



Bank for Life

ANNUAL REPORT 2014

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Unconsolidated Financial Statements

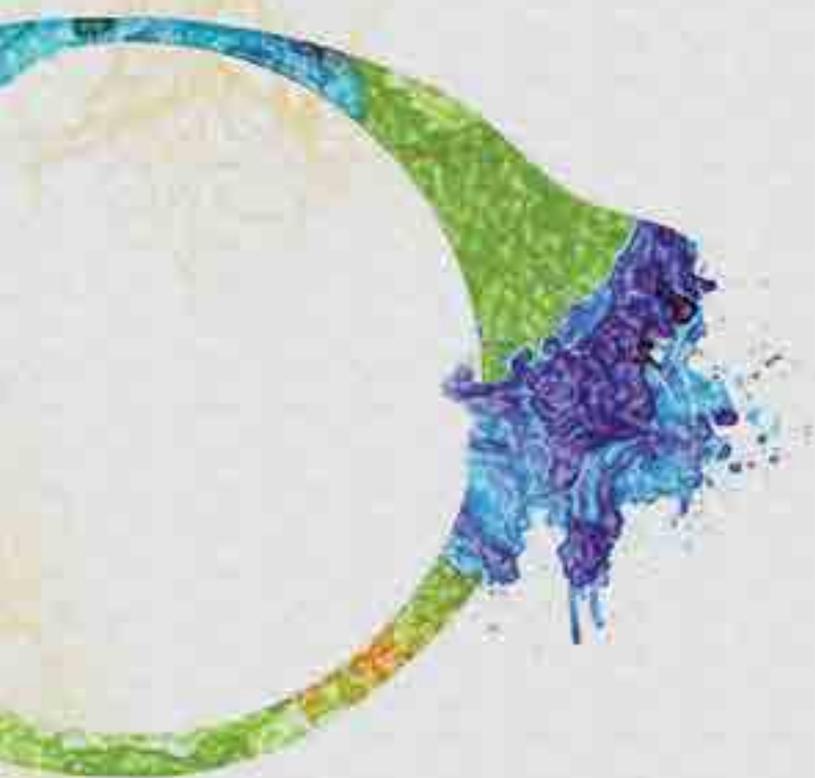
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Vision & Mission

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





The Circle of Life

The Circle of Life symbolizes the infinite nature of energy, meaning every thing that starts comes to an end, but each ending is a start of something new. Our days turn into months and they turn into years, measured by hands on a clock, going around in circles and with each passing moment, our life takes a new turn, reinventing itself, evolving into something new, offering new challenges and demanding creativity in solutions. With MCB as a Banking Partner in your life, the wheel of your life goes round smoother, as we ensure the gears are well oiled and the bumps in the road are identified early and tackled efficiently. Moving along with you, in an infinite loop of positive energy and excellence, in the cycle of life, We are MCB. Bank for Life.





Circle of Security

MCB understands that it doesn't only work with your money, it also works with your dreams and aspirations. This is why we strive hard to secure your savings and protect your investments, giving you the freedom to dream bigger and do better.



Circle of Excellence

In everything that MCB does, from being a reliable banking partner to offering a wide product portfolio that suits business and personal requirements, MCB maintains a strict standard of excellence. It works to expand this culture of excellence to the lives of all its stakeholders.



Circle of Trust

At MCB, we strive to create and enhance the trust of our esteemed partners and customers by making their needs our top priority. Each transaction with MCB thus adds to the level of trust placed in the institution, allowing for greater prosperity and a life free of worry.

Excellence

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

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.

Core Values

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.

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.



Awards

2014 The Asset Triple A:	Best Bank - Pakistan
2014 The Asset Triple A:	Best Domestic Bank - Pakistan
2014 CFA 11th Excellence Awards:	Best Bank of the year 2013 – Large Bank
2014 CFA 11th Excellence Awards:	Most Stable Bank of the year 2013
2014 Asiamoney Awards	Best of the Best Domestic Bank
2014 The Asian Banker (USA)	Strongest Bank in Pakistan 2014
2014 ICAP and ICMAP:	1st - BCR Award 2013 - Banking Sector
2014 SAFA:	1st Runner up - BCR 2013 in Banking Sector Category
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:	2nd Runner up - BCR 2012 in Banking Sector Category
2012 The Asset Triple A:	Best Domestic Bank - Pakistan
2012 Euromoney:	Best Bank in Pakistan
2012 NFEH:	CSR Business Excellence Award "Best Media Coverage"
2012 ICAP and ICMAP:	2nd Best Corporate Report Award 2011 - Banking Sector
2012 World Finance:	Best Commercial Bank - Pakistan
2012 Pakistan Centre for Philanthropy:	PCP Corporate Philanthropy Award
2011 CFA Association Pakistan:	Most Stable Bank of the Year
2011 CFA Association Pakistan:	Best Bank of the Year
2011 Euromoney:	Best Bank in Pakistan
2011 ICAP / ICMAP:	1st - BCR Award 2010 - Banking Sector
2011 SAFA:	Joint 2nd Runner-up for BCR 2010
2010 The Asian Banker:	Strongest Bank in Pakistan
2010 The Asian Banker:	Leadership Achievement Award
2010 MMT:	Best Bank Led MMT Service
2010 ICAP / ICMAP:	1st - BCR Award 2009 - Banking Sector
2010 SAFA:	Certificate of Merit Award for BCR 2009
2009 Asiamoney:	Best Domestic Bank in Pakistan
2009 The Asset:	Best Domestic Bank in Pakistan
2008 Euromoney:	Best Bank in Asia
2008 Euromoney:	Best Bank in Pakistan
2008 Asiamoney:	Best Domestic Bank in Pakistan
2006 Asiamoney:	Best Domestic Bank in Pakistan
2006 Euromoney:	Best Bank in Pakistan
2005 Asiamoney:	Best Domestic Bank in Pakistan
2005 Euromoney:	Best Bank in Pakistan
2004 Euromoney:	Best Bank in Pakistan
2004 Asiamoney:	Best Domestic Bank in Pakistan
2003 Euromoney:	Best Bank in Pakistan
2001 Euromoney:	Best Bank in Pakistan
2001 Euromoney:	Best Bank in Pakistan
2000 Euromoney:	Best Bank in Pakistan



Products & Services





Bank for Life

Products & Services





Bank for Life

Products & Services





Products & Services MCB Bank - Sri Lanka



Corporate Information



Board of Directors

Mian Mohammad Mansha Chairman	(Non-Executive Director)
S. M. Muneer Vice Chairman	(Non-Executive Director)
Tariq Rafi	(Non-Executive Director)
Shahzad Saleem	(Non-Executive Director)
Sarmad Amin	(Non-Executive Director)
Aftab Ahmad Khan	(Non-Executive Director)
Mian Raza Mansha	(Non-Executive Director)
Mian Umer Mansha	(Non-Executive Director)
Dato' Seri Ismail Shahudin	(Non-Executive Director)
Ahmad Alman Aslam*	(Non-Executive Director)
Muhammad Ali Zeb	(Non-Executive Director)
Mohd Suhail Amar Suresh	(Non-Executive Director)
Imran Maqbool President & CEO	(Executive Director)

Audit Committee

Ahmad Alman Aslam* Chairman	(Non-Executive Director)
Tariq Rafi	(Non-Executive Director)
Aftab Ahmad Khan	(Non-Executive Director)
Dato' Seri Ismail Shahudin	(Non-Executive Director)

Chief Financial Officer

Salman Zafar Siddiqi

Company Secretary

Fida Ali Mirza

Auditors

M/s. A. F. Ferguson & 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.) Ltd.
2nd Floor, State Life Building No.3
Dr. Ziauddin Ahmed Road Karachi, Pakistan.

Branch Office

M/s. THK Associates (Pvt.) Ltd.
2nd Floor, DYL Motorcycles Ltd. Office Building
Plot No. 346, Block No. G-III, Khokhar Chowk
Main Boulevard, Johar Town, Lahore, Pakistan.

* Independent Non-Executive Director under CCG having relevant industry experience.

Board of Directors





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 the Textile, Cement, Insurance, Banking, Financial Services, Power Generation, Hotel & Hospitality, Dairy, Paper Products and Aviation sectors. It operates in various countries across the globe including Sri Lanka, Azerbaijan, UAE, USA, Honk Kong and Bahrain.

Mr. Mansha has served as Chairman of MCB Bank since its privatization from 1991 till mid-1995 and then 1997 till date. Presently, he is the Chairman of Business Strategy & Development Committee, Human Resource & Remuneration Committee and Write Off & Waiver Committee, at MCB Bank Limited. Previously, he has been associated with Punjab Mineral Company (Pvt.) Limited, Civil Aviation Authority, Board of Investment (BOI), Punjab Board of Investment & Trade (PBIT), Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC), 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 president for All Pakistan Textile Mills Association (APTMA) and APTMA, Punjab.

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

Directorships:

- MCB Bank Limited
- MCB-Arif Habib Savings and Investments Limited
- MCB Leasing CJSC Azerbaijan
- Shalamar Medical & Dental College
- Foundation for Advancement of Engineering Sciences & Advanced Technologies



S. M. MUNEEER
Vice Chairman

With experience in sectors ranging from tanneries, textiles, 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. His contributions and achievements go beyond the economic sphere into the education sector as well. He was awarded an Honorary PhD degree by the Governor of Sindh and is also a member of the Board of Directors of CBM and Greenwich College, Karachi and the Director of Shaukat Khanum Cancer Hospital, Lahore. 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 the President House in 2012.

Directorships:

- MCB Bank Limited
- Din Textile Mills Limited
- Din Leather (Pvt.) Limited
- Din Farm Products (Pvt.) Limited
- Trade Development Authority of Pakistan (TDAP)
- Din Industries Limited
- Arabian Sea Country Club





TARIQ RAFI
Director

Mr. Tariq Rafi is the Chairman of Siddiqsons Group and is a recipient of the coveted Civil Award Sitara-e-Imtiaz and the Best Businessman of the year award. He is also the Honorary Counsel General of Republic of Serbia. At MCB Bank, he is on the board since privatization of the bank and presently is the member of the Audit Committee and Write-off & Waiver Committee.

Directorships:

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



SHAHZAD SALEEM
Director

Mr. Shahzad Saleem is the Chairman of Nishat Chunian Group. He completed his Master's in Business Administration in 1989 from Lahore University of Management Sciences (LUMS) and in 1990 he laid the foundation of the Nishat Chunian Group with the setting up of a Spinning Mill.

The group has since diversified into weaving, dyeing/printing and power generation. Nishat Chunian Ltd. ranks amongst the top 5 textile companies in Pakistan. Shahzad served on the board of Adamjee Insurance Company Ltd. from 2004-2009. He is on the board of MCB Bank since 1996 and played a key role in the successful ventures undertaken by MCB Bank including listing on the London Stock Exchange and sale of 20 percent stake of MCB Bank to Maybank, Malaysia.

Apart from work, Shahzad Saleem believes strongly in giving back to society. He has set up a school and hospital for the underprivileged; he serves on the board of Punjab Institute of Cardiology and is in the process of setting up a state of the art not-for-profit hospital in Lahore.

With strong ties to LUMS, Shahzad continues to serve the institution in various capacities. He is the founder of the LUMS Alumni Association and has served as its President for several tenures. He is currently serving on the Board of Trustees of LUMS and is also the president of the Alumni Association.

Directorships:

- MCB Bank Limited
- Nishat (Chunian) Limited
- Nishat Chunian Power Limited
- Saleem Memorial Trust Hospital
- NC Properties (Pvt.) Limited
- NC Entertainment (Pvt.) Limited
- NC Electric Company Limited
- NC Energy Limited
- NC Holdings Limited





SARMAD AMIN
Director

Mr. Amin has over 34 years of rich business experience in the fields of construction, electrical equipment's manufacturing and textiles. He has been serving as Chairman of M/s. Samin Textiles Limited and also has affiliation with Lahore Chamber of Commerce Industry (LCCI) and All Pakistan Textile Mills Association (APTMA) as a member.

At MCB Bank, he is the Chairman of the Committee on Physical Planning & Contingency Arrangements, a member of the Risk Management & Portfolio Review Committee and SBP Report Compliance Monitoring Committee.

Directorships:

- MCB Bank Limited
- Samin Textiles Limited
- Euronet Pakistan (Pvt.) Limited
- MNET Services (Pvt.) Limited
- Schneider Electric Pakistan (Pvt.) Limited
- Alstom Grid Pakistan (Pvt.) Limited



MIAN RAZA MANSHA
Director

Mian Raza Mansha has more than 20 years diversified professional experience in various business sectors including Banking, Textile, Power, Cement, Insurance, Hotels, Properties, Natural Gas, Agriculture, Dairy etc. He received his Bachelors degree from the University of Pennsylvania, USA.

Mr. Raza joined MCB Bank in 1997. At MCB, he is the Chairman of the IT Committee and a member of Business Strategy & Development Committee and Human Resource & Remuneration Committee.

Directorships:

- MCB Bank Limited
- D. G. Khan Cement Company Limited
- Nishat Paper Products Co. Limited
- Nishat Hotels & Properties Limited
- Sui Northern Gas Pipeline Limited
- Nishat Developers (Pvt.) Limited
- Adamjee Life Assurance Company Limited
- MCB Financial Services Limited
- MNET Services (Pvt.) Limited
- Nishat (Gulberg) Hotels and Properties Limited
- Nishat (Raiwind) Hotels and Properties Limited
- Nishat (Aziz Avenue) Hotels and Properties Limited
- Nishat Dairy (Pvt.) Limited
- Euronet Pakistan (Pvt.) Limited
- Nishat Agriculture Farming (Pvt.) Limited





AFTAB AHMAD KHAN
Director

Mr. Aftab Ahmad Khan is a fellow member of Institute of Chartered Accountant of Pakistan. He has over 50 years of diversified professional experience in various sectors. Presently, he serves on the board of various organizations i.e. Commercial Bank, Textile, Paper, Energy, Hotel and Tourism sectors. He had also served on the Punjab Industrial Development Board and in public sector organizations such as Ghee, Sugar and Rice mills. At MCB Bank, he is also a member of the Audit Committee, IT Committee and Write-off and Waiver Committee.

Directorships:

- MCB Bank Limited
- Nishat Paper Products Co. Limited
- Nishat (Chunian) Limited
- Nishat Chunian Power Limited
- Nishat Hotels & Properties Limited
- Nishat (Raiwind) Hotels and Properties Limited
- Nishat (Aziz Avenue) Hotels and Properties Limited
- Nishat (Gulberg) Hotels and Properties Limited
- Nishat Energy Limited



MIAN UMER MANSHA
Director

Mian Umer Mansha was elected as Director to the MCB Board in November 1997 and served till September 2007. He was re-elected as a Director at MCB Bank in the 61st AGM held on March 27, 2009. Presently, he is the Chairman of the Risk Management & Portfolio Review Committee and is a member of Business Strategy & Development Committee and Physical Planning and Contingency Arrangements at MCB Bank.

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

Directorships:

- MCB Bank Limited
- 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 (Aziz Avenue) Hotels and Properties Limited
- Nishat (Gulberg) Hotels and Properties Limited
- Nishat Dairy (Pvt.) Limited
- Nishat Agriculture Farming (Pvt.) Limited
- Pakistan Business Council



AHMAD ALMAN ASLAM
Director

Mr. Aslam has four decades' professional experience in investment banking, corporate finance and advisory services. He is managing partner of Ahmad Alman Aslam and Associates, an enterprise engaged in investment banking. Mr. Aslam started his career with Citibank in 1975 and continued with Citibank for 28 years, serving in various capacities. He was the Managing Director, based in New York, responsible for all debt issued by borrowers in the emerging markets. Mr. Aslam has also served as an advisor to EMP Washington, a US\$ 6 billion private equity fund.

In Pakistan, he has served on the boards of the State Bank of Pakistan, OGDC, Adamjee Insurance, IGI Asset Management, Punjab Coal Mining Company, The Bank of Punjab, Punjab Small Industries Corporation and the Private Power and Infrastructure Board.

Mr. Aslam has a Masters in Business Administration from Punjab University and has attended the program for Management Development at Harvard University, Cambridge.



DATO' SERI ISMAIL SHAHUDIN
Director

Dato' Seri Ismail Shahudin was appointed onto the Board of MCB on October 26, 2010, representing Malayan Banking Berhad (Maybank). He was appointed as Director of Maybank on 15 July 2009. He serves as Chairman of Credit Review Committee of the Board and is currently Chairman of Maybank Islamic Berhad, a wholly owned subsidiary of Maybank. He has held senior positions in Citibank, serving both in Malaysia and New York, and in United Asian Bank and Maybank. He was Chairman of Bank Muamalat Malaysia Berhad from 2004 until his retirement in July 2008. In 2002, he assumed the position of Group Chief Executive Officer of MMC Corporation Berhad prior to his appointment to the Board of Bank Muamalat Malaysia Berhad. He is also a Director of several public listed companies which include EP Manufacturing Berhad, and Aseana Properties Limited, a company listed on the London Stock Exchange and Opus International Consultants Limited, a company listed on New Zealand Stock Exchange.

Directorships:

- MCB Bank Limited
- Malayan Banking Berhad
- EP Manufacturing Bhd
- Aseana Properties Limited
- Opus International Consultants Limited
- Maybank Islamic Berhad
- EP Metering Services Sdn Bhd
- PepsJV (M) Sdn Bhd
- UEM Group Bhd
- Opus Group Berhad
- Sutera Mentari Sdn Bhd
- Citra Busana Sdn Bhd
- PKEINPK Sdn Bhd (Formerly known as Perbadanan Kemajuan Ekonomi Islam Negeri Perak)
- Dewan Negara Perak
- UEM Environment Sdn Bhd
- Kudliti Alam Sdn Bhd
- Projek Penyeleggaran Lebuhraya Berhad
- Yayasan Sultan Azlan Shah
- KUISAS Berhad (Kolej Universiti Islam Sultan Azlan Shah)
- Faber Group Berhad
- Majlis Agama Islam dan Adat Melayu Perak



MUHAMMAD ALI ZEB
Director

Mr. Zeb is currently the CEO of Adamjee Insurance Company Limited. He is fellow member of Institute of Chartered Accountants of Pakistan since 1994 and has 20 years of diversified professional experience in the fields of Finance, Insurance & Manufacturing. He also holds council memberships of Insurance Association of Pakistan and Pakistan Insurance Institute.

He was co-opted as a Director on MCB Board in June 2013. At MCB Bank Limited, he is also member of Risk Management and Portfolio Review Committee.

Directorships:

- MCB Bank Limited
- Adamjee Insurance Company Limited
- Adamjee Life Assurance Company Limited



MOHD SUHAIL AMAR SURESH
Director

Mr. Mohd Suhail Amar Suresh has more than 29 years of global progressive experience in various areas related to Corporate Strategy, Business Development & Marketing, Information Technology, Systems and Applications Architecture within the Banking and Telecommunications Industries, both locally and regionally.

His most recent appointment is as the Group Chief Information Officer (GCIO) and the Head of Maybank Shared Services for the Maybank Group, primarily responsible for transforming IT within Maybank into an IT Service Delivery for the Group. Prior to this, Mr. Suhail was the Head of Virtual Banking & Payments, primarily responsible for developing and implementing the short and long-term digital strategy for Community Financial Services (CFS) across the Group.

Prior to his appointment at Maybank, 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 e-payment infrastructure and services within the financial industry across Malaysia. He also served as the Group Managing Director of Malaysian Electronic Payment System Sdn Bhd (MEPS), and was responsible in defining the framework for MEPS to be the centralized national switch. Mr. Suhail also held several senior positions in the Information Services Division of a commercial bank. In his various other capacities in multinational organizations, Mr. Suhail was overseeing the overall technology investments and directing the implementation as well as the integration of Technology services serving various stakeholders within the Asia Pacific region.

Mr. Suresh was co-opted as Director on MCB Board on February 24, 2014. At MCB, he is also member of Business Strategy & Development Committee and Risk Management & Portfolio Review Committee.

He received his Masters degree from Charles Sturt University, Australia in 2002.





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 banking experience. Before taking on the CEO position, he was Head of Commercial Branch Banking Group, where he successfully managed the largest group of the Bank in terms of market diversity, size of workforce, number of branches on countrywide basis and diversified spectrum of products. In earlier roles, he worked as Head Wholesale Banking Group-North, remained Country Head of MCB Bank's Sri Lanka Operations, spearheaded Islamic Banking and Special Asset Management Groups.

Prior to joining MCB Bank in 2002, Mr. Maqbool was associated with local banking operations of Bank of America and CitiBank for more than seventeen years. He worked at various senior management level positions in respective banks. He is currently the Chairman of Pakistan Banks' Association (PBA). Mr. Maqbool holds an MBA from Institute of Business Administration (IBA) Karachi and MS in Management from MIT Sloan School of Management, Massachusetts USA.

Directorships:

- MCB Bank Limited (President & CEO)
- Adamjee Insurance Company Limited
- MNET Services (Pvt.) Limited
- MCB Financial Services Limited

Board Committees

Audit Committee

Meetings held: 6

Composition:

1. Mr. Ahmad Alman Aslam – Chairman
2. Mr. Tariq Rafi
3. Mr. Aftab Ahmad Khan
4. Dato' Seri Ismail Shahudin

TERMS OF REFERENCE:

Determining appropriate measures to safeguard the Bank's assets, reviewing quarterly, half-yearly and annual 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 and other statutory and regulatory requirements; and significant related party transactions, reviewing preliminary announcements of results prior to publication, 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), reviewing management letter issued by external auditors and management's response thereto, ensuring coordination between the internal and external auditors of the Bank, making recommendation to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the Bank in addition to audit of its financial statements, reviewing of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Bank, consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto, 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, reviewing of the Bank's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports, instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body, determining compliance with relevant statutory requirements, monitoring compliance with the best practices of corporate governance and identification of significant violations thereof and considering any other issue or matter as may be assigned by the Board of Directors.

Business Strategy and Development Committee

Meetings held: 4

Composition

1. Mian Mohammad Mansha – Chairman
2. Mr. S. M. Muneer
3. Mian Raza Mansha
4. Mian Umer Mansha
5. Mr. Ahmad Alman Aslam
6. Mr. Mohd Suhail Amar Suresh
7. President & CEO

TERMS OF REFERENCE:

The main terms of reference of the Committee are to review and develop vision and mission statements and core values for MCB both from long and short term perspective, develop Bank's initiatives relating to business philosophy and acquisition, strategic investment and divestment, capital raising exercise, strategic alliances and brand management, review the important matters with respect to policy initiatives; business organization; oversee expansion plans and contingency planning relating to business realignment, review and devise short, medium and long term business plans and policies based on strategy, future direction and milestones set by the Board, monitor the progress of the key strategy initiatives undertaken by the Bank and undertake such other tasks as may be delegated by the Board from time to time.

Human Resource and Remuneration Committee

Meetings held: 4

Composition

1. Mian Mohammad Mansha – Chairman
2. Mian Raza Mansha
3. Mr. Ahmad Alman Aslam
4. President & CEO

TERMS OF REFERENCE:

The main tasks of the Committee shall be to ensure that the existing policies are reviewed periodically, and, as necessary, revised and recommended to the Board, in order to attract and retain highly qualified employees, the latest entry-level procedures are put in place for recruitment of entrants, the existing training facilities for the new entrants as well as for up-gradation of skill level of all employees are reviewed and revised, proper classification and reclassification of employees' pay scales, job description, and methods of their periodical review are put in place, an objective criterion

for work appraisal/performance is developed & linked with the annual merit increase, 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, an in-house human resource expertise is developed. In case there is inadequacy of in-house expertise, the Committee is empowered to hire Consultant(s), as appropriate, to undertake market analysis of above policies with a view to developing MCB policies, effective management information system is developed to monitor the implementation of policies as approved by the Board, the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO and recommend to the Board, the consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO, the selection, evaluation, compensation (including retirement benefits) and succession planning of the CFO, Company Secretary and Head of Internal Audit and recommend to the Board.

Risk Management and Portfolio Review Committee
Meetings held: 4

Composition

1. Mian Umer Mansha – Chairman
2. Mr. Sarmad Amin
3. Mr. Muhammad Ali Zeb
4. Mr. Mohd Suhail Amar Suresh
5. President & CEO

TERMS OF REFERENCE:

Main terms of the committee are review the strategies relating to Bank's risk and policy framework for management of credit, market and operational risks, in light of internal developments, guidelines issued by the regulators and international best practices, on as and when required basis, monitoring of Bank's progress towards Basel-II implementation on as and when required basis, but at least on half yearly basis, review and recommend to Board Bank's risk appetite statement, as and when required and 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 and Contingency Arrangements

Meetings held: 4

Composition

1. Mr. Sarmad Amin – Chairman
2. Mr. S. M. Muneer
3. Mian Umer Mansha
4. President & CEO

TERMS OF REFERENCE:

The main terms of reference of the Committee are to develop and device an overall plan for physical infrastructure and contingency arrangements for the Bank, to review and monitor all work in progress, including construction of premises and renovations, which shall, inter alia, be based on physical planning, to review, monitor and recommend to the Board the building plans, master development agreements & contingency arrangements and 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.

IT Committee

Meetings held: 4

Composition

1. Mian Raza Mansha – Chairman
2. Mr. Aftab Ahmad Khan
3. Mr. Ahmad Alman Aslam
4. President & CEO

TERMS OF REFERENCE:

The main terms of reference of the Committee with regard to governance and supervision include approval of an overall plan for IT system for the Bank, approval of the organizational strategic plan to ensure an effective use of information technology by all departments and branches, approval and overseeing 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, to approve and oversee a reliable and secure communications infrastructure with the capacity to address future growth, to approve policies those promote development of information technology resources in an organized, deliberate, secured, and cost effective manner,

to review and approve Management recommendations for IT standards for ensuring compliance with regulatory requirements and identifying and mitigating significant IT related risks, to review and approve the Administrative IT structure, to undertake any other IT related work assigned to the Committee by the Board.

SBP Report Compliance Monitoring Committee

Meetings held: 2

Composition

1. Mr. S. M. Muneer – Chairman
2. Mr. Sarmad Amin
3. Mr. Ahmad Alman Aslam
4. President & CEO

TERMS OF REFERENCE:

The terms of reference of the Committee are to review six monthly reports prepared by the Compliance Group and routed through the President on the actions taken on the recommendations and observations of SBP in its Annual Inspection Report, to guide the management in the matters pertaining to compliance of SBP's observations, to carry on liaison between the Board and the Management with a view to ensuring compliance pertaining to the SBP's observations; and to make recommendations to the Board, if necessary, for taking decisions on expedient and appropriate disposal of observations of SBP Inspection Report.

Write Off and Waiver Committee

Composition

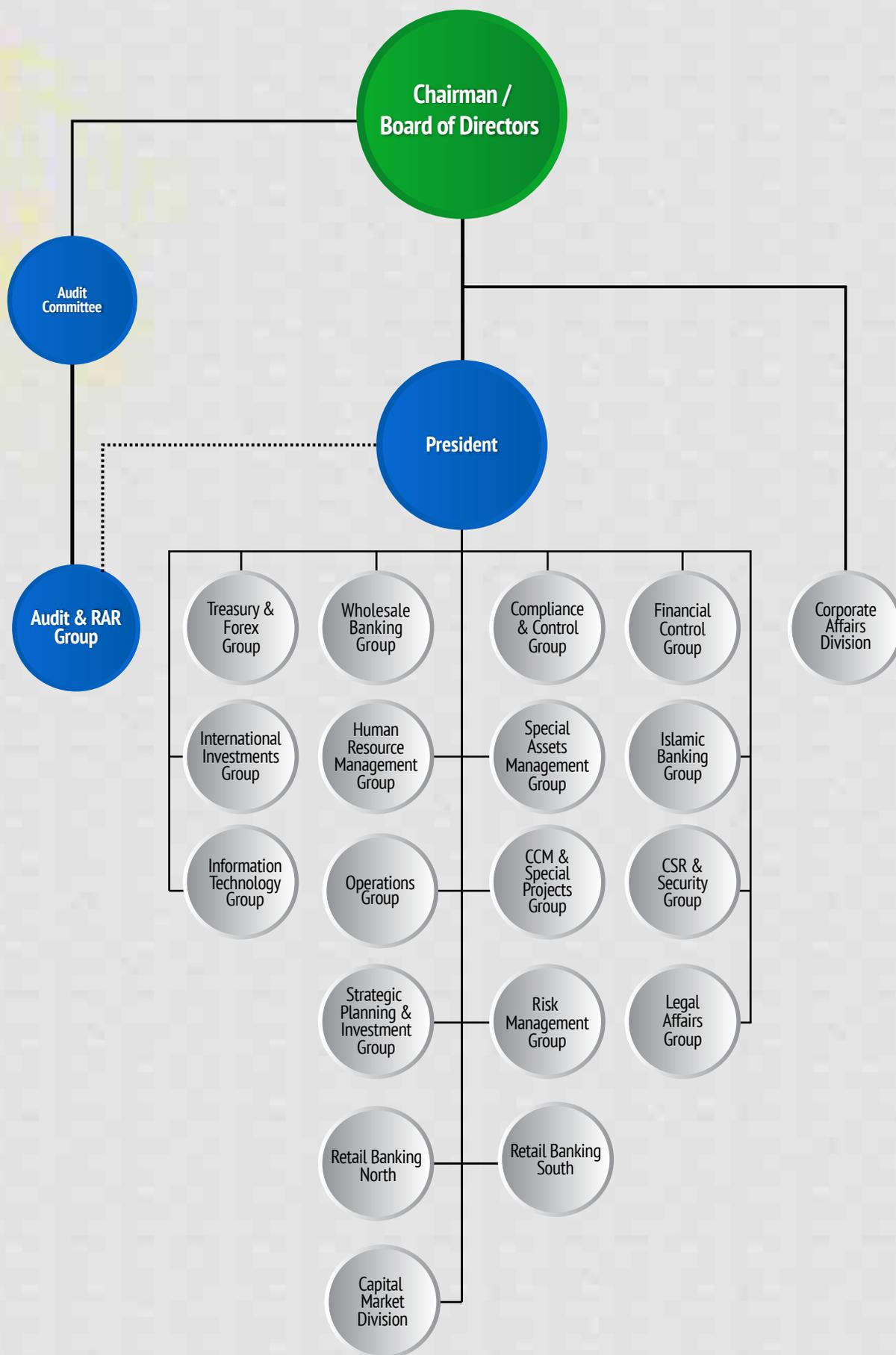
1. Mian Mohammad Mansha – Chairman
2. Mr. Tariq Rafi
3. Mr. Aftab Ahmad Khan

TERMS OF REFERENCE:

The terms of reference of the Committee are to review and approve write off & waiver cases on behalf of the Board of Directors and to submit cases of write off & waiver for post facto ratification by the Board.

Organization Structure





Management Committee



Front Row: (L – R) Usman Hassan, Salman Zafar Siddiqi, Imran Maqbool, Mohammad Ramzan, Shahid Malik, Nadeem Afzal, Kamran Rasool
Back Row: (L – R) Raheel Ijaz, Syed Mudassar Hussain Naqvi, M. Nauman Chughtai, Ali Munir, Zargham Khan Durrani, Laqa Sarwar, Muhtashim Ashai, Agha Saeed Khan, Syed Rashid Rehman, Ali Mubashir Kazmi, Imtiaz Mahmood



Management Committees

1. Management Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Ali Munir
3. Mr. Mohammad Ramzan
4. Mr. Agha Saeed Khan
5. Mr. Raheel Ijaz
6. Mr. Usman Hassan
7. Mr. Imtiaz Mahmood
8. Mr. Ali Mubashir Kazmi
9. Mr. Zargham Khan Durrani
10. Mr. Nadeem Afzal
11. Mr. Muhtashim Ashai
12. Mr. Laqa Sarwar
13. Mr. Syed Rashid Rehman
14. Mr. Salman Zafar Siddiqi
15. Mr. M. Nauman Chughtai
16. Mr. Syed Mudassar Hussain Naqvi
17. Mr. Kamran Rasool
18. Mr. Shahid Malik

2. Assets & Liabilities Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Ali Munir
3. Mr. Salman Zafar Siddiqi
4. Mr. Muhtashim Ashai
5. Mr. Agha Saeed Khan
6. Mr. Zargham Khan Durrani
7. Mr. Nadeem Afzal
8. Mr. Mohammad Ramzan
9. Mr. Syed Rashid Rehman
10. Mr. M. Nauman Chughtai

3. Purchase & Expense Committee

1. Mr. Agha Saeed Khan
2. Mr. Salman Zafar Siddiqi
3. Mr. Kamran Rasool
4. Mr. Amin Sukhiani

4. Investment Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Omair Safdar
3. Mr. Mohammad Ramzan
4. Mr. Salman Zafar Siddiqi
5. Mr. Muhtashim Ashai
6. Mr. M. Nauman Chughtai

5. Write off Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Ali Munir
3. Mr. Salman Zafar Siddiqi
4. Mr. Muhtashim Ashai
5. Mr. Zargham Khan Durrani
6. Mr. Nadeem Afzal
7. Mr. Omair Safdar
8. Mr. M. Nauman Chughtai
9. Mr. Laqa Sarwar

6. IT Steering Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Ali Munir
3. Mr. Salman Zafar Siddiqi
4. Mr. Imtiaz Mahmood
5. Mr. Agha Saeed Khan
6. Mr. Zargham Khan Durrani
7. Mr. Nadeem Afzal
8. Mr. Ali Mubashir Kazmi
9. Mr. Muhtashim Ashai
10. Mr. M. Nauman Chughtai

7. Disciplinary Action Committee

1. Mr. Usman Hassan - Chairman
2. Mr. Agha Saeed Khan
3. Mr. Raheel Ijaz
4. Mr. Laqa Sarwar
5. Mr. Kamran Rasool

8. Management Credit Committee

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

9. Issue Tracking and Monitoring Committee

1. Mr. Agha Saeed Khan - Chairman
2. Mr. Kamran Zafar Muggo
3. Mr. Raheel Ijaz
4. Mr. M. Nauman Chughtai
5. Mr. Imtiaz Mahmood

10. Litigation Review Committee

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

Other Senior Management



Fida Ali Mirza
Company Secretary



Malik Abdul Waheed
Advisor to Chairman



Kamran Zafar Muggo
Group Head Audit & RAR



Azfar Alam Nomani
Country Head Sri Lanka



Entity Credit Rating

LONG TERM



SHORT TERM



Corporate Profile of the Bank



MCB is one of the oldest banks of Pakistan, incorporated in 1947. It was privatized in 1991. 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 20% stake in it through Mayban International Trust (Labuan) Berhad.

Subsidiaries

MCB Financial Services Limited

Holding: 99.999%

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

MNET Services (Private) Limited

Holding: 99.95%

Profile: One of the largest service providers for Electronic Transactions to various financial institutions/banks 99.95% including related services in Information Technology, software and data processing.

MCB Trade Services Limited

Holding: 100%

Profile: Provides agency services.

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: 95.00%

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

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

Adamjee Insurance Company Limited

Holding: 29.13%

Euronet Pakistan (Private) Limited

Holding: 30%

Chairman's Message

I am pleased to share that 2014 has proved to be yet another remarkable year at MCB Bank Limited, where we continued to exceed the expectations of our stakeholders and achieved valuable milestones through persistent efforts of a dedicated and committed team.

MCB Bank Limited is among one of Pakistan's top three banks, serving as a valuable partner for its clients because of several factors, chief among them an absolute devotion to sound corporate governance, financial solidity based on high liquidity strong capital adequacy, steadfast commitment to recruiting and developing the highest-quality human capital available. It continues to develop a progressive track record of achievements and I am proud to share a few insights on the key factors that have led to the success of our Bank.

During the year, the Bank maintained strategic focus to deliver record breaking results in each quarter translating into impressive shareholder returns, highest market capitalization and recognition through prestigious international awards. MCB attained another momentous landmark this year of spanning PKR 100 billion in income tax since its privatization in 1991, thus playing its part in contributing towards nation building. The Bank also adhered to its avidly nurtured strong ethical culture and continued to contribute significantly towards its corporate social responsibility.

Pakistan has witnessed relevant stability in the recent past, with the likelihood of smoother times as a result of structured reforms to stimulate the economy and enable the country to overcome various challenges. These initiatives will have a positive trickledown effect on the monetary policy which augurs well for the banking industry.

Our strategy at MCB is clear with our course well defined. With teamwork and the performance bar set high, there is every reason to be confident about what the future holds. We have foremost capabilities and expertise that will enable us to achieve our goals. We are committed to usher in a better tomorrow for those we serve, for the communities we live in, and for each other.

I would like to acknowledge the sagacious approach of our Board and the Management in achieving the vision and objectives set forth by the Bank. Like always, I look forward to your continued support to take on the challenges for the year ahead and capitalize on every possible opportunity to work for a bright future.

For our employees, our shareholders, and our customers, this is the best guarantee that we will continue to be there for them. That's why we remain your "Bank for Life" – and we intend to stay that way.



Mian Mohammad Mansha
Chairman
MCB Bank Limited

President's Review

Pakistan's economy during the past year may be best described as one of incremental but noticeable improvement. The economic recovery finally began to take effect and we witnessed continued underlying nascent economic growth with slowly accelerating gains. While conditions were generally difficult, our clients remained active and our balance sheet continued to be strong and diverse. Amidst these shifting factors, we are pleased to report that MCB Bank generated solid results for the year under review. This exceptional growth in our profitability and strength in our financial position is a testimony to the customers' faith in us and the exceptional effort put-in by our dedicated and talented team.

2014 was the second full year of execution of our 2013 – 2017 strategy. We made exemplary progress thanks to the dedication of our employees, the trust and confidence of our clients, and the support of our shareholders. As a consequence, our clients once again entrusted us with more of their assets and business than in the preceding year, resulting in remarkable results and a record profit by the Bank which illustrated our stakeholders' belief that MCB is their chosen "Bank for Life."

