004%
MCBFSL - Trustee Allied Capital Protected Fund	12,200	0.0010%
CDC - Trustee NAFA Financial Sector Fund	465,100	0.0392%
CDC - Trustee Alfalah Capital Preservation Fund II	27,000	0.0023%
CDC - Trustee UBL Financial Sector Fund	217,300	0.0183%

CDC - Trustee UBL Dedicated Equity Fund	15,714	0.0013%
CDC - Trustee AGPF Equity Sub-Fund	11,825	0.0010%
Prudential Stock Funds Limited	233	0.0000%
	13,295,678	1.1219%
Shareholders Holding 10%		
Maybank International Trust (Labuan) Berhad	222,606,147	18.7844%
	222,606,147	18.7844%
General Public		
A. Local	137,119,274	11.5707%
B. Foreign	3,415,323	0.2882%
	140,534,597	11.8589%
Others		
A. Foreign Companies	149,626,437	12.6261%
B. Local Companies	39,652,519	3.3460%
C. Shareholders Holding 5%		
- D.G. Khan Cement Company Limited	102,277,232	8.6306%
- Nishat Mills Limited <i>(As disclosed in Associated Companies, Undertakings and Related Parties)</i>	—	—
- Bugis Investments (Mauritius) PTE Ltd.	65,020,947	5.4867%
D. Executives <i>(As per the threshold determined by Board of Directors)</i>	21,011	0.0018%
	356,598,146	30.0911%
Grand Total	1,185,060,006	100.0000%

All trades in shares carried out by Directors, CEO, CFO, Company Secretary, Executives, their spouse(s) and Minor Children during the year 2018 are given as under:

Name	Status	No. of shares	Purchase/ Sale/ Transfer
Nor Hizam Bin Hashim	Director	500	Purchased
Muhammad Tariq Rafi	Director	96,700	Sold
Saeeda Perveen	Spouse of Director	2,147,186	Gifted
Yahya Saleem	Director	500	Purchased
Saira Shafi	Spouse of Executive	3,000	Purchased
Saira Shafi	Spouse of Executive	3,000	Sold
Salman Khalid Butt	Director	1,000	Purchased

NOTICE OF 71ST ANNUAL GENERAL MEETING

Notice is hereby given that 71st Annual General Meeting of **MCB Bank Limited** (the "Bank" or "MCB") will be held on **Friday, March 29, 2019 at 11:00 AM (PST)** at Grand Ball Room-A, The Nishat Hotel, Emporium Mall, Near Expo Center, Abdul Haq Road, Johar Town, Lahore to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Annual Audited Separate and Consolidated Financial Statements of the Bank together with the Directors' and Auditors' reports thereon and Chairman's Review for the year ended December 31, 2018.
2. To appoint Statutory Auditors of the Bank and fix their remuneration for the year ending December 31, 2019. The Members are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants, for appointment as Statutory Auditors of the Bank.
3. To approve, as recommended by the Board of Directors, payment of Final Cash Dividend @ 40% i.e., PKR 4.00 per share for the fourth quarter in addition to 120% (40% each for 1st, 2nd and 3rd quarter) Interim Cash Dividends already declared and paid, total PKR 16.00 per share (i.e., 160%) for the year ended December 31, 2018.

Special Business:

4. To consider and if thought fit, approve enhancement in the scale of remuneration to be paid to the Non-Executive including Independent Directors for attending the Board and its Committee(s) meetings by passing the following resolutions as Ordinary Resolutions:

"RESOLVED THAT the scale of the remuneration to be paid to the Non-Executive including Independent Directors (excluding Chairman, Board of Directors) for attending the Board and its Committee(s) meetings be enhanced from PKR 30,000/- (Rupees Thirty Thousand only) to PKR 100,000/- (Rupees One Hundred Thousand only) (inclusive of applicable taxes) per meeting in addition to boarding, lodging and travelling expenses, on actual basis."

"FURTHER RESOLVED THAT the fee for attending each Board Committee(s) Meetings will be paid maximum of four (4) meetings attended by the Non-Executive including Independent Directors (excluding Chairman, Board of Directors) during a calendar year irrespective of the number of Committee(s) meetings held during the year, on post facto basis, be and is hereby approved."

5. To consider and if thought fit, the following resolutions as Special Resolutions, with or without modifications, to approve alterations in the Articles of Association of the Bank in accordance with the provisions of Section 38 of the Companies Act, 2017:

"RESOLVED THAT the approval be and is hereby accorded in terms of the provisions of Section 38 of the Companies Act, 2017 to substitute the first Paragraph of existing Article 94 of the Articles of Association of MCB Bank Limited with the following new Paragraph:

"The scale of the remuneration to be paid, from time to time, to the Non-Executive including Independent Directors and the Chairman for attending the Board and its Committee(s) meetings shall be determined by the Board and approved by the shareholders on a pre or post facto basis in the Annual General Meeting."

"FURTHER RESOLVED THAT the Company Secretary and/or Chief Financial Officer be and are hereby jointly/severally authorized to do all acts, deeds and things, take all steps and actions necessary, ancillary and incidental for altering the Articles of Association of the Bank, including filing of all requisite documents/statutory forms, as may be required to be filed with the Registrar of Companies and complying with all other regulatory requirements, so as to effectuate the alterations in the Articles of Association and implementing the aforesaid resolution."

6. To transact any other business with the permission of the Chairman.

By Order of the Board,

-Sd-

March 07, 2019
Lahore.

FIDA ALI MIRZA
Company Secretary

Statement of Material Facts under Section 134(3) of the Companies Act, 2017 ("Act") pertaining to the above mentioned Special Business is annexed to this Notice of Annual General Meeting.

Notes:

1. Copies of the Minutes of the 70th Annual General Meeting held on March 27, 2018 are available for inspection by Members as required under Section 152 of the Companies Act, 2017.
2. The Shares Transfer Books of the Bank will remain closed from **March 22, 2019 to March 29, 2019** (both days inclusive). Transfers received at the Bank's Share Registrar and Transfer Agent's Office at the below mentioned address, at the close of business hours on **March 21, 2019** will be treated as being in time for the purpose of entitlement of Final Cash Dividend and also to attend, speak and vote at the 71st Annual General Meeting (the "Meeting" or "AGM") of the Bank.
3. All Members are entitled to attend, speak and vote at the Meeting. A member entitled to attend, speak and vote at AGM is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporate entity, being a member, may authorize an individual to act as its representative and the individual so authorized shall be entitled to exercise the same powers on behalf of the corporate entity which he represents.
4. The proxies and in case of corporate entity, the power of attorney or resolution of the board of directors or other governing body (if any) under which it is signed, a notarized/certified copy of the same in order to be effective must be deposited at the Share Registrar and Transfer Agent Office of the Bank not less than 48 hours (no account shall be taken of any part of the day that is not a working day) before the time for holding the Meeting, and must be duly stamped, signed and witnessed.
5. Members having physical scrip of shares are requested to immediately notify the change, if any, in their registered and/or e-mail addresses, in writing, to the Share Registrar and Transfer Agent of the Bank, whereas, CDC Account holders are requested to contact their CDC Participant/CDC Account Services.
6. Central Depository Company of Pakistan ("CDC") Accountholders will further have to follow the under mentioned guidelines as laid down by Circular No. 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

For Attending the Meeting:

- i. In case of individuals, the accountholder or sub-accountholder 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 Meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For Appointing of Proxies:

- i. In case of individuals, the accountholder or sub-accountholder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.
7. A Proxy Form, both in English and Urdu language, is being separately sent to the Members, along with Notice of AGM.
 8. Copies of the Notice of AGM, the latest annual audited/quarterly financial statements and the existing and proposed amended Memorandum and Articles of Association of the Bank have been kept at the Registered Office of the Bank which can be obtained and/or inspected during the business hours on any working day from the date of publication of this Notice till the conclusion of the AGM by the members and other persons entitled to attend the Meeting. Notice of 71st AGM and the latest annual audited/quarterly financial statements have also been placed on website of the Bank: www.mcb.com.pk

**STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017
IN RESPECT OF SPECIAL BUSINESS**

Agenda Item No. 5

Increase in Remuneration for attending Board and its Committee Meetings:

In view of the prevailing regulatory environment, the overall role and responsibilities of the Board have been enhanced significantly. The Non-Executive Directors, particularly, Independent Directors have to play an important role and to provide considerable time to demonstrate an effective role in the overall stewardship of the Bank. Therefore, the Bank ensures that the Board Members are fairly rewarded with regard to the responsibilities undertaken, and to consider comparable pay levels in the banking industry, and also to attract and retain high-caliber, experienced Directors by offering appropriate fee levels.

The Prudential Regulations issued by the State Bank of Pakistan ("SBP"), requires that the scale of remuneration to be paid to the non-executive directors for attending the Board and its Committee meetings shall be approved by the shareholders. The Board of Directors of the Bank has recommended the enhancement in the remuneration to be paid to the Non-Executive including Independent Directors (excluding Chairman, Board of Directors) for attending the Board and its Committee(s) meetings from PKR 30,000/- (Rupees Thirty Thousand only) to PKR 100,000/- (Rupees One Hundred Thousand only) (inclusive of applicable taxes) per meeting in addition to boarding, lodging and travelling expenses, on actual basis. However, fee for attending each Committee Meetings is for maximum of four (4) meetings attended by the Non-Executive including Independent Directors (excluding Chairman, Board of Directors) during a calendar year irrespective of the number of Committee(s) meetings held during the year.

The Directors of the Bank have no interest in above business except to the payment of remuneration on attending the Board and its Committee(s) Meetings of the Bank.

Agenda Item No. 6

Alteration in the Articles of Association of the Bank:

The first Paragraph of Article 94 of the Articles of Association of the Bank describes the payment of remuneration payable to directors for attending the Board and its Committee meeting and the same has to be amended whenever the amount of remuneration is changed. The Board of Directors of the Bank has amended the scale of remuneration to be paid to the Non-Executive including Independent Directors for attending the Board and its Committee(s) meetings. In view of the foregoing amendment, the Board has recommended the proposed alteration in the first Paragraph of Article 94 of the Articles of Association of the Bank in accordance with the requirements of the Prudential Regulations issued by SBP and the Companies Act, 2017 ("Act"). Further, Section 38 of the Act requires that the alteration in the articles of association shall be approved by the Shareholders through Special Resolution. Therefore, the Board of Directors has recommended the amendment in Article 94 of the Articles of Association of the Bank to the Shareholders for their approval through Special Resolution. A comparison of existing and proposed Articles is given below:

Title	Existing Article	Proposed Article	Reason for Change
First Paragraph of Article 94: Remuneration.	Every director shall receive out of the funds of the Company as remuneration for his services a sum not exceeding Rs. 30,000 for every meeting attended by him. However, a non - resident director shall be paid US\$ 7,500 for attending Board meeting.	The scale of the remuneration to be paid, from time to time, to the Non - Executive including Independent Directors and the Chairman for attending the Board and its Committee(s) meetings shall be determined by the Board and approved by the shareholders on a pre or post facto basis in the Annual General Meeting.	<ul style="list-style-type: none"> • Avoid amending Articles whenever there is any change in Directors' Remuneration • Approving mechanism for the determination of the scale of remuneration for Directors. • In line with the Prudential Regulations of SBP.

The Directors of the Bank have no personal interest in above business, save to the extent of their respective shareholding in the Bank and payment of remuneration.

The Board of Directors of the Bank has confirmed that the proposed alteration in the first Paragraph of Article 94 of the Articles of Association of the Bank is in line with the applicable provisions of the law and regulatory framework.