Customer satisfaction, being our utmost primacy, drives us to serve our clients with increased passion and dedication. For the first time our Customer Base stretched to 5.6 million accounts during the year due to the stellar performance of our Retail, Wholesale and Islamic banking segments. In 2014 we strengthened our outreach to serve our clients at their doorstep by adding 16 new branches and 148 new ATM sites to our widespread network. Free automated SMS service was launched while MCB Business Account was introduced to cater to the growing needs of our valued customers. In order to equip our staff with better tools to serve their clients, employee development and training remained our foremost priority, with extensive training programs through our revamped 'Learning and Development Centres' across the country.

Resilient IT banking solutions have set the stage for unprecedented increase in financial activity across the globe. MCB Bank aims to win customer pride through robust IT infrastructure and technology-driven innovation. This would not only empower our clients but also help the Bank in achieving significant improvement in efficiency and in running its business with greater insight, flexibility and control. With that aim in mind, MCB achieved two historical milestones during the year. First, it shifted to an upgraded core banking solution and second, it established its owned Disaster Recovery Facility. Furthermore, Branchless Banking has now become the prime area of our concentration after successfully taking huge strides in the Internet Banking and Mobile Banking arenas. Its rapid acceptance among our tech savvy clients and its secure platform encouraged us to enable interoperability with other financial institutions, including offering the facility of Inter Bank Funds Transfer (IBFT) to its users. The facility has since been rolled on to Internet Banking and Mobile Banking services, and on our extensive ATM network. On similar lines, our Transaction Banking Unit integrated real time payment system with industry leaders in the money transfer business which allows instant remittance from across the globe and payments through our branches. We are actively building up our portfolio of global partners so that maximum number of our customers benefit from this value added service.

2014; a year of exceptional growth in our assets and net interest margins, demonstrated strategic planning and execution, keeping the interest of our stakeholders at heart. In spite of the challenges posed by declining



interest rate scenario, and difficult operating environment, we managed to achieve remarkable results with unprecedented growth in profitability.

Our deposits, now at an all-time high in MCB history, depict the confidence and loyalty of our customers, earned through providing years of quality service. Deposit buildup was paramount with an incremental volume of Rs. 56 Billion (9%) against last year, and an increased concentration on Current Account-Savings Account (CASA) composition (91%) as at December 31, 2014. Credit growth remains the focal point of the Bank as it represents our contribution to the economy and was managed in a structured manner with minimal risk. Asset mix analysis highlights incremental net advances of Rs. 55 billion (22%) over last year, while investments registered a record growth of Rs. 62 billion (14%). With a deal volume of over Rs. 100 billion, Investment Banking team successfully completed MCB's first ever privatization mandate and executed its largest road infrastructure financing project amounting to Rs. 22 billion. Trade and Home Remittance businesses also contributed to achieve this splendid growth. Home Remittances alone handled cumulative volume of Rs. 190 billion with an impressive growth of 19% over 2013.

Treasury emerged as a significant piece of the Bank's mosaic. Its top-line, total markup revenue, expanded by 24% comprising of 70% of the Bank's total markup revenue. Treasury went on a selective accumulation drive of high yielding government securities which ensured future revenue stability on the face of a declining interest rate scenario. In case of non-markup revenue, Treasury was able to make a paradigm shift by increasing the FX revenue of the bank by 57%. Treasury also launched Pakistan's first private label Purchasing Managers Index (MCB PMI) which is a leading barometer of the country's economic health.

MCB is among the first Pakistani banks to embark upon an expense control initiative almost 5 years ago, envisaging tougher times and squeezed margins. We continue to be acutely focused on expense management as a lever for driving incremental returns. With prudent expense management resulting in a 5% increase over 2013, MCB's total administrative expenses during 2014 reached Rs. 20.61 billion. Compensation and benefits being the largest expense, almost half of all administrative expenses, shows our resolve and commitment to recognizing the performance. In spite of this disciplined approach to costs, MCB remains committed to operating efficiently for our shareholders, while providing best-in-class service to our clients.

We have an impressive track record of delivering superior returns for all our stakeholders and the trend continued this year as well. After tax profitability as on December 31, 2014, was reported at an unprecedented level of Rs. 24 billion, depicting 13% growth over last year. In comparison with 2013, Net Interest Margin achieved 15% growth, with Return on Assets (ROA) and Return on Equity (ROE) increasing to 2.8% and 23.8%, respectively. Over the years MCB has gradually increased its contribution from Non-Fund Based income. This year was no different, showing an extraordinary growth of 20%. Provision against loans and advances has been reversed based on settlements executed / recoveries posted in classified advances. By focusing on revenues, expenses and capital efficiency, we are building near-term benefits, and at the same time driving

material operating leverage into our business for a longer term performance.

To increase our international footprint, the Bank continued to explore investment opportunities in South Asia, Middle East, Africa and Europe. We are eagerly looking forward to inaugurate our Wholesale Operations in Dubai, expected within the early part of 2015. To cater to the growing needs of Islamic banking customers, MCB has incorporated a wholly owned Islamic bank subsidiary. Subject to statutory approvals, it will start its commercial operations in 2015. Also in 2014, MCB added a 'Ladies Branch' in Islamabad managed exclusively by female staff, after successfully launching similar branches in Lahore and Karachi in previous years. These focus on meeting banking needs of female customers in an environment where they would feel comfortable and relaxed. It also emphasizes our prominent role in advocating equal employment opportunities while recognizing the integral part they play in our society.

As a recognition of our Bank's underlying credit strength, PACRA maintained MCB's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus] which reinforces our strong financial position. MCB Bank's performance was acknowledged by various local and international entities. The Asian Banker (USA) again bestowed upon MCB the "Strongest Bank in Pakistan" award for 2014, while Asiamoney Awards declared MCB to be the "Best of the Best Domestic Bank." CFA 11th Excellence Awards and Asset AAA awarded MCB "Best Bank of the year 2013" and "Best Bank in Pakistan" awards, respectively. The joint committee of ICAP/ICMAP once again conferred the "Best Corporate Report" award in Financial Sector category to MCB's annual report for 2013. Honoring our social obligations as a responsible corporate citizen, the bank donated Rs. 40 million to Chief Minister's Relief Fund for IDPs of North Waziristan in 2014.

In the end, I would like to acknowledge the hard work and dedication of all staff members of MCB, who are undoubtedly the core asset of our Bank. It is my utmost belief that our committed and professional team is the main strategic advantage of MCB over its peers. We are fortunate to have a diverse group of qualified, trained and dedicated employees across Pakistan who view MCB as a great institution to begin, build and sustain their careers. I am also greatly indebted to the guidance of Chairman, Board of Directors, our foreign partners and the staff members who helped in making 2014 yet another profitable year. This dedication, commitment and perseverance would drive us to our goal of "One Bank One Team." I feel humbled to be given the opportunity to not only represent one of the leading banks of Pakistan but also to be a member of this team. With our energy, team work, unity of purpose and faith in God, I have no doubt that we will continue to meet the challenging expectations of our shareholders, customers, employees and regulators in the coming years.

At MCB, we know "Who To Thank" and you know "Where To Bank, for Life."



Imran Maqbool
President & CEO
MCB Bank Limited

Highlights 2014

Best Bank in
Pakistan Award
by
Asset AAA

PBT
36.7 Billion
+14%

Investments
511 Billion
+14%

ROA
2.78%

Best Corporate
Report Award
2013

Assets
935 Billion
+15%

Capital
Adequacy Ratio
20.41%

Strongest Bank in
Pakistan Award
by
Asian Banker

Advances
(Gross)
PKR 322 Billion
+20%

Highest Market
Capitalization
PKR 340 Billion
(in banking industry)

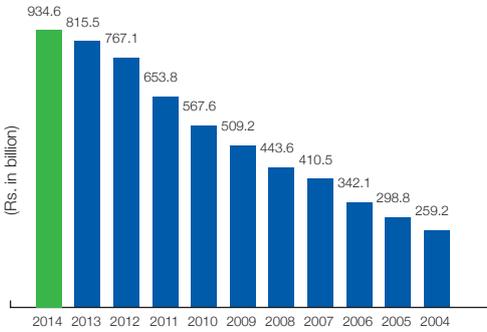
Non-Markup
Income
PKR 13.4 Billion
+20%

ROE
23.83%

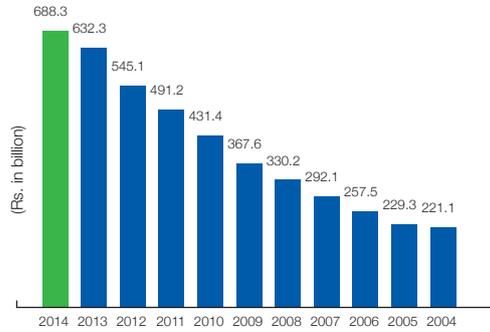
Deposits
PKR 688 Billion
+9%

Financial Performance (2004 - 2014)

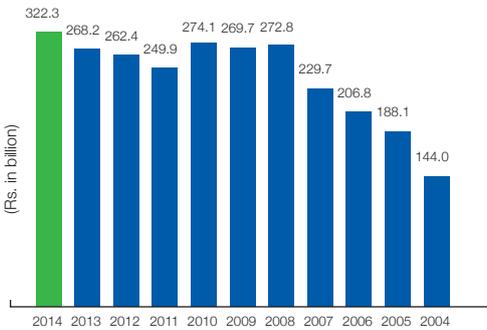
Total Assets
CAGR 14%



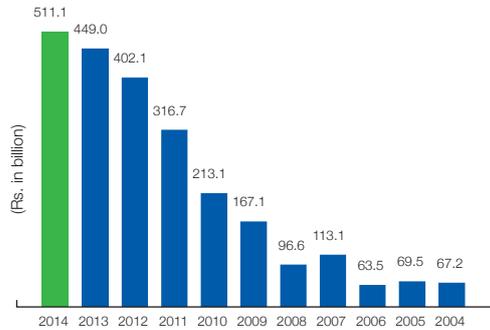
Deposits
CAGR 12%



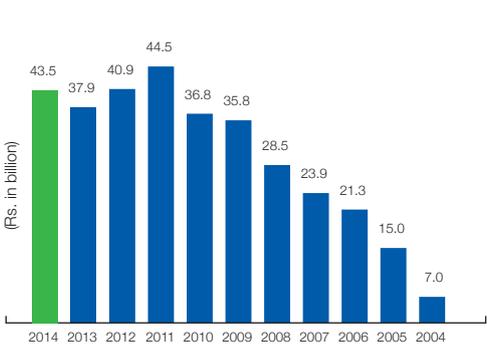
Gross Advances
CAGR 8%



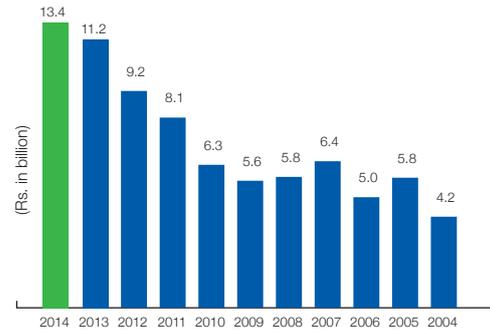
Investments
CAGR 22%



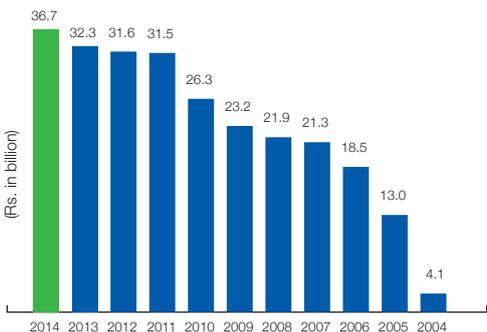
Fund Based Income
CAGR 20%



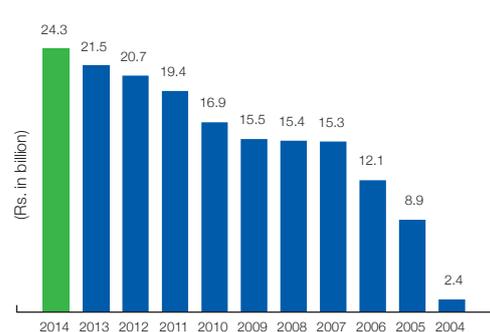
Non Markup Income
CAGR 12%



Profit Before Tax
CAGR 25%



Profit After Tax
CAGR 26%



Management Objectives & Strategies / Critical Performance Indicators

Management's Objectives	Plans / Strategies for Meeting Objectives	CPI	Relationship between the Bank's Results & Management's Objectives	Future relevance
Sustained profitability while coping up with the operational challenges. Being recognized as one of the most profitable bank of the industry.	<p>Lead market position through focused initiatives targeting new products, new markets, branchless banking and effective cost management</p> <p>Rationalize & optimize usage of existing branch network and network strengthening through branch expansion</p> <p>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</p>	Profitability	<p>Despite tough operating environment, MCB Bank posted a remarkable growth in PBT of 14% with PAT growing by 13% over 2013. This was achieved despite the interest rate volatility and regulatory revisions in minimum deposit rate impacting net interest margins. Based on interest rate call, the Bank reprofiled its interest earning assets in high yielding bonds.</p> <p>On the operational front, the Bank shifted its operational platform to an upgraded version for providing transactional convenience to its large customer base.</p>	The CPI shall remain relevant in future
The Bank aims to deliver sustained payout to its investors.	Higher profitability to pay higher returns to shareholders	Shareholder return	The Bank has paid 140% cash dividend in 2014 (2013: 140%).	The CPI shall remain relevant in future
The Bank aims to increase its share in the domestic deposit pie along with international deposit generation.	Expansion/Increase in deposit base through new products and markets thereby increasing customer base beyond the prevalent organic growth	Deposit generation	The Bank achieved remarkable growth of 9% in its deposits portfolio as compared to 2013 with incremental volume of Rs. 56 Billion. CASA base is at an all-time high of 91%. Market share of deposits approximated at 8.25% at year end.	The CPI shall remain relevant in future
To ensure quality asset retention with measures to constantly decrease the NPLs base of the Bank.	Increased focus on advances falling within risk appetite defined by the Bank while ensuring diversification	Asset Quality	<p>The credit book of the Bank grew by an impressive 22% over 2013.</p> <p>During the year, NPLs of the Bank decreased by Rs. 1.36 billion. The infection ratio has improved significantly from 8.68% as at December 2013 to 6.80% as at December 2014.</p>	The CPI shall remain relevant in future
Introduction of cost cutting techniques ensuring operational efficiency.	Centralization and monitoring of operating expenses to restrain them within conventional limits	Effective and efficient cost control	<p>Cost to income ratio improved from 40.05% as at December 2013 to 37.9% as at December 2014.</p> <p>Administrative expenses (excluding PF reversal) of the Bank increased by 5% only.</p>	The CPI shall remain relevant in future
To maintain a strong capital base	Healthy equity leading to maintain Strong capital adequacy ratios	Capital ratios	The capital adequacy ratios of the Bank are well above the specified percentages. Bank maintained Tier-1 to total risk weighted assets ratio at 18.08% against requirement of 7.0%.	The CPI shall remain relevant in future

Significant changes in Objectives & Plans / Strategies

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

Forward Looking Disclosure

Performance of the Bank against forward-looking disclosures of 2013

Forward-looking disclosures of annual report 2013	Performance of the Bank in 2014
<p>We are committed to deliver exceptional financial performance while strategizing our way forward in wake of the developing challenges. Our key focus areas include global recognition through increased international presence, improvement in our asset quality, deployment of cost efficient techniques and increased contribution from non-markup income block. Apart from international expansion, we are looking forward to a quick penetration in the unbanked segment of the population through branchless banking tools and an Islamic Banking setup to serve the financial needs of our domestic customers.</p> <p>We remain hopeful that we would maintain the status of one of the leading banks operating in Pakistan through improved 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>The Bank has delivered exceptional results for the year 2014 with PBT growing by 14% and PAT by 13%. This was made possible by significant contribution from the Net interest income and non-fund income block. On the cost side, the Bank reported an increase of 5% in administrative expense base which signifies the deployment of cost efficient techniques.</p> <p>On the statement of financial position side, our net advances have reported a growth of 22% (Rs. 55 Billion) whereas a considerable decrease has been reported in NPL base taking our infection ratio to 6.80%. Other major increase in the asset mix is investment base which grew by 14% over 2013. Our deposits have increased by 9%, demonstrating our customers trust and loyalty.</p> <p>On the expansion front, the Bank obtained statutory approvals for operating a Branch in Dubai which would be operational in 2015. On the Islamic business front, the Bank has incorporated a wholly owned Islamic Subsidiary in 2014, for which statutory approvals are awaited to start commercial operations.</p> <p>Focusing on branchless banking; we enabled IBFT on e-banking, Mobile banking and on our wide ATMs network to facilitate our large customer base.</p> <p>Detailed analysis covering performance and achievements of respective groups against their targets for 2014 is included in the Director's Report.</p>

Review of Six Years' Performance

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 annualized growth of 13.28% over the last 6 years growing from Rs. 509 billion as at December 31, 2009 to Rs. 935 billion as at December 31, 2014. Prime contributors to the said increase have been advances and investments, with investments growing annually by approximately 32% over recent years. The earning asset mix of the Bank has been prudently managed to ensure maximization of returns to stakeholders.

Advances:

Credit off-take has been hampered on account of macro-economic instability and operational challenges faced by the country. Lack of credit opportunities and intense competition for the same pool of assets resulted in a moderate growth in gross advances base. However, in 2014, steps taken in the right direction have paved way for advances growth for the industry, with MCB taking the major share of the said growth. Despite the said growth in advances in 2014, the ADR has dropped from 73.37% in 2009 to 46.83% in 2014.

Non-performing Loans:

Strengthened risk management policies coupled with aggressive provisioning approach has enabled the Bank to keep a check on quality of its assets. The infection ratio of the Bank was 8.62% as at December 31, 2009 which has dropped to 6.80% as at December 31, 2014. The quality of asset has been one of the prime focus areas of the Bank and the significant recoveries posted in the last few years clearly spell out the efforts that have been directed in this achieving this goal. After registering a decrease of Rs. 1.1 billion and Rs. 2.3 billion in 2012 & 2013 respectively, the NPL base has further

contracted by Rs. 1.4 billion in 2014. Over the last six years, NPLs of the Bank peaked in 2010 at Rs. 26.7 billion, following which a downward trajectory can be observed in NPL base. The coverage ratio of the Bank has improved from 67.47% in 2009 to 82.84% in 2014. Moreover, the NPLs classified in "loss" category constitute more than 90% of the NPLs base as at December 31, 2014, which 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 deployed in Government Papers. With an average annual growth rate of 32% over the last six years, the investment base of the Bank has grown from Rs. 167 billion in 2009 to Rs. 511 billion in 2014.

Deposits:

The deposit base of the Bank has steadily grown over the last six years, with absolute numbers increasing from Rs. 368B in 2009 to Rs. 688B in 2014. MCB Bank' carries the competitive edge of holding the highest CASA base, supporting its lower cost of deposits. The Bank has been strategically tapering off its high cost deposit. The CASA base has more than doubled in last 6 years, increasing from Rs. 305 billion in 2009 to Rs. 626 billion in 2014; MCB Bank has been able to maintain its share in the domestic industry deposit pie at approximately 8%. This is made possible by 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. 6.9 billion in 2009 to Rs. 11.1 billion in 2014, meeting the statutory capital requirements set by the Central Bank.
- In 2008, most affluence strategic partnership occurred in Pakistan where the largest Bank

of Malaysia, Maybank Berhad, acquired 20% holding in MCB Bank Limited. This brought synergies in technology, human resource and trade business.

- 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 20.41% as at December 31, 2014 against the statutory requirement of 10%. The Shareholders' equity has grown significantly from Rs. 61 billion in 2009 to Rs. 107 billion in 2014.
- 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 reduced from 70.55% in 2009 to 37.43% in 2014 while markup income from investments has increased to 61.91% (2009: 26.9%).
- The regulatory revisions covering minimum deposit rate during the commentary period has adversely affected the Bank's net interest margin. The said impact was diluted by improving the CASA base over period taking it to an all time high of 91% as at December 31, 2014.

Non-Markup Income

- During last six years, fee, commission income and capital gains have been the major drivers behind non-fund income. Fee, commission income was supplemented 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 and capital gain proving to be the second highest contributor to non-markup income. During the past 6 years, approximately Rs. 7 billion has been earned by way of Capital Gains.

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 charge was reported at Rs. 7.4billion for the year 2009 which was reduced substantially to Rs. 291M for the year 2012. For the year 2013 & 2014, the Bank reversed provisions to the tune of Rs. 2.9 billion and Rs. 1.4 billion respectively based on the recoveries posted classified 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 2014.
- The growth in administrative block of the bank has been nominal considering the inflationary patterns followed over the period of six years and falls within the budgetary limits set. 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. The annual pre-tax profitability numbers have grown from Rs. 23.2 billion for 2009 to Rs. 36.7 billion for 2014. The aggregate profit after tax for the last six years has crossed Rs. 100 billion.
- The 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 1.5 million customers to its base with the current statistics highlighting customer base over 5 million.
- With active participation in trade, MCB Bank has been able to improve trade volume in last 6

years which has increased to Rs. 415 billion for imports and Rs. 171 billion for exports.

- The Bank has been able to increase its market share in the remittance business growing from Rs. 46 billion in 2009, the Bank now has now volume of Rs. 184 billion in 2014.
- In 2008, the Bank launched Bancassurance which was a unique cross functional service to the customers of the Bank. With only 2,614 policies and 2,507 customers in 2009, MCB Bank now manages approximately 16,000 policies and customers with premium amount of over Rs. 3.4 billion.
- MCB Bank launched mobile banking in 2009 with approximately 53K customers reported by the end of the year. As of 2014, the numbers of mobile customers have grown to approximately 567 K with transaction volume of above Rs. 12 billion.
- The Bank launched Privilege Banking in 2009 targeting a specific customer base. As of 2014, Privilege Bank proposition serves 3,118 customers.



Six Years Financial Summary 2009 - 2014

		2014	2013	2012	2011	2010	2009
Profit & Loss account							
Mark-up/ return earned	Rs. Mln	77,269	65,064	68,356	68,147	54,821	51,616
Mark-up/ return expensed	" "	33,757	27,196	27,500	23,620	17,988	15,837
Fund based income	" "	43,512	37,868	40,856	44,526	36,834	35,779
Fee, Commission, brokerage & FX income	" "	10,235	8,108	7,131	6,373	5,310	4,409
Dividend and capital gains	" "	3,200	3,063	2,022	1,739	956	1,234
Total income	" "	56,947	49,039	50,010	52,639	43,099	41,417
Operating expenses	" "	21,591	19,639	18,077	16,987	13,160	10,801
Operating profit before tax and provision	" "	35,357	29,400	31,933	35,651	29,938	30,620
Provisions / write-offs	" "	(1,373)	(2,888)	291	4,168	3,685	7,465
Profit before tax	" "	36,729	32,288	31,642	31,483	26,253	23,155
Profit after tax	" "	24,325	21,495	20,673	19,425	16,873	15,495
Cash Dividends*	" "	15,582	14,166	11,959	10,036	8,743	7,602
Bonus shares	" "	-	1,012	920	836	760	691
Statement of Financial Position							
Authorised capital	" "	15,000	15,000	10,000	10,000	10,000	10,000
Paid up capital	" "	11,130	10,118	9,199	8,362	7,602	6,911
Reserves	" "	48,830	46,601	44,253	42,186	40,163	38,386
Unappropriated Profit	" "	46,948	40,552	35,425	28,724	21,416	15,779
Shareholder's equity	" "	106,908	97,272	88,877	79,273	69,180	61,076
Surplus on revaluation of assets - net of tax	" "	23,196	12,959	13,594	9,887	10,024	8,664
Net Assets	" "	130,104	110,231	102,471	89,160	79,203	69,740
Total Assets	" "	934,631	815,508	767,075	653,782	567,553	509,224
Earning Assets	" "	818,676	718,990	663,116	570,362	494,201	443,238
Gross Advances	" "	322,318	268,192	262,392	249,914	274,144	269,722
Advances - net of provisions	" "	303,559	248,243	239,583	227,580	254,552	253,249
Non-Performing Loans (NPLs)	" "	21,908	23,268	25,562	26,665	24,544	23,239
Investments	" "	511,137	449,006	402,069	316,652	213,061	167,134
Total Liabilities	" "	804,527	705,277	664,604	564,622	488,349	439,484
Deposits & other accounts	" "	688,330	632,330	545,061	491,189	431,372	367,605
Current & Saving Deposits (CASA)	" "	626,112	567,728	464,411	399,687	351,298	304,953
Borrowings	" "	59,543	38,543	78,951	39,101	25,685	44,662
Interest bearing Liabilities	" "	511,446	456,348	434,619	362,843	305,902	283,369
Contingencies and Commitments	" "	226,554	265,428	143,803	165,014	136,246	119,922
Profitability Ratios:							
Profit before tax ratio	%	47.53%	49.63%	46.29%	46.20%	47.89%	44.86%
Gross Yield on Average Earning Assets	" "	10.05%	9.42%	11.08%	12.80%	11.68%	12.52%
Gross Yield on Avg. Earning Assets (incl. dividend & capital gains)	" "	10.47%	9.86%	11.42%	13.14%	11.88%	12.82%
Gross Spread	" "	56.31%	58.20%	59.77%	65.34%	67.19%	69.32%
Non interest income to total income	" "	23.59%	22.78%	18.30%	15.41%	14.54%	13.62%
Return on average equity (ROE)	" "	23.83%	23.09%	24.59%	26.17%	25.91%	27.35%
Return on average assets (ROA)	" "	2.78%	2.72%	2.91%	3.18%	3.13%	3.25%
Return on Capital Employed (ROCE)	" "	23.83%	23.09%	24.59%	26.17%	25.91%	27.35%
Cost to income ratio	" "	37.91%	40.05%	36.15%	32.27%	30.54%	26.08%
Cost to income ratio (excluding pf reversal)	" "	39.37%	43.52%	40.01%	36.43%	38.01%	35.55%
Investment ratios:							
Earnings per share (after tax)**	Rs.	21.85	19.31	18.57	17.45	15.16	13.92
Earnings per share (before tax)**	" "	33.00	29.01	28.43	28.29	23.59	20.80
Breakup value per share (excl. surplus on rev. of assets)**	" "	96.05	87.39	79.85	71.22	62.15	54.87
Net assets per share**	" "	116.89	99.04	92.06	79.78	71.16	62.66
Market Ratios							
Cash Dividend	%	140%	140%	130%	120%	115%	110%
Bonus Shares Issued	" "	-	10.00%	10.00%	10.00%	10.00%	10.00%
Dividend Yield ratio (based on cash dividend)	" "	4.58%	4.98%	6.20%	8.92%	5.03%	5.01%
Dividend Payout ratio	" "	64.06%	70.61%	62.29%	55.97%	56.32%	53.52%
Price to book value ratio	Times	3.18	2.92	2.39	1.73	3.34	3.64
Price to earning ratio	" "	13.99	14.56	11.29	7.71	15.08	15.78
Dividend cover ratio	" "	1.56	1.52	1.75	1.94	1.93	2.04

Six Years' Financial Summary 2009-2014

		2014	2013	2012	2011	2010	2009
Share Information							
Market value per share - Dec 31	Rs.	305.65	281.17	209.76	134.60	228.54	219.68
High - during the year	" "	311.00	323.00	216.75	250.48	233.80	244.00
Low - during the year	" "	234.51	182.20	133.00	134.00	173.04	75.00
Market Capitalisation	Rs. Mln	340,198	284,501	192,950	112,557	173,740	151,822
Asset Quality and Liquidity ratios:							
Gross Advances to deposits ratio	%	46.83%	42.41%	48.14%	50.88%	63.55%	73.37%
Net Advances to deposits ratio	" "	44.10%	39.26%	43.96%	46.33%	59.01%	68.89%
Investments to deposits ratio	" "	74.26%	71.01%	73.77%	64.47%	49.39%	45.47%
Weighted Average Cost of Deposits	" "	4.59%	4.00%	4.45%	4.35%	3.96%	3.97%
CASA to total deposits	" "	90.96%	89.78%	84.74%	81.37%	81.44%	82.96%
NPLs to Gross advances ratio	" "	6.80%	8.68%	9.74%	10.67%	8.95%	8.62%
Coverage Ratio (specific provision/ NPLs)	" "	82.84%	83.59%	87.55%	82.02%	77.13%	67.47%
Earning assets to total assets ratio	" "	87.59%	88.16%	86.45%	87.31%	87.08%	87.04%
Earning assets to interest bearing Liabilities	Times	1.60	1.58	1.53	1.57	1.62	1.57
Deposits to shareholder equity	" "	6.44	6.50	6.13	6.22	6.24	6.02
Assets to Equity	" "	8.74	8.38	8.63	8.28	8.20	8.34
Risk Adequacy							
Tier I Capital	Rs. Mln	104,083	95,102	86,341	77,030	67,701	59,896
Total Eligible Capital	" "	117,489	101,296	93,526	82,014	72,856	64,357
Risk Weighted Assets (RWA)	" "	575,663	455,189	422,583	376,442	330,135	337,417
Tier I to RWA	%	18.08%	20.89%	20.43%	20.46%	20.51%	17.75%
RWA to total assets	" "	61.59%	55.82%	55.17%	57.63%	58.17%	66.26%
Capital Adequacy Ratio	" "	20.41%	22.25%	22.13%	21.79%	22.07%	19.07%
Net Return on Average RWA	" "	4.72%	4.90%	5.17%	5.50%	5.06%	4.65%
DuPont Analysis							
Net Operating Margin	%	42.72%	43.83%	41.34%	36.90%	39.15%	37.41%
Asset Utilization	" "	6.51%	6.20%	7.04%	8.62%	8.01%	8.69%
Leverage Ratio / Equity Multiplier	Times	8.57	8.50	8.45	8.23	8.27	8.41
Industry Share °							
Deposits	%	8.25%	8.40%	8.16%	8.36%	8.42%	8.50%
Advances	" "	7.23%	6.59%	6.80%	7.16%	7.85%	8.24%
Investments	" "	9.69%	11.03%	10.34%	10.66%	10.14%	10.16%
Total Assets	" "	8.25%	8.43%	8.41%	8.76%	8.37%	8.52%
Classified Advances	" "	3.82%	4.06%	4.16%	4.51%	4.41%	5.21%
Profit before tax	" "	15.39%	20.14%	18.18%	18.92%	25.78%	30.29%
Market Capitalisation	" "	21.44%	22.96%	23.58%	20.40%	24.10%	22.35%
Home Remittance	" "	10.68%	10.48%	10.52%	9.97%	9.29%	6.44%
° based on economic data released by State Bank of Pakistan							
Consolidated							
Total Assets	Rs. Mln	941,606	821,278	771,458	656,874	570,482	511,742
Shareholders' Equity	" "	110,095	100,165	91,350	81,392	71,228	63,120
Net Assets	" "	136,269	115,463	106,475	92,012	81,999	72,313
Profit before tax	" "	37,354	32,932	32,065	31,322	26,510	23,349
Profit after tax	" "	24,774	21,950	21,153	19,274	16,873	15,665
Return on Average Assets	%	2.81%	2.76%	2.94%	3.14%	3.12%	3.27%
Return on Average Equity	" "	23.45%	22.80%	24.14%	25.24%	25.12%	26.72%
Earnings per share**	Rs.	22.15	19.65	18.76	17.32	15.16	14.07
Breakup value per share (excl. surplus on rev. of assets)**	" "	122.43	103.74	95.66	82.67	73.67	64.97
Capital Adequacy Ratio	%	20.41	22.18%	22.16%	21.88%	22.04%	19.10%
Per Branch							
Gross Advances	Rs. Mln	261.62	220.37	221.06	213.06	242.18	249.51
Deposits	" "	558.71	519.58	459.19	418.75	381.07	340.06
CASA	" "	508.21	466.50	389.12	340.74	310.33	282.10
PBT	" "	29.81	26.53	26.66	26.84	23.19	21.42

Shares held by sponsors / directors / executives and associated companies is disclosed on Page # 328

* This includes final cash dividend proposed by BoD

** Adjusted for prior years to reflect bonus shares issued during 2014

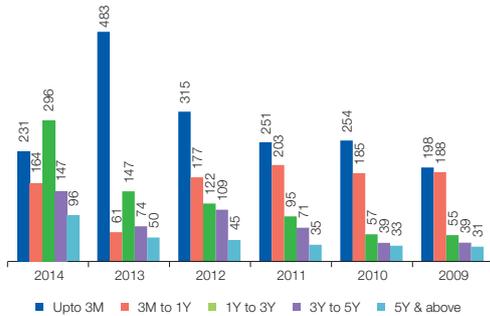
Six Years' Non Financial Summary 2009-2014

		2014	2013	2012	2011	2010	2009
No. of accounts	Absolute	5,648,460	5,299,439	4,931,631	4,687,993	4,239,487	3,893,531
No. of branches	"	1,232	1,217	1,187	1,173	1,132	1,081
No. of permanent employees	"	10,601	10,372	10,612	10,090	9,583	9,397
ATMs							
No. of ATMs	"	937	789	680	676	493	495
Total active smart/ debit card issued	"	2,109,268	1,875,258	1,367,858	1,242,271	1,144,403	1,490,887
No. of smart cards/Debit cards issued during the year	"	488,706	508,241	469,814	319,390	338,534	259,473
*Debit cards launched in 2011	"						
Credit Cards							
No. of new issuance	"	7,505	7,187	3,261	2,846	2,845	7,152
No. of customers	"	55,180	53,460	68,075	68,515	69,503	69,737
Total spend (transaction volume)	Rs. Mln	4,843	4,306	4,005	4,140	4,386	4,836
Mobile Banking							
No. of customers	Absolute	566,846	542,449	292,756	149,057	105,372	53,182
No. of transactions - financial	"	1,139,634	906,522	704,008	501,876	437,870	102,021
No. of transactions - non-financial	"	3,097,579	2,996,584	2,673,556	2,139,421	1,857,001	1,278,687
Volume of transactions	Rs. Mln	12,258	10,484	8,516	5,647	3,104	525
Bancassurance							
No. of customers	Absolute	15,695	14,714	10,769	7,835	5,644	2,507
No. of policies	"	16,223	15,481	11,001	8,060	5,812	2,614
Bancassurance Premium	Rs. Mln	3,411	2,837	1,888	1,160	683	247
Bancassurance Revenue	Rs. Mln	565	723	474	385	275	136
Privilege Banking							
No. of accounts	Absolute	3,615	2,833	2,372	1,988	1,430	733
No. of customers	"	3,118	2,389	1,872	1,494	1,048	579
Trade							
Imports - volume	Rs. Mln	414,941	420,964	326,120	341,348	280,392	186,418
Exports - volume	"	171,072	208,640	161,776	149,603	121,870	88,321
Market share of total market trade (Foreign Trade)	%	6.91%	7.03%	7.61%	8.20%	8.03%	6.87%
Home Remittance							
Volume of home remittance - MCB	USD Mln	1,819	1,529	1,470	1,242	898	560
Volume of home remittance - MCB	Rs. Mln	184,130	154,656	137,376	106,791	76,485	45,772
Home Remittance MCB Market Share	%	10.68%	10.48%	10.52%	9.97%	9.29%	6.44%

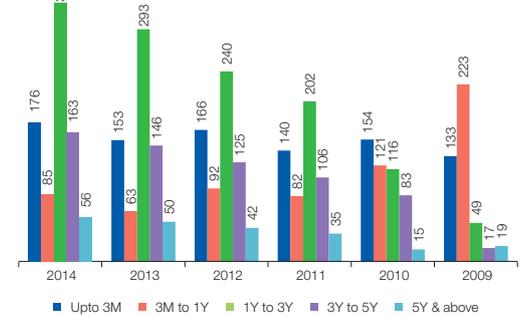
Six Years' Summary of Concentration & Maturities

Maturities of Total Assets and Total Liabilities

Maturities of Assets (2009-2014)
(Rs. in Billion)

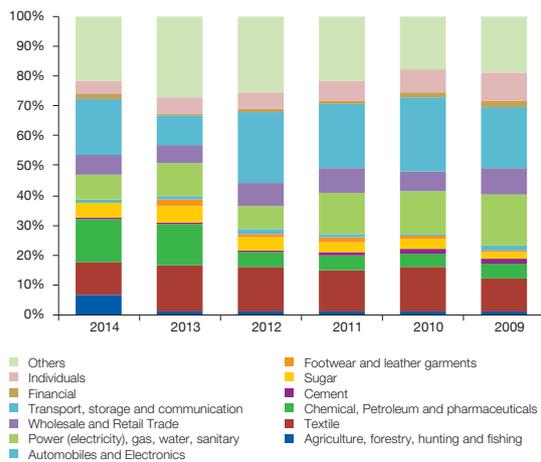


Maturities of Liabilities (2009-2014)
(Rs. in Billion)

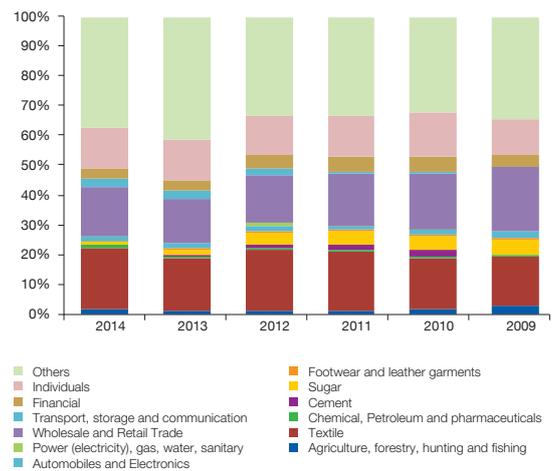


Concentration of Advances, NPLs, Deposits and Off-Balance Sheet Items

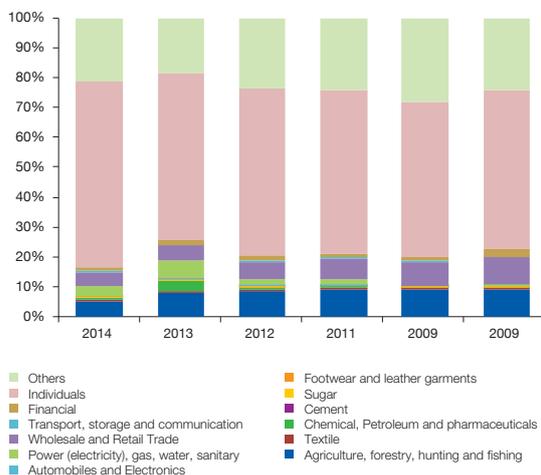
Gross Advances (2009-2014)