Attention of Shareholders is drawn towards Circulars/Notifications:

The following Circulars/Notifications require special attention of shareholders of MCB Bank Limited ("MCB" or the "Bank"):

1. Consent for Video Link Facility:

Members can attend and participate in the 71st Annual General Meeting (the "Meeting" or "AGM") through Video-Link. Pursuant to the provisions of the Companies Act, 2017 ("Act"), the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Bank to provide the facility of video-link for participating in AGM. The demand for video-link facility shall be received by the Company Secretary at the Registered Office of the Bank located at MCB Building, 15-Main Gulberg, Jail Road, Lahore, at least seven (7) days prior to the date of AGM. In this regard, a Standard Request Form is available on the Bank's website.

2. Withholding of Payment of Dividend – CNIC Requirement:

The Securities and Exchange Commission of Pakistan ("SECP") has made it mandatory for listed companies to mention, in the case of Individuals, Computerized National Identity Card ("CNIC"), National Identity Card for Overseas Pakistanis ("NICOP") or Passport number and in the case of Corporate Entity, National Tax Number ("NTN") of the shareholders or their authorized persons, on dividend warrants. Section 243 of the Act states that a company may withhold the payment of dividend of a member where the member has not provided the complete information or documents as specified by SECP. Therefore, shareholders who have not yet provided such information are once again requested to provide the valid copies of their CNIC/NICOP/NTN/Passport to the Share Registrar and Transfer Agent of the Bank.

3. Payment of Cash Dividend Electronically (e-Dividend Mechanism):

Section 242 of the Act requires that the listed companies shall pay cash dividend only through electronic mode directly into the bank account designated by the shareholders. SECP has also issued the Companies (Distribution of Dividends) Regulations, 2017 whereby every shareholder shall be responsible to provide valid information pertaining to its designated bank account to disburse any dividend payable in cash only through electronic mode directly into the bank account designated by the entitled shareholders and the payment of dividend shall be withheld, if the shareholder has not provided the company with complete and valid details of designated bank account for direct credit of cash dividend.

In this regard, the Bank has already communicated through its various letters addressed to the shareholders individually along with newspapers publications requesting to provide the International Bank Accounts Number ("IBAN") designated by the shareholders to receive the cash dividends electronically. Hence, shareholders who have not yet provided such information are once again requested to fill the required fields of MCB's letter enclosed with the Notice of AGM and also available on website of the Bank: www.mcb.com.pk and send the same to the Share Registrar and Transfer Agent of the Bank. In case of shares held as book-entry securities, the said information would be required to be provided to Central Depository System ("CDS"), through CDS Participants.

4. Circulation of Annual Audited Financial Statements and Notice of AGM to Members through E-mail:

SECP through its Notification No. SRO 787 (I)/2014, dated September 08, 2014, has allowed companies to circulate Annual Audited Financial Statements along with Notice of AGM to its members through email. The shareholders who desire to receive Annual Audited Financial Statements and Notice of AGM through email are requested to fill the requisite form titled 'Standard Request Form' placed on the website and send it to the Company Secretary at the Registered Office of the Bank located at MCB Building, 15-Main Gulberg, Jail Road, Lahore. In case any member, subsequently, requests for hard copy of Annual Financial Statements, the same shall be provided free of cost within seven days of receipt of such request.

5. Deduction of Withholding Tax on the Amount of Dividend:

The Government of Pakistan through Finance Act, 2018, has made amendment in Section 150 of the Income Tax Ordinance, 2001, whereby, withholding tax on dividends has been enhanced as follows:

- For Filers of Income Tax Returns: 15%
- For Non-Filers of Income Tax Returns: 20%

In case of joint-shareholders, tax is to be deducted as per ratio of their respective share in the ownership.

Federal Board of Revenue ("FBR") has provided the Active Tax-Payer List ("ATL"), for identification on the basis of NTN/CNIC number; hence, in case of non-availability of valid NTN/CNIC number with MCB's Share Registrar and Transfer Agent, it would not be possible to identify the same in ATL and the shareholder will constraint to be treated as 'Non-Filer' to qualify for tax at higher rate of 20%. Therefore, shareholders who have not yet provided such information are requested to ensure that their valid NTN/CNIC number is available with the Share Registrar and Transfer Agent of MCB. In case of shares held as book-entry securities, the said information would be required to be provided to CDS, through CDS Participants.

6. Deduction of Withholding Tax on Joint Account Holder(s):

The Joint Account Holders whose shareholding details as to Principal Shareholder have not yet been determined for deduction of withholding tax on the upcoming dividend of the Bank, are requested to please furnish to the Share Registrar and Transfer

Agent of the Bank; the shareholding details of yourself as Principal Shareholder and your Joint Holder(s) in the following manner, enabling MCB to compute withholding tax of each shareholder accordingly:

CDC Account No./ Folio No.	Name of Principal Shareholder/Joint Holders	Shareholding Proportion	CNIC No. (copy attached)	Signature

Kindly note that in case of non-receipt of the information each Account Holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly.

- 7. Requirement of FBR's Approval or Valid Tax Exemption Certificate for Claim of Exemption U/S 150 of the Income Tax Ordinance, 2001:** Please be advised that honorable Lahore High Court in its recent decision has announced that the funds are not required to provide specific exemption certificate u/s 159 of the Income Tax Ordinance 2001 ("Ordinance"), to claim tax immunity as per under clause (47B) of Part-IV of the Second Schedule of the Ordinance, provided they are approved by Federal Board of Revenue ("FBR"). It is, therefore, requested to provide MCB's Share Registrar and Transfer Agent with copy of above said approval, from FBR, for record and necessary action.

In case of non-availability of such approval, please provide a valid exemption certificate under Section 159(1) of the Ordinance issued by the concerned Commissioner of Income Tax, Inland Revenue, FBR.

In another option, where the entity has filed a petition against the FBR for want of exemption certificate, in any relevant court, a certified true copy of the Stay Order of honorable court along with all latest court proceedings (if any) would be required in lieu of valid tax exemption certificate, for non-deduction of withholding tax.

In case of non-availability of approval, valid tax exemption or relevant court order the deduction of tax under relevant sections shall be made accordingly.

- 8. Transmission of Annual Audited Accounts through DVD:** The Bank as allowed by SECP Notification No. SRO 470 (I)/2016, dated May 31, 2016, has circulated the Annual Audited Financial Statements for the year ended December 31, 2017 to shareholders through electronic medium, i.e., DVD at their registered addresses instead of transmitting the said annual accounts in hard copies. However, a shareholder may request to the Company Secretary at the Registered Office of the Bank located at MCB Building, 15-Main Gulberg, Jail Road, Lahore to provide hard copy of Annual Audited Accounts instead of DVD and the same will be provided at his/her registered address, free of cost, within one week of the demand. In this regard, a 'Standard Request Form' has been placed on website of the Bank for shareholders to communicate the need of hard copies of the Annual Audited Accounts instead of sending the same through DVD. A shareholder may also prefer to receive hard copies for all future Annual Audited Accounts.

- 9. Deposit of Physical Shares into CDC Account:** The Shareholders having physical shareholding may open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into script-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 Stock Exchange. Further, Section 72 of the Act states that after the commencement of the Act from a date notified by SECP, a company having share capital, shall have shares in book-entry form only. Every existing 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 SECP, within a period not exceeding four years from the commencement of the Act.

- 10. Merger of Different Folios into One Folio:** As per record, some of the shareholders are maintaining more than one folio under the same particulars. Carrying two different folios may be a hassle for the shareholders to reconcile and receive different benefits in the shape of dividends/ bonus. In order to provide better services and convenience, such shareholders are requested to send requests to the MCB's Share Registrar and Transfer Agent to merge their folios into one folio.

While sending the copy of NTN/CNIC/NICOP number, shareholders are requested to quote their respective Folio/CDC Account Numbers for identification purpose.