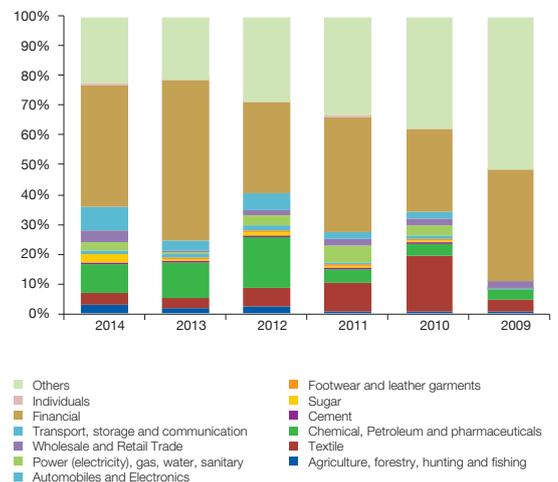
Classified Advances (2009-2014)



Deposits (2009-2014)



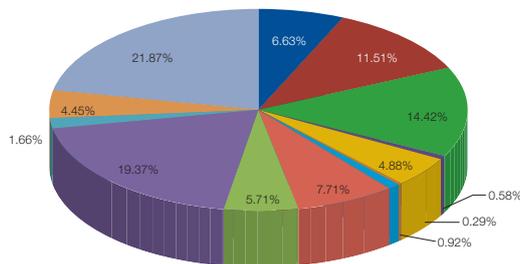
Off Balance Sheet Items (2009-2014)



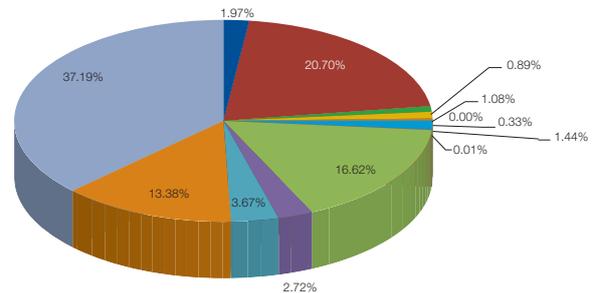
Concentration of Advances, NPLs, Deposits & Off-Balance Sheet Items

Segments by class of business	Advances (Gross)			Classified Advances			Deposits			Off balance sheet items		
	PKR Min	Mix	Var. %	PKR Min	Mix	Var. %	PKR Min	Mix	Var. %	PKR Min	Mix	Var. %
Agriculture, forestry, hunting and fishing	21,370	6.63%	29%	432	2%	70%	36,870	5%	-29%	7,313	3%	209%
Textile	37,094	11.51%	-10%	4,535	21%	10%	3,218	0%	32%	8,636	4%	-10%
Chemical, Petroleum and pharmaceuticals	46,484	14.42%	26%	194	1%	6%	3,929	1%	-81%	21,557	10%	-32%
Cement	1,857	0.58%	108%	-	0%	-100%	693	0%	-17%	1,462	1%	-8%
Sugar	15,740	4.88%	1%	236	1%	-45%	2,208	0%	-5%	6,502	3%	341%
Footwear and leather garments	935	0.29%	-80%	73	0%	-14%	363	0%	-6%	446	0%	-74%
Automobiles and Electronics	2,966	0.92%	-16%	316	1%	-21%	2,683	0%	3%	2,230	1%	-23%
Power sector	24,858	7.71%	-5%	2	0%	-	22,400	3%	-40%	6,926	3%	319%
Wholesale and Retail Trade	18,399	5.71%	-39%	3,640	17%	-10%	32,183	3%	-30%	8,643	4%	52%
Transport, storage and communication	62,440	19.37%	138%	596	3%	0%	2,619	5%	1004%	18,040	8%	97%
Financial Institutions	5,341	1.66%	190%	804	4%	-1%	7,960	1%	-23%	92,917	41%	-35%
Individuals	14,342	4.45%	4%	2,932	13%	-8%	426,579	62%	21%	743	0%	1613%
Others	70,491	21.87%	40%	8,148	37%	-10%	146,623	21%	26%	51,137	23%	-6%
Total	322,318	100%	20%	21,908	100%	-6%	688,330	103%	9%	226,554	100%	-15%

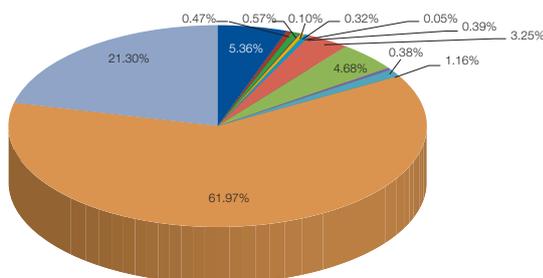
Advances (Gross)



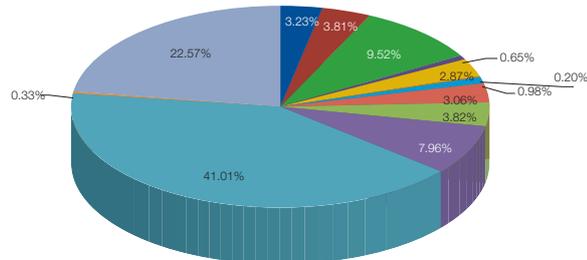
Classified Advances



Deposits



Off Balance Sheet Items



Maturities of Assets & Liabilities

(Rs. in Millions)

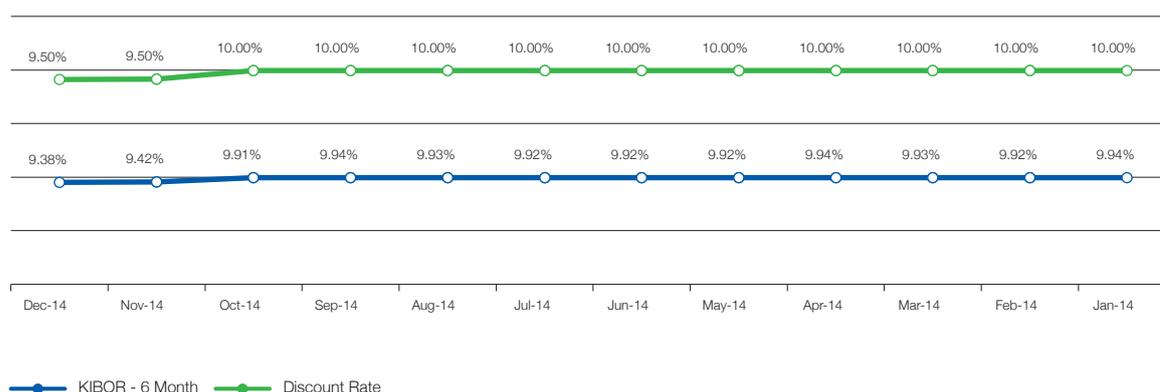
	Total	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
Assets						
Cash and balances with treasury banks	46,754	46,754	-	-	-	-
Balances with other banks	3,016	3,016	-	-	-	-
Lendings to financial institutions	1,418	1,418	-	-	-	-
Investments - net	511,137	71,776	120,596	185,735	78,627	54,403
Advances - net	303,559	81,953	38,664	106,001	56,002	20,939
Operating fixed assets	31,193	521	1,563	4,168	4,168	20,773
Deferred tax assets	416	16	71	329	-	-
Other assets - net	37,555	25,557	3,385	-	8,613	-
	935,047	231,011	164,278	296,233	147,410	96,115
Liabilities						
Bills payable	16,628	16,628	-	-	-	-
Borrowings	59,543	48,786	8,048	2,709	-	-
Deposits and other accounts	688,330	93,335	68,348	316,259	157,811	52,577
Deferred tax liabilities	10,813	116	243	2,550	4,752	3,153
Other liabilities	29,630	16,664	7,906	4,085	379	596
	804,943	175,528	84,545	325,603	162,942	56,326

*Maturities of deposits are based on working prepared by the Assets and Liabilities Committee of the Bank.

Key Interest Bearing Assets and Liabilities

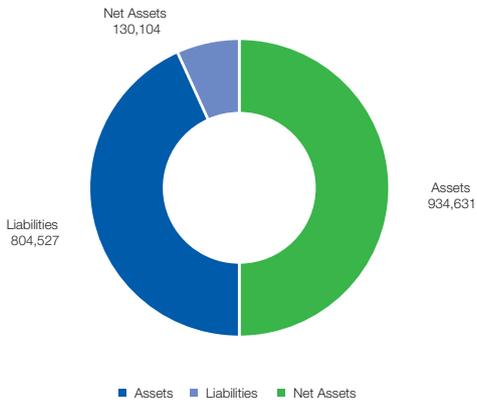
	2014			2013		
	Avg. Vol (Mln)	Effective Interest Rate %	Interest (Mln)	Avg. Vol (Mln)	Effective Interest Rate %	Interest (Mln)
Interest Earning Assets						
Lendings to Financial Institutions	5,292	9.10	481	8,592	8.68	746
Gross Advances (excluding NPLs)	267,161	10.83	28,922	229,192	10.90	24,990
Gross Investments (excluding equity investments)	435,607	10.98	47,835	396,573	9.89	39,233
Interest Bearing Liabilities						
Deposits (excl. current deposits)	427,870	7.09	30,341	376,239	6.26	23,561
Borrowings	40,051	6.97	2,790	33,656	8.36	2,813

Discount Rate & KIBOR - 6 months

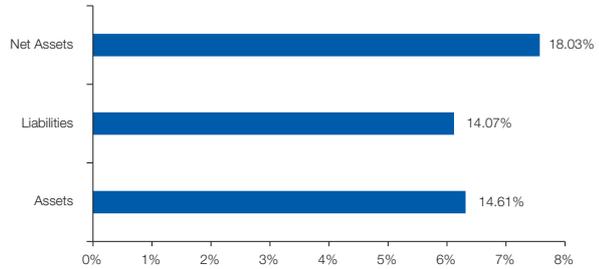


Graphical Presentation of Financial Statements

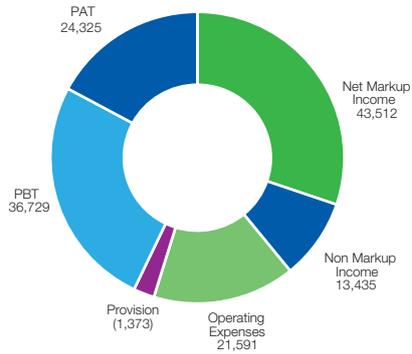
Statement of Financial Position
(Rs. in Million)



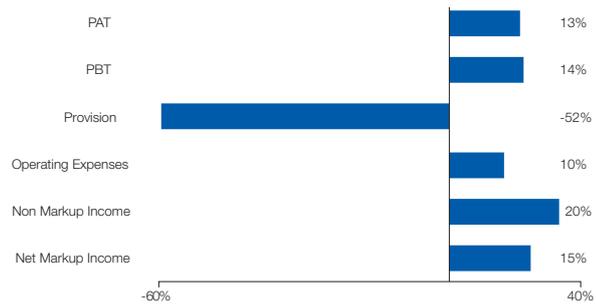
Variance from YE 13



Profit and Loss
(Rs. in Million)

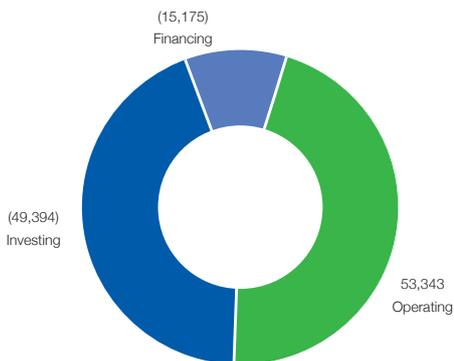


Variance from YE 13

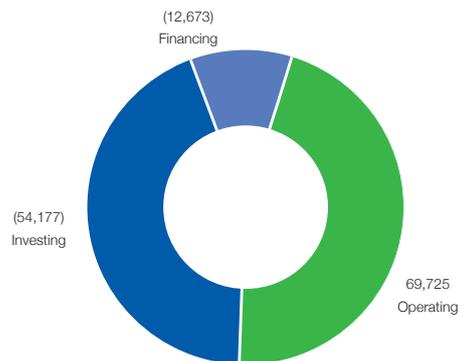


Cash Flows
(Rs. in Million)

2014



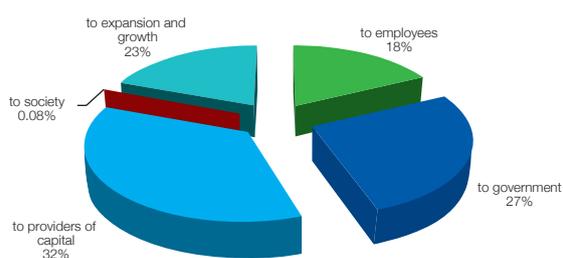
2013



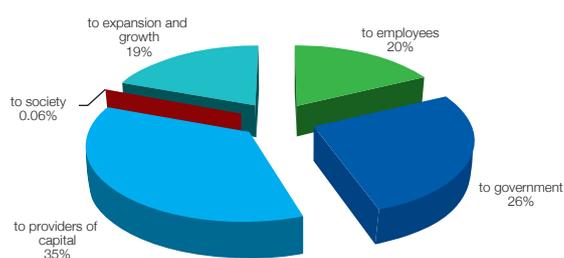
Statement of Value Added

	2014		2013	
	PKR Mln	%	PKR Mln	%
Value Added				
Net interest income	43,512		37,868	
Non interest income	13,435		11,171	
Operating expenses excluding staff costs, depreciation, amortization and WWF	(10,149)		(8,582)	
Provision against advances, investments & others	1,373		2,888	
Value added available for distribution	48,171		43,345	
Distribution of value added:				
To employees				
Remuneration, provident fund and other benefits	9,414	19.54%	10,286	23.73%
Pension fund reversal	(832)	-1.73%	(1,701)	-3.93%
	8,583	17.82%	8,584	19.80%
To government				
Worker welfare fund	735	1.52%	646	1.49%
Income tax	12,405	25.75%	10,793	24.90%
	13,139	27.28%	11,439	26.39%
To providers of capital				
Cash dividends to shareholders	15,582	32.35%	14,166	32.68%
Bonus shares	-	0.00%	1,012	2.33%
	15,582	32.35%	15,178	35.02%
To Society				
Donations	40	0.08%	25	0.06%
To expansion and growth				
Depreciation	1,724	3.58%	1,541	3.56%
Amortization	360	0.75%	260	0.60%
Retained earnings	8,743	18.15%	6,318	14.58%
	10,827	22.48%	8,120	18.73%
	48,171	100%	43,345	100%

2014



2013



Summary of Cashflows

(Rs. in Millions)

	2014	2013	2012	2011	2010	2009
Cash flows from operating activities	53,343	69,725	96,701	124,460	58,701	78,148
Cash flows from investing activities	(49,394)	(54,177)	(82,369)	(105,805)	(48,123)	(70,369)
Cash flows from financing activities	(15,175)	(12,673)	(11,815)	(9,785)	(8,568)	(6,736)
Cash and cash equivalents at beginning of the year	60,857	57,783	55,293	46,886	44,785	43,674
Cash and cash equivalents at end of the year	49,427	60,857	57,783	55,293	46,886	44,785

Commentary on Cash Flow Statement:

Operating Activities

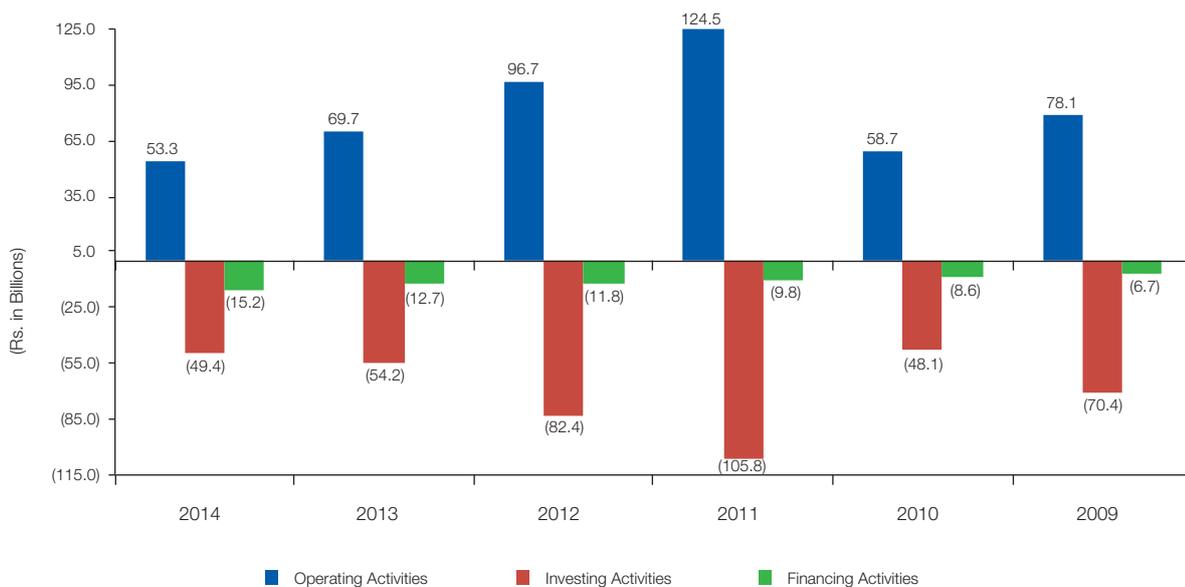
From an operational perspective, the cash flow activities present a different layout for the respective year. Net cash outflow from operating activities in 2014 is Rs.53.3 billion which was Rs. 78.1 billion in 2009. Operational cashflow of 2011 depicts an inflow of Rs. 124.4 billion, primarily on account of recoveries recorded in advances and significant build-up of Rs. 59.8 billion in deposits. Inflows observed in operating activities were observed mainly due to increase in deposit base of the bank during past 6 years as advances have shown steady growth over 6 years.

Investing Activities

Total cash outflow from investing activities was at the highest level in 2011 amounting to Rs. 106 billion. Cash outflow in investing activities can be observed over years primarily on account of increased concentration levels of investment base.

Financing Activities

Cash outflow from financing activities was primarily by way of dividends to shareholders over the years. MCB has paid dividend at each quarter during last six years and since then approximately Rs. 65 billion has been paid to shareholders. MCB has the highest dividend payout 64.06% (2009: 53.52%). It has achieved as high as 70.61% in 2013.



Cash Flow Statement

Direct Method

(Rs. in Millions)

	2014	2013
Cash flows from operating activities		
Mark-up / return / interest and commission receipts	76,230	74,661
Mark-up / return / interest payments	(25,680)	(32,879)
Payments to employees, suppliers and others	(20,113)	(19,859)
	30,437	21,923
(Increase) / decrease in operating assets		
Lendings to financial institutions	(194)	327
Net investments in 'held for trading' securities	(52)	-
Advances - net	(54,223)	(5,831)
Other assets	1,234	(2,169)
	(53,235)	(7,673)
Increase / (decrease) in operating liabilities		
Bills payable	6,489	242
Borrowings	21,284	(40,205)
Deposits and other accounts	55,999	87,270
Other liabilities	1,404	3,796
	85,176	51,103
	62,378	65,353
Receipt from pension fund	-	14,732
Income tax paid	(9,035)	(10,359)
Net cash flows from operating activities	53,343	69,726
Cash flows from investing activities		
Net investments in 'available for sale' securities	(45,207)	(51,034)
Net investments in 'held to maturity' securities	(598)	406
Dividends received	1,061	941
Investments in operating fixed assets	(4,757)	(4,663)
Sale proceeds of property and equipment disposed off	107	173
Net cash flows from investing activities	(49,394)	(54,177)
Cash flows from financing activities		
Dividend paid	(15,175)	(12,673)
Net cash flows from financing activities	(15,175)	(12,673)
Exchange differences on translation of the net investment in foreign branches	(204)	198
Increase in cash and cash equivalents	(11,430)	3,073
Cash and cash equivalents at beginning of the year	61,372	57,174
Effects of exchange rate changes on cash and cash equivalents	(515)	609
	60,857	57,783
Cash and cash equivalents at end of the year	49,427	60,857

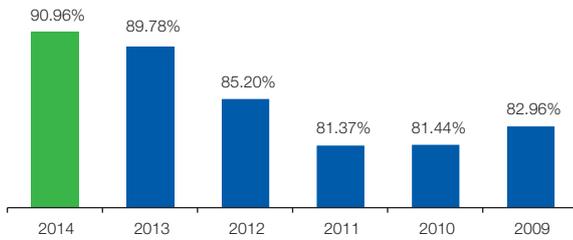
Cash flow statement in annual financial statements is required to prepare in line with the format prescribed by State Bank of Pakistan under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements'.

Deposits & Advances

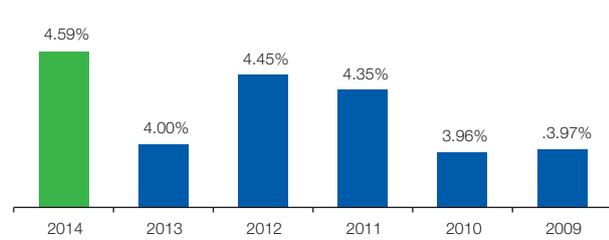
(Rs. in Billion)

	Groupwise Deposits				Groupwise Advances			
	2014	2013	Variance		2014	2013	Variance	
			Amount	%			Amount	%
Commercial	638.0	576.1	61.9	11%	79.5	70.0	9.5	14%
Corporate	24.0	30.7	-6.7	-22%	197.3	154.7	42.6	28%
Consumer	7.0	6.5	0.5	8%	9.3	8.8	0.5	6%
Islamic	11.0	11.1	-0.2	-1%	13.9	11.3	2.6	23%
Others	8.4	7.9	0.5	6%	22.3	23.4	-1.1	-5%
Total	688.3	632.3	56.0	9%	322.3	268.2	54.1	20%

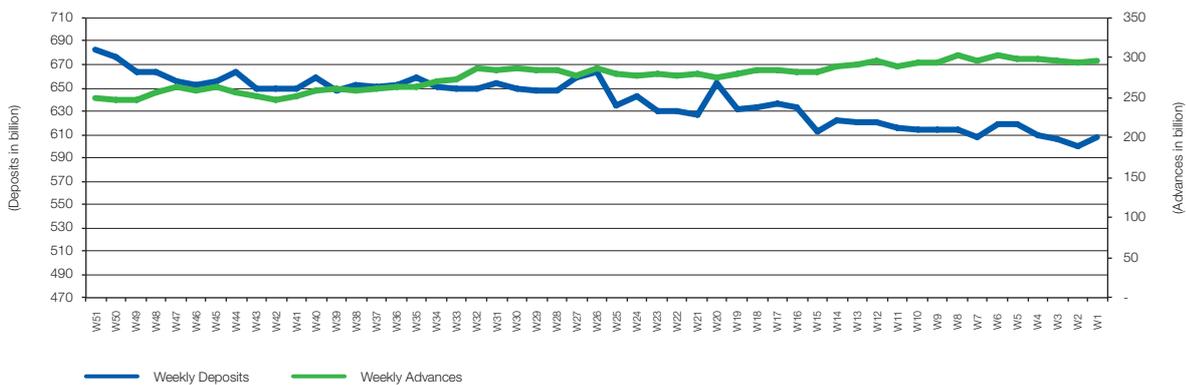
CASA to Total Deposit (2009-2014)
%



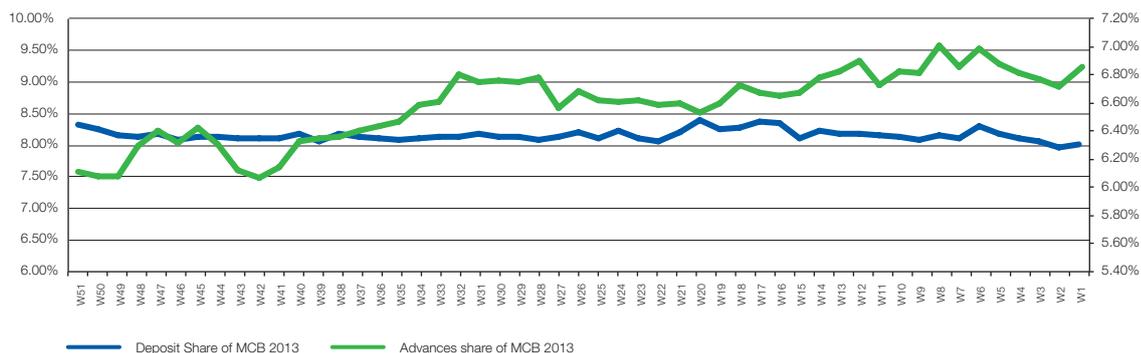
Weighted Average Cost of Deposits (2009-2014)
%



Weekly Trend of MCB Deposits and Advances - 2014



MCB's Industry share in Deposits and Advances - 2014

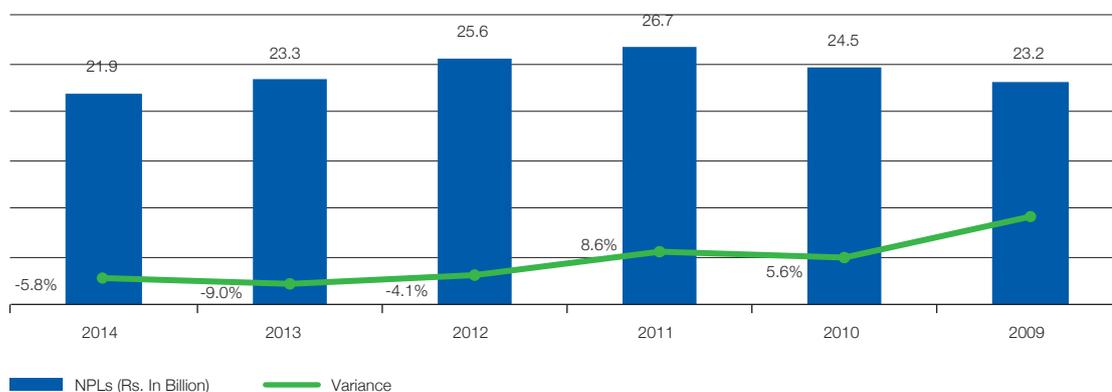


Non-Performing Loans

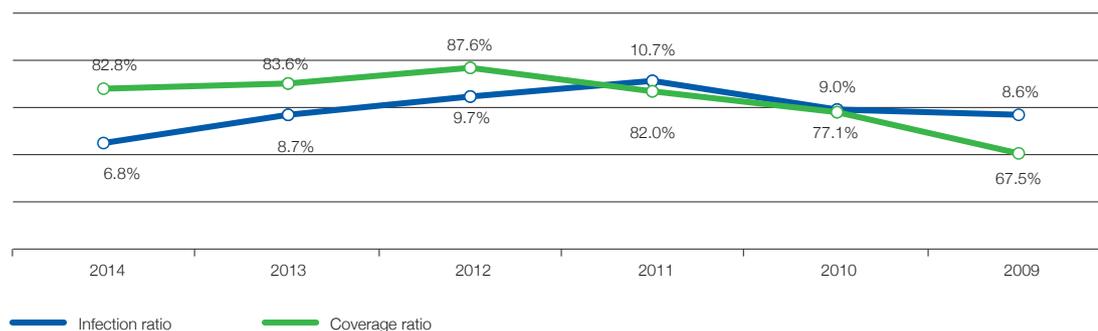
(Rs. in Millions)

	2014		2013		Variance		2014 Coverage
	NPLs	Provision	NPLs	Provision	NPLs	Provision	
Categorywise							
Substandard	285	62	255	56	12%	9%	22%
Doubtful	874	437	1,453	406	-40%	8%	50%
Loss	20,749	17,651	21,560	18,988	-4%	-7%	85%
Total	21,908	18,149	23,268	19,450	-6%	-7%	83%
Groupwise							
Commercial	2,595	2,416	2,861	2,726	-9%	-11%	93%
Corporate	4,474	3,412	4,078	3,052	10%	12%	76%
Consumer	1,981	1,941	2,326	2,263	-15%	-14%	98%
Islamic	44	11	8	2	416%	416%	25%
Others	12,814	10,369	13,994	11,407	-8%	-9%	81%
Total	21,908	18,149	23,268	19,450	-6%	-7%	83%

NPLs and Variance (2009-2014)



Infection and Coverage Ratios (2009-2014)



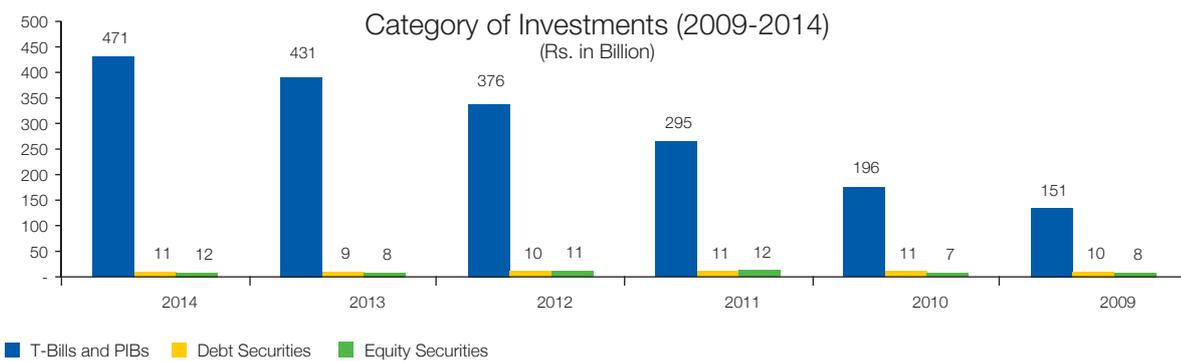
Investments

Top 10 Listed Equity Holdings as on December 31, 2014

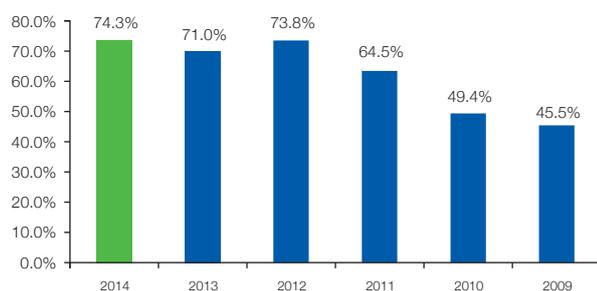
Company Name	Total Shares (numbers)	Book Value (Rs. Mln)	Market Value (Rs. Mln)
Sui Northern Gas Pipelines Limited	55,126,789	2,205	1,583
Kot Addu Power Company	14,085,500	883	1,112
Fauji Fertilizer Company Limited	7,382,700	632	865
Fauji Fertilizer Bin Qassim	13,926,000	610	630
United Bank Limited	3,875,207	518	685
Glaxosmithkline Pakistan Limited	2,193,000	503	481
IGI Insurance Limited	2,117,380	461	573
PICIC Growth Fund	16,550,000	457	408
Pakistan Petroleum Limited	2,069,218	454	365
Lafarge Pakistan Cement Limited	27,247,000	448	473

Investment in Associates and Subsidiaries

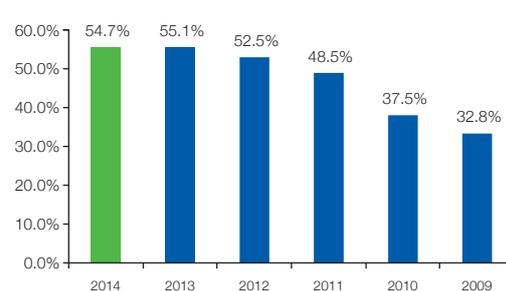
Company Name	Holding	Total Shares (numbers)	Book Value (Rs. Mln)
Associates			
Adamjee Insurance Company Limited	29.13%	101,950,924	943.60
Euronet Pakistan (Pvt.) Limited	30.00%	52,521	52.52
Subsidiaries			
MCB - Arif Habib Savings & Investments Limited	51.33%	36,956,768	320.12
MNET Services Limited	99.95%	4,997,500	49.98
MCB Financial Services Limited	100.00%	2,750,000	27.50
MCB Trade Services Limited	100.00%	10,000	0.08
MCB Leasing Closed Joint Company Limited	95.00%	1,585,400	178.83



Investments to Deposits Ratio



Investments to Total Assets Ratio

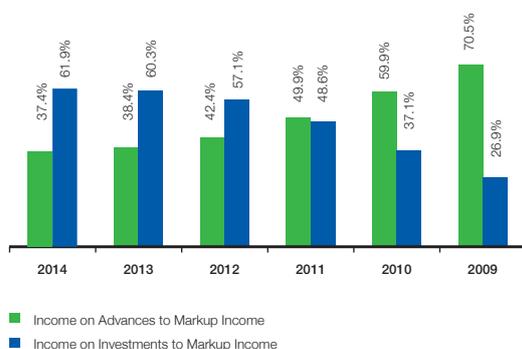


Markup and Non Markup Income

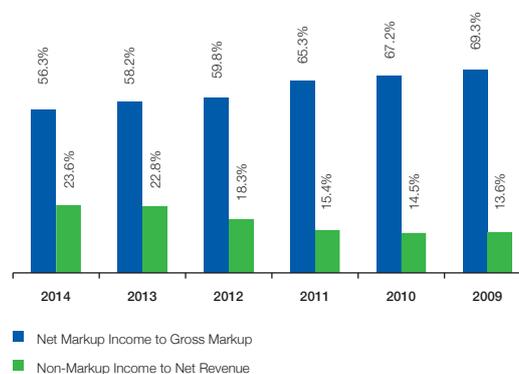
(Rs. in Millions)

	2014	2013	2012	2011	2010	2009
Markup Income						
Loans and advances	28,922	24,990	29,002	33,985	32,816	36,413
Investments	47,835	39,233	39,034	33,120	20,320	13,894
Deposits with financial institutions	31	95	40	12	16	133
Securities purchased under resale agreements	448	732	257	958	1,564	838
Money at call	33	14	23	72	105	336
	77,269	65,064	68,356	68,146	54,821	51,615
Markup Expense						
Deposits	30,341	23,561	23,043	20,083	15,806	13,867
Securities under repurchase agreements	1,092	1,706	2,628	1,575	623	723
Other short-term borrowings	1,698	1,108	1,154	1,211	902	775
Discount, Commission and brokerage	499	534	512	662	554	449
Others	127	288	164	89	103	24
	33,757	27,196	27,500	23,620	17,988	15,837
Net Markup Income	43,512	37,868	40,856	44,526	36,833	35,777
	2014	2013	2012	2011	2010	2009
Non Markup Income						
Fee, Commission & Brokerage Income	7,225	6,741	5,934	4,921	4,130	3,332
Dividend Income	1,061	933	1,198	1,003	544	460
Income from dealing in foreign currency	1,443	917	823	921	632	341
Gain on sale of securities	2,140	2,130	825	736	412	774
Other Income	1,566	450	374	531	548	736
	13,435	11,171	9,153	8,112	6,266	5,643

Markup Income from Advances and Investments
(2009 - 2014)



Income Composition
(2009 - 2014)

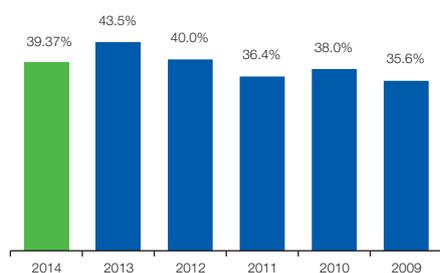


Administrative Expenses

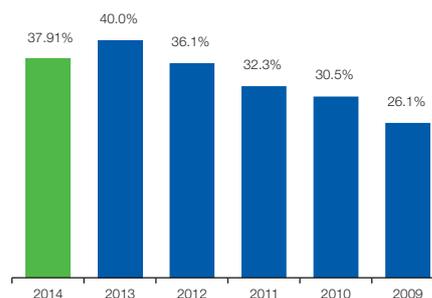
(Rs. in Millions)

	2014	2013	2012	2011	2010	2009
Salaries and allowances	8,755	8,640	8,434	8,307	7,218	6,471
Voluntary Separation Scheme	26	1,058	-	-	-	-
Contributions to defined contribution plan - provident fund	215	198	188	177	159	149
Post retirement medical benefits	157	188	187	170	136	130
Employees' contributory benevolent scheme	28	55	40	51	71	65
Employees' compensated absences	233	147	98	181	191	151
	9,414	10,286	8,948	8,886	7,775	6,966
Others Administrative expenses						
Non-executive directors' fees	34	32	33	36	32	10
Rent, taxes, insurance, electricity	2,733	2,555	1,965	1,695	1,569	1,356
Legal and professional charges	282	272	177	187	222	240
Communications	965	862	932	936	842	995
Repairs and maintenance	1,499	1,103	1,208	949	681	534
Stationery and printing	561	503	402	385	363	330
Advertisement and publicity	315	119	393	427	232	215
Cash transportation charges	550	482	461	450	403	516
Instrument clearing charges	140	125	187	198	166	137
Donations	40	25	31	84	15	25
Auditors' remuneration	34	32	21	25	15	15
Depreciation	1,724	1,541	1,379	1,115	1,012	909
Amortization of intangible asset	360	260	260	250	160	153
Travelling, conveyance and fuel	315	214	745	728	684	589
Subscription	18	20	18	28	26	14
Entertainment	129	118	110	102	69	74
Training Expenses	35	41	30	46	58	47
Petty Capital items	46	33	35	56	64	49
Card Related Expenses	298	238	147	129	129	58
Others	1,949	1,551	1,926	1,063	877	799
Total other administrative expenses	12,029	10,126	10,462	8,888	7,619	7,069
Administrative expenses	21,443	20,411	19,410	17,774	15,394	14,035
Pension fund reversal	(832)	(1,701)	(1,933)	(2,189)	(3,220)	(3,923)
Total Administrative expenses	20,612	18,710	17,477	15,585	12,174	10,111