M/s THK Associates (Pvt) Ltd.,
Share Registrar and Transfer Agent-MCB Bank Limited
First Floor, 40-C, Block-6, P.E.C.H.S., Karachi-75400.
P.O. Box No. 8533, UAN: +92 (21) 111-000-322,
Fax: +92 (21) 3 4168271.
Email: sfc@thk.com.pk

Glossary of Terms

Important terms and formulae used for calculation in Financial Statements are briefly described here;

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Basis point

One hundredth of a per cent i.e. 0.01 per cent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets divided by the total number of share outstanding at year end.

BSD

Banking Surveillance Department of State Bank of Pakistan

BPRD

Banking Policy and Regulation Department of State Bank of Pakistan

CAGR

An abbreviation for Compound Annual Growth Rate.

Capital Adequacy Ratio (CAR)

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan.

Cash Reserve Ratio (CRR)

Cash Reserve Ratio is the amount of funds that the banks have to keep with SBP.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Commitment to Extend Credit

Credit facilities approved but not yet utilized by the client as at the Balance Sheet date.

Cost to Income Ratio

The proportion of admin expenses to total income, represented as combination of net interest income and non interest income.

Credit Risk Spread

The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.

Discount rate

Discount is the rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

Dividend Payout Ratio

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

Dividend Yield Ratio

Dividend per share divided by the market value of share.

Earnings Per Share

Profit after taxation divided by the weighted average number of ordinary shares in issue

Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

Forced Sale Value (FSV)

Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged / pledged assets in a forced / distressed sale conditions.

Government Securities

Government Securities shall include such types of Pak. Rupee obligations of the Federal Government or a Provincial Government or of a Corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government as the Federal Government may, by notification in the Official Gazette, declare, to the extent determined from time to time, to be Government Securities.

Impairment allowances

A provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss inherent in the lending book. An impairment allowance may either be identified or unidentified and individual or collective.

Foreign Exchange Options(FX Options)

Contracts that give the buyer the right, but not the obligation, to buy or sell one currency against the other, at a predetermined price and on or before a predetermined date. The buyer of a call/ put FX option has the right to buy/sell a currency against another at a specified rate.

Forward Purchase Contract

Forward purchase contract is one in which the exporter enters into the forward booking contract to protect himself from the exchange rate fluctuation at the time of receiving payment.

Forward Sale Contract

In a forward sale contract the importer enters into a transaction to buy foreign currency from the Bank at the predetermined rate to protect himself from the exchange fluctuation at the date the payment.

Historical Cost Convention

Recording transactions at the actual value received or paid.

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

IFRIC

International Financial Reporting Interpretation Committee

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Loan losses and provisions

Amount set aside against identified and possible losses on loans, advances and other credit facilities as a result of their becoming party or wholly uncollectible.

Liquid Assets

The assets which are readily convertible into cash without recourse to a court of law and mean encashment / realizable value of government securities, bank deposits, certificates of deposit, shares of listed companies which are actively traded on the stock exchange, NIT Units, certificates of mutual funds, Certificates of Investment (COIs) issued by DFIs / NBFCs rated at least 'A' by a credit rating agency on the approved panel of State Bank of Pakistan, listed TFCs rated at least 'A' by a credit rating agency on the approved panel of State Bank of Pakistan and certificates of asset management companies for which there is a book maker quoting daily offer and bid rates and there is active secondary market trading. These assets with appropriate margins should be in possession of the banks / DFIs with perfected lien.

Market Capitalization

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

Net Interest Income (NII)

Net interest income is the difference between the interest earned on assets and interest expensed on liabilities.

Non-Performing Loan

A non-performing loan is a loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

NPLs to Gross Advances/Loans

Represents the infected portfolio of the bank and is calculated by dividing the total non-performing loans by gross

advances.

Non Performing Loan-Substandard Category

Where markup/interest or principal is overdue by 90 days or more from the due date.

Non Performing Loan-Doubtful Category

Where markup/interest or principal is overdue by 180 days or more from the due date.

Non Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

Off Balance Sheet Transactions

Transactions that are not recognized as assets or liabilities in the statement of financial position but which give rise to contingencies and commitments.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Repo / Reverse Repo

A repurchase agreement, or repo, is a short term funding agreements which allow a borrower to sell a financial asset, such as ABS or government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

Return on Equity (ROE)

Represents the ratio of the current year's profit available for distribution to the weighted average shareholders equity over the period under review, calculated by dividing the net profit (profit after tax) to the average equity (before surplus) for the period.

Return on Assets (ROA)

Indicator of profitability of the business relative to the value of its assets, calculated by dividing the net profit (profit after tax) to the average total assets for the period.

Statutory Reserve Funds

A capital reserve created as per the provisions of the section 21 of Banking Companies Ordinance, 1962.

Small Enterprise

A Small Enterprise (SE) is a business entity which meets both the following parameters:

Number of Employees	Annual Sales Turnover
*Up to 50	Up to Rs. 150 million

*including contract employees.

Basel III

Basel III (or the Third Basel Accord) is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk.

Strategic Investment

Strategic Investment is an investment which a bank / DFI makes with the intention to hold it for a period of minimum 5 years.

The following must be noted further in respect of strategic investment:

- The bank should mark strategic investment as such at the time of investment
- If there are a series of purchases of stocks of a company, the minimum retention period of 5 years shall be counted from the date of the last purchase.

SRO

Statutory Regulatory Order

KIBOR – (Karachi Interbank Offered Rate)

KIBOR is the interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

LIBOR (London Interbank Offered Rate)

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

VaR

Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.

Weighted Average Cost of Deposits

Percentage of the total interest expense on average deposit of the bank for the period.

INVESTOR'S AWARENESS

For the year ended December 31, 2018

With reference to SRO 924(1) / 2015 dated September 9th, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been added for investor's awareness.

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 jamapunji.pk

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*Mobile apps are also available for download for android and ios devices

Form of Proxy
71st Annual General Meeting

I/We _____ of _____ being a member (s) of **MCB Bank Limited**, and holder of _____ Ordinary Shares, do hereby appoint _____ of _____ vide Folio/CDC Account No. _____ or failing him/her _____ of _____ who is also a member of the Bank, vide Folio/CDC Account No. _____ as my/our proxy in my/our absence to attend, speak and vote for me/us and on my/our behalf at the **71st Annual General Meeting** of the Bank to be held on **Friday, March 29, 2019 at 11:00 AM (PST)** at Grand Ball Room-A, The Nishat Hotel, Emporium Mall, Near Expo Center, Abdul Haq Road, Johar Town, Lahore, and at any adjournment thereof.

As witness my / our hand / Seal this _____ day of _____ 2019.
 Signed by _____

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on Five-Rupees
Revenue Stamp

The signature should agree with the specimen registered with the Bank

Witnesses:

<p>1. Name : _____</p> <p>Address : _____</p> <p>CNIC No. : _____</p> <p>Signature : _____</p>	<p>2. Name : _____</p> <p>Address : _____</p> <p>CNIC No. : _____</p> <p>Signature : _____</p>
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Note:

1. A member eligible to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting.
2. This Proxy Form, duly completed and signed, must be deposited in the office of M/s THK Associates (Pvt) Limited, the Share Registrar and Transfer Agent of the Bank, situated at First Floor, 40-C, Block 6, P.E.C.H.S., Karachi-75400, not less than 48 hours before the time of holding the meeting.
3. If a member appoints more than one proxy and more than one instrument of proxies are deposited by a member with the Share Registrar and Transfer Agent of the Bank, all such instruments of proxy shall be rendered invalid.
4. For CDC Account Holders / Corporate Entities
 - Attested copies of Computerized National Identity Card ("CNIC") or the passport of the beneficial owners and the proxy shall be provided with the Proxy Form.
 - The proxy shall produce his/her original CNIC or passport at the time of the meeting.
 - In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with Proxy Form to the Share Registrar and Transfer Agent of the Bank.