Cost to Income Ratio
(excluding pension fund reversal)



Cost to Income Ratio



Six Years' Vertical Analysis

Statement of Financial Position / Profit & Loss

	2014		2013		2012		2011		2010		2009	
	Rs. Mln	%										
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	46,754	5%	59,946	7%	57,420	7%	53,123	8%	45,407	8%	38,775	8%
Balances with other banks	3,016	0%	1,537	0%	1,192	0%	2,281	0%	1,479	0.3%	6,010	1%
Lendings to financial institutions	1,418	0%	1,225	0%	1,551	0%	955	0%	4,402	1%	3,000	1%
Investments	511,137	55%	449,006	55%	402,069	52%	316,652	48%	213,061	38%	167,134	33%
Advances	303,559	32%	248,243	30%	239,583	31%	227,580	35%	254,552	45%	253,249	50%
Operating fixed assets	31,193	3%	28,595	4%	23,738	3%	22,008	3%	20,948	4%	18,015	4%
Other assets	37,555	4%	26,956	3%	41,520	5%	31,184	5%	27,706	5%	23,040	5%
	934,631	100%	815,508	100%	767,075	100%	653,782	100%	567,553	100%	509,224	100%
Liabilities												
Bills payable	16,628	2%	10,139	1%	9,896	1%	9,467	1%	10,266	2%	8,201	2%
Borrowings	59,543	6%	38,543	5%	78,951	10%	39,101	6%	25,685	5%	44,662	9%
Deposits	688,330	74%	632,330	78%	545,061	71%	491,189	75%	431,372	76%	367,605	72%
Deferred tax liabilities	10,397	1%	4,201	1%	9,530	1%	6,488	1%	4,934	1%	3,197	1%
Other liabilities	29,630	3%	20,064	2%	21,166	3%	18,378	3%	16,092	3%	15,819	3%
	804,527	86%	705,277	86%	664,604	87%	564,622	86%	488,349	86%	439,484	86%
Net Assets	130,104	14%	110,231	14%	102,471	13%	89,160	14%	79,204	14%	69,740	14%
Represented by												
Share capital	11,130	1%	10,118	1%	9,199	1%	8,362	1.28%	7,602	1%	6,911	1%
Reserves	48,830	5%	46,601	6%	44,253	5.8%	42,186	6.45%	40,163	7%	38,386	8%
Unappropriated profit	46,948	5%	40,552	5%	35,425	4.6%	28,724	4.39%	21,416	4%	15,779	3%
Surplus on revaluation of assets - net of tax	23,196	2%	12,959	2%	13,594	1.8%	9,887	1.51%	10,024	2%	8,664	2%
	130,104	14%	110,231	14%	102,471	13%	89,160	14%	79,204	14%	69,740	14%
Profit & Loss Account												
Mark-up earned	77,269	85%	65,064	85%	68,356	88%	68,147	89%	54,821	90%	51,616	90%
Mark-up expensed	(33,757)	-37%	(27,196)	-36%	(27,500)	-35%	(23,620)	-31%	(17,988)	-29%	(15,837)	-28%
Net mark-up income	43,512	48%	37,868	50%	40,856	53%	44,526	58%	36,834	60%	35,779	62%
Provisions & write off	1,373	2%	2,888	4%	(291)	0%	(4,168)	-5%	(3,685)	-6%	(7,465)	-13%
Net mark-up income after provisions	44,885	49%	40,756	53%	40,565	52%	40,358	53%	33,148	54%	28,314	49%
Non-mark-up income	13,435	15%	11,171	15%	9,153	12%	8,112	11%	6,265	10%	5,643	10%
Non-mark-up expenses	(21,591)	-24%	(19,639)	-26%	(18,077)	-23%	(16,987)	-22%	(13,160)	-22%	(10,801)	-19%
Profit before taxation	36,729	40%	32,288	42%	31,642	41%	31,483	41%	26,253	43%	23,155	40%
Taxation	(12,405)	-14%	(10,793)	-14%	(10,969)	-14%	(12,058)	-16%	(9,380)	-15%	(7,660)	-13%
Profit after taxation	24,325	27%	21,495	28%	20,673	27%	19,425	25%	16,873	28%	15,495	27%

Six Years' Horizontal Analysis

Statement of Financial Position / Profit & Loss

	2014	14 Vs 13	2013	13 Vs 12	2012	12 Vs 11	2011	11 Vs 10	2010	10 Vs 09	2009	09 Vs 08
	Rs. Mln	%										
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	46,754	-22%	59,946	4%	57,420	8%	53,123	17%	45,407	17%	38,775	-2%
Balances with other banks	3,016	96%	1,537	29%	1,192	-48%	2,281	54%	1,479	-75%	6,010	49%
Lendings to financial institutions	1,418	16%	1,225	-21%	1,551	62%	955	-78%	4,402	47%	3,000	-27%
Investments	511,137	14%	449,006	12%	402,069	27%	316,652	49%	213,061	27%	167,134	73%
Advances	303,559	22%	248,243	4%	239,583	5%	227,580	-11%	254,552	1%	253,249	-3%
Operating fixed assets	31,193	9%	28,595	20%	23,738	8%	22,008	5%	20,948	16%	18,015	4%
Other assets	37,555	39%	26,956	-35%	41,520	33%	31,184	13%	27,706	20%	23,040	16%
	934,631	15%	815,508	6%	767,075	17%	653,782	15%	567,553	11%	509,224	15%
Liabilities												
Bills payable	16,628	64%	10,139	2%	9,896	5%	9,467	-8%	10,266	25%	8,201	-22%
Borrowings	59,543	54%	38,543	-51%	78,951	102%	39,101	52%	25,685	-42%	44,662	97%
Deposits	688,330	9%	632,330	16%	545,061	11%	491,189	14%	431,372	17%	367,605	11%
Deferred tax liabilities	10,397	147%	4,201	-56%	9,530	47%	6,488	31%	4,934	54%	3,197	631%
Other liabilities	29,630	48%	20,064	-5%	21,166	15%	18,378	14%	16,092	2%	15,819	-26%
	804,527	14%	705,277	6%	664,604	18%	564,622	16%	488,349	11%	439,484	14%
Net Assets	130,104	18%	110,231	8%	102,471	15%	89,160	13%	79,204	14%	69,740	19%
Represented by												
Share capital	11,130	10%	10,118	10%	9,199	10%	8,362	10%	7,602	10%	6,911	10%
Reserves	48,830	5%	46,601	5%	44,253	5%	42,186	5%	40,163	5%	38,386	4%
Unappropriated profit	46,948	16%	40,552	14%	35,425	23%	28,724	34%	21,416	36%	15,779	72%
Surplus on revaluation of assets - net of tax	23,196	79%	12,959	-5%	13,594	37%	9,887	-1%	10,024	16%	8,664	40%
	130,104	18%	110,231	8%	102,471	15%	89,160	13%	79,204	14%	69,740	19%
Profit & Loss Account												
Mark-up earned	77,269	19%	65,064	-5%	68,356	0%	68,147	24%	54,821	6%	51,616	29%
Mark-up expensed	(33,757)	24%	(27,196)	-1%	(27,500)	16%	(23,620)	31%	(17,988)	14%	(15,837)	37%
Net mark-up income	43,512	15%	37,868	-7%	40,856	-8%	44,526	21%	36,834	3%	35,779	26%
Provisions & write off	1,373	-52%	2,888	-1093%	(291)	-93%	(4,168)	13%	(3,685)	-51%	(7,465)	85%
Net mark-up income after provisions	44,885	10%	40,756	0%	40,565	1%	40,358	22%	33,149	17%	28,314	16%
Non-mark-up income	13,435	20%	11,171	22%	9,153	13%	8,112	29%	6,265	11%	5,643	-3%
Non-mark-up expenses	(21,591)	10%	(19,639)	9%	(18,077)	6%	(16,987)	29%	(13,160)	22%	(10,801)	29%
Profit before taxation	36,729	14%	32,288	2%	31,642	1%	31,483	20%	26,254	13%	23,155	6%
Taxation	(12,405)	15%	(10,793)	-2%	(10,969)	-9%	(12,058)	29%	(9,380)	22%	(7,660)	18%
Profit after taxation	24,325	13%	21,495	4%	20,673	6%	19,425	15%	16,873	9%	15,495	1%

Commentary on Horizontal and Vertical Analysis:

Horizontal Analysis

Asset base of the bank has increased considerably over the past 6 years; highest increase was observed in 2012 where assets increased by 17%, mainly contributed by investments in terms of volume. On an annualized basis, the asset base has recorded an increase of 13% over the last six years. Highest increase in investment base was reported in 2011 of 49%, followed by 27% increase reported for 2012.

The deposit base of the Bank has increased considerably over the years growing from Rs. 368 billion in 2009 to Rs. 688 billion in 2014 translating into an annual growth of 13% over past 6 years. Equity of the bank has also posted healthy increase due to higher profitability in past 6 years, translating into 14% average growth.

On to Profit and Loss side, gross markup earned has posted an average increase of 12% over a span of six 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 cost of deposit of the Bank has increased by 20% over the six year period under coverage.

Non-Markup income block has shown steady growth of 15% over 6 years, whereas non-markup expense has grown by an average of 17% which is justifiable on account of growing operational infrastructure and inflationary patterns. Provision against advances and investments has been on a declining trend with reversal to the tune of above Rs. 4 billion in last two years. Profit Before Tax (PBT) and Profit After Tax (PAT) have increased by an average of 9% and 11%, respectively, marking MCB as one of the most profitable bank in the industry.

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 the lack of credit opportunities and intense competition. This has resulted in the decrease of advances concentration in the asset mix from 50% in 2009 to 32% in 2014. The investment concentration, on the other hand, had increased from 33% in 2009 to 55% in 2014.

Corresponding to the infrastructural and operational growth registered by the Bank, the deposit base has increased considerably over the period of six years. Improved quality service levels and tailored products have earned the loyalty of our customers. This can be substantiated by the fact that the CASA base of the bank has been above 80% over the last many years. Concentration on deposits remained at similar levels over past 6 years i.e. 74% for 2014(2009 : 72%)

Markup income growth has been steady over the last 6 years. On an average, the contribution from markup income approximates 88% 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, tactically managed income from dealing in foreign currencies and gain on sale of securities. With the growth in business non-markup expense has also increased from 19% in 2009 to 24% in 2014.

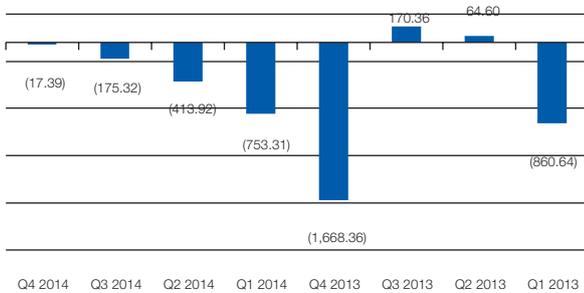
Quarterly Analysis: 2014

Statement of Financial Position

On quarterly split basis, the asset base of the bank has reported increase of Rs. 12 billion, Rs. 41 billion and Rs. 332 million in the first, second and third quarter respectively. During the fourth quarter of 2014, the Bank registered an exceptional increase of Rs 66 billion which was primarily driven by net investments increasing by Rs. 51 billion.

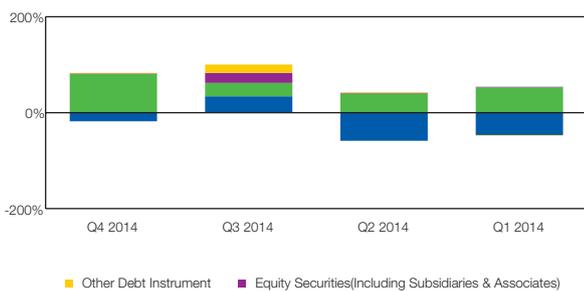
The NPL base of the Bank has reported a consistent quarterly decrease in the year 2014. This was made possible by the rigorous efforts put in by the recovery units is executing settlements. The Loss concentrated NPL base has decreased by a considerable Rs 811 million with major recoveries posted in the first quarter of 2014.

NPLs Rs. in Mln

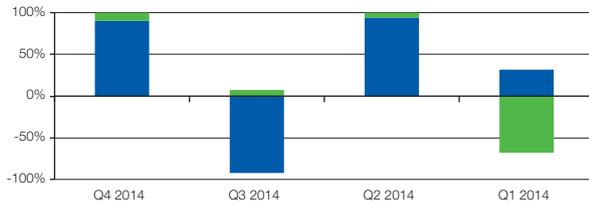


The net investment base of the Bank grew by Rs. 62 billion over last year with major increase of Rs. 51 billion reported in the last quarter. The concentration mix of investment shifted towards high yielding PIBs based on the interest rate call.

Investment composition

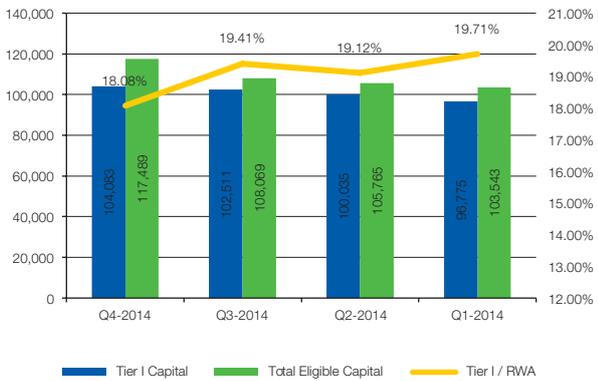


During the financial year 2014, the Bank has maintained its CASA base and closed at 90.96%. Strategic decrease in term deposit base can be marked over the quarterly intervals converging with the declining interest rate scenario. Quarterly decrease in term deposits is evident of the strategic shift of high cost deposits to low cost savings account. Highest decrease observed in 1st quarter which is 15% QoQ. The overall decrease in term deposit sums up to 4% for the year 2014 when compared with December 2013. CASA is maintained around 91% during the year 2014. An extravagant growth in CASA base was observed in 2nd quarter with Rs. 55 billion for the said quarters.



Equity of the bank has also increased averaging out Rs. 2.4 billion in each quarter which is due to profits retained by the bank.

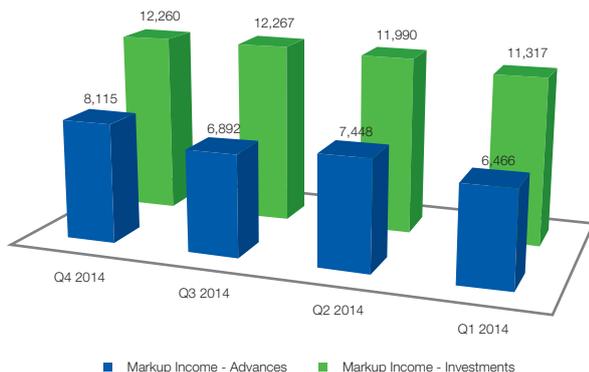
Bank has highest Capital Adequacy Ratio in the banking industry and fully meet minimum capital requirement by central bank. Bank fully meets its requirement of Tier I to Risk Weighted Assets during all the quarters of the year.



Profit & Loss Account

The discount remained stable through major part of the year, with 50 bps cut in November 2014. On the earning asset side, the Bank registered significant increase in investment income due to high yielding bonds. Interest income on advances was Rs. 6.8 billion in the first quarter with a decreasing trend observed in the 2nd and 3rd quarters with an increase recorded in the last quarter.

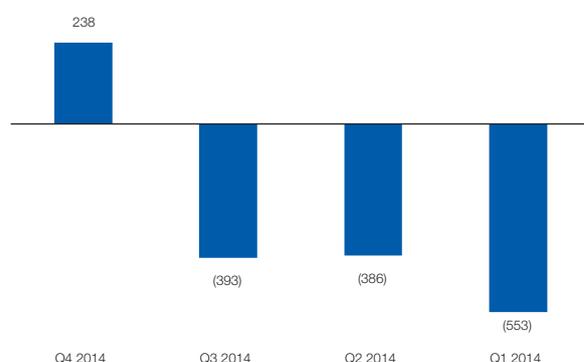
Markup Income - Rs. in Mln



On the interest expense avenue, higher markup expense on deposits was reported as compared to quarters of 2013 due to regulatory revisions during the year 2013 in terms of revision in interest calculation formula and pegging of minimum deposit rate (MDR) with the floor of SBP repo corridor.

The substantial reversal in provision charge is reflective of the prudent and aggressive provision strategy adopted and rigorous efforts put in by the recovery units. In 1st, 2nd and 3rd quarters substantial recovery efforts were put in place and provision of Rs. 553 million, Rs. 386 million and Rs. 393 million has been reversed respectively.

Quarterly Provision/(Reversals) against Advances -
Rs. in Mln



In 2014 the record breaking growth in capital markets provided MCB Bank an opportunity to realize significant capital gains. The Bank recorded capital gains to the tune of Rs. 640 million and Rs. 871 million in the 3rd and 4th quarter. Compensation on delayed tax refunds amounting to Rs. 1.1 billion was recorded in the third quarter of 2014. The volatility in exchange rates contributed in recognizing significant income from dealing in foreign currencies.

The administrative expense base of the Bank depicted a controlled increase despite the surge in inflationary pressures recorded in the later part of the financial year. The administrative expenses block reported 5% (excluding PF reversal) increase over the last year.

In terms of profitability, 2014 remained an exceptional year as the Bank reported profit before tax of last three quarters in excess of Rs. 9 billion. The highest quarterly PBT in Bank's history was Rs. 9.7 billion reported for the third quarter of 2014.

Quarterly Performance - 2014 & 2013

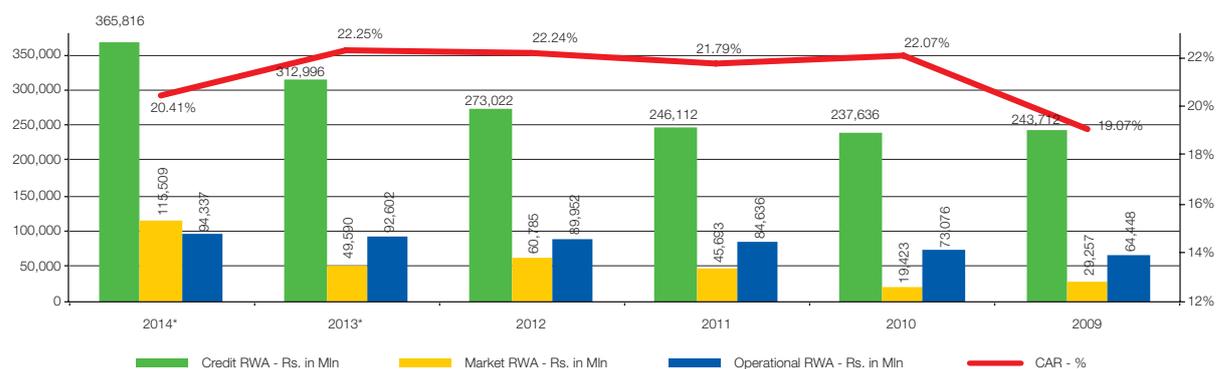
Rs. In Million

	2014				2013			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Profit & Loss Account								
Mark-up earned	20,484	19,212	19,638	17,935	16,593	15,496	16,260	16,715
Mark-up expensed	(8,985)	(8,635)	(8,216)	(7,921)	(7,216)	(5,814)	(7,173)	(6,993)
Net mark-up income	11,498	10,577	11,423	10,014	9,377	9,682	9,087	9,723
Provisions & write off	78	430	277	588	987	524	546	830
Non-mark-up income	3,885	4,094	2,715	2,740	2,618	2,711	3,492	2,350
Non-mark-up expenses	(6,239)	(5,394)	(4,971)	(4,986)	(6,441)	(4,869)	(4,102)	(4,226)
Profit before taxation	9,222	9,707	9,444	8,356	6,540	8,048	9,023	8,677
Taxation	(3,022)	(3,310)	(3,229)	(2,844)	(2,227)	(2,753)	(2,903)	(2,909)
Profit after taxation	6,201	6,398	6,214	5,512	4,313	5,295	6,119	5,768
Statement of Financial Position								
Assets								
Cash and balances with treasury banks	46,754	53,443	71,174	53,795	59,946	58,231	62,563	49,532
Balances with other banks	3,016	3,470	2,340	1,833	1,537	1,695	1,920	2,820
Lendings to financial institutions	1,418	3,690	1,086	1,528	1,225	3,474	6,412	375
Investments	511,137	459,664	444,020	462,148	449,006	405,071	410,222	402,733
Advances	303,559	289,558	284,115	253,183	248,243	224,241	223,090	240,384
Operating fixed assets	31,193	30,273	29,569	28,856	28,595	25,345	24,913	24,126
Other assets	37,555	28,746	36,208	25,910	26,956	28,468	46,037	39,146
	934,631	868,845	868,513	827,252	815,508	746,525	775,156	759,116
Liabilities								
Bills payable	16,628	8,771	8,841	8,300	10,139	11,608	9,588	9,422
Borrowings	59,543	49,352	30,830	48,755	38,543	15,579	18,397	49,504
Deposits and other accounts	688,330	666,344	685,766	627,144	632,330	584,239	610,341	565,799
Deferred tax liabilities	10,397	3,940	3,927	4,863	4,201	8,331	10,440	9,045
Other liabilities	29,630	24,015	24,662	24,639	20,064	20,191	17,726	21,026
	804,527	752,423	754,027	713,701	705,277	639,948	666,491	654,796
Net assets	130,104	116,422	114,486	113,550	110,231	106,578	108,665	104,320
Represented by:								
Share capital	11,130	11,130	11,130	11,130	10,118	10,118	10,118	10,118
Reserves	48,830	48,316	47,513	47,124	46,601	46,188	45,461	44,890
Unappropriated profit	46,948	45,275	43,401	40,971	40,552	40,319	39,086	37,015
Surplus on revaluation of assets - net of tax	23,196	11,700	12,442	14,325	12,959	9,952	13,999	12,297
	130,104	116,422	114,486	113,550	110,231	106,578	108,665	104,320

Capital Structure

(Rs. in Millions)

	2014	2013
Capital Structure		
CET 1 / Tier 1 Capital		
Shareholders capital	11,130	10,118
Share premium	9,703	9,703
Reserves	38,733	36,300
Unappropriated profits	46,948	40,552
	106,514	96,674
Deductions:		
Book value of intangible and advances given for intangible	898	837
Defined benefit pension fund assets - net	944	-
Other deductions	1,588	735
	2,430	1,572
Total Tier 1 capital	104,083	95,102
Tier 2 Capital		
General provisions subject to 1.25% of total risk weighted assets	609	499
Revaluation reserves	12,990	5,832
Foreign exchange translation reserves	395	598
	13,994	6,929
Deductions:		
Other deductions	588	735
Total Tier 2 Capital	13,405	6,194
Total Regulatory Capital Base	117,489	101,296
Risk Weighted Assets		
Credit Risk	365,816	312,996
Market Risk	115,509	49,591
Operational Risk	94,337	92,602
Total RWA	575,663	455,189
Capital Adequacy Ratios		
Tier 1 to total RWA - actual	18.08%	20.89%
Total capital to total RWA - actual	20.41%	22.25%
Tier 1 to total RWA - required	7.00%	6.50%
Total capital to total RWA - required	10.00%	10.00%

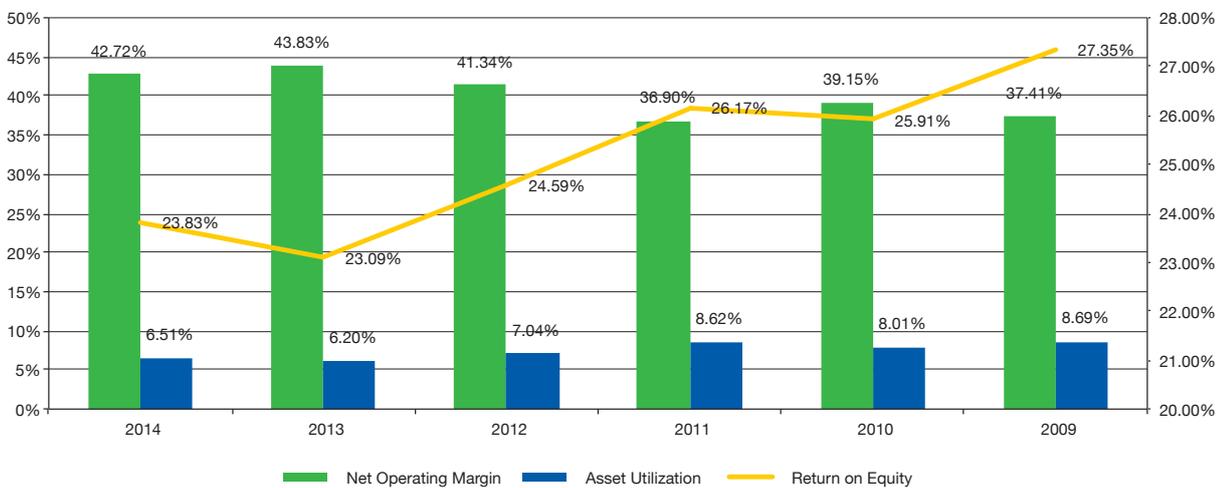


DuPont Analysis

			2014	2013	2012	2011	2010	2009
Net Operating Margin (PAT / Total Income)	A		42.72%	43.83%	41.34%	36.90%	39.15%	37.41%
Asset Utilization (Total Income / Average Assets)	B		6.51%	6.20%	7.04%	8.62%	8.01%	8.69%
Return on Assets	C = A x B		2.78%	2.72%	2.91%	3.18%	3.13%	3.25%
Leverage Ratio / Equity Multiplier (Average Assets / Average Equity)	D		8.57	8.50	8.45	8.23	8.27	8.41
Return on Equity	C X D		23.83%	23.09%	24.59%	26.17%	25.91%	27.35%

Following are the main highlights of DuPont analysis:

- Net operating margin measure in term of profit margins showing increasing trend since 2011 due to improved non-markup income, cost control measures and reversal in provisions.
- Asset utilization in terms of total income has shown decreasing trend due to decrease in discount rate while corresponding upward revision in minimum deposits rate by regulator.
- Equity Multiplier showing increasing trend since 2011 due to higher profits.



Statement of Charity and Donation

(Rs. in Thousand)

	2014	2013
CHARITY FUND		
Opening balance as on January 01	2,877	6,892
Additions during the year		
Received from customers on delayed payments	20,919	8,208
Profit on charity saving account	885	277
	21,804	8,485
Payments / utilization during the year		
Social welfare	(2,000)	(1,000)
Health	(2,000)	(500)
Education	(1,000)	(1,000)
Relief and disaster recovery	-	(10,000)
	(5,000)	(12,500)
Closing balance as at December 31	19,681	2,877
Detail of charity made during the year is as follows:		
Saylani Welfare International Trust	-	1,000
Care Foundation Pakistan	1,000	1,000
Effectuated Christian Community in Joseph Colony, Lahore	-	5,000
The Lahore Hospital Society	-	500
Prime Minister's Earthquake Relief Fund BALUCHISTAN	-	5,000
Children's Hospital & The Institute of Child Health	1,000	-
Rising Sun Education & Welfare Society	1,000	-
Shaukat Khanum Memorial Cancer Hospital and Research Centre	1,000	-
Fountain House Institute for Mental Health	1,000	-
	5,000	12,500
In addition to above charity, detail of donation by the Bank is given below:		
"Chief Minister's Relief Fund for IDPs North Waziristan – 2014"	40,000	-
Prime Minister's Earthquake Relief Fund 2013, for Baluchistan	-	25,000
	40,000	25,000

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

Market Statistics of MCB's Share

	Share Price				Free Float		Market Capitalisation	
	MCB Scrip (Rs.)		Closing	GDRs (REG S) USD Closing	Shares ('000s)	%	Capital (Mln)	Value (Mln)
	High	Low						

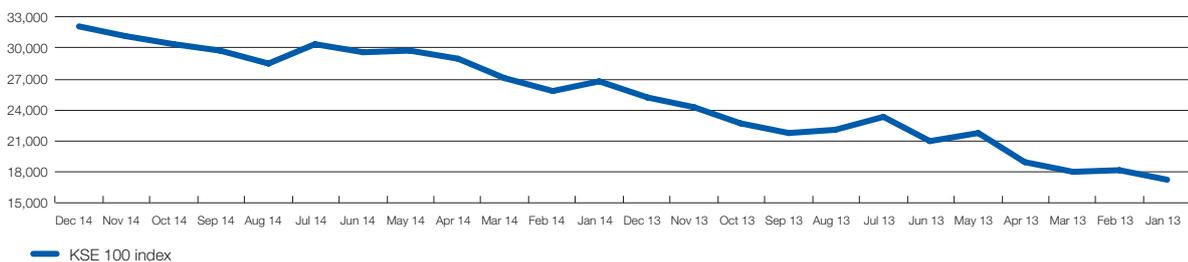
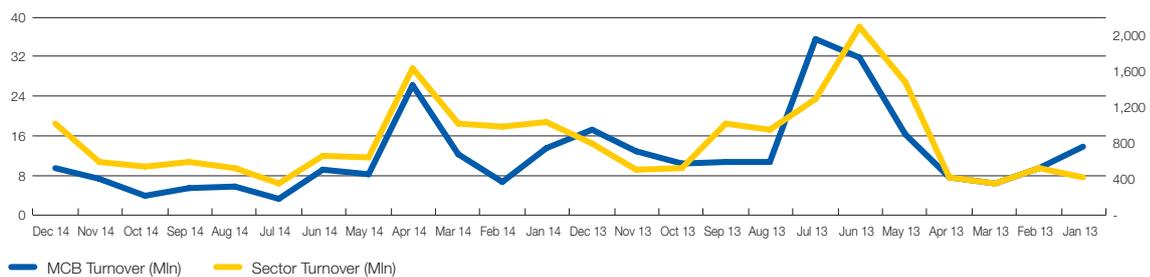
2014

December 31, 2014	307.95	273.98	305.65	5.50	430,249	38.66%	11,130	340,198
September 30, 2014	311.00	267.05	282.57	5.03	429,083	38.55%	11,130	314,509
June 30, 2014	311.00	251.00	301.35	4.96	431,852	38.80%	11,130	335,412
March 31, 2014	299.25	234.51	251.23	4.04	429,467	38.59%	11,130	279,627

2013

December 31, 2013	303.25	245.00	281.17	4.20	382,395	37.79%	10,118	284,501
September 30, 2013	314.85	240.50	263.05	4.92	381,355	37.69%	10,118	266,166
June 30, 2013	323.00	188.86	242.59	1.94	380,890	37.64%	10,118	245,464
March 31, 2013	239.30	182.20	189.29	2.44	374,879	37.05%	10,118	191,532

Dividend and Bonus	2014		2013	
	Mln	%	Mln	%
Final cash dividend	4,452	40	3,541	35
3rd interim dividend	3,896	35	3,541	35
2nd interim dividend	3,896	35	3,541	35
1st interim dividend	3,339	30	3,541	35
Bonus	-	-	1,012	10



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 decrease in discount rate will result in lower net interest income and reduce profitability of the Bank. As a result, its share price may drop.

Minimum Rate of Return on Deposits

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.

Investor Grievances

The premise of MCB Bank is to ensure that it safeguards the interests of its stakeholders therefore communicates pertinent information 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.

MCB Calendar

Calendar of Major 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
Opening of Wholesale Banking Branch in UAE	2014
Incorporation of MCB Islamic Banking Limited - a subsidiary company	2014

Financial Calendar

2014

1st Quarter Results issued on	April 22, 2014
2nd Quarter Results issued on	August 12, 2014
3rd Quarter Results issued on	October 21, 2014
Annual Results issued on	February 12, 2015
67th Annual General Meeting Scheduled on	March 27, 2015

2013

1st Quarter Results issued on	April 29, 2013
2nd Quarter Results issued on	August 16, 2013
3rd Quarter Results issued on	October 24, 2013
Annual Results issued on	February 11, 2014
66th Annual General Meeting held on	March 27, 2014

2012

1st Quarter Results issued on	April 24, 2012
2nd Quarter Results issued on	August 7, 2012
3rd Quarter Results issued on	October 17, 2012
Annual Results issued on	February 7, 2013
65th Annual General Meeting held on	March 26, 2013

2011

1st Quarter Results issued on	April 26, 2011
2nd Quarter Results issued on	July 26, 2011
3rd Quarter Results issued on	October 25, 2011
Annual Results issued on	February 21, 2012
64th Annual General Meeting held on	March 27, 2012

2010

1st Quarter Results issued on	April 21, 2010
2nd Quarter Results issued on	August 05, 2010
3rd Quarter Results issued on	October 26, 2010
Annual Results issued on	February 10, 2011
63rd Annual General Meeting held on	March 31, 2011

2009

1st Quarter Results issued on	April 23, 2009
2nd Quarter Results issued on	August 08, 2009
3rd Quarter Results issued on	October 23, 2009
Annual Results issued on	February 25, 2010
62nd Annual General Meeting held on	March 26, 2010

Issues Raised in the Last Annual General Meeting

One of the members enquired about the specific reason for the increase in administrative expenses in the fourth quarter 2013; to which, CFO responded that there was a one-off charge against Voluntary Separation Scheme (VSS) offered to clerical / non-clerical staff of the bank for which an approximately cost of Rs. 1.1 Billion was charged in 2013. The chairman explicated that nullifying the impact of VSS charge and pension fund reversal, the administrative expense base of the bank has decreased when compared with 2012 which was indicative of the cost effective synergies attained through central authorizations and annual capping.

Another member enquired about MCB role as corporate member in the society; the Chairman stated that on the spectrum of corporate social responsibility, MCB donated Rs. 30 Million (Including Rs. 5 Million from Islamic banking Charity) for Earthquake Relief Fund for Baluchistan whereas Rs. 5 Million was contributed out of charity for rehabilitation of minority community. He also informed the members that in 2010, MCB Bank built 246 houses for the flood affected areas in Muzaffargarh District and likewise in 2011 and 2012, the Bank donated Rs. 81 Million and Rs. 31 Million respectively. He added that MCB contributions towards society at large had been recognized by various local and international organizations. He mentioned that MCB received "CSR Business Excellence Awards" and recently ranked 8th among 490 top Pakistani companies, based on donations for charitable purposes.

Profile of Shari'ah Advisor, MCB Islamic Banking Group

Dr. Mufti Muhammad Zubair Usmani son of Mufti Muhammad Rafi Usmani (grand Mufti of Pakistan and President Jamia Dar ul Uloom Karachi) is a qualified Fazil Dars-e-Nizami from Jamia Dar ul Uloom, Karachi (Wifaq ul Madaris Arabia), Takhassus Filfiqh (Mufti) from Jamia Dar ul Uloom, Karachi and Doctor of Philosophy holder in Islamic Finance from University of Karachi. He also holds Bachelor of Arts degree in Economics from University of Karachi and Masters in Arts in International Relations from University of Karachi. He has done many courses in Islamic Finance from Centre for Islamic Economics (Dar ul Uloom, Karachi), from International Islamic University Islamabad and specialized course in International Humanitarian laws from Beirut Lebanon. Mr. Usmani is teaching Tafseer-e-Qura'an, Hadith and Fiqh at Jamia Dar ul Uloom, Karachi and Islamic Finance at Jamia Dar ul Uloom, Karachi, Bahria University, Sheikh Zayed Islamic Centre of University of Karachi and other institutions.

Mr. Usmani is the author of the books including but not limited to Accounting & Auditing for Islamic Financial system, comparative study between Islam and Christianity and Ijarah (Islamic Leasing). Mr. Usmani has got published his research papers in various international journals and has delivered research based lectures/presentations at different national & international seminars, forums, conferences and seminars. Mr. Usmani is a member Shari'ah Board State Bank of Pakistan besides being Shari'ah advisor, MCB Islamic Banking Group and supervising various candidates for their Doctor of Philosophy studies.

Directors' Report to the Members

I am pleased to present, on behalf of the Board of Directors, the 67th annual report of MCB Bank Limited for the year ended December 31, 2014.

Economy Review

In 2014, the global economy witnessed its share of opportunities, challenges and risks that steered respective markets. Significant amongst these were the unrest in Ukraine that developed into a civil war, Russia annexing Crimea and the aftermath of ISIS in Iraq and Syria.

The positive indicators affecting the economic landscape were the sudden and sharp decline in the oil prices at the end of 2014. Since oil is a major component that determines the movement of the consumer purchasing power in oil consuming countries, this initiative helped curb inflation, push-up the value of the US dollar in these economies and negatively impacting several oil-producing economies.

The US economy showed signs of strengthening after facing subsequent challenges of witnessing slow-down, leading to a halt and eventually recovering after a quantitative ease in the US monetary policy. The anticipated increase in the short term interest rates are likely to have spill-over effects in 2015 on several economies that are pegged against the US Dollar, especially in emerging markets where the capital flight has an adverse impact on their currency and domestic market. The emerging markets are expected to face the brunt of this situation as they would need to take extra measures to protect their currency by managing interest rates so as to minimize the impact on their economies. Some of the consequences of the US economy are likely to be mitigated by the limited growth and low inflation in the Eurozone and Japan. Both these economies are likely to offset the global impact of the rebound in the US economy through/with a more aggressive monetary stimulus as its primary tool to revive growth. Also in these economies, a consensus has been developed where greater structural reforms will be needed in order to attain sustained growth.

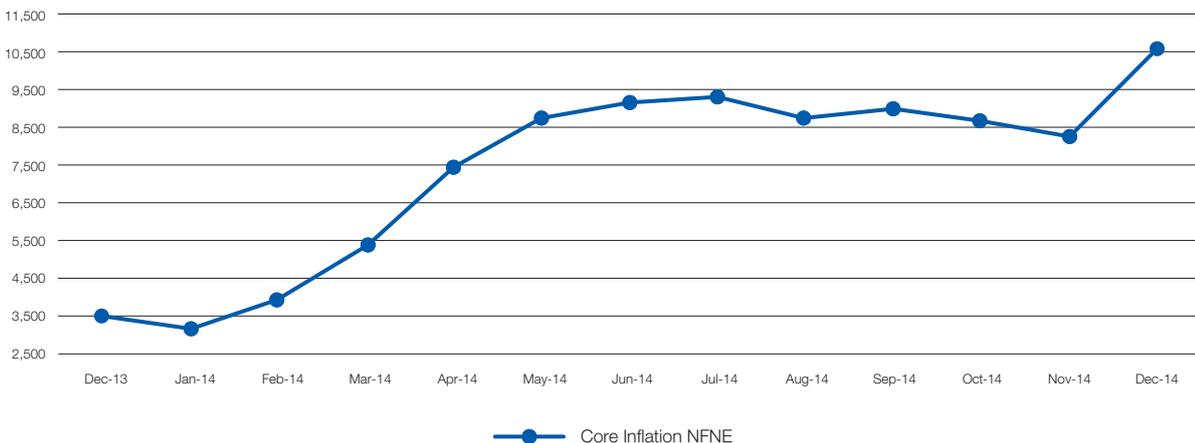
Pakistan's economy continues to show signs of promise

amidst the ongoing drawbacks of an energy crisis, systematic terrorist activity, and fiscal deficit. After recording a GDP growth of 4.1% during FY14 as compared 3.70% for the same period in the last year, the economic activity is projected to increase to 5.1% in the current year. This trend has also been validated by the MCB Purchasing Managers Index (MCB PMI) that stood at 65.69 in November 2014, showing signs of continued growth. The Government of Pakistan, in its budget for the fiscal year 2014/15, intended to decrease subsidies, eliminate tax breaks, penalize income tax evaders are initiatives that signal to a reduction of the fiscal deficit allowing the country achieving its budgeted target of 4.9% GDP. However, the pace of success in this regard is slower than anticipated/projected where we believe that this seems to be an up-hill task, particularly, on account of declining revenues as a result of global decline in oil prices and increase in security related costs.

On the external sector, increase in Pakistan's Foreign Exchange reserves is the highlight of the year 2014. The reserves held by State Bank of Pakistan (SBP), a key source of concern for some time, escalated from \$3.5 billion in January 2014 to \$10.5 billion in December 2014. This was as a result of \$1.1 billion raised in 3G and 4G auction, \$1.5 billion Saudi inflow, timely materialization of Coalition Support Fund (CSF) payment of IMF tranches and the successful issue of Sukuk and Euro Bonds. Both issues were exceedingly oversubscribed, demonstrating investor's confidence, raising \$1 billion and \$2 billion respectively. This helped stabilize Pak Rupee's exchange rate versus US Dollar. PKR started the year at 105.60 against US Dollar; appreciated to 96.50 by April; and remained stable at around 98.50 up to August 2014. However, political instability starting with sit-ins in Islamabad caused USD/PKR parity to depreciate once again, pushing the parity at one time to 103, later stabilizing to close at 100.48 for the year.

CPI touched a peak of 9.18% in April 2014 and then maintained a downward trend during the year, touching a low of 3.96% in November as a result of the declining oil and commodity prices in the international markets. The monetary policy remained stable for most of the year; however in

Foreign Reserves with SBP



November, The State Bank of Pakistan reduced its policy rate by 50 basis points as a result of the improved economic indicators. Single digit inflation, robust growth in remittances, fiscal consolidation measures in place, improved foreign exchange reserves and rise in exports are indications of upward trend in our economy. However, energy crisis and security situation is still a substantial risk for business activity. In spite of these challenges, we are optimistic about the outlook for our economy.

Group Reviews

Wholesale Banking Group

In 2014 Wholesale Banking Group (WBG) remained focused on loan book growth, while continuing to maintain a low infection rate. Our overseas operations in Sri Lanka and Bahrain also continued with balance sheet growth during the year.

Aggressive competition in interest rates amongst top tier corporate clients and reduction in policy rate during the year had a negative impact on spreads. Despite these challenges, the group managed to surpass its profitability target with asset growth as well as enhancement of fee based income in comparison to last year.

To safeguard that growth in the loan book is maintained in a structured manner with minimal risk, the group ensured periodic monitoring of corporate exposure in terms of industrial sectors and regional concentration. During the year, a number of sector study reports, Risk Asset Acceptance Criteria (RAAC) and strategy papers on large corporate groups were developed for enhanced risk assessment on an ongoing basis. To further strengthen the initiative, Limit review papers were added to address utilization, cross sell, and line structuring. The investment and Corporate banking arms were involved in various transactions focusing on provision of effective tailored solutions to cater to business requirements of our corporate clients.

Major achievements of WBG during the year are as follows:

- Earmarked All-time high for Corporate Advances
- Closure of 14 transactions (Project Finance, Advisory and Syndications) totaling deal volume of over PKR 100B by Investment Banking
- Successful execution of MCB's First ever Privatization mandate with the Secondary Public offering of Allied Bank Limited as a result of the Government of Pakistan divesting 11.5% of its shareholding. The project was seamlessly managed within 19 working days from the date the mandate was awarded and was also oversubscribed by ~1.4 times.
- Second privatization mandate for the strategic sale of National Power Construction Corporation ("NPCC") awarded to Investment Banking Group, where execution will be in 2015.
- Successful execution of the Largest Infrastructure financing for the modernization and overlay of Lahore

- Islamabad motorway (M2) project for FWO's 100% owned subsidiary, amounting to PKR 22B.

Transaction banking business strived to find new avenues for improving profitability by initiating a number of existing and new to Bank customers on PayDirect-digital payment platform. On the collections side the business continued to sign new relationships to bolster future profitability for the Bank and strived to maximize wallet share amongst existing customers. Cash Management team has successfully started building a portfolio of financial institution clients which is first of a kind and unique to MCB. Work on new system for Cash Management has also been initiated.

In 2014 Transaction Banking integrated real time payment system with industry leaders in the money transfer business which allows instant payment through our branches. Building upon our portfolio of global partners we have further added partners from UAE, Europe and North America. Successful marketing campaigns in GCC, Malaysia and UK have raised overall awareness of MCB Burqraaar products and MCB services. In 2015 we plan to launch a value added service for home remittance beneficiaries aimed at increasing volumes and converting cash customers to MCB account holders

Acute shortage of foreign currency liquidity, political unrest towards end of 2014 coupled with already existing energy shortages required the Bank to adopt a judicious approach in managing growth in Trade business. Despite the overall trade volumes adversely affected due to the above stated reasons, the Bank managed to register a 5% (US\$ terms) increase in foreign Import business. On the other hand relevant alignment of the Bank to increase fee based revenues, Fee and FX from trade, registered a decent growth of 8% compared against last year.

WBG is all geared up to continue with its growth strategy in 2015 with renewed focus on book building, service based fee enhancement and FX revenue yielding transactions by introducing innovative products and solutions.

Bringing international as well as regional experience and expertise, MCB Bank commenced its overseas operations in Sri Lanka in 1994. Today on completion of 2 decades it has further strengthened its presence with the opening of another branch in Colombo expanding the network to 9 branches. The flagship branch is located in the heart of the commercial city and is designed to serve individual, SME and corporate clients through state of the art banking capabilities. This is yet another move, exhibiting the Bank as an active partner in the growth of the Sri Lankan economy by enhancing its geographical reach through establishing new branches and introducing convenient methods of banking. MCB Bank holds the 3rd largest branch network among foreign banks in Sri Lanka.

Special Assets Management Group

During 2014, SAMG posted highest ever recovery figure of PKR 2.005 Billion despite several macroeconomic challenges. Accordingly the Group maintained its legacy of recovering over PKR 1 billion for the 7th consecutive year and over PKR.1.5 Billion for the 3rd year in a row. This remarkable performance translated into an all-time growth in recovery yield of 24% as opposed to 19% in the previous year thereby outperforming its peers. SAMG also executed 203 fresh settlements as opposed to the 136 in the previous year, setting new record during the year. On Consumer NPLs side, substantial improvement in recovery was witnessed of PKR 435 million as opposed to PKR 334 million in the previous year registering a remarkable growth of 30%. It is noteworthy to mention that the recoveries done in the year encompassed the successful closure of several chronic, complex and big ticket defaults.

This momentous performance has been made possible as a result of Trust in Allah, commitment and dedication of the entire SAMG team. The focus by the team was on the underlying philosophy of 'innovative pro-activism' leading to minimize the infected portfolio by executing high business standards, transparency and ethical practices in the resolution and management of distressed advances.

The strength of SAMG is not only about the numbers being achieved in a year – it is also about the foundation SAMG has built for the future.

While posing some positive outlook, the year 2015 carries several challenges for the banking sector primarily due to weak corporate business profitability resulting in sluggish deposit growth, the declining trend of discount rate imposed through the monetary policy, challenging security situation and continued energy shortages. The group foresees the remedial management function will continue to play a visible role in the medium term scenario. The team is set to deliver based on their progressive approach, dedication, commitment and faith in Almighty Allah to positively contribute towards increasing both the shareholder's value and the economic stability of the country.

Consumer Banking Segment (Retail Banking Group)

Consumer Banking has continued to move in the right direction with increased sales and enhancement in its product portfolio. As part of our strategy, we have been focusing on the right mix of products and services by shifting from lending to non-lending revenue streams. Our non-lending business is supported by two strong pillars namely, Digital Banking and Bancassurance while the Investment Service business continues to show steady improvement. The contribution by Digital Banking towards Revenue, Net Profit and customer engagement continued on the increasing trend throughout 2014.

MCB Retail Banking achieved a new milestone of PKR 1 Billion of Non-Funded Revenue from its Visa Debit Card

business setting high benchmarks for the industry. The success is attributable to the impressive portfolio of alliances offered through the loyalty program including more than 100 discount partners on the menu, efficient SMS alert service and the recently launched Platinum card.

As a market leader, the Bank has always visualized to introduce products that offer efficiency and convenience for our customers. The main focus of the Bank is to continuously sought improvement in order to maximize the value of its Alternate Delivery Channels (ADCs) that include ATMS, Mobile Banking, Internet Banking and Call Center.

In the recent past MCB has been recognized as the Bank to initiate technology driven products that facilitate customers to process payments in the most efficient and convenient method. This year MCB launched 2 technology driven products namely MCB eGate and MCB Lite. MCB eGate is a world class online payment gateway brought to Pakistan in partnership with MasterCard International that equips websites to accept payments reliably and securely from both credit and debit cards around the world. This initiative will have myriad of benefits for both the customers and merchants, where consumers will be able to shop from the comfort of their home, have greater access to choice in terms of prices, features and customer reviews and merchants to save on stock inventory management. MCB Lite (Wallet) backed by VISA branded plastic was commercially rolled out with an uptake of 50,000 wallets. The Mobile wallet offers to facilitate transactions through their respective handset and a mobile application on Google Play store. The product facilitates customers to write digital cheques, transfer money, carryout balance inquiry, buy tops ups, pay bills at their convenience. The Bank recognizes that facilitating the customer is of foremost importance and has made two key developments at the MCB Call center. The infrastructure and equipment has been upgraded so as to manage increasing call volumes at MCB Call center and by introducing representatives to communicate with customers in their local language.

Our previous launches have also witnessed promising results. MCB Mobile has also continued to grow at a fast pace with an active customer base touching 500,000 showcasing an increase of 25% from the year 2013. MCB Internet Banking, a full fledge self-service channel launched in 2013 continued to grow steadily in the year, resulting in a customer base of 100,000 customers/registrations.

The Bank has one of the largest ATM networks in the industry; the Bank continued to expand and added 148 new ATMs in 2014 reaching a mega network size of 930+ ATMs ensuring strong footprint and convenience for all its customers nationwide. Merchant Acquiring business is another important pillar strengthening the Digital Banking presence where Point of Sale terminals happen to be a key element in ensuring the presence of MCB in simplifying payments. While making it secure for the customers, the Bank achieved EMV compliance standards for the entire fleet thereby mitigating the risks associated when carrying out transactions. The POS machines have now been placed in

a tactical manner such that MCB continues to enjoy highest productivity per terminal in the industry.

The Bancassurance business continued to deliver its fast-track pace of growth with new premium bookings to cross PKR 1 Billion mark in 2014. With introduction of some new product offerings available for distribution, the Investment Services business grew by more than 15% over 2013 to exceed a sales volume of PKR 7.5 Billion. MCB is the leader in Mutual Fund Sales through branch network with coverage in ~ 350 branches across Pakistan. Substantial growth was observed in 2014 from only 9 operational Privilege Centers across Pakistan with a substantial positive shift in CASA:TD mix. The business intends to continue to provide value added services, with a focus on cross-sell to our top depository clients through this set up. MCB is the market leader in the Rupee Traveller cheque (RTC) business catering to the bulk of total industry needs and is offered from more than 800 branches nationwide.

The Bank benefits from the synergies created after the merger of consumer and commercial banking in 2013 to witness growth in sales of consumer lending products. Credit card issuance and Auto Loans booked during 2014 increased considerably as compared to the previous year. Besides increase in Auto Loan sales volumes, the sales team also managed to increase the Net Financed Amount (NFA) per customer.

Priorities in 2015

- Emphasis on furthering technology through ADCs i.e. Internet Banking, Mobile Banking, Call Center, ATMs and cards
- Sales entrenchment
- Resource optimization
- Improve Non Fund revenue
- Leveraging retail client base
- Best in class service quality
- Lead in transaction convenience

Commercial Branch Banking (Retail Banking Group)

Branch banking network of Retail Banking continued to make sustained progress in growing its deposits base in 2014. Representing 92.7% of the total Bank's deposits, MCB witnessed a growth of 10.7% over last year, with a net amount of PKR 62B added to the deposit base. This year the business reached a momentous landmark showcasing improvement in overall CASA portfolio which went above 92% (historic high) despite the substantial increase in the volume base. Barring the last few weeks of December, the Retail Banking deposit growth rate for the Bank remained above the overall industry deposit growth rate. A total of 15 branches were added to the branch network bringing the number of outlets (RBG) close to 1,200 with continued focus on sustainable low cost deposits. The management placed special emphasis on managing operational risks and this was reflected in significant improvement in internal audit ratings. Responding to customer needs, MCB ATMs also recorded

higher uptimes throughout the year despite deteriorating law and order situation and energy crisis in the country.

One of the biggest achievements of Retail Banking Group in 2014 was as a result of an extraordinarily successful Hajj campaign. With dedicated and focused efforts across the network, MCB became the market leader and set a record of catering to the highest number of Hajj applications in the industry. In 2014, keeping in view the customer needs and market offerings, Retail Banking Group revamped the existing product offering of its business account into a more powerful product with increased free of cost facilities for customers maintaining a specific deposit balance during the previous month.

During 2014, a new initiative was taken with the introduction of MCB Ladies Branch (E-11 Markaz, Islamabad) that is being managed predominantly by female staff specifically focusing on the banking needs of female clientele. This proposition will help in expanding the scope of our target audience, primarily the segment of customers hesitant in coming to a branch. The aura of trust and confidence of the female staff at the branch will encourage customers to discuss and find the ideal banking solutions to their financial needs. With the introduction of the Ladies Branch, the Bank will be able to emphasize its prominent role in advocating equal employment opportunities for females.

During the year as a result of a focused strategy the business managed to substantially increase its commercial lending book by ~PKR 9.5 Billion. For 2015 the target for the business is to continue to grow sustainable and low cost CASA deposits. The group will focus on introducing new liability products to address market needs, cross-selling, growing quality loans and aggressive volume growth in trade.

Priorities in 2015

- Strategic relationship management
- Lead in trade business
- Accelerate use of alternate delivery channels
- Reduce operational risk
- Improve quality lending
- Rely on low cost account base
- Optimize usage of existing network

Islamic Banking Group

MCB Islamic Banking Group offers a complete set of solutions that are Shariah Compliant providing a parallel route to conventional or mainstream banking. The products and services offered by the Bank have been developed to safeguard the religious sentiments of customers, ensuring the profits earned as Halal. The Bank caters to a wide variety of Shariah Compliant products and services to its valued customers of all demographic segments across both the asset and liability side.

At present MCB Islamic Banking has a network of 27 branches in 14 cities across the country. In the year 2014,

MCB focused on further improvement of its Islamic Banking brand image through distribution of brochures, marketing campaigns and placing of stalls at various Islamic Finance conferences, seminars and forums. IBG also arranged extensive trainings for its staff members and for other Groups of the Bank to ensure an in-depth understanding of the difference between both mechanisms of Banking. The Group shall continue to provide training to its staff members so as to remain competitive in the market and well versed on any developments to mitigate the reputation risk as a consequence of non-compliance of Shariah in transactions.

To comply with instructions of the regulatory authority and the policy of the Bank, the Islamic Banking Group has got its operations reviewed by the relevant authorities and developed products manuals on the same lines. Further, under the instructions of regulator, the Group has developed a Pool Management System for transparent calculation and distribution of profit to remunerative deposits holders.

During 2014, the Group remained cost efficient in its business operations. To strengthen Islamic Banking book size, MCB Islamic Banking has shown significant growth both in liability and assets portfolio.

Incorporation of MCB Islamic Bank Limited

During the year, the Bank incorporated MCB Islamic Bank Limited, a wholly owned subsidiary, with an authorized share capital of Rs 15 Billion. Subject to regulatory approvals, the operation of Islamic Bank Division of MCB Bank Limited referred to in Annexure II to the unconsolidated financial statements will be transferred to the said subsidiary. The commercial operation of the said subsidiary will commence after formal go ahead from State Bank of Pakistan. Subsequent to the year end, the Bank has injected equity of Rs 10 billion in the said subsidiary.

Capital Market

Capital Markets Division recorded another stellar year and made record contributions to the bottom line of the Bank. The Profit-to-Employee ratio by the Division is the highest in the Bank. Although the year witnessed volatile and falling oil prices in the international market, which negatively impacted the E&P sector, the Division still managed to exceed the year's budgeted Net Income by a significant margin. In the process, KSE-100 Index return for 2014 was also comfortably beaten. These significant gains can be attributed to careful sector and stock allocation, while ensuring high risk-adjusted returns. Our positions in Power, Banking and Chemical sectors provided significant upside. Going forward, the Division will continue to look for potential pockets of value while closely monitoring risk.

Treasury and FX Group

Treasury had a remarkable growth in 2014, as it continued to excel and surpass its targets, building on the series of successive growth in last 4-years. This resulted in a

substantial contribution towards the top and bottom line of the Bank, contributing both in markup and non-markup revenue.

The growth was a result of effective management, commitment and dedication of its members. In spite of a tumultuous year on the economic and political front, Treasury was able to face the challenges by remaining vigilant on key developments in the market, timely management of portfolio risks, effective decision-making and implementation of key strategies. The resounding success of the Group was due to its accurate prediction of market moves and positioning its portfolio accordingly. During the year, the Group focused on increasing the duration of its fixed income portfolio in order to capitalize on the future prospects of the yields. This provided stability in income and eventually resulted in sizeable gain. The dedication of the Group to enhance its Non-Interest Income further increased its stability and revenue base.

Treasury strives to maintain a strong bond with its internal and external customers. The group, while focusing on its strengths and abilities, continues to target new relationships by offering new and improved product lines and developing a mutually beneficial relationship with its customers. It has therefore embarked on putting in place the infrastructure and technical platforms to enable new and structured product offerings.

Information Technology Group

In this era, the role of Information Technology in the financial sector has emerged as a core success factor to earmark the progress of the Banking industry. With digitalizing customer services, Banks are now epitome to the opportunity brought by technology. Successful implementation of the same is ensuring the impact of obsolescence and conformance to the availability, security and reliability of customer Information. At MCB, the management and the Board is committed to enrich the Information Technology infrastructure in the Bank at the enterprise level, evident from the respective investments made by the Bank.

The Bank is committed to facilitate customers by providing value added services that encompass convenience, ease of payments, a wide array of choices that are safe, secure and reliable. The Bank has to its credit the largest footprint of online branches with enterprise-wide pure centralization, wide network of ATMs and POS machines. It is also accredited to provide robust solutions to its customers with the launch of Internet and Mobile Banking platforms, mobile wallets to facilitate branchless banking, 24 hour operational call center backed by state-of-the-art enterprise data network, proactive features to combat money laundering, fraud and other financial crimes. In 2014 the group successfully established its in-house Disaster Recovery Facility at par with the relevant industry standards. Based on the current performance and the trends set forth, the department is geared to exceed the expectations of its customers in the coming year.

Apart from these major deliverables, IT Group streamlined its existing operations by reducing the uptime of core banking and affiliated applications. The team remained committed and played a vital role in ensuring the maximum uptimes during the mishap at PTCL though it was beyond the control and scope of the Bank. The strategic vision and the regulatory compliance to maintain dual links at each site including ATMs in the country was a major savior during such kind of disaster for the largest service provider in the country. The availability of Data Centers and the back-end systems along with all necessary services were available and accessible throughout, which was indeed a remarkable achievement.

Looking forward to 2015, IT Group is more committed towards:

- i) Enterprise Management Solution
- ii) Base upgrade at end-points
- iii) VOIP, Video &TP monitoring & management tools including new IP Voice Logging
- iv) PCI/DSS Compliance with Implementation for File Integrity Monitoring tool (FIM)
- v) Upgrade of Network Access Controller (NAC) system
- vi) Implementation of workflow management system
- vii) Expansion of ATM network
- viii) Major developments in Core Banking Systems
- ix) Evaluation and subsequent implementation of a new Card Management System

Apart from above commitments, IT Group is also planning to empower the staff with requisite trainings and job enrichment plan to enhance motivation.

Operations Group

Operations Group remained focused on providing superior customer service, increasing operational efficiency and strengthening controls & regulatory compliance during the year. The major milestone achieved during 2014 was upgrade of Core Banking System (CBS) to Ambit 8.5, which not only improved user access & controls where the automation resulted in upgrading the technology platform. Straight through integration with systems opened doors for more innovative and efficient financial solutions for the customers. Implementation of modules relating to Advances for Limit monitoring, Collateral and Loan management were the highlights for the Bank from business point of view. Another achievement during the year was successful implementation of Inter-Bank Funds Transfer (IBFT) capability that enhanced the competitiveness of the Bank in the market by offering customers the ability to transfer funds to other member Banks using various distribution channels.

The Operations Group has always stressed upon strong process controls, it provided strong support in implementation of requirements under the U.S. Foreign Accounts Tax Compliance Act (FATCA). A comprehensive exercise of business process re-engineering and formulation of operational processes and procedures was completed along with CBS up-grade. Operations Group issued revised Branch

Operations Manual with improved & more comprehensive operational guidelines and Record Management Policy to strengthen record management process in the Bank. Bank-wide internal control (COSO) framework documentation was updated to incorporate changes in regulations, policies, processes and systems. Functional support was provided in implementation of Electronic Account Opening system that has led to improved account opening turn-around-time for customers.

Other significant accomplishments of the Group during the year were completion of centralized account opening for all retail branches across Pakistan, improvement in customer service and compliance in the area of ATM transactions' settlement, support for launch of E-Commerce Acquiring and re-launch of Home Loans and Personal Loans through improved automation. The Group also led in standardizing cheque books for customer convenience in line with SBP regulations. Continuous support was provided to the business for managing growth in the areas of trade services and cash management including Home Remittances.

The Group also improved the infrastructure of the Bank while enhancing security and safety standards across the offices and respective branches. The hallmark in the domain of facilities was the completion of a state of the art office complex, 'MCB Center', which also houses the best in-house Learning & Development Center having a complete facility for training of employees. This new Center has features of a High Performance & Sustainable Building through usage of waste heat for air-conditioning.

Business Continuity Plan

Business Continuity Planning is the process whereby MCB ensures the maintenance or recovery of operations, including services to customers, when confronted with adverse events such as natural disasters, technological failures, human errors and terrorism. The objective of BCP is to minimize financial loss to the institution, continue to serve its customers and participants of financial markets, mitigate the negative impact of disruptions to the reputation, operations and market position of the Bank, remain compliant with applicable laws and regulations of the central bank and safeguard the welfare of staff. Business continuity management includes disaster recovery, business recovery, crisis management, incident management, emergency management and contingency planning.

The Board of Directors periodically reviews the Business Continuity Plan of the Bank to ensure that all relevant remedial actions are present to mitigate any untoward incident.

International Investment Group

MCB as part of its five years strategy had identified International Expansion as a key driver of its future growth. In this regard not only various potential investment opportunities were identified but regulatory approvals were also sought for successful closure of these initiatives. Keeping in view the

increased focus on International Expansion, International Investments Group was formed in March 2014 to identify, develop and operationalise potential overseas opportunities.

Primary goal of International Investment's Group is to capitalize on identified opportunities to establish banking operations of MCB Bank in Middle East, Africa & Europe along with consolidation of existing overseas operations.

IIG made a significant progress towards establishing wholesale banking operations for MCB in Dubai, where Formal License has already been granted by Central Bank of UAE. Operations will formally commence after issuance of Formal License by State Bank of Pakistan. Going forward the group aims to further strengthen its footprint in UAE by opening more branches and expanding to other international markets.

Service Quality

Customers are the focus of every business today, as they define quality! For service performance to be perceived and evaluated by the customer as "High Quality", a number of fundamental service processes must be delivered with uniformity across all businesses. Our dedicated Service Quality Division has a key aim to provide Quality service to our customers by the engagement of employees across all levels. Identifying the needs of customers is a matter of ensuring that employees, who depend on one another as individuals, as well as departments, that depend on each other as units, communicate their needs to one another continually. This, develops, strengthens and retains customer relationships by improving our cycle time and reducing defects in all the processes resulting in Customer Satisfaction and loyalty.

Service quality is regarded as a critical success factor for organizations to differentiate from competitors. Service Quality Division at MCB Bank Limited has a core function of measuring the level of services which are being provided to all customers by the Bank. The practice of excellent service quality standards integrated with consumer products is a powerful generator to cater to customers' needs and engage with them. Considering that banks offer undifferentiated products in a rival market place, we need to pay more attention to service quality in order to gain a competitive advantage. Banks that master service quality can gain a competitive edge in terms of higher revenue, customer loyalty and customer retention.

Compliance and Controls Group

Compliance & Controls function plays a pivotal role in an organization's compliance & control structure, for achieving operational excellence. Keeping in view the strategic objectives of the Bank and critical challenges being faced by the Banking industry in Pakistan, Compliance & Controls Group (CCG) enforces a well-integrated and robust compliance framework that identifies, manages & monitors all potential risks that could lead to breach of laws & regulations.

Regulatory Risk & International Compliance is a key CCG function which provides support and advice to management and staff on compliance and regulatory issues. It also reviews policies and procedures, supports new Initiatives, products and services, along with maintaining relationship with regulatory authorities. The function is also involved in managing CDD/AML aspects for Correspondent Banks and Money Services Business. It has implemented Name Filtering systems to strengthen Customer Due Diligence & Enhanced Due Diligence process. It has also developed an Electronic Digital Library which provides access to all internal circulars/laws/regulations/guidelines and other material received from regulatory bodies along other multimedia with just a click to all users.

Compliance Assurance function is essentially concerned with identification, monitoring and resolution of regulatory/control issues through on-site reviews of Branches and Non-Branch Entities by Compliance Officials, who also provide training to the branch staff. It also conducts Know Your Employee (KYE) exercise by reviewing credentials of newly hired permanent employees. Issues Tracking & Monitoring (ITAM) Committee structure, with members comprising of Senior Management, is in place which spearheads expeditious resolution of issues pointed out in SBP inspections.

Compliance Training & Validations function in coordination with Human Resource Management Group initiated a specialized program under "Certified Branch Managers (CBM)" and "Certified Branch Operation Managers (CBOM)". It also developed comprehensive training programs on compliance and controls for the staff. Further, off-site reviews of Key critical accounts and GL control heads were carried out whilst ensuring effective monitoring.

AML Department is committed to the highest standards of AML/CFT compliance and requires management and employees to adhere to these standards to prevent use of channels, products and services of the Bank for money laundering and terrorist financing. It monitors out of pattern transactions to detect possible Money Laundering activities through Transaction Monitoring Solution (MANTAS). Further, system up-gradation of MANTAS to Financial Crime & Control Management (FCCM) and development of e - KYC application, are under final phase of implementation.

The Internal Control function promotes higher standards of control through implementation of internationally accepted COSO framework. The Risk & Control Self-Assessment (RCSA) framework of the Bank is effectively functioning for ensuring ongoing operating effectiveness of key controls.

The Bank has also registered as Participating Foreign Financial Institution (PFFIs) and subsequently implemented , Foreign Account Tax Compliance Act (FATCA) – (a Federal Law of United States of America (USA))that requires Foreign Financial Institutions (FFIs) to register with US Tax Authority, i.e., Internal Revenue Service (IRS)), across the Bank .

Compliance & Controls Group, with a commitment to support the Bank in its journey towards continuous improvement and to cope with the ever changing banking environment will continue to increase its effectiveness through professional development of its staff and strengthening of functional solutions.

Audit and Risk Assets Review Group

Internal audit function plays a pivotal role in an organization's control structure – serving as a foundation intended to lift the organization to a greater level of operational excellence. Audit & RAR Group is responsible for the internal audit function within MCB Bank Limited. The Group conducts audits/reviews of various areas of the Bank under the globally recognized Risk Based Auditing Methodology.

MCB Bank Limited achieved one of the major milestones during 2014 with the upgrading of the Core Banking Solution. Understanding the upgraded system as well as its functionalities and utilization of the same for the purpose of internal audit engagements was one of the major challenges for Audit & RAR Group during the year. The Group is pleased to share that the internal audit teams were successfully trained and developed on the upgraded version and optimal utilization of the same is being ensured so as to enhance the efficiency and effectiveness of auditing across the Bank. Also in the year, stringent follow up on the highlighted audit issues has been another area of focus, where the management of the Bank was able to ensure compliance with recommendations of the Audit Group in letter and spirit.

In line with the Internal Auditing Standards issued by the Institute of Internal Auditors (IIA), USA, a full scope quality assessment and functional performance review of the Audit Group was conducted by external consultants for the first time in the history of MCB Bank Limited.

With a commitment to support the Bank in its journey towards continuous improvement, Audit & RAR Group will continue to strengthen its resources and framework to cope with the changing and challenging banking environment.

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. The group ensures providing strategic legal advice on contentious and non-contentious matters thereby ensuring that businesses conduct their activities in accordance with applicable laws and by-laws consistent with the mission, vision, and values of the Bank. The same is achieved through Legal Governance, Risk Management and Compliance (LGRC).

During 2014, the group remained cost efficient and provided support to relevant groups including SAMG, RBG, HRMG, and WBG. Legal Affairs Group is committed to perform up the curve in future to help the Bank to achieve better results.

Human Resource Management Group

HRMG continued to work towards strengthening the internal and external frameworks in order to align the aspirations of the employees with the goals and objectives of the organization. In this regard, a number of initiatives have been taken including performance monitoring of RBG branches on SMART goals format, early release of the annual performance cycle, capacity planning, policy improvements, extensive hiring including induction of several batches (Tellers, General bankers, Branch and Operations Managers) and an enhanced focus on training.

Learning and Development Centers of the Bank carried out a number of training sessions that were specifically tailored to meet the requirements of the Bank. The L & D centre in Lahore relocated to its customer built premises in June, 2014. During the year L & D played an instrumental role in coordinating with the President's team for the dissemination of bank strategy. This was done through a series of presentations by the President himself in Karachi, Lahore and Sri Lanka and the L & D team across other centers. A specific Customer Survey aimed at determining the turn-around time in certain consumer deliverables was also carried out through the joint efforts of L & D, Compensation & Policy and HR-Relationship teams.

In 2014, HR moved towards automation of its processes by adding SAP driven functionalities across its work systems including payroll, employee management, training and operations. Further self-service portal has been developed enabling employees to access pay slips, tax information and leave management portal. The facility has been successfully piloted for senior executives, with plans to roll out across the board in 2015. SAP provides a solution that tracks employee information including expenses such as allowances through the system by allocating them to respective cost centers, enabling the business to track them more accurately.

Throughout the year MCB HR has focused on hiring trained and experienced employees from the market to enhance the capability of the Business groups and has been the forerunner in the Industry by providing job opportunities to fresh graduates. Not only has MCB become the preferred employer, the Bank has consistently played a pivotal role by fulfilling its corporate social responsibility. HR has focused on being the link between the employee and the senior management to streamline processes in order to reduce Turn Around Time (TAT) in facilitating employees.

All HR policies have been reviewed and updated in accordance with present day requirements and corporate framework of the Bank. Management has recognized that this is a critical area with strong impact on performance, procedures and business ethics. Out sourcing, talent acquisition and succession planning policies were amended and strengthened as well as the Code of Conduct for employees. Motor cycle policy was also introduced for facilitating employees with job description entailing travel. All changes in policy, procedures and SOPs were also amended

accordingly. The policy team also carried out country wide training on understanding and implementing policies.

During the year HR also carried out Succession Planning exercise to ensure Business continuity and smooth functioning of all areas in case of attritions and change of job responsibilities. All stakeholders were consulted and the succession planning was executed thereby fulfilling internal and external requirements. Talent management and organizational development initiatives were also addressed including the introduction of a more comprehensive framework under consideration by Management.

CSR and Security

In 2014 CSR & Security Group focused on strengthening its organizational structure to meet the growing challenges of security to the assets, employees and customers of the Bank. The Group endeavored to speed up the process of converting branches into guard less and technology protected mode. Besides helping to control the ever increasing cost of physical guarding, this initiative helped in making branches safe from violation, especially during periods of extended closure when they are most vulnerable. During the year over 400 branches were migrated to the Guard less mode. The Group also assisted in maintaining high standards of Health and Safety in the offices and branches by checking the serviceability of Safety equipment installed.

Head of Security and Regional Security Officer of the Group delivered a lecture on Branch Security to create awareness of the necessary remedial actions to be adopted in case of an untoward incident. The team delivered lectures during visits to various circles and addressed the relevant participants in the Staff Colleges and branches.

Risk Management Framework

The Board of Directors at MCB Bank Limited, actively drive the risk management framework that 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 always sought to generate recurrent earnings and create meaningful returns for its shareholder. An Effective Risk Management Framework and Risk Governance Structure remains a cornerstone towards ensuring realization of the vision of the Bank. Collectively, the strength of the risk profile of the Bank comprises of:

- Robust Risk Governance Structure
- Strong Capital and Liquidity Position
- Quality of credit Portfolio

Empowerment and independence in risk management is the basic principle that is applied 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, CRO functionally reports to the "Risk Management & Portfolio

Review Committee" (RM&PRC) which is a sub-committee of the BOD.

This separation of functions between the risk takers and the risk managers provides sufficient independence and yet joint responsibility in decision making. Four-Eye-Principle is the structure that provides a tangible shape and assigns joint responsibility to business & risk approving authorities on credit & market areas' lending/exposure requests.

The Board of Directors and its Risk Management & Portfolio Review Committee have ensured formulation and implementation of a comprehensive Risk Management Framework. Under Board of Directors' guidance, the Bank continued to execute the risk strategy and undertake controlled risk-taking activities within this risk management framework; combining core policies, procedures and process design with active portfolio management.

As a matter of principle, the Bank continuously challenges itself to improve its Risk Management Framework in the light of the international best practices and State Bank of Pakistan guidelines. Various policies related to management of different risks were approved or renewed by the BOD on recommendations of the RM&PRC.

The RM&PRC guides the management on its risk taking activities within the approved policy framework by the Board. Regular meetings of RM&PRC were convened to oversee the risk exposures and their trends as a result of the various initiatives undertaken by the Bank. The committee reviewed 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 Liquidity risk, Market risk covering interest rate risk, foreign exchange risk, along with the stressed levels was also a regular feature. Operational risk levels and key risk indicators pertaining to processes, people and reputation were also regularly reviewed by the committee.

Management Committee for Risk is an additional platform to discuss and deliberate key risk issues in the portfolio at the management level. Regular meetings were convened to oversee the risk exposures in to the portfolio of the Bank.

During the year, the Bank has been selective in disbursing its loan to good quality borrowers engaged in different businesses. The Bank continues to maintain lower than average industry level NPL ratios and maintains a fairly diversified loan portfolio. Even the top 20 Non-Government Borrowers account for less than 25% of total (Funded + Non-Funded) exposure. 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. Many of these government owned corporations operate on profitable self-sustained basis. To manage adverse outcomes in terms of unfavourable

scenarios, multiple factors in the lending structure of the Bank provide additional comfort and support, through quality of eligible collateral, pre-disbursement safety measures and post disbursement monitoring.

Like all financial institutions, MCB is also exposed to market risks through its trading and other activities. A comprehensive structure is in place aimed at ensuring that the Bank does not exceed its qualitative and quantitative tolerance for market risk. The Bank has followed a non-aggressive and balanced approach towards risk taking in the market risk area, coupled with robust risk management architecture, the Bank has achieved the target of keeping the exposures within the defined risk appetite. A number of metrics like VaR methodologies complemented by sensitivity measures, notional limits, loss triggers at a detailed portfolio level, and extensive stress testing are used to capture and report the multi-dimensional aspects of market risk. The Bank will continue to pursue to have a risk return balanced portfolio to keep its market risk exposure in line within the approved risk limits.