پراکسی فارم 71 واں سالانہ عام اجلاس

میں / ہم _____
 ساکن _____ بحیثیت ممبر ایم سی بی بینک لمیٹڈ اور _____ عام حصص کا مالک مستمی / مسماة _____
 ساکن _____ کو جس کا فولیو ای سی ڈی سی اکاؤنٹ نمبر _____ یا اس کی عدم دستیابی کی صورت میں
 مستمی / مسماة _____ ساکن _____ کو جو کہ بینک کا ممبر بھی ہے، جس کا فولیو ای سی
 ڈی سی اکاؤنٹ نمبر _____ ہے، بطور پراکسی مقرر کرتا ہوں / کرتی ہوں / کرتے ہیں تاکہ وہ میری / ہماری غیر موجودگی میں میری / ہماری طرف
 سے بینک کے 71 ویں سالانہ عام اجلاس جو بروز جمعہ، مورخہ 29 مارچ، 2019ء بوقت 11:00 بجے صبح بمقام گرینڈ بال روم۔ اے، دی نشاط ہوٹل، ایمپوریم
 مال، نزد ایکسپو سینٹر، عبدالحق روڈ، جوہر ٹاؤن، لاہور، منعقد ہو رہا ہے اس میں اور اس کے کسی ملتی شدہ اجلاس میں شرکت کرے، بات کرے اور ووٹ ڈالے۔

میرے / ہمارے دستخط بتاریخ _____ 2019ء

دستخطی

پانچ روپیہ کے رپونڈنٹا مپ پر
دستخط

دستخط بینک میں رجسٹرڈ نمونے
سے مطابقت رکھتے ہوئے چاہیے

سی ڈی سی اکاؤنٹ نمبر		فولیو نمبر
اکاؤنٹ نمبر	پارٹیشن I.D.	

گواہان:

(1) نام: _____
 پتہ: _____
 شناختی کارڈ نمبر: _____
 دستخط: _____

(2) نام: _____
 پتہ: _____
 شناختی کارڈ نمبر: _____
 دستخط: _____

نوٹ:

- 1- اجلاس میں شرکت کرنے، ووٹ دینے کے اہل رکن کسی دوسرے رکن کو اپنا اپنی پراکسی مقرر کر سکتا ہے جس کو شرکت کرنے، بولنے اور ووٹ دینے کا حق حاصل ہوگا۔
 - 2- یہ مکمل پُر کردہ اور دستخط شدہ پراکسی فارم بینک کے شیئرز رجسٹرار اور ٹرانسفر ایجنٹ، ممبرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، بمقام پہلی منزل، 40-سی، بلاک 6، پی۔ ای۔ سی۔ ایچ۔ ایس، کراچی، کے دفتر میں اجلاس کے انعقاد سے 48 گھنٹے پہلے جمع کروانا چاہیے۔
 - 3- اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور بینک کے شیئرز رجسٹرار اور شیئر ٹرانسفر ایجنٹ کے پاس رکن کی طرف سے پراکسی فارم کی ایک سے زائد دستاویزات جمع کروائی جاتی ہیں تو پراکسی کی ایسی تمام دستاویزات کا اہم تصور ہوں گی۔
 - 4- سی ڈی سی اکاؤنٹ رکھنے والوں / کارپوریٹ اداروں کے لیے:
- * مستفید مالکان اور پراکسی کے کیپیوٹرانز ڈومی شناختی کارڈ (سی این آئی سی) یا پاسپورٹ کی تصدیق شدہ کاپیاں پراکسی فارم کے ساتھ مہیا کی جائیں گی۔
 - * اجلاس کے موقع پر پراکسی اپنا اصل شناختی کارڈ یا پاسپورٹ مہیا کرے گا۔
 - * کارپوریٹ ادارہ ہونے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ نمونے کے مطابق دستخط کے ساتھ بینک کے شیئرز رجسٹرار اور ٹرانسفر ایجنٹ کے پاس پراکسی فارم کے ہمراہ جمع کروانا ہوگا۔



Registered Office:

U :

T :

E :

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