Bank's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing thus enabling an effective decision-making. The liquidity risk management approach at MCB involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in the balance sheet. During the year the liquidity position of the Bank remained satisfactory. A large and stable base of customer deposits at the Bank, along with a strong capital base provided a source of strength and supported maintenance of strong liquidity position during the year. The Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. The Liquidity Coverage Ratio and Net Stable Funding Ratio of the Bank are well within the Basel prescribed limits.

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 analysed 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 committee of the Board. The Bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk free culture in the staff through workshops and on-job awareness. Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA) where the Bank continues to pursue a number of initiatives for the adoption of The Alternative Standardized Approach (ASA) including business line mapping and risk and control self-assessment exercises. The Bank is engaged in dialogue with regulator for adoption of advance approach for operational risk.

Capital Assessment and Adequacy

The Bank remains a well-capitalized institution with a capital base well above the regulatory limits and Basel capital requirements. The Bank continues the policy of sufficient profit retention to increase its risk taking capacity. Quality of the capital is evident from Bank's Tier-1 to total risk weighted assets ratio which comes to 18.08% against requirement of 7%. Bank's well capitalization also resulted in a leverage ratio of 9.08% which is well above the regulatory limit.

Liquidity management and strategy to overcome liquidity position

The liquidity risk management framework at MCB is designed to identify measure and manage the position of the Bank in a timely manner. 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 both the senior management and members of the Board.

MCB Bank also conducts Liquidity Risk Analysis on regular basis. 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 quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling statement of financial position changes. 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 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.

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 crisis situation. MCB Bank monitors and assesses the impact of increase in NPLs, deposits concentration, deposits withdrawal, decline in earnings, expanded business opportunities, acquisitions and negative reputation, on its liquidity positions. Liquidity Strategy is also in place, to ensure that the Bank can meet its temporal liquidity needs and optimize the contribution towards the profitability of the Bank. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. As per preliminary assessments, the Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio as per Basel III are well within the prescribed limits.

Financial Highlights

MCB Bank Limited delivered exceptional results for the year ended December 31, 2014 meeting stakeholder expectations ensuring significant contribution to the sector and economy:

Profit and Appropriation

The profit before and after taxation for the year ended December 31, 2014 together with appropriations is as under:

	Rs. in Million
Profit before taxation	36,729
Taxation	12,405
Profit after taxation	24,325
Un-appropriated Profit Brought Forward	40,552
Remeasurement of defined benefit plans - net of tax	140
Transfer from Surplus on Revaluation of Fixed Assets (net of tax)	48
	40,740
Profit Available for Appropriation	65,064
Appropriations:	
Statutory Reserve	2,432
Issue of Bonus Shares - December 2013	1,012
Final Cash Dividend - December 2013	3,541
Interim Cash Dividend - March 2014	3,339
Interim Cash Dividend - June 2014	3,896
Interim Cash Dividend - September 2014	3,896
Total Appropriations	18,116
Un-appropriated Profit Carried Forward	46,948
Earnings per share (EPS) - Rupees	21.85

Dividends

The Board has recommended a final cash dividend @ 40% for the year ended December 31, 2014. This is in addition to 100% interim cash dividends announced during the year. The effect of the recommendation is not reflected in the above appropriations.

In addition to the financial analysis presented in the stakeholder's information section, detailed analysis of MCB Bank Limited's performance compared to the previous year is as follows:

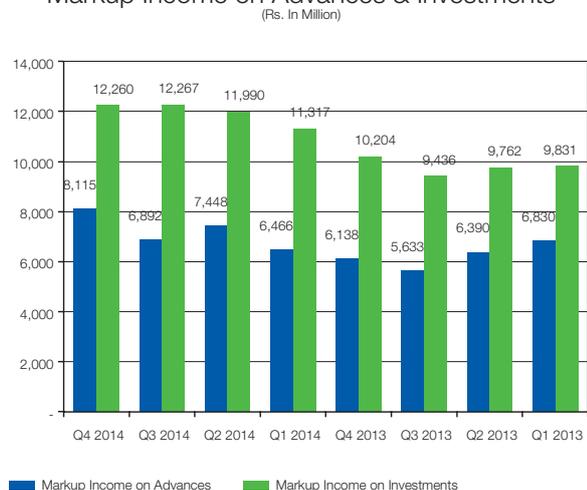
Profitability

Profit before and after tax of the Bank rose to Rs. 36.7 billion and Rs. 24.3 billion, registering exceptional growth of 14% and 13% respectively over 2013. It was mainly contributed by 15% increase in Net Markup income and 20% increase in Non-Markup Income.

The policy rate did not show volatility during major part of the year with 50bps cut reported in November, 2014. Based on the interest rate calls, the investment concentration of the Bank shifted from T-Bills portfolio to high yielding PIBs which contributed to the healthy increase of 16% in gross markup income.

On the gross markup income side, the bank recorded an increase of PKR 12.2B whereas markup expense registered an increase of PKR 6.56B. Spread analysis of interest earning assets highlight that interest income on advances increased by PKR 3.931B which was mainly contributed by volume increase. On the investment side, the bank recorded an increase of 109bps as return on investments. The price volume variance highlights that PKR 3.8B was contributed by volume whereas PKR 4.7B was contributed by price variance.

Markup Income on Advances & Investments

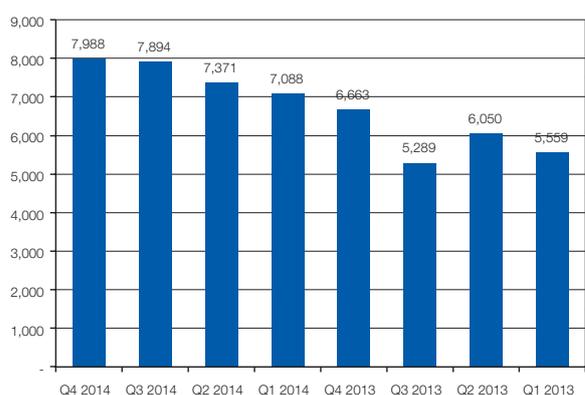


The Bank continued with its strategic focus on low cost deposits with CASA base reported at 90.96% as at December 31, 2014.

On the interest bearing liabilities side, the total cost of deposit increased by 62 bps over last year owing to the two specific regulatory revisions; change in interest computation in 2013 from minimum monthly balance to average monthly balance and linkage of minimum deposit rate with the floor of repo corridor. The average volume of deposits registered an increase of 67.6 billion. The cost of saving deposits has increased by Rs. 7.2B of which Rs. 3.7B was contributed by volume and balancing 3.5B by price variance. On the fixed

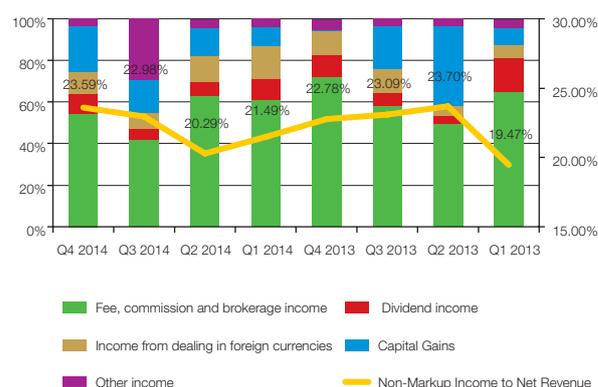
deposit side, the interest expense has decreased by PKR 465M on account of approximately PKR 10B decrease in average fixed deposit base.

Markup expense on deposits
(Rs. In Million)



The Bank achieved a remarkable growth of 20% in non-markup income block which increased to Rs. 13.4 billion for the year 2014. The increase is mainly contributed by compensation on delayed tax refunds amounting to Rs. 1.1 billion, income from dealing in foreign currencies amounting to Rs. 527 million and fee, commission & brokerage income amounting to Rs. 484 million. The ratio of non-markup income to total revenue has improved to 23.59% in 2014 from 22.78% in last year and remains one of the key strategically focused area of the Bank.

Composition of Non - Markup Income

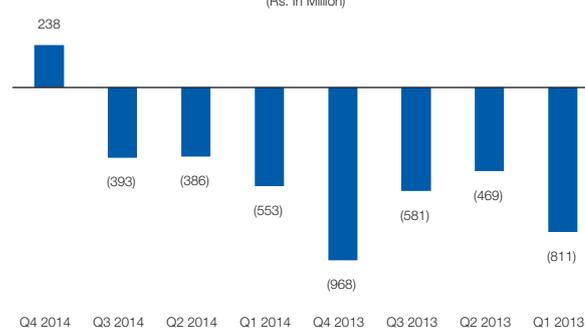


Catering to the financial and transactional requirements of our privileged customers, the Bank has been actively engaged in the card business, which has supplemented the fee, commission income by Rs. 248 million. Other significant contributors to the fee income are commission on remittances and rental income earned on car and equipment ijarah.

Exceptional performance of our recovery units coupled with strengthened risk management framework and aggressive

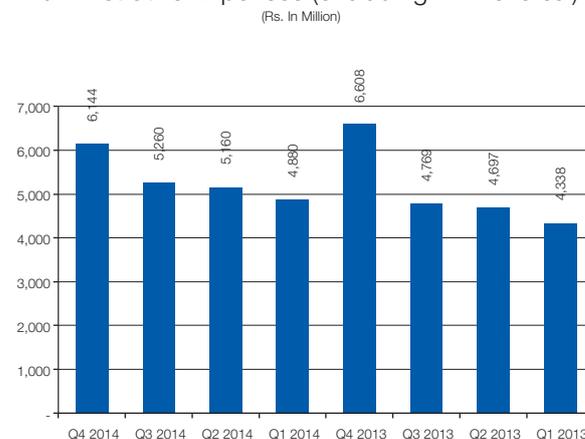
provisioning has resulted in significant reversals in provision against advances. The quarterly breakdown presented in the below table specifies the reversal trajectory in provision over quarters:

Provision against Advances
(Rs. In Million)



On the administrative expenses side, the Bank registered a nominal increase of 5% over last year. Major increase was registered in repairs, utilities and fuel charges. Considering the growth in operational network and inflationary surge, the growth remains well within the budgetary levels. Pension fund reversal for the year was reported at 832M as compared to 1.702B reported for last year.

Administrative Expenses (excluding PF Reversal)
(Rs. In Million)



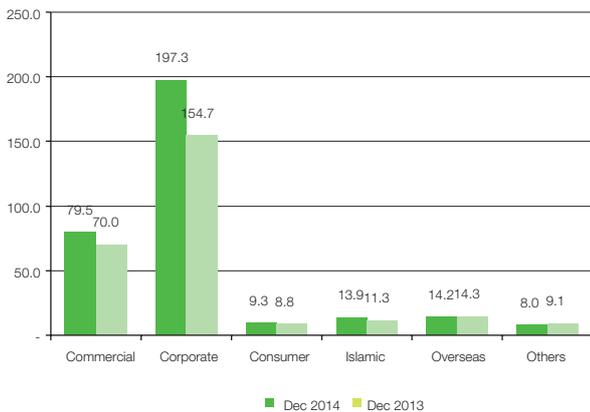
Statement of Financial Position

From statement of financial position perspective, the total asset base of the bank was reported at an all-time high of PKR 934.6B, reflecting a healthy increase of 15% over December, 2013 and growing by 8% over September 30, 2014. The analysis of the asset mix highlights that net advances have increased by 55B (22%) whereas net investments have increased by 62B over December 31, 2013. Gross advances of the Bank have registered an increase of 54.1B over 2013. Group wise categorization of advances highlights an increase of 42.5B for Corporate Banking, with increase of approximately Rs. 9.5B and Rs. 2.5B for Commercial Banking Group and Islamic Banking Group respectively.

During the year, the bank focused on its main stream business of credit growth. Growth in transport, storage and

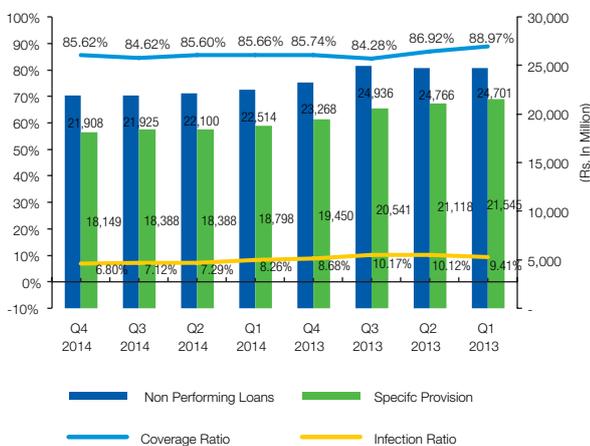
communication sector was remarkable presenting 138% increase over 2013. Agriculture, forestry, hunting and fishing sector recorded a growth of 29% whereas Chemical, petroleum and pharmaceuticals sector registered a growth of 26% over last year. Financing in Textile and Wholesale & Retail sectors declined during the year and presented a decrease of 10% and 39% respectively. Advances in sugar sector increased by 1% in 2014.

Gross Advances (Rs. In Billion)



Improvement in the quality of our assets remained vital part of our prudent strategy. Our classified advances portfolio further decreased by Rs. 1.36 Billion and closed at Rs. 21.91 Billion compared to Rs. 23.27 billion of 2013. The contraction in NPL base has been primarily observed in the loss categorized advances which went down by 811M over 2013 based on cash recoveries and settlements executed. With reference to the concentration of NPLs, 94.71% of the total base is categorized in the "loss" category for which 100% provision is held after deducting liquid security benefit. The coverage ratio of the Bank was reported at 85.62% with infection ratio improving to 6.8%, primarily on account of significant increase in gross advances and correspondent decrease in NPL base.

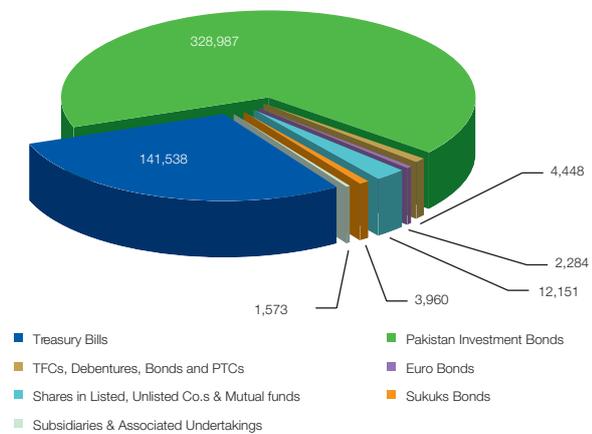
Assets Quality



The net investment base of the Bank was reported at PKR 511.14 Billion, reflecting an increase of PKR 62.13B over

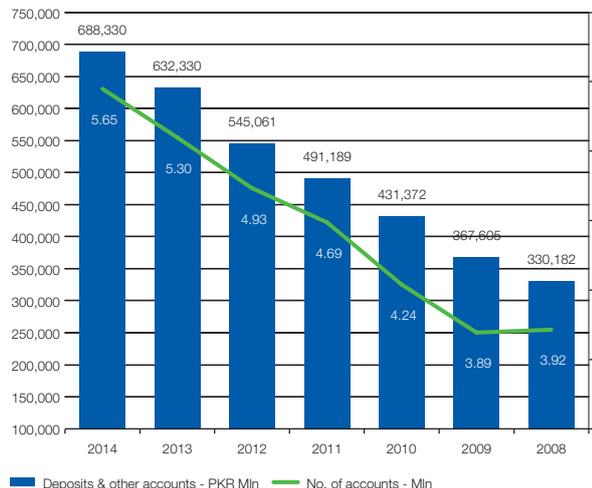
December 31, 2013. Approximately 96% of the investment base is in risk free PIBs and Treasury Bills with 2% exposure in equity securities. A major shift in Government securities concentration level can be observed over the year where T-Bills decreased from 72% as at December 2013 to 28.6% whereas PIBs increased from 24% to 66.47% as at December 31, 2014 respectively. With reference to the concentration levels in different maturity buckets, 7.23% of the T-Bill exposure is classified in 3-Month tenor, 10.85% in 6 month category and balancing 81.93% in 1 year category. On the PIBs side, 48.5% is concentrated in 3 years, 36.87% in 5 years and 14.53% in 10 year and above category.

Composition of Investments



In 2014 the deposit base registered a growth of 9% amounting to Rs. 56.0 Billion. CASA buildup remained our concentrated area, as the Bank maintained its highest CASA base in the industry of 91%. During the year, current and saving deposits increased by 10% over 2013. Fixed deposits decreased by 4% in year 2014 when compared with 2013 numbers. Retail Banking Group presented the growth of 11% as compared to last year end with an incremental volume of Rs. 62.43. Deposits of the bank have more than doubled in last 6 years starting from YE2008, which reflects the underlying strength of the institution and confidence reposed by the large customer base.

Deposits



Non-financial performance

Non-financial performance during the year is tabulated below:

		2014	2013
Branch opened during the year	Numbers	16	30
Credit cards issued during the year	Numbers	7,505	7,187
Accounts opened during the year	Numbers	349,021	367,808
ATM card issued during the year	Numbers	488,706	508,241
ATM installed during the year	Numbers	148	109

Market Performance

Karachi Stock Exchange continued its rising trend and crossed all previous highs while closing at 32,131. There was significant presence of foreign interest in our capital market. Basic statistics of KSE as at December 31, 2014 are summarized below:

Listed companies	557
Listed Capital (Billion Rupees)	1,168.48
Market Capitalization (Billion Rupees)	7,380.53
Index KSE 100	32,131.28

Market capitalization of the Bank was recorded at Rs. 340.2 billion and the share price closed at Rs. 305.65 (High: Rs. 311.0, Low: Rs. 234.51).

Future Outlook

With exceptional performance for 2014, the excitement for 2015 builds up as the Bank positions itself to gain from its strengths and exploit opportunities that exist. The weakened law and order situation coupled with severe energy crisis are the main challenges for us to encounter on our road to success. The volatility in interest rates and regulatory revisions remain a key risk to our profitability. The market dynamics have changed radically over years with the need for every institution to perform to its full potential. In spite of challenging environment; we are committed to deliver exceptional financial performance in 2015. Our dedicated team of professionals would take every possible opportunity to serve our esteemed customers. We are confident that our expanding network of branches would impressively contribute to meet our valuable shareholders expectations.

Increasing international footprint, improvement in asset quality, low cost deposit base, deployment of cost efficient techniques and increased contribution from non-markup income would be our key areas of focus. We will continue to tap the unbanked segments through our operational network and branchless banking proposition as financial inclusion is the dire need of the time ahead. We would remain dynamic and committed in retail banking, corporate banking, Islamic banking, SME financing and agricultural credit. Our vigorous

efforts would continue for recoveries against our classified portfolio.

Development of branch less banking agent network, expansion in E-commerce Business, introduction of M-POS merchant terminals and deployment of cash deposit machine would also make significant contribution to non-markup income in 2015.

The Bank re-affirmed its commitment to Islamic Banking customers by incorporating its Islamic Banking subsidiary for which statutory approvals are awaited to start commercial operations. This initiative will help to enhance Islamic Banking Business and to serve its valued customers by offering a complete range of Sharia compliant products.

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.

Corporate Awards and Recognitions – 2014

- CFA 11th Excellence Awards
 - Best Bank of the year 2013 – Large Bank
 - Most Stable Bank of the year 2013
- Asiamoney Awards
 - Best of the Best Domestic Bank
- The Asian Banker (USA)
 - Strongest Bank in Pakistan 2014
- Asset AAA
 - Best Bank in Pakistan
 - Best Domestic Bank
- ICAP & ICMAP
 - Best Corporate Report 2013
- SAFA Award
 - 1st Runner-up for Best Presented Annual Report 2013
 - Merit Certificate for Corporate Governance

Credit Rating

The Pakistan Credit Rating Agency (PACRA) through its notification dated June 26, 2014, has maintained bank's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus].

Role and Responsibilities of the Chairman and the President/CEO of the Bank

The main roles and responsibilities of the Chairman and the President/CEO of the Bank are described below:

Role of the Chairman

- Principally responsible for leadership of the Board and ensures that the Board plays an effective role in fulfilling all its responsibilities.
- Ensures that the Board plays a full and constructive role in the development and determination of the Bank's strategy and over all commercial objectives.
- Guardian of the Board's decision-making process.
- Maintain liaison with the banking and business community at national and international level.

Role of the President/CEO

- Principally entrusted, subject to the control and directions of directors, with the power of management of the affairs of the Bank.
- Perform duties of the Chief Executive Officer autonomously, keeping in view the policies, procedures and guidelines approved by the Board.
- Manage staff resources in an efficient and effective manner to achieve Bank's business objectives within the framework of HR policies approved by the Board/HR Committee and the prudential regulations issued by SBP.
- Act as a liaison between the Board and the staff, and communicate on a regular basis with both to promote understanding, cohesiveness and coordination between policies and their implementation.

Statement on Internal Controls

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.

Evaluation of Board Performance

The Board is vested with fiduciary duty of safeguarding the interest of the shareholders, setting up strategic direction, devising roadmap for attaining the strategic map and evaluating the performance while ensuring regulatory compliance. The Board's role is to provide entrepreneurial leadership of the Bank within a framework of prudent and effective controls which enables risk to be assessed and managed. An effective Board develops and promotes its collective vision of the company's purpose, its culture, its values and the behaviors it wishes to promote in conducting its business.

An effective Board also continually needs to monitor and improve its performance. It can only be achieved through its evaluation, which provides a powerful and valuable feedback mechanism for improving board effectiveness, maximizing strengths and highlighting areas for further development. The

evaluation process inherently is expected to have a process for setting standards of performance, judging the extent up to which the actual performance relates to the set standards and making a future path of action from the results.

MCB Board has put in place a mechanism for an annual evaluation of its own performance whereby Board evaluates its strategic planning and long-term policies to assess the Bank's performance, monitors budgetary targets and ensures implementation of overall corporate strategy. The Board evaluates its performance by looking at the overall performance of the Bank. Specific guidelines on composition of Board and its sub-committees along with the training requirements set by the statute, is an embedded control feature set up by the regulators operating in Pakistan. The Board annually reviews the significant activities and achievement made by the Board committees. The Board has an appropriate size and structure and the Board members have requisite skills/expertise, competency, knowledge and diversified experience considered relevant in the context of the Bank's operations and to make the Board an effective governing body.

During the year, 2014, the Board deliberated on the following significant issues/matters:

- Annual Business Plan for 2015.
- Bank's performance against 'MCB Long Term Strategic Plan 2013-2017'.
- Bank's Policies and amendments thereto.
- Exception to Board approved policies.
- Matters recommended by the Board Sub-Committees.
- Financial Results, on quarterly basis, of the Bank and its subsidiaries.
- Related Party Transactions as recommended by the Board's Audit Committee.
- Performance of Bank's Business Groups.
- Client Service Reports issued by the External Auditors and its compliance status.
- Shari'ah Advisor's Report and its compliance status.
- Significant Activities and Achievements of the Board Sub-Committees.
- Status and implications of all material law suits filed by and against the Bank.
- Cases of fraud and irregularities of a material nature.
- Report on Corporate Social Responsibility ('CSR') activities of the Bank.
- Matters pertaining to State Bank of Pakistan ('SBP') Inspection Reports.
- Report on Governance, Risk Management and Compliance Issues.

Evaluation criteria

The responsibilities of the Board of Directors include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and the shareholders in general meeting. To fulfill its responsibilities and to discharge its duties, the Board has set the following evaluation criteria to judge its performance. The Board:

- Evaluates the strategic plan periodically to assess the Bank's performance, considers new opportunities and responds to unanticipated external developments.
- Ensures that a vision and/or mission statement and overall corporate strategy for the Bank is prepared and adopted.
- Ensures that significant policies have been formulated.
- Focuses its attention on long-term policy issues rather than short-term administrative matters.
- Discusses thoroughly the annual budget of the Bank and its implications before approving it.
- Exercises its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interests of the Bank.
- Ensures robust and effective audit and risk management functions in the Bank.
- Ensures that a system of sound internal control is established, which is effectively implemented and maintained at all levels within the Bank.
- Ensures professional standards and corporate values are put in place that promote integrity for the board, senior management and other employees in the form of a Code of Conduct, defining therein acceptable and unacceptable behaviors.
- Exercises its powers as required under applicable laws, rules and regulations.
- Ensures the compliance of regulatory requirements and legislative system in which the Bank operates.

Performance evaluation of the Chief Executive Officer

President / Chief Executive Officer 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. Performance evaluation of the CEO covers quantitative as well as qualitative aspects and is conducted on defined parameters which primarily cover financial performance against budgets, adherence to regulations, nurturing an ethical culture within the organization and goal congruence of the entire MCB family. CEO achievements are substantiated by the overall growth in profitability operations and underlying financial strength of the Bank. During the year, the Human Resource and Remuneration Committee of the Board of Directors evaluated the performance of the CEO in line with the established performance based evaluation system. HRMC recommendation were, thereafter, reviewed and approved by the Board.

Statement under Code of Corporate Governance:

The Board of Directors is aware of its responsibilities under the Code of Corporate Governance and is 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. 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;
- 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 report;
- Pattern of Shareholding, complying with the requirements prescribed by the code is annexed with the report;
- Statement of Compliance with Code of Corporate Governance is included in the Annual Report;
- The number of Board and its Committees' meetings held during the year, 2014 and attendance by each director is mentioned below;
- The Committees of Board of Directors along with their terms of reference/charter have been separately disclosed in the Annual Report;
- The Value of investment of provident and pension fund as at June 30, 2014 on the basis of audited accounts is Rs. 12,693.754 Million and Rs. 6,611.830 Million respectively;
- The Board members have the prescribed education and experience required for exemption from Directors' Training Program or have completed Directors' Training Program pursuant to clause xi of CCG. Furthermore, appropriate arrangements were made by the bank for orientation of Directors to acquaint them with their duties and responsibilities.

Number of Board and sub-committee meetings held and attendance by each Director

Members	Board of Director		AC		BSDC		RM PRC		HR & RC		PPCA		ITC		SBP RCMC	
	Meetings Held: 5		Meetings Held: 6		Meetings Held: 4		Meetings Held: 2									
	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Mian Mohammad Mansha	◆	5	-	-	◆	4	-	-	◆	4	-	-	-	-	-	-
S. M. Muneer	◆	4	-	-	◆	3	-	-	-	-	◆	1	-	-	◆	1
Tariq Rafi	◆	3	◆	3	-	-	-	-	-	-	-	-	-	-	-	-
Shahzad Saleem	◆	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sarmad Amin	◆	4	-	-	-	-	◆	4	-	-	◆	4	-	-	◆	2
Mian Raza Mansha	◆	4	-	-	◆	2	-	-	◆	2	-	-	◆	4	-	-
Mohd. Suhail Amar Suresh	◆	4	-	-	◆	3	◆	3	-	-	-	-	-	-	-	-
Aftab Ahmad Khan	◆	4	◆	5	-	-	-	-	-	-	-	-	◆	4	-	-
Dato' Seri Ismail Shahudin	◆	4	◆	3	-	-	-	-	-	-	-	-	-	-	-	-
Mian Umer Mansha	◆	4	-	-	◆	3	◆	4	-	-	◆	4	-	-	-	-
Muhammad Ali Zeb	◆	5	-	-	-	-	◆	4	-	-	-	-	-	-	-	-
Ahmad Alman Aslam	◆	4	◆	5	◆	3	-	-	◆	4	-	-	◆	3	◆	1
Imran Maqbool (President & CEO)	◆	5	-	-	◆	4	◆	4	◆	4	◆	4	◆	3	◆	2

Change in Board of Directors

During the year 2014, the Board appointed Mr. Mohd Suhail Amar Suresh Bin Abdullah on February 24, 2014, to fill the casual vacancy occurred on account of resignation of Datuk Abdul Farid Bin Alias, which was accepted by the Board of Directors on October 01, 2013. In this regard, the Securities and Exchange Commission of Pakistan, vide its letter No. SMD/SE/2(10)2002, dated January 22, 2014, has granted the relaxation to MCB Bank from the requirement

of Clause (iii) of the Code of Corporate Governance, 2012, and extended the period of filling such casual vacancy till February 28, 2014.

Detail of Board Meetings held outside Pakistan during 2014

The Board meeting to approve financial statements for the nine months period ended September 30, 2014 was held in Malaysia.

Pattern of Shareholding

The aggregate shares held by Directors, their spouse(s) and minor children along with other Executives of the Bank as of December 31, 2014 are as follows:

Directors	Self	Spouse & Minor Children	Total
Mian Mohammad Mansha	7,834	6,424,057	6,431,891
S. M. Muneer	2,059	2,427,986	2,430,045
Tariq Rafi	32,008,864	5,715,093	37,723,957
Shahzad Saleem	902	-	902
Sarmad Amin	2,851	-	2,851
Mian Raza Mansha	12,661,685	28,461,365	41,123,050
Mian Umer Mansha	31,986,378	-	31,986,378
Aftab Ahmad Khan	914	-	914
Ahmad Alman Aslam	665	-	665
Dato' Seri Ismail Shahudin	669	-	669
Muhammad Ali Zeb	550	-	550
Mohd Suhail Amar Suresh Bin Abdullah	884	-	884
Imran Maqbool	-	-	-
Other Executives*			78,816

*Executive means an employee whose annual basic salary exceeds Rs. 500,000

All trades in shares carried out by Directors, CEO, CFO, Company Secretary, Executive, their Spouse(s) and Minor Children during the year 2014 are given as under:

Name	Status	No. of Shares	Purchase / Sale / Transfer
Mr. Mohd Suhail Amar Suresh Bin Abdullah	Director	884	Transferred
Mr. Muhammad Furqan Ahmed	Executive	150	Purchased
Mr. Muhammad Imran	Executive	100	Purchased

Auditors

The retiring auditor M/s A.F. Ferguson & 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 A.F. Ferguson & Co., Chartered Accountants, as the auditors for the year 2015 in the forthcoming Annual General Meeting.

Acknowledgements

The Board would like to thank the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, Ministry of Finance and Federal Board of Revenue for their cooperation, improved regulatory policies and governance framework and their continued effort to improve the banking sector and state of the economy. Our gratitude is also extended to the senior management for their determination to achieve targeted milestones and to the business, support and operational staff for their contribution in materializing set goals.

On behalf of Directors,



Mian Mohammad Mansha
Chairman, MCB Bank Limited

February 12, 2015

Corporate Sustainability Report

MCB Bank is an organization that firmly believes in nurturing the various facets of life and helps to foster the growth of communities in which it operates. By initiating numerous projects and services that facilitate the wider community in a socially responsible way, MCB ensures sustainability of the greater environment and social well-being of its employees.

The Bank adheres to several key principles that accredit it as an institution committed to creating a better work place and a cleaner environment evident through various initiatives undertaken with respect to the greater good of the community at large. This is achieved by inculcating a culture of excellence, good governance, transparency, integrity and accountability through commitment to prioritize controls and compliance thereby ensuring that all activities are carried out in accordance to the prevailing regulations. The Bank has a well-defined Code of Ethics and Conduct policy, a mandatory document that acts as a guideline for employees while performing their duties.

MCB Bank for Life

MCB Bank truly adheres to its philosophy i.e. "Bank for Life". It is our commitment to empower all stakeholders with best corporate practices and constructive projects that helps them in pursuing their goals and achievements.

The Bank provides advice and services to individuals, companies, the governments, to help manage finances thereby increasing value/enhancing wealth. Services range from transforming savings into capital to managing cash and payments; from investing assets on behalf of private and institutional investors to securities trading, risk management, and advising on corporate finance.

The Bank maintains a highly professional working culture that includes mandatory compliance towards the betterment of its stakeholders at every level. Hence various capacity building and welfare projects have been initiated in recent years to promote the living standard of communities at large, and to instill a sense of satisfaction amongst them.

MCB Bank, the largest employer

MCB Bank is one of the largest employers in Pakistan with strength of around 18,000 employees that proudly acknowledge the institution as one that promotes a culture of equality, reflected through its diversified talent portfolio. This fair practice helps in the promotion of cultural harmony within the organization that is quite evident from its leading position in the industry/sector.

Corporate Social Responsibility

MCB Bank is one of the market leaders in the banking sector where it understands its responsible role towards the national economy. The strategy at the Bank has always endured keenness in safeguarding the interest of both its internal and external stakeholders, therefore reiterates to operate with strict adherence to regulations and principles of good governance.

The Bank is always active in carrying out community services under its different programs. It has so far accomplished numerous projects and services in the areas of education, health, environment, sports, social awareness, promotion of culture and welfare of charitable organizations keeping in view the greater interest of its employees, customers and beloved country as a whole.

The Bank holds an approved "Corporate Social Responsibility Policy" that shows the Bank's commitment towards serving the community at large.

CSR at MCB Bank has continuously geared up its capabilities in order to act as an adequate point of convergence for the design and implementation of specific initiatives intended to further its engagement with the society and its people. These initiatives have also been appreciated and recognized by entities such as Pakistan Centre of Philanthropy.

Education for all: MCB Bank recognizes the role of youth in the future of Pakistan; therefore has partnered with leading educational institutes across the country to facilitate. Through this initiative, it aims to develop the personality and character of Pakistan's future generation by perpetrating qualities of inner discipline and control. In this regard, the Bank has signed an agreement with LUMS for the purpose of providing soft loans to its students. Each year, the Bank allocates special funds that are utilized as sponsorships for various education based activities. During 2014, the Bank partnered and sponsored activities for Forman Christian College, LUMS, Institute of Islamic Banking, IBA-Punjab University along with the Institute of Chartered Accountants of Pakistan.

Human Rights: At MCB Bank, our mission is to ensure the political, educational, social and economic quality of rights of communities that we operate in and to help advocate the elimination of social biases and hatred. The Bank pays special attention to human rights and ensures that its policies reflect the interest of all of its members and customers without any discrimination. Environment at MCB is maintained with utmost professionalism, instilling a feeling of mutual respect, aiding in upholding the basic rights of the people coming in at the Bank. We have supported various nonprofit initiatives that serve for the rights of humanity

Sports: Sports can play a key role in enhancing social justice and integration. It can inspire young people and teach them valuable life skills such as teamwork and the importance of commitment. MCB Bank realizes this fact and puts a lot of energy and resources into a broad range of sports based activities. During 2014, the Bank made sponsors for PEPSI Corporate Premier League, 4th Chief of Naval Staff Amateur Golf Championship 2014, Multan Golf Club and PAF Golf Club Islamabad. Sponsorships were also made for the Punjab Youth Festival 2013-2014.

Energy conservation:

MCB Bank is a responsible organization that recognizes the importance of preserving the environment. The management is geared towards mitigating the impact by promoting practices that aim to use energy smartly and economically. The Bank believes to lead by example where as best practice it has initiated the installation of solar power systems at some of its branches and ATMs. These projects have been introduced to make use of natural energy thereby reducing the rising operating expenses and limiting harmful emissions making the organization sustainable.

In 2014, in collaboration with WWF Pakistan, the Bank also celebrated Earth Hour, an awareness campaign that supports the concept of energy conservation. The Bank also engages employees from time to time through its internal communication forum, best practices and initiatives that inculcate/instill a conscious spirit to save energy.

Corporate Sustainability Report

Energy Saving Measures

The Bank has always been abreast with the socioeconomic issues of the country whereby it considers its utmost responsibility to address any such concern in the most appropriate manner. In light of the prevailing energy crisis, the Bank has evaluated various cost effective and reliable sources to provide alternate energy. As a pilot case the Bank has successfully converted some of its branches to solar power in order to address any anomalies before replicating the same to relevant others. A recent initiative, the first of its kind was introduced at the newly built MCB Centre in Lahore, where the waste heat from air-conditioning is secured to be recycled to produce alternate energy. There are several other initiatives in the pipeline that the Bank is evaluating to roll-out in the near future. The Bank also engages its employees through its internal communication forums to highlight best practices that induce a conscious spirit to save energy.

Environmental Protection Measures

MCB Bank acknowledges the importance of safe environment that is closely linked to the welfare of the community at large. The Bank has taken initiatives to promote a paperless culture that is linked not only with the cleanliness of the environment but also with the reduction of operating expenses resulting from photocopy and printing of papers. Campaigns such as "Credit Card e-statement" are being promoted at the Bank; these also help in saving a notable amount of paper.

Another MCB developed product "Fun Club", focuses on the banking needs of the children. Besides serving the banking needs, this product maintains balance between personal, corporate, social and environmental responsibilities. MCB has entered into an agreement with WWF for sowing a plant in the name of the kid who subscribes for this product. The progress of the plant growth can be observed through Google earth.

MCB offices are very particular about plantation; special staff is hired that looks after the greenery and plantation within and in the surroundings of our buildings. The bank has spent a substantial amount on plantation expenses which is an evidence of its profound interest towards healthy environment measures.

Community Investment, Welfare Schemes & National Cause Donations

MCB Bank seeks to demonstrate a firm commitment towards the community by being vigilant to identify and support causes that will facilitate to uplift/betterment of the society. The primary focus of the Bank is towards communities where public and private sector services are inadequate as a result of geographical or social isolation or because of insufficient demand levels. In 2014, the Bank committed Rs. 40 million, in the form of donations to support the IDPs of North Waziristan. Additionally/also, In the same year, the Bank directly liaised with organizations like Sundas Foundation, Shaukat Khanum Cancer Hospital, The Patients' Aid Foundation [PAF], Jinnah Postgraduate Medical Centre and Pink Ribbon Campaign of Pakistan. These philanthropies have helped the Bank in reaching out to the affected communities at large.

Besides direct financial support, the Bank also helped through alternative and innovative mediums e.g. fund-raising via electronic

banking, distribution of flyers with bills & statements and free media space to charities for them to conveniently advocate their cause over mass mediums.

Contribution by MCB Bank towards the community has been recognized by various local and international organizations. It has received a "CSR Business Excellence Award" where it has been ranked 8th among 490 top Pakistani Companies as a result of the volume of its donations. The Bank has also received a 'Certificate of Recognition' from Pakistan Center for Philanthropy which is definitely a source motivation for it to continue towards supporting such initiatives in the future.

Consumer Protection Measures and Procedure for Quality Assurance of Products & Services

The Bank is committed to provide world-class 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. Staff at customer care department is specifically trained to ensure customer privacy and protection policy while dealing with sensitive information.

To ensure a culture of "Quality Customer Service" the Bank carries a dedicated Service Quality Division. The objective of this division is to strengthen the Bank's service culture, competitiveness and infrastructure by maintaining close customer relationships. Regular training sessions are conducted in all circles, call centers and other front-end staff offices regarding "Service Excellence" & "Customer Satisfaction".

Customer Satisfaction:

A satisfied customer is the key driver/core element to the success of any organization. MCB, truly respects its business partners thereby ensures that it exceeds the expectation of its customers. The Bank has "Help desks" across its branches, call centres and websites to help address customer queries within the stipulated turnaround time. During 2014, a total of 60,174 complaints were resolved at a success rate of/ level of 99.27%.

Total Complaints 2014			
Category	Closed	Open	Grand Total
Complaint	59,733	441	60,174
%age	99.27%	0.73%	

Total Complaints 2014			
Category	Within TAT	Beyond TAT	Grand Total
Complaint	24,769	34,964	60,174
%age	41.16%	58.10%	

Category	Total Complaints 2014												Grand Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Complaint	5029	4812	5878	5487	5547	5753	7055	4686	4717	3654	3065	4491	60,174

Turnaround Time (TAT) Monitoring:

Monitoring and evaluation of service indicators is part of the belief in increasing and retaining customer base. In order to keep a strong hold on processes within the Bank, SQ division has devised several

Corporate Sustainability Report

controllable measures at par with prevailing market practice. Against each measure, a tolerance level along with a timeline is set. Similar to the Branch Banking, indicators for Consumer Assets, Credit Cards, Bancassurance, Call Centre, Mobile Banking and ATM Uptime are monitored monthly by SQ. The TAT for day-to-day activity and their performance against it is then presented to the management to ensure excellent service through fast delivery process.

Customer Experience Management:

The Bank is undertaking systematic efforts to make interfaces, processes and flows at all MCB Bank direct banking contact points. Feedback is elicited from customers for all contact points via surveys and tests and actions to be taken are identified. The end goal of these measures is to be the most preferred channel as well as to become the most popular Direct Banking brand.

Service Management Program (SMP)

Service Quality has ensured that all service related activities along with (TAT) Turnaround time for Branch Banking are readily available at the branches. During the year, over 1700 Staff members were trained on 'Customer Service Excellence' with reference material that is easily accessible. This exercise has helped improve staff confidence, reduction in customer TAT. This initiative has considerably improved branch performances in terms of customer satisfaction and quality checks.

Service Council

Service Council has been formulated to bring 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 roadmap supported by facts and data. A meeting is held periodically which is convened by SQD Head and chaired by the President himself along with all the Group Heads and relevant Business Heads.

Service Protocols, Complaint Logging and Suggestion Forms

SQ introduced Service Protocols Booklet in all the branches for Standardization of Service Standards. A new, improved complaint and suggestions forms "Your Priority, Our Concerns!" has been introduced in the branches for customer convenience in order to get feedback recorded. During the year 700 branches were monitored with respect to service parameters and protocols. This year the Bank also introduced formal monitoring of the turnaround time to open an account thereby automating the process. Another such initiative was the roll-out of Call Back Confirmation that was from Bancassurance in 2013 to Wealth Management and Investment Banking Groups.

Quality Checks and Mystery Shopping

During the year, around 500 branches were 'Mystery Shopped' by independent external agency and results of this activity was shared with management for further improvement. The average scores remained between 80 to 85 percent across all regions including troubled non-metropolitan areas/far flung troubled areas.

Industrial relations

MCB Bank is fully responsible for maintaining a healthy relationship between individual workers and employees where it plays a critical

role in facilitating the staff from all walks of life. It gives special heed towards the agreement and satisfaction of its staff as a whole. The Bank has taken various interventions to match with the pace of its labour union. An agreement has been signed with the staff union of clerical and non-clerical staff so that it works on the same pace as the other teams working at the bank. The Bank has allocated dedicated staff who is there to ensure fair labour practices, grievance handling and to ensure fair business practices amongst the labour union.

MCB Bank has introduced a special staff finance facility for the purpose of facilitating the clerical and non-clerical staff. Further, scholarships are being offered to enhance the educational needs of the staff children.

Employment of Special Persons

MCB Bank is an equal opportunity provider. It has never discriminated on the basis of race, gender, age or disability. The bank has recruited a sufficient number of special persons at various branches all over Pakistan. At MCB Bank, special persons are not discriminated on the basis of their handicaps.

Occupational Health and Safety

The Health and Safety of personnel is of utmost importance to the Bank, where the same is reflected through its "Health & Safety Policy". The policy reiterates maximum safety standards to be met by all businesses, functions, offices and branches encouraging employees to promote the safety of their colleagues and customers. Emergency Lights, Fire Proof Cabinets, Fire Detection System, Alarm System, Portable Fire Extinguishers, Safety-Anti Shatter Films, First Aid Kits, Regular Evacuation Drills, Arrangement for Disables, Emergency Exit Doors, Fire Sprinkler System and Medical Health Insurance are some of the measures that the Bank assures for the safety and security of its stakeholders.

At ATMs and other Alternative Delivery Channels (ADC), special safety measures are taken into consideration by installing locks and cameras in all ATM Rooms with 24/7 recording. Anti-Skimming devices have been installed on all ATMs. ATM-safe-usage-guidelines are displayed on all ATM screens before the customer undertakes a transaction and all customer calls to Call Centre are recorded. The Bank fully ensures that IVR Transactions are secured via a separate Telephone Banking, PIN (T-PIN), SMS alerts service keeps the customers constantly updated of any activity (Debit or Credit) in their account.

Developing a positive health and safety culture, where safe and healthy working becomes second nature to everyone is what MCB Bank aims to achieve and for that, all possible efforts are being continuously utilized to touch an optimum level.

Business ethics & anti-corruption measures

"Fraudulent Market and Credit Risk" cannot be eliminated however the Bank has always been active in identifying and mitigating possible risks and losses through promulgation of policies and procedures to reduce possibility of such incidents.

The "Human Resources Management Group" of the Bank provides "Code of Conduct and Standard of Ethics"; a comprehensive document is in place as a part of the Human Resource Policy & Procedure Manual which is available to all staff members on the Bank's Intranet. The Disciplinary Action Committee (DAC) takes

Corporate Sustainability Report

action on any violation of policies & procedures, act of fraud & forgery, breach of discipline and code of conduct, ethics & business practices, law of land and statutory regulations by an employee.

It is imperative that the Bank maintains a strong, positive compliance culture across the full range of our activities. At MCB Bank, employees are expected to act honestly, responsibly, and with integrity at all times. The Code of Ethics, of the Bank, describe the values and minimum standards for ethical business conduct and govern all of our interactions, whether with clients, competitors, business partners, government and regulatory authorities, shareholders, or each other. They also form the cornerstones of our policies, which provide detailed guidance on how employees should act to ensure compliance with applicable laws and regulations.

The Bank is committed to high standards of Anti-Money Laundering (AML) practices and compliance on Money Laundering. Compliance and Controls Group (CCG) of the Bank has devised different measures in identifying such acts, as per the National Accountability Bureau Ordinance 1999. CCG ensures that the names of all corrupt individuals who have been identified by Law Enforcement Agencies/ State Bank of Pakistan are highlighted for any future correspondence. Moreover, the Group carries access to the world renowned tools/databases, which are of help for the Bank in providing information on proscribed entities as well as identifying suspected persons.

Further, Compliance & Controls Group at MCB has devised tests to encourage awareness on areas specifically related to "Know-Your-Customers". This exercise is aimed to educate the Bank's employees to better understand the terminologies of "Know-Your-Customer" and "Anti Money Laundering. MCB Bank is committed to fully comply with anti-corruption and anti-bribery laws. This includes the Bank's strict prohibition against receiving, accepting, offering, paying, or authorizing any bribe and any other form of corruption.

MCB Bank wants to deliver long-term value for its shareholders and society. This means having the right culture, structures and processes in place to ensure that we practice strong governance, serve our clients and customers well and provide a great workplace for our people. Doing what we can to combat financial crime is one of the utmost components that has taken the Bank ahead till now.

Contribution to national exchequer

MCB Bank has the highest market capitalisation and has accomplished the remarkable profitability. The Bank is leader in its contribution to the national exchequer. In 2014 the Bank paid Rs. 9.04 Billion as income tax to Government Treasury and contributed over Rs. 5 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 Rs. 48.17 Billion, out of which around Rs. 9.41 Billion was distributed to employees and Rs. 15.58 Billion to shareholders.

The Bank has generated direct and indirect employment for a large number of people over the years. With the payment of taxes and the investment in the network, the Bank is making a significant contribution to the development and growth of the nation.

Rural development programs

MCB Bank fully supports the agriculture sector by extending credit to the farming community. These finances, apart from business perspective, have an element of mission aligned with the cause of supporting our national goals and objective.

Agriculture sector shares almost 22 percent of Pakistan's GDP. It is a catalyst of overall growth and optimistic economic outlook that provides dependable food security and confidence to almost 180 million people of this country. In this regard, MCB Bank extends all types of credit facilities to address the needs pertaining to both farm and non-farm activities. It carries a total of 171 Agri Lending Branches all over Pakistan. MCB Bank encourages farmers to mechanize harvest by extending credit on easy installments for tractor and its implements. A special arrangement is made with tractor manufacturers to achieve this objective.

The bank has partnered with State Bank of Pakistan by partially sponsoring the Farmers Financial Literacy and Awareness Program Phase – II (FFLP). It is an Agricultural Awareness Program that is held at District Level in order to educate the agrarians at grass root level. Also, the Bank has initiated a Kisan Dost Help Desk campaign at its selected branches from where farmers can confidently consult professionals for any relevant assistance.

MCB has 432 rural branches that offer customized product menu to suit and meet the requirements of the locals. MCB is committed in enhancing knowledge and understanding of banking business vis-a-vis spreading and exploring neglected regions of the country.



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.

Human Resource Management

The focus of Human Resource Management at MCB Bank Limited is to recruit, develop, retain and reward best talent. We strive to ensure that our employment policies meet relevant social, statutory and regulatory conditions and remain committed to building and maintaining strong collective relationships and agreements. We have an employee relations presence providing regulatory support in all our key markets, ensuring greater alignment of our people - governance policies while also promoting flexible employment practices. Creating a workplace that endorses diversity and recognises the generational differences of our growing multi-generational workforce remains a key priority for us.

All HR policies have been reviewed and updated in accordance with present day requirements and corporate framework of the Bank. Management has recognized that this is a critical area with strong impact on performance, procedures and business ethics.

Outsourcing, talent acquisition and succession planning policies were amended and strengthened as well as the code of conduct for employees. Motor cycle policy was also introduced for facilitating employees whose job description entails travel. For all changes in policy, procedures and SOPs were also amended accordingly. The policy team also carried out country wide training on understanding and implementing policies. We have also continued to improve employee awareness and understanding of our Speaking Up policy, which enables staff to confidentially report concerns about misconduct, as part of our focus on ensuring fair and sustainable employee relations.

HRMG-Learning & Development

People development is the focal point of HR activities and involves continuous efforts to develop the skills of the employees at all levels. The Bank is committed to an employee development practice that enables all its employees to reach their optimum potential thereby creating a high performance organization. This belief is supported by the Bank 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 of employee development.

Training programs are promoted for employees of all levels as part of our Training Curriculum. It covers a large array of technical trainings. A number of specialist programs operate within specific businesses. Currently there are 4 broad categories of training programs:

- In-house training programs – core banking disciplines
- External trainings through specialized training consultants, certificate programs etc.
- Overseas training
- Basic training at entry level

MCB Bank places great importance on personal study and the attainment of job related professional qualifications. This policy aims at providing financial assistance to employees for self-development initiatives where the courses / programs are not covered by the normal Bank sponsored training programs and where the employees stand to obtain expertise or skills that are relevant to the banking discipline and / or to the employees' current or future job roles.

Succession Planning

Succession Management is the development and retention of high potential employees so as to create a talent pool from which to fill key positions in the organization. Succession planning is a continuous process that involves identification, assessment and development of talent, to ensure that an organization's management can keep up with the changing business environment.

Recognizing the need for securing future leadership capability and achieving strategic viability, MCB has incorporated the Succession Management initiative in its HR policy, as part of its organizational development efforts.

During the year HR carried out Succession Planning exercise to ensure Business continuity and smooth functioning of all areas in case of attritions and change of job responsibilities. All stake holders were consulted and the succession planning was executed thereby fulfilling internal and external requirements. Talent management and organizational development initiatives were also addressed including the introduction of a more comprehensive framework under consideration of Management.

Motivational Environment and Merit Culture

MCB ensures motivational environment and merit culture throughout its operational units. It is a Bank that encourages its employees to do their best and get equal reward, position and monetary incentive on performance and merit basis.

The incentive-based pay system at Bank encourages competition among the employees and fosters the talent of staff members to perform their tasks remarkably with commitment. The Bank compensates its employees well in accordance with their work performance and completion of targets. Hence, employees are rewarded timely and meritoriously that provides exceptional results in the context of organizational effectiveness and employee motivation.

Organizational structures were strengthened to provide job enrichment and upward mobility not only in HR but across the bank.

Equal Opportunity Employer

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 recruitment policies provide unbiased criteria for hiring people from any religion as long as they qualify for the professional criteria required by the Bank. Our 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.

Transfers & Rotation

MCB Bank deploy its human resources in such a way that positions are filled by the most suitable staff available throughout the organization and to develop the potential of the staff to the maximum possible extent.

Reward – Award Program

In order to provide the due recognition and incentive to the staff and keep them motivated this Program is successfully being run by SQ. Realizing that employees are a valuable commodity in today's ever-changing workplace, and recognition is a key component to employee satisfaction, we feel that Service Awards are an ideal way to ensure that all of our employees receive the recognition they need to be productive members of the corporate team. The collective efforts of teams are recognized from all Groups quarterly & yearly and are awarded with "Service Team of the Quarter" and "Team of the Year Awards".

The Bank aim is to work as a key strategic partner to the Business and add value in terms of managing the flow and contribution of human capital.

Managing Conflict of Interest

Overview:

A director owes certain fiduciary duties, including the duties of loyalty, diligence, and confidentiality, to Bank, which require that a director must act in good faith and exercise his or her powers for shareholders' interests and not for their own or others' interest.

The Board and the Management of MCB Bank Limited is committed to the transparent disclosure, management and constant monitoring of potential conflicts of interest to ensure that no undue benefit is passed on. The Board recognizes the responsibility to adhere to the defined policies / procedures 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.

Disclosure of Interest by Director:

Every director (including spouse and minor children) of a 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 directors. Directors are required to disclose existing or perceived conflicts of interest prior to the commencement of each Board meeting. Where a conflict of interest or potential conflict of interest has been disclosed, the Board member concerned shall not take part in the Board discussion of that topic. The member who has disclosed the conflict cannot vote on that item.

Insider Trading

Directors 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 information concerning the Bank. Directors who are in possession of any unpublished price sensitive information shall not communicate directly or indirectly the said information to others who trade on such information

Where any director or his/her spouse sells, buys or takes any beneficial position, whether directly or indirectly, in the shares of the Bank, he/she shall immediately notify the Company Secretary in writing. 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 four days of effecting the transaction. Further, no director shall, directly or indirectly, deal in the shares of the Bank, in any manner, during the closed period

Related Party transactions

The Bank has devised a fool proof mechanism for identification of related parties and execution of related party transaction at arm length, which are executed in the normal course of business. Based on the statutory requirements, complete transactional details of related parties are presented before the Audit Committee for review and deliberations on a quarterly interval. The Audit Committee

reviews and recommends the related party transactions to the Board for approval.

Moreover, as a statutory requirement, a comprehensively prepared return is submitted on a half yearly interval to the State Bank of Pakistan that primarily covers every related party transaction executed during the said period.

Exposure in companies where directors are interested

The Bank takes exposure in the companies in which our 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 facilities to the persons mentioned above shall be extended at market terms and conditions and be dealt with at arm length basis.

Bank is not taking 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.

Conflicts of Interest Register

The Bank maintains a register in which shall be entered separately particulars of all contracts, arrangements or appointments in which directors are interested.

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 Head of IT who in turn reports functionally and administratively to the President/CEO. The Office of the Head of IT provides the leadership for the development and delivery of world-class technology services. The position is directly responsible for;

Directing the operations of Information and technology Services for efficient and smooth delivery of technology services;

Integrating IT Strategy with Bank's Strategy;

Encouraging technical innovation and the development of a robust and dependable technology infrastructure;

Strengthening the IT Governance;

Providing guidance, oversight, and strategic thinking on information technology;

Setting the overall direction for IT Group to introduce and implement innovative technology solutions;

Ensuring the availability of Bank's 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 Information Security
- f Business Technology
- g IT Financial Services & Procurement

Internal Governance

The Bank's 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, led by Head of Information Security. 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 is responsible 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. BT/IT PMO is a central point of contact at Information Technology Group to facilitate ITG's other verticals and Other Groups for endeavouring 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;

Whistle Blowing Policy

Preamble

The purpose of this policy is to provide a channel in MCB Bank Limited (the Bank) for both the staff and outside parties to raise concern, expose irregularities, help uncover financial malpractice, prevent fraud, eliminate personnel harassment and to attend grievance of those associated without any fear of reprisal or adverse consequences.

Objectives

The main objective of the policy is to address the concerns of customers and employees for reported wrongdoings, impropriety and inefficiencies affecting the overall performance of the bank, as per the scope approved by the Board of Directors.

Scope

The policy refers to the deliberate, voluntary disclosure of individual or organizational impropriety by a person who has or had privileged access to data, event or information 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 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 complainant when they raise a concern in good faith. Retaliation against a whistle-blower is prohibited regardless of the outcome of the investigation.

Incentives for Whistle Blowing

Complainant may be awarded monetary benefit/career advancement depending upon the nature and gravity of the disclosure.

Whistle Blowing Mechanism

Employees or outside parties may report their concerns or complaints to Whistle Blowing Unit through any of the following means:

- **Hotline**
- **E-mail**
- **Fax**
- **Regular Mail**

Concerns and complaints received through these means are investigated and findings are shared with the senior management for their necessary action. These findings are also shared with the Audit Committee.

Number of instances reported to Audit Committee

Number of whistle blowing incidences reported to the Audit Committee during the year 2014 was 26.

Record Management Policy

The Bank has put in place comprehensive guidelines for the management and control of its business records. These guidelines outline the processes for handling, protection, retention, retrieval, and disposition of recorded business information in a consistent, efficient and reliable manner. The guidelines cover following aspects:

Identification of Record

All business and support functions are required to identify, protect and retain records as required for normal business activities and for such periods as are necessary to fulfill the Bank's obligations to customers, employees, and stakeholders and for compliance with all applicable laws and regulations.

Classification of Record

Records are classified as to their value to the Bank and maintained and kept according, to their usage (activity level) and retention characteristics. Recorded information is classified as. Vital, Essential or Non-Essential.

Handling of Record

After classification, the recorded information is given a retention schedule that documents how the records will be handled, stored and disposed of from creation through active and inactive status to ultimate disposition. Appropriate procedures are followed to ensure that all records / documentation are carefully secured after business hours. It is ensured that all security stationery, negotiable instruments, confidential customer, employee documents etc., are properly placed in the vaults/ cabinets and before the close of the branch/ office appropriate controls and procedures related to securing records, data storage and backup are complied. Further, all business and support functions are required to ensure that no records are destroyed while under legal or regulatory requirements or the subject of pending or anticipated litigation.

Risk and Opportunity Report

Risk, being inherent in the banking business has to be managed through operational design keeping in view the risk and associated reward and to ensure progression of an entity's value. At MCB, a comprehensive risk management framework around an approved risk appetite is in place, mechanisms are defined for every identified risk to ensure that the Bank continuously evaluate the associated risk and ensure presence of an operational mitigating control. On the other side, the Bank remains committed to pounce on every possible opportunity to translate it into revenues / returns for the stakeholders, while making sure that the related risk is adequately managed.

Key source of uncertainty

The key source of uncertainty are discussed in note 4.3 of the financial statements.

Materiality Approach

Matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Bank. The materiality process helps to navigate the complex landscape of stakeholder expectations, risks and opportunities. The management's approach to materiality is to focus on issues, identified as most material to the Bank.

In the chart to follow, we have summarized risks and opportunities and the related mitigating factors.

Risks:

Risk type	Materiality rating	Description	Plans and Strategies for Mitigating Risks & Capitalizing Opportunities
Capital adequacy risk	High	The risk that the Bank has insufficient capital or is unable to meet the statutory defined capital requirements	<p>The Bank remains a well-capitalized institution with a capital base well above the regulatory limits and Basel-III requirements. The Bank regularly assesses the capital requirements and ensures that the minimum capital requirements specified by the Central Bank are adhered to. Quality of the capital is evident from Bank's Tier-1 to total risk weighted assets ratio which comes to 18.08% against requirement of 7.0% for 2014.</p> <p>The Bank will continue the policy of sufficient profit retention to increase its risk taking capacity and capitalize opportunities</p>
Liquidity risk	High	The risk that the Bank is unable to meet its financial liabilities as they fall due.	<p>The Bank's large and stable base of customer deposits, along with Bank's strong capital base supplemented underlying strength and strong liquidity position during the year. 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 within the Basel prescribed limits.</p> <p>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 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.</p>
Credit risk	High	The risk that the Bank will incur losses owing to the failure of a customer or counterparty to meet its obligation to settle outstanding amounts.	<p>Bank has been selective in disbursing its loan to good quality borrowers engaged in different businesses. The Bank continues to maintain lower than average industry level NPL ratios. Bank has a fairly diversified loan portfolio. Even the top 20 Non-Government Borrowers account for less than 25% of total (Funded + Non-Funded) exposure. For risk categorized as sovereign/government risk, our 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 etc.</p> <p>To manage worst outcomes in terms of scenarios multiple factors in bank's lending structure provide additional comfort and support, these include quality of eligible collateral, pre disbursement safety measures, post disbursement monitoring, etc.</p> <p>Credit Risk Management function identify, measure, manage, monitor and mitigate credit risk. Organizational structure of this function ensures pre and post-facto management of credit risk. While, Credit Review function provides pre-fact evaluation of counterparties, the Credit Risk Control (CRC) performs post-fact evaluation of financing facilities and reviews clients' performance on an ongoing process.</p>

Risk and Opportunity Report

Market risk	High	The risk arising from fluctuations in interest rates, foreign currency, credit spreads, equity prices, commodity prices and risk related factors such as market volatilities	<p>Bank is exposed to market risks through its trading and other activities. A comprehensive structure is in place aimed at ensuring the bank does not exceed its qualitative and quantitative tolerance for market risk. The bank has followed a non-aggressive and balanced approach towards risk taking in the market risk area coupled with robust risk management architecture, thus achieving the target of keeping the exposures within the defined risk appetite and a reward justifying the efforts. A number of metrics like VaR methodologies complemented by sensitivity measures, notional limits, loss triggers at a detailed portfolio level, and extensive stress testing are used to capture and report the multi-dimensional aspects of market risk.</p> <p>The Bank will continue to pursue to have a risk return balanced portfolio to keep its market risk exposure in line within the approved risk limits.</p>
Operational risk	Medium	The risk of loss resulting from inadequate or failed processes, people, systems or from external events.	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 breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and Board's risk committee. 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.
Regulatory risk	Medium	The risk arising from noncompliance with regulatory requirements, regulatory change or regulator expectations	Management of regulatory risk entails early identification and effective management of changes in legislative and regulatory requirements that may affect the Bank. The Bank review key regulatory developments in order to anticipate changes and their potential impact on its performance
Country risk	Low-medium	The risk of material losses arising from significant country specific events.	Country-wise bank's exposure is monitored on regular basis. Country Exposure Limits are in place, which broadly capture direct exposure on sovereigns and exposures on foreign domiciled counter parties. Additionally, business product wise sub limits involving cross border exposure are also implemented. Monitoring of these limits is a regular feature of Risk Management.

Opportunities:

- Strong capital base and highest Capital adequacy Ratio in peer banks provides the opportunity of exploring International avenues in emerging markets.
- Consolidation in Banking industry due to MCR requirements.
- Growing Islamic Banking Market will be capitalized through Islamic Bank subsidiary.
- Expansion of the branch network in potential / untapped areas.
- Launching of new products to capitalize the growing branchless Banking.
- Deepening the consumer market penetration through re-launching of Consumer Loans.
- Potential relationship with non-resident Pakistanis to attract FDI and home remittance.
- Population demographics show an increase in working age population and hence increase in Banking needs.
- Focus on Agriculture and SME Financing on account of lower discount rate.
- Every risk has an opportunity as well, various Risks described below are counterbalanced by the opportunities that could result from positive trends.

Stakeholder engagement

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	Reasons for engagement	Frequency of engagement	Methods of engagement
Employees	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Ongoing and daily engagement at all levels of the Bank - As and when required by staff members 	<p>In addition to the regular communication that takes place with direct managers and teams through a range of interactive channels, specific employees engagement include:</p> <ul style="list-style-type: none"> - Regular electronic and printed newsletters - Compliance letters - Annual conference - Strategy sessions - One Bank, One Team sessions with senior management
Customers	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Regular interaction of customers with our branch staff - Dependent on customers' specific requirements - Introduction / launching of New products 	<p>Interaction through our branches, relationship managers, call centers, social media, surveys and various advertising activities</p>
Shareholders/ Analysts	<ul style="list-style-type: none"> - To deliver relevant and timeous 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 	<ul style="list-style-type: none"> - Formally, four times a year at the release of year-end, half year, first- and third-quarter results - As requested by the analysts and investors 	<ul style="list-style-type: none"> - Annual General Meeting - Local and international road shows - Press releases - Communications and answering investor / analyst questions
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 	<ul style="list-style-type: none"> - Daily, weekly, quarterly and as required by regulator 	<p>These include meetings with representative of regulator and written communications on need basis</p>
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 	<ul style="list-style-type: none"> - Dependent on events, requirements and on request from either side 	<p>Consistent 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 	<ul style="list-style-type: none"> - As and when considered necessary or on request by either side 	<p>This include meetings with representative of Government bodies</p>
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 	<ul style="list-style-type: none"> - Frequent interaction with print and electronic media 	<p>Advertisements through Print, electronic, social media, website, interviews and capacity building seminars</p>

Code of Conduct

- In line with "Statement of Ethics and Business Practices", the Employees of the Bank shall;

Abidance of Laws / Rules

- Conform to and abide by the Bank rules and policies 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.
- Disclose and assign to MCB all interest in any invention, improvement, discovery or work of authorship that may be made or conceived and which may arise out of the employment with MCB
- In case the employment is terminated, 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 KYC & AML Procedures Handbook for Management and Staff.
- Not to engage in any act of violation of KYC & AML guidelines given by State Bank of Pakistan and exercising of extreme vigilance in protecting MCB 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 interest conflict, 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 about any sale and purchase of MCB shares (own or spouse) in case the annual basic salary exceeds Rs. 500,000/-.

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, spouse, 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

- Stand firmly against supporting the activities of any Group or individual that unlawfully threatens public order and safety.
- 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 or in any manner announce or allowed to be announced publicly as a candidate or prospective candidate 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:
- 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

Code of Conduct

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.
- Accept or seek any outside employment or office whether stipendiary or honorary.
- Undertake part-time work for a private or public body or private person, or accept fee thereof.

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 a constituent or a subordinate employee of the Bank or from persons likely to have dealings with the Bank and candidates for employment in the Bank.
- Not accept any benefit from the estate of, or a trust created by a customer, or from an estate or trust of which a Bank Company or business unit is an executor, administrator or trustee.

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. All such information will remain as a trust and will only be used for the purpose for which it is intended and will not be used for the personal benefit of any individual(s).
- 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 designated employee can reveal the facts to that particular agency with the approval of the relevant quarter)

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.

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 official capacity in the print/ electronic media or have the photograph displayed or an act in television/stage plays or in cinema without having permission from the competent authority.

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.

Customer Centricity

- Treat every customer of the Bank with respect and courtesy.
- Be responsive to customer complaints, and 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.

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.
- Treat every customer of the Bank with respect and courtesy.

Personal Responsibility

- Demonstrate commitment to the code through words and actions.
- Be responsible for data relating to official responsibilities and not to alter / modify / amend Bank record so as to obtain any personal benefits, attempt which in doing so shall hold the person liable to disciplinary action as per Bank policy.
- 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 subject Bank officials to physical harassment or abuse.
- Not indulge in any kind of harassment or intimidation whether committed by or against any senior/ junior, colleague, customer, vendor or visitor.
- Not use language, written or spoken in intra-office or communication(s) with individual(s) outside the office that

Code of Conduct

may contain any statement or material that is offensive to others.

- Not engage in any discrimination against an individual's race, color, religion, gender, age, marital status, sexual orientation or disability.
- Not to engage in harassment of any form against woman.

Punctuality

- Ensure attendance and punctuality 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

- Help in maintaining a healthy and productive work environment to meet the responsibilities to fellow employees, customers and investors, and not to get engaged in the selling, manufacturing, distributing, using any illegal substance or getting under the influence of illegal drugs 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 by meticulously adhering and ensuring adherence to Anti-Harassment and SHE (Safety, Health & Environment) Policies of the Bank.

Usage of Communication Tools

- Ensure strict adherence to the use of internet, emails and telephone provided by the Bank for professional 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 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 pertaining to:
- Issuing an incorrect account statement / any other information for any customer or staff member.
- Placing a fake claim for reimbursement of any expenses.
- Unrecorded funds or assets of Bank in custody for any reason.
- 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 employment or benefits.

Insider Trading

- Comply with insider trading policy and to abide by all guidelines provided in the policy.



Statement on Internal Controls

The Bank's internal control structure comprises of the Board of Directors, Senior Management, Risk Management Group, Compliance & Control Group, Audit & RAR Group and self-assessment procedures implemented at other group levels. 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 the effectiveness of the Bank's internal control system that covers material matters by identifying control objectives and reviewing significant policies and procedures.

The 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 and 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 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 staged roadmap provided by the SBP through the Guidelines on Internal Controls. The Bank's assessment included documenting, evaluating and testing of the design and operating effectiveness of its internal controls over financial reporting (ICFR). The Bank has developed a comprehensive management testing and reporting framework for ensuring ongoing operating effectiveness of majority of key controls.

Concerted efforts are made by each Group to improve the Control Environment at grass root level by continuous review and streamlining of procedures to prevent and rectify control lapses as well as imparting training for improvement at various levels. Compliance & Control Group, through its regional offices/centralized automated AML solution, also ensures adherence to the regulatory requirements, with specific emphasis on KYC / AML.

The scope of Audit & RAR Group, independent from line management, inter-alia includes, review and assessment of the adequacy and effectiveness of the control activities across the Bank as well as implementation of and compliance with all the prescribed policies and procedures. All significant and material findings of the internal audit reviews are reported to the Audit Committee of the Board of Directors. The Audit Committee actively monitors implementation, to ensure that identified risks are mitigated to safeguard the interest of the Bank.

All significant and material findings of the internal and external auditors and regulators were addressed on priority basis by the management and their status was reported periodically to the Board Audit Committee, who ensured that management has taken appropriate corrective actions and has put in place a system to minimize repetition to ensure strengthening of the control environment.

A separate Issues Tracking & Monitoring (ITAM) Committee structure with membership comprising of Senior Management is also in place. Periodic ITAM meetings are held with the goal to expedite the resolution/compliance of identified issues. ITAM MC Subcommittee is assisted by a Working Group, which regularly conducts meetings and follows up with the process owners for

resolution of issues. The Working Group escalates/refers key issues to ITAM MC Subcommittee for its advice, decision or support. ITAM MC Subcommittee regularly monitors performance of the Working Group in its meetings.

In accordance with SBP directives, the Bank has completed all stages of ICFR roadmap and the fourth Long Form Report (LFR) on the assessment of Bank's ICFR for the year 2013 issued by the statutory auditors has been submitted to SBP within given timeline, on June 30, 2014. No material deficiency was reported in the LFR, submitted to the SBP.

Based upon the results 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 strengthen its control environment on an ongoing basis.

Based on the above, the Board of Directors has duly endorsed the management's evaluation of internal controls including ICFR in the Director's report.

		
Farid Ahmad Group Head Compliance and Control Group	Kamran Zaffar Muggo Group Head Audit & RAR Group	Salman Zafar Siddiqi Chief Financial Officer

Statement of Compliance with the Code of Corporate Governance MCB BANK LIMITED (As of December 31, 2014)

This statement is being presented to comply with the Code of Corporate Governance ("the CCG") contained in Regulation No. 5.19 of Rule Book of Karachi Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

MCB Bank Limited ("the Bank") has applied the principles contained in the CCG, in the following manner:

1. The Bank encourages representation of non-executive directors on its Board of Directors. At present, all the directors on the Board are non-executive, except for President/CEO.
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including MCB Bank Limited (excluding the listed subsidiaries of MCB Bank Limited).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred on the Board on October 01, 2013, which was filled on February 24, 2014, i.e. beyond 90 days as mentioned in Clause (iii) of CCG; however, the Bank has obtained relaxation from the Securities and Exchange Commission of Pakistan in accordance with the requirements of Clause (xlii) of CCG.
5. The Bank has prepared a 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.
6. 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive directors, have been taken by the Board/shareholders.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members have the prescribed education and experience required for exemption from Directors' Training Program or have completed Directors' Training Program pursuant to clause xi of CCG. Furthermore, appropriate arrangements were made by the bank for orientation of Directors to acquaint them with their duties and responsibilities.
10. The Board has approved the appointment of Company Secretary, including his remuneration and term & conditions of employment. Furthermore, no new appointments of CFO and Head of Internal Audit were made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The Financial Statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank, other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of four (4) members who are non-executive directors and the Chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter, prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource & Remuneration Committee. It comprises of four members, of whom three are non-executive directors, including the Chairman of the Committee.
18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.



Lahore
February 12, 2015

Mian Mohammad Mansha
Chairman

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of MCB Bank Limited to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Regulation No. 35 of the Karachi Stock Exchange, the Lahore Stock Exchange and the Islamabad Stock Exchange, where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. 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 Code.

As 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35(x) of the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices 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 Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2014.



A. F. Ferguson & Co.
Chartered Accountants
Engagement Partner
Imran Farooq Mian

Lahore

Dated: February 28, 2015

Report of the Audit Committee

The Audit Committee comprises of four (4) non-executive directors including one Independent Director, being Chairman of the Audit Committee. The members of the Audit Committee are qualified professionals and possess enriched experience of working at the Boards & Senior Management levels of multinationals, operating in both banking and non-banking sectors. Moreover, the Chairman of the Audit Committee has four decades of professional experience in investment banking, corporate finance and advisory services. Chairman of the Audit Committee has served in one of the global financial institution for 28 years. He has also served on the Boards of the State Bank of Pakistan, OGDC, Adamjee Insurance, IGI Asset Management, Punjab Coal Mining Company, The Bank of Punjab, Punjab Small Industries Corporation and the Private Power & Infrastructure Board. Another member is the fellow member of the Institute of Chartered Accountants of Pakistan (ICAP) and has over 50 years of diversified professional experience in various sectors.

The Head of Internal Audit has direct access to the Board's Audit Committee. The Committee ensures staffing of the internal audit function with personnel of sufficient internal audit acumen, and that the function is equipped with the necessary resources and authority to execute their responsibilities independently and objectively.

Audit Committee remained actively engaged in the review of bank's financial statements as well as audit activities in accordance with the requirements of Code of Corporate Governance and that of Charter of the Audit Committee, duly approved by the Board of Directors. Audit Committee held six (6) meetings including one special meeting, during the year 2014, on the following agenda items:

- Review of Bank's periodic financial statements, including disclosure of related party transactions prior to their approval by the Board of Directors (BoD).
- Review of status of compliance against observations highlighted by internal and external auditors, including regular updates on the rectification actions taken by the management in response to the audit findings.
- Review of status of implementation of decisions of BoD and its sub-committees.
- Review of significant issues highlighted by internal auditors during audits/reviews of branches/offices of the Bank.
- Review of analysis of audit ratings allotted to branches/offices.
- Review of analysis related to significant frauds and forgery incidents in the Bank, with specific focus on nature, reasons alongwith Management action thereof.
- Review, approval and oversight of Audit & RAR Group's Strategic Plan, Annual Audit Plan & Budget alongwith resource requirements of the Group.
- Review of status of trainings imparted to internal audit staff.
- Oversight of complaints lodged under the Bank's Whistleblowing program alongwith resolutions thereof.
- Recommendation of scope and appointment of external auditors, including finalization of audit and consultancy fee. Audit Committee further ensured coordination between internal and external auditors.
- Monitoring of compliance status of issues highlighted in SBP inspection reports.
- Review of Internal Audit Policy of Wholesale Banking Operations-UAE.
- Review of Manuals related to Branch Internal Audits and Audit Ratings of Sri Lanka Operations.
- Review of Annual Internal Quality Assurance Report of the Audit & RAR Group.
- Review of report issued by External Assessors on Internal Audit Quality Assurance & Functional Performance Assessment of the Audit & RAR Group.
- Review of statement on Internal Control Systems, prior to endorsement by the BoD.

Internal Control Framework and Role of the Internal Auditor

The Bank's internal control structure comprises of the Board of Directors, Senior Management, Risk Management Group, Compliance & Controls Group, Financial Control Group, Self-Assessment process within business groups and Internal Audit. The Management is responsible for establishing and maintaining a system of adequate internal controls and procedures for implementing strategy and policies, as approved by the Board of Directors. The Bank 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 staged roadmap provided by the SBP through the Guidelines on Internal Controls.

The scope of Audit & RAR Group, independent from line management, inter-alia includes, review and assessment of the adequacy and effectiveness of the control activities across the Bank, as well as implementation of and compliance with all the prescribed policies and procedures. All significant and material findings of the internal audit reviews are reported to the Audit Committee of the Board of Directors. The Audit Committee actively monitors implementation, to ensure that identified risks are mitigated to safeguard the interest of the Bank.



Ahmad Alman Aslam
Chairman Audit Committee
MCB Bank Limited

Lahore

Dated: February 12, 2015



MCB Bank Limited

Unconsolidated Financial Statements
For the year ended December 31, 2014

Auditors' Report To The Members

We have audited the annexed unconsolidated statement of financial position of MCB Bank Limited as at December 31, 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for fifty branches which have been audited by us and nine branches audited by auditors abroad 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 our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the international standards of auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, which in the case of loans and advances covered more than sixty percent of the total loans and advances of the bank, we report that:

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purpose of our audit;
- (b) in our opinion:
 - (i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2014 and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion 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.



A. F. Ferguson & Co.
Chartered Accountants
Engagement Partner
Imran Farooq Mian

Lahore
Dated: February 28, 2015

Unconsolidated Statement of Financial Position

As at December 31, 2014

	Note	2014	2013
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	46,753,804	59,946,150
Balances with other banks	7	3,015,624	1,536,946
Lendings to financial institutions	8	1,418,181	1,224,638
Investments - net	9	511,137,192	449,006,019
Advances - net	10	303,559,480	248,242,965
Operating fixed assets	11	31,192,588	28,595,338
Deferred tax assets - net		-	-
Other assets - net	12	37,554,615	26,956,315
		934,631,484	815,508,371
LIABILITIES			
Bills payable	14	16,627,700	10,138,726
Borrowings	15	59,542,861	38,542,660
Deposits and other accounts	16	688,329,520	632,330,286
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	17	10,397,100	4,201,373
Other liabilities	18	29,630,241	20,064,345
		804,527,422	705,277,390
NET ASSETS			
		130,104,062	110,230,981
Represented by			
Share capital	19	11,130,307	10,118,461
Reserves	20	48,830,005	46,601,214
Unappropriated profit		46,947,863	40,552,043
		106,908,175	97,271,718
Surplus on revaluation of assets - net of tax	21	23,195,887	12,959,263
		130,104,062	110,230,981
Contingencies and commitments	22		

The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
Mark-up / return / interest earned	24	77,268,988	65,064,123
Mark-up / return / interest expensed	25	33,756,685	27,195,894
Net mark-up / interest income		43,512,303	37,868,229
Provision / (reversal) for diminution in the value of investments - net	9.3	(355,809)	(6,834)
Provision / (reversal) against loans and advances - net	10.5.2	(1,093,906)	(2,828,783)
Bad debts written off directly	10.6.1	20	-
		(1,449,695)	(2,835,617)
Net mark-up / interest income after provisions		44,961,998	40,703,846
Non-mark-up / interest income			
Fee, commission and brokerage income		7,225,093	6,741,404
Dividend income		1,060,729	932,717
Income from dealing in foreign currencies		1,443,180	916,572
Gain on sale of securities - net	26	2,141,840	2,130,341
Unrealized gain / (loss) on revaluation of investments classified as held for trading		(2,273)	-
Other income	27	1,566,475	449,604
Total non-mark-up / interest income		13,435,044	11,170,638
		58,397,042	51,874,484
Non-mark-up / interest expenses			
Administrative expenses	28	20,611,649	18,709,969
Other provision / (reversal) - net	12.3	76,935	(52,285)
Other charges	29	979,011	928,595
Total non-mark-up / interest expenses		21,667,595	19,586,279
Extra ordinary / unusual item		-	-
Profit before taxation		36,729,447	32,288,205
Taxation - Current year		11,920,022	15,170,974
- Prior years		-	-
- Deferred		484,669	(4,378,107)
	30	12,404,691	10,792,867
Profit after taxation		24,324,756	21,495,338
Unappropriated profit brought forward		40,552,043	35,424,921
Transfer from surplus on revaluation of fixed assets - net of tax		47,629	35,788
		40,599,672	35,460,709
Profit available for appropriation		64,924,428	56,956,047
Basic and diluted earnings - after tax	Rupees per share	33	21.85
			19.31

The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
Profit after tax for the year	24,324,756	21,495,338
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans - net of tax	139,526	49,373
Items that may be reclassified to profit and loss account		
Effect of translation of net investment in foreign branches	(203,685)	198,410
Comprehensive income transferred to equity	24,260,597	21,743,121
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	15,920,182	(3,697,164)
Deferred tax	(5,635,929)	1,189,889
	10,284,253	(2,507,275)
Total Comprehensive income	34,544,850	19,235,846

The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
Cash flows from operating activities			
Profit before taxation		36,729,447	32,288,205
Less: Dividend income		(1,060,729)	(932,717)
		35,668,718	31,355,488
Adjustments for non-cash charges			
Depreciation	11.2	1,724,216	1,541,314
Amortization	11.3	359,734	260,424
Provision / (reversal) against loans and advances - net	10.5.2	(1,093,906)	(2,828,783)
Provision / (reversal) for diminution in the value of investments - net	9.3	(355,809)	(6,834)
Other provision / (reversal) - net	12.3	76,935	(52,285)
Bad debts written off directly	10.6.1	20	-
Provision for Workers' Welfare Fund	29	734,589	645,764
Charge / (reversal) for defined benefit plan - net	28	(413,543)	(1,311,767)
Unrealized (gain) / loss on revaluation of investments classified as held for trading	9.5	2,273	-
Gain on disposal of fixed assets - net	27	(31,120)	(42,687)
		1,003,389	(1,794,854)
		36,672,107	29,560,634
(Increase) / decrease in operating assets			
Lendings to financial institutions		(193,543)	326,834
Net investments in 'held for trading' securities		(52,330)	-
Advances - net		(54,222,629)	(5,830,862)
Other assets - net		(12,150,909)	(2,778,730)
		(66,619,411)	(8,282,758)
Increase / (decrease) in operating liabilities			
Bills payable		6,488,974	242,442
Borrowings		21,284,080	(40,205,492)
Deposits and other accounts		55,999,234	87,269,558
Other liabilities		9,157,104	(2,529,334)
		92,929,392	44,777,174
Defined benefits paid		62,982,088	66,055,050
Receipt from pension fund		(603,308)	(706,361)
Income tax paid		-	14,731,898
		(9,035,362)	(10,355,097)
Net cash flows from operating activities		53,343,418	69,725,490
Cash flows from investing activities			
Net investments in 'available for sale' securities		(45,207,446)	(51,033,235)
Net investments in 'held to maturity' securities		(597,679)	405,975
Dividends received		1,060,790	940,745
Investments in operating fixed assets		(4,757,264)	(4,663,196)
Sale proceeds of property and equipment disposed off		107,184	173,089
Net cash flows from investing activities		(49,394,415)	(54,176,622)
Cash flows from financing activities			
Dividend paid		(15,175,107)	(12,673,334)
Net cash flows from financing activities		(15,175,107)	(12,673,334)
Exchange differences on translation of the net investment in foreign branches		(203,685)	198,410
Increase in cash and cash equivalents		(11,429,789)	3,073,944
Cash and cash equivalents at beginning of the year		61,372,069	57,173,579
Effects of exchange rate changes on cash and cash equivalents		(514,945)	609,601
		60,857,124	57,783,180
Cash and cash equivalents at end of the year	34	49,427,335	60,857,124

The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2014

	Capital Reserves				Statutory reserve	Revenue Reserves		Total
	Share capital	Reserve for issue of bonus shares	Share premium	Exchange translation reserve		General reserve	Unappropriated profit	
	(Rupees in '000)							
Balance as at December 31, 2012	9,198,601	-	9,702,528	399,782	15,550,960	18,600,000	35,424,921	88,876,792
Profit after taxation for the year ended December 31, 2013	-	-	-	-	-	-	21,495,338	21,495,338
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	49,373	49,373
Exchange differences on translation of net investment in foreign branches	-	-	-	198,410	-	-	-	198,410
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	35,788	35,788
Transferred to statutory reserve	-	-	-	-	2,149,534	-	(2,149,534)	-
Transfer to reserve for issue of bonus shares	-	919,860	-	-	-	-	(919,860)	-
Issue of bonus shares - December 2012	919,860	(919,860)	-	-	-	-	-	-
Final cash dividend - December 2012	-	-	-	-	-	-	(2,759,581)	(2,759,581)
Interim cash dividend - March 2013	-	-	-	-	-	-	(3,541,471)	(3,541,471)
Interim cash dividend - June 2013	-	-	-	-	-	-	(3,541,470)	(3,541,470)
Interim cash dividend - September 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)
Balance as at December 31, 2013	10,118,461	-	9,702,528	598,192	17,700,494	18,600,000	40,552,043	97,271,718
Profit after taxation for the year ended December 31, 2014	-	-	-	-	-	-	24,324,756	24,324,756
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	139,526	139,526
Exchange differences on translation of net investment in foreign branches	-	-	-	(203,685)	-	-	-	(203,685)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	47,629	47,629
Transferred to statutory reserve	-	-	-	-	2,432,476	-	(2,432,476)	-
Transfer to reserve for issue of bonus shares	-	1,011,846	-	-	-	-	(1,011,846)	-
Issue of bonus shares - December 2013	1,011,846	(1,011,846)	-	-	-	-	-	-
Final cash dividend - December 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)
Interim cash dividend - March 2014	-	-	-	-	-	-	(3,339,092)	(3,339,092)
Interim cash dividend - June 2014	-	-	-	-	-	-	(3,895,608)	(3,895,608)
Interim cash dividend - September 2014	-	-	-	-	-	-	(3,895,608)	(3,895,608)
Balance as at December 31, 2014	11,130,307	-	9,702,528	394,507	20,132,970	18,600,000	46,947,863	106,908,175

For details of dividend declaration and appropriations, please refer note 45 to these financial statements.

The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

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 all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) representing two ordinary shares (2013: two ordinary shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,222 branches including 27 Islamic banking branches (2013: 1,208 branches including 27 Islamic banking branches) within Pakistan and 10 branches (2013: 9 branches) outside the country (including the Karachi Export Processing Zone branch).

2. BASIS OF PRESENTATION

2.1 These 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 financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The Islamic Banking branches of the Bank 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 Ordinance, 1984.

2.3 The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these financial statements.

2.4 For the purpose of translation, rates of Rs. 100.4831 per US Dollar (2013: Rs. 105.3246) and Rs. 0.7659 per LKR (2013: Rs.0.8052) have been used.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by

the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions and directives given in Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 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 financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank as disclosed in Annexure II to these Financial Statements.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2014 but are considered not to

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are relevant and not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2015:

	Effective date (accounting periods beginning on or after)
IAS 27 Separate financial statements (Amendments)	January 01, 2015
IFRS 10 ' Consolidated financial statements (Amendments)	January 01, 2015
IFRS 11 'Joint Arrangements	January 01, 2015
IFRS 12 ' Disclosure of interests in other entities (Amendments	January 01, 2015
IFRS 13 - Fair value measurement	January 01, 2015

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2015 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 financial statements.

The management anticipate that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

4. BASIS OF MEASUREMENT

4.1 These financial statements have been prepared under the historical cost convention except that certain classes of fixed assets are stated at revalued amounts and certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value.

4.2 The 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.

4.3 Critical accounting estimates and judgments

The preparation of 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. 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 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 notes 10.5.3 and 10.5.5.

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.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

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 interest rates at the balance sheet date and the rates contracted.

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 36 of these 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

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.

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 a separate account which is shown in the balance sheet 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 audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Associates are all entities over which the Group has significant influence but not control. 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. 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. 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 the 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

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

in the 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. 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.

5.4 Operating fixed assets and depreciation

Property and equipment, other than land carrying value of which is not amortized, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets become available for use.

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to these 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.

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity

to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Gains / losses on sale of property and equipment are credited / charged to the profit and loss account currently, except that the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

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.

5.4.2 Leases (Ijarah)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of the asset using straight line basis.

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. Recoverable amount is the greater of net selling price and value in use. 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.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

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
- 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.

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
- (ii) and 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.

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.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

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. Foreign bills purchased and forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities.

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 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 statement of financial position.

5.10 Acceptances

Commitments for outstanding forward foreign exchange contracts are disclosed in these 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 statement of financial position.

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.

- 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.
- Ijarah income is recognized on an accrual basis as and when the rental becomes due.
- 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

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value or current fair value of such assets.

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 (excluding investment in associates and subsidiaries), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

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 the 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

Corporate Finance

Corporate Finance includes underwriting, securitization, investment banking, syndications, IPO related activities (excluding investments) and secondary private placements.

Trading and Sales

It includes fixed income, equity, foreign exchange commodities, lendings to and borrowings from financial institutions and brokerage debt.

Retail and Consumer Banking

It includes retail lending and deposits, banking services, private lending and deposits, banking services and retail offered to its retail customers and small and medium enterprises.

Commercial Banking

It includes project finance, export finance, trade finance, leasing, lending, guarantees and bills of exchange relating to its corporate customers.

5.17.2 Geographical segments

The Bank operates in three geographic regions being:

- Pakistan
- South Asia
- Middle East

5.18 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

5.19 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
		(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	6.1	11,140,314	10,189,516
foreign currencies		2,270,311	2,161,330
With State Bank of Pakistan (SBP) in:			
Local currency current account	6.2	11,023,747	25,986,891
Foreign currency current account	6.3	170,097	142,724
Foreign currency deposit account	6.2	5,854,648	5,529,331
With other central banks in foreign currency current account	6.2	555,728	272,502
With National Bank of Pakistan in local currency current account		15,738,959	15,663,856
		<u>46,753,804</u>	<u>59,946,150</u>

6.1 This includes national prize bonds amounting to Rs. 122.066 million (2013: Rs. 118.737 million).

6.2 Deposits with SBP are maintained to comply with their requirements issued from time to time. Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

6.3 This represents US Dollar settlement account maintained with SBP.

	Note	2014	2013
		(Rupees in '000)	
7. BALANCES WITH OTHER BANKS			
Outside Pakistan			
- current account		2,205,658	1,052,532
- deposit account	7.1	809,966	484,414
		<u>3,015,624</u>	<u>1,536,946</u>

7.1 Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 0.90% to 2.50% per annum (2013: 2.35% per annum).

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2 & 8.3	382,950	664,261
Repurchase agreement lendings	8.2 & 8.3	1,035,231	560,377
		<u>1,418,181</u>	<u>1,224,638</u>
8.1 Particulars of lendings			
In local currency		1,000,000	996,766
In foreign currencies		418,181	227,872
		<u>1,418,181</u>	<u>1,224,638</u>

8.2. These carry mark up rates ranging from 5% to 10.35% per annum (2013 : 6.50% to 10%).

8.3 Securities held as collateral against lendings to financial institutions

	2014			2013		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	1,035,231	-	1,035,231	560,377	-	560,377
	<u>1,035,231</u>	<u>-</u>	<u>1,035,231</u>	<u>560,377</u>	<u>-</u>	<u>560,377</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

9. INVESTMENTS - NET

9.1 Investments by types

Note	2014			2013			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
(Rupees in '000)							
Held for trading securities							
- Shares in listed companies	9.5	52,330	-	52,330	-	-	
Available-for-sale securities							
- Market Treasury Bills		113,790,156	25,908,740	139,698,896	304,804,941	16,631,860	321,436,801
- Pakistan Investment Bonds		328,986,586	-	328,986,586	107,615,147	-	107,615,147
- Shares in listed companies		11,887,621	-	11,887,621	7,792,448	-	7,792,448
- Shares in unlisted companies	9.4	206,027	-	206,027	206,107	-	206,107
- NIT units		5,253	-	5,253	5,253	-	5,253
- Sukuk Bonds		3,715,236	-	3,715,236	2,700,000	-	2,700,000
- Term Finance Certificates (TFCs)		930,653	-	930,653	958,412	-	958,412
		459,521,532	25,908,740	485,430,272	424,082,308	16,631,860	440,714,168
Held-to-maturity securities							
- Market Treasury Bills	9.6	1,780,611	58,441	1,839,052	1,656,039	64,836	1,720,875
- Provincial Government Securities		118	-	118	118	-	118
- Sukuk Bonds		244,489	-	244,489	442,838	-	442,838
- Euro Bonds		2,283,917	-	2,283,917	2,344,907	-	2,344,907
- Term Finance Certificates (TFCs), Debentures, Bonds and Participation Term Certificates (PTCs)		3,516,856	-	3,516,856	2,778,015	-	2,778,015
		7,825,991	58,441	7,884,432	7,221,917	64,836	7,286,753
Subsidiaries							
- MNET Services (Private) Limited	9.7	49,975	-	49,975	49,975	-	49,975
- MCB Trade Services Limited		77	-	77	77	-	77
- MCB - Arif Habib Savings & Investments Limited		320,123	-	320,123	320,123	-	320,123
- MCB Leasing Closed Joint Stock Company		178,832	-	178,832	178,832	-	178,832
- MCB Financial Services Limited		27,500	-	27,500	27,500	-	27,500
		576,507	-	576,507	576,507	-	576,507
Associates							
- Adamjee Insurance Company Limited	9.8	943,600	-	943,600	943,600	-	943,600
- Euronet Pakistan (Private) Limited		52,521	-	52,521	52,521	-	52,521
		996,121	-	996,121	996,121	-	996,121
Investments at cost							
		468,972,481	25,967,181	494,939,662	432,876,853	16,696,696	449,573,549
Less: Provision for diminution in value of investments	9.3	(1,702,808)	-	(1,702,808)	(2,549,959)	-	(2,549,959)
Investments (net of provisions)							
Surplus / (Deficit) on revaluation of available for sale securities - net	21.2	17,915,048	(12,437)	17,902,611	1,995,296	(12,867)	1,982,429
Deficit on revaluation of 'held for trading' securities - net	9.5	(2,273)	-	(2,273)	-	-	-
Investments at revalued amounts - net of provisions							
		485,182,448	25,954,744	511,137,192	432,322,190	16,683,829	449,006,019

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
		(Rupees in '000)	
9.2	Investments by segments		
	Federal Government Securities:		
-	Market Treasury Bills	139,698,896	321,436,801
-	Pakistan Investment Bonds	328,986,586	107,615,147
-	Euro Bonds	2,283,917	2,344,907
-	Sukuk Bonds	3,715,236	2,700,000
	Overseas Government Securities		
-	Market Treasury Bills - Sri Lanka	1,839,052	1,720,875
-	Development Bonds	607,880	632,791
	Provincial Government Securities	118	118
	Subsidiaries and Associated Undertakings	1,572,628	1,572,628
	Fully Paid-up Ordinary Shares / Certificates / Units		
-	Listed companies / mutual funds / modarabas	11,876,666	7,729,163
-	Unlisted companies / funds	206,027	206,107
	Fully Paid-up Preference Shares:		
-	Listed Companies	63,285	63,285
	Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:		
-	Listed Term Finance Certificates	1,445,050	1,267,298
-	Unlisted Term Finance Certificates	1,789,213	1,527,553
-	Commercial Papers	203,150	-
-	Debentures, Bonds and Participation Term Certificates (PTCs)	402,216	308,785
	Other Investments:		
-	Sukuk Bonds	244,489	442,838
-	NIT Units	5,253	5,253
	Total investments at cost	494,939,662	449,573,549
	Less: Provision for diminution in the value of investments	9.3 (1,702,808)	(2,549,959)
	Investments (net of provisions)	493,236,854	447,023,590
	Surplus on revaluation of available for sale securities - net	21.2 17,902,611	1,982,429
	Deficit on revaluation of held for trading securities - net	9.5 (2,273)	-
	Investments at revalued amounts - net of provisions	511,137,192	449,006,019
9.3.	Particulars of provision		
	Opening balance	2,549,959	2,783,347
	Charge during the year	4,829	75,299
	Reversal made during the year	(360,638)	(82,133)
		(355,809)	(6,834)
	Reversal on disposal of shares	(491,342)	(224,353)
	Reclassification	-	(173)
	Investment written off against provision	-	(2,028)
	Closing balance	1,702,808	2,549,959
9.3.1	Particulars of provision in respect of Type and Segment		
	Available-for-sale securities		
	Listed shares / Certificates / Units	1,502,571	1,993,913
	Unlisted shares	77,070	74,741
		1,579,641	2,068,654
	Held-to-maturity securities		
	Unlisted TFCs, Debentures, Bonds and Participation Term Certificates	123,167	481,305
		1,702,808	2,549,959

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

9.4 Quality of 'available for sale' securities

	Note	2014		2013	
		Market value	Credit rating	Market value	Credit rating
		(Rupees in '000)		(Rupees in '000)	
Market Treasury Bills	9.4.1	139,647,839	Unrated	321,150,456	Unrated
Pakistan Investment Bonds	9.4.1	344,862,268	Unrated	107,720,565	Unrated
Listed Term Finance Certificates					
Askari Bank Limited		244,695	AA-	253,321	AA-
Bank Alfalah Limited		516,380	AA-	527,480	AA-
Allied Bank Limited		180,618	AA	205,081	AA
		941,693		985,882	
Shares in Listed Companies					
Abbott Laboratories Pakistan Limited		-	-	25,814	Not available
Aisha Steel Mills Limited (including right shares)		1,231	A- & A2	1,345	A- & A2
Allied Bank Limited		-	-	794,738	AA+ & A1+
Arif Habib Limited		-	-	3,067	Not available
Arif Habib Corporation Limited		-	-	41,188	AA & A1+
Altern Energy Limited		31	Not available	-	-
Archroma Pakistan Limited		72,826	Not available	34,410	Not available
Attock Cement Pakistan Limited		-	-	2,754	Not available
Attock Petroleum Limited		556,024	Not available	494,906	Not available
Bank Alfalah Limited		513,451	AA & A1+	8,112	AA & A1+
Bank Al-Habib Limited		533,396	AA+ & A1+	533,977	AA+ & A1+
The Bank of Punjab		38	AA- & A1+	-	-
Engro Corporation Limited		215,131	AA- & A1+	-	-
Engro Fertilizers Limited		272,374	A+ & A1	-	-
Fatima Fertilizer Company Limited		346,021	AA- & A1+	-	-
Fauji Cement Company Limited		13	Not available	22,330	Not available
Fauji Fertilizer Bin Qasim Company Limited		629,594	Not available	168,909	Not available
Fauji Fertilizer Company Limited		864,588	Not available	1,123,183	Not available
First AI - Noor Modaraba		-	-	27,766	Not available
Glaxo Smithkline Pakistan Limited		480,947	Not available	-	Not available
Habib Bank Limited		-	-	111,669	AAA & A1+
Habib Metropolitan Bank Limited		356,084	AA+ & A1+	2,883	AA+ & A1+
Hub Power Company Limited		-	-	230,190	AA+ & A1+
IGI Insurance Limited		572,921	AA	11,507	AA
Indus Motors Company Limited		-	-	9,000	Not available
International Steels Limited		115,289	Not available	-	-
K-Electric Limited		27,660	A+ & A2	-	-
Kohat Cement Company Limited		141,816	Not available	-	-
Kohinoor Energy Limited		-	-	1,952	AA & A1+
Kot Addu Power Company Limited		1,111,909	AA+ & A1+	367,752	AA+ & A1+
Lafarge Pakistan Cement Limited		472,735	BB+ & B	-	-
Masood Textile Mills Limited - preference shares		50,000	Not available	50,000	Not available
Meezan Bank Limited		-	-	15,627	AA & A1+
Millat Tractors Limited		-	-	29	Not available
Murree Brewery Company Limited		4,024	Not available	9,460	Not available
National Bank of Pakistan		428,950	AAA & A1+	428,773	AAA & A1+
National Foods Limited		5,527	AA- & A1	11,430	A+ & A1
National Refinery Limited		97,582	AA+ & A1+	-	-
Nestle Pakistan Ltd Limited		98,116	Not available	40,378	Not available
NetSol Technologies Ltd		70,368	Not available	-	-
* Next Capital Limited		11,213	Not available	9,750	Not available
Oil & Gas Development Company Limited		48	AAA & A1+	130,783	AAA & A1+
Pak Elektron Limited		149,681	A- & A2	-	-
Balance carried forward		8,199,588		4,713,682	

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

Note	2014		2013	
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
Balance brought forward	8,199,588		4,713,682	
Pakistan Oilfields Limited	262,439	Not available	592,297	Not available
Pakistan Petroleum Limited	365,258	Not available	457,001	Not available
Pakistan State Oil Company Limited	14,460	AA+ & A1+	96,410	AA+ & A1+
Pakistan Telecommunication Company Limited	56,193	Not available	32,706	Not available
Pakistan Tobacco Company Limited	-	-	27,572	Not available
Rafhan Maize Products Limited	290,929	Not available	127,037	Not available
Rupali Polyester Limited	-	-	2,985	Not available
Saif Power Limited	292,942	A+ & A1	-	-
Samba Bank Limited	1	AA- & A1	66,947	AA- & A1
Searle Pakistan Limited	158,067	BBB & A-3	11,244	BBB & A-3
Siemens Pakistan Engineering Company Limited	12,573	Not available	-	-
** Sui Northern Gas Pipelines Limited	1,582,690	AA & A1+	1,174,200	AA & A1+
* Trust Securities & Brokerage Limited	1,254	Not available	885	Not available
Unilever Pakistan Foods Limited	7,699	Not available	8,063	Not available
United Bank Limited	684,788	AA+ & A1+	602,352	AA+ & A1+
Zulfiqar Industries Limited	3,490	Not available	3,481	Not available
	11,932,371		7,916,862	
Close Ended Mutual Fund				
PICIC Growth Fund	407,958	Not available	-	-
PICIC Investment Fund	158,643	Not available	-	-
	566,601		-	
Shares in Un-listed Companies	9.4.2			
* National Investment Trust Limited	100	AM2-	100	AM2-
* SME Bank Limited	3,892	BBB- & A3	6,527	BBB & A3
First Capital Investment (Private) Limited	2,500	AM4+	2,500	AM4+
First Women Bank Limited	63,300	BBB+ & A2	63,300	A- & A2
Pak Asian Fund	11,500	Not available	11,500	Not available
* Pakistan Agro Storage and Services corporation	2,500	Not available	-	Not available
* Arabian Sea Country Club	-	Not available	2,194	Not available
* Central Depository Company of Pakistan Limited	10,000	Not available	10,000	Not available
* National Institutional Facilitation Technologies (Private) Limited	1,526	Not available	1,526	Not available
Society for Worldwide Inter Fund Transfer (SWIFT)	1,738	Not available	1,738	Not available
Islamabad Stock Exchange Limited	30,346	Not available	30,346	Not available
Lanka Clearing (Private) Limited	766	Not available	805	Not available
Lanka Financial Services Bureau Limited	766	Not available	805	Not available
Credit Information Bureau of Sri Lanka	23	Not available	25	Not available
	128,957		131,366	
Other Investment				
Sukuk Bonds	9.4.1			
	3,666,210	Unrated	2,717,310	Unrated
N.I.T. Units				
	7,303	AM2-	5,502	AM2-
	<u>501,753,242</u>		<u>440,627,943</u>	

9.4.1 These are Government of Pakistan guaranteed securities.

9.4.2 Investments in unlisted companies are stated at carrying value. The above excludes unlisted shares of companies which are fully provided for in these financial statements.

* These are the strategic investments of the Bank.

** This includes 37.292 million shares valuing Rs. 1,070.639 million (2013: 37.292 million shares valuing Rs. 794.309 million) which are held as strategic investment by the Bank.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

9.5 Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'

	Unrealized gain /(loss)		Cost	
	2014	2013	2014	2013
	(Rupees in '000)			
Investee Company				
Dewan Cement Limited	(260)	-	4,241	-
Hascol Petroleum Limited	(737)	-	19,262	-
International Industries Limited	(114)	-	6,161	-
Searle Pakistan Limited	(862)	-	18,178	-
United Bank Limited	(300)	-	4,488	-
	<u>(2,273)</u>	<u>-</u>	<u>52,330</u>	<u>-</u>

9.6 "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan. The market value of Market Treasury Bills classified as 'held to maturity' as at December 31, 2014 amounted to Rs. 1,839.052 million (2013: Rs. 1,720.875 million).

9.7 The Company is under process of deregistration with the Hong Kong Companies Registry.

9.8 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (2013: Rs. 943.600 million) as at December 31, 2014. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2014 amounted to Rs. 5,042.493 million (2013: Rs. 3,809.906 million).

9.9 Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2013: Rs. 232.60 million) earmarked by the SBP and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2013: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.

9.10 First Women Bank Limited has been reclassified from Investment in associates to unlisted shares due to dilution in shareholding.

9.11 During the year, the Bank incorporated MCB Islamic Bank Limited, a wholly owned subsidiary, with an authorized share capital of Rs 15 Billion. Subject to regulatory approvals, the operation of Islamic Bank Division of MCB Bank Limited referred to in Annexure II will be transferred to the said subsidiary. The commercial operation of the said subsidiary will commence after formal go ahead from State Bank of Pakistan. Subsequent to the year end, the Bank has injected equity of Rs 10 billion in the said subsidiary.

9.12 Information relating to investments in ordinary shares and preference shares of listed companies and unlisted companies required to be disclosed as part of the financial statements under BSD Circular No.04 of 2006 dated February 17, 2006, is given in Annexure "I".

9.13 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 and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		280,297,779	231,039,502
Outside Pakistan		13,976,672	13,993,144
		<u>294,274,451</u>	<u>245,032,646</u>
Islamic Financing and related assets	10.2	13,885,804	11,303,966
Net investment in finance lease	10.3		
In Pakistan		2,101,598	1,027,911
Outside Pakistan		92,758	108,534
		<u>2,194,356</u>	<u>1,136,445</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		4,406,599	1,455,467
Payable outside Pakistan		7,556,783	9,263,734
		<u>11,963,382</u>	<u>10,719,201</u>
Advances - gross		<u>322,317,993</u>	<u>268,192,258</u>
Provision against advances	10.5		
Specific provision		(18,149,201)	(19,450,148)
General provision		(322,307)	(267,860)
General provision against consumer loans & small enterprise loans		(254,595)	(201,354)
General provision by Sri Lanka operations		(32,410)	(29,931)
		<u>(18,758,513)</u>	<u>(19,949,293)</u>
Advances - net of provision		<u>303,559,480</u>	<u>248,242,965</u>
10.1 Particulars of advances (gross)			
10.1.1 In local currency		285,542,435	222,305,289
In foreign currencies		36,775,558	45,886,969
		<u>322,317,993</u>	<u>268,192,258</u>
10.1.2 Short-term		231,972,237	202,500,963
Long-term		90,345,756	65,691,295
		<u>322,317,993</u>	<u>268,192,258</u>
10.2 Islamic Financing and related assets	Annexure -II		
Islamic Financing		6,089,304	5,468,451
Inventories		6,526,434	4,580,773
Advance against Murabaha		1,036,720	756,568
Advance against Future Ijara		108,984	268,721
Advance against Diminishing Musharaka		124,362	229,453
		<u>13,885,804</u>	<u>11,303,966</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

10.3 Net investment in finance lease

Description	2014				2013			
	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	250,185	1,112,811	1,348,872	2,711,868	416,588	714,053	-	1,130,641
Guaranteed residual value	20,901	36,245	2,243	59,389	37,176	64,978	-	102,154
Minimum lease payments	271,086	1,149,056	1,351,115	2,771,257	453,764	779,031	-	1,232,795
Finance charge for future periods	(29,387)	(161,441)	(386,073)	(576,901)	(36,786)	(59,564)	-	(96,350)
Present value of minimum lease payments	241,699	987,615	965,042	2,194,356	416,978	719,467	-	1,136,445

10.4 Advances include Rs.21,907.791 million (2013: Rs. 23,267.733 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2014								
		Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)										
Other Assets Especially										
Mentioned (OAEM)	10.4.1	50,405	-	50,405	3,477	-	3,477	3,477	-	3,477
Substandard		234,172	-	234,172	58,352	-	58,352	58,352	-	58,352
Doubtful		873,888	-	873,888	436,526	-	436,526	436,526	-	436,526
Loss		15,896,249	4,853,077	20,749,326	15,241,574	2,409,272	17,650,846	15,241,574	2,409,272	17,650,846
		17,054,714	4,853,077	21,907,791	15,739,929	2,409,272	18,149,201	15,739,929	2,409,272	18,149,201
(Rupees in '000)										
Category of Classification	Note	2013								
		Class Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)										
Other Assets Especially										
Mentioned (OAEM)	10.4.1	35,782	-	35,782	2,660	-	2,660	2,660	-	2,660
Substandard		168,423	50,438	218,861	41,200	12,610	53,810	41,200	12,610	53,810
Doubtful		1,453,012	-	1,453,012	405,827	-	405,827	405,827	-	405,827
Loss		16,584,176	4,975,902	21,560,078	16,502,626	2,485,225	18,987,851	16,502,626	2,485,225	18,987,851
		18,241,393	5,026,340	23,267,733	16,952,313	2,497,835	19,450,148	16,952,313	2,497,835	19,450,148

10.4.1 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 and forming part of the unconsolidated Financial Statements

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Note	2014				Total	
	Specific	General	General provision against consumer & SEs loans	General provision by Sri Lanka Operations		
(Rupees in '000)						
10.5	Particulars of provision against advances					
	Opening balance	19,450,148	267,860	201,354	29,931	19,949,293
	Exchange adjustments	(74,558)	-	-	(1,462)	(76,020)
	Provision made during the year	2,193,998	54,447	53,241	3,941	2,305,627
	Reversals	(3,399,533)	-	-	-	(3,399,533)
		(1,205,535)	54,447	53,241	3,941	(1,093,906)
	Amounts written off	10.6.1	(20,854)	-	-	(20,854)
	Closing balance	18,149,201	322,307	254,595	32,410	18,758,513

	2013				Total	
	Specific	General	General provision against consumer & SEs loans	General provision by Sri Lanka Operations		
(Rupees in '000)						
	Opening balance	22,380,087	257,457	145,568	25,911	22,809,023
	Exchange adjustments	129,419	-	-	1,502	130,921
	Provision made during the year	1,619,488	10,403	55,786	2,518	1,688,195
	Reversals	(4,516,978)	-	-	-	(4,516,978)
		(2,897,490)	10,403	55,786	2,518	(2,828,783)
	Amounts written off	10.6.1	(161,868)	-	-	(161,868)
	Closing balance	19,450,148	267,860	201,354	29,931	19,949,293

	2014			2013		
	Specific	General (Total)	Total	Specific	General (Total)	Total
(Rupees in '000)						

10.5.1 Particulars of provisions against advances							
	In local currency	15,739,929	576,902	16,316,831	16,952,313	469,214	17,421,527
	In foreign currencies	2,409,272	32,410	2,441,682	2,497,835	29,931	2,527,766
		18,149,201	609,312	18,758,513	19,450,148	499,145	19,949,293

	Note	2014		2013	
		Specific	General (Total)	Specific	General (Total)
(Rupees in '000)					
10.5.2	The following amounts have been charged to the profit and loss account:				
				(1,205,535)	(2,897,490)
			10.5.3	54,447	10,403
			10.5.5	53,241	55,786
				3,941	2,518
				(1,093,906)	(2,828,783)

10.5.3 General provision against advances represents provision maintained at around 0.1% of gross advances.

10.5.4 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.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

10.5.5 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the 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 the fully secured performing portfolio and 2% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

10.5.6 General provision against advances in Sri Lanka is maintained at 0.5% of performing advances.

	Note	2014	2013
(Rupees in '000)			
10.6 Particulars of write offs:			
10.6.1			
Against provisions	10.5	20,854	161,868
Directly charged to the profit and loss account		20	-
		<u>20,874</u>	<u>161,868</u>
10.6.2			
Write offs of Rs. 500,000 and above	10.6.3	17,672	150,079
Write offs of below Rs. 500,000		3,202	11,789
		<u>20,874</u>	<u>161,868</u>

10.6.3 Details of loan write offs 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, 2014 is given at Annexure- III. However, this write off does not affect the Bank's right to recover the debts from these customers.

	Note	2014	2013
(Rupees in '000)			
10.7 Particulars of advances to directors, executives, associated companies, etc.			
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		3,633,975	3,884,019
Loans granted during the year		721,997	581,008
Repayments		(857,432)	(831,052)
Balance at end of the year		<u>3,498,540</u>	<u>3,633,975</u>
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		713,157	640,465
Loans granted during the year		643,432	474,797
Repayments		(762,034)	(402,105)
Balance at end of the year		<u>594,555</u>	<u>713,157</u>
		<u>4,093,095</u>	<u>4,347,132</u>
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	1,065,940	1,888,504
Property and equipment	11.2	29,432,205	26,117,418
Intangible asset	11.3	694,443	589,416
		<u>31,192,588</u>	<u>28,595,338</u>
11.1 Capital work-in-progress			
Civil works		129,757	1,260,427
Advances to suppliers and contractors		84,077	149,642
Others		852,106	478,435
		<u>1,065,940</u>	<u>1,888,504</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

11.2 Property and equipment

Description	2014							
	Cost/Revalued amount			Accumulated depreciation			Net Book value at December 31, 2014	Annual Rate of depreciation /estimated useful life
	At January 01, 2014	Additions/ (disposals)/ Exchange and other adjustments	At December 31, 2014	At January 01, 2014	Charge for the year/ (depreciation on disposals) exchange and other adjustments	At December 31, 2014		
(Rupees in '000)								
Land - Freehold	14,373,912	272,267	14,646,179	-	-	-	14,646,179	-
Land - Leasehold	125,632	122,317	247,949	-	-	-	247,949	-
Buildings on freehold land	7,289,486	1,784,842	9,071,066	-	207,849	207,832	8,863,234	upto 70 years
		(3,262)			(17)			
Buildings on leasehold land	49,996	-	49,270	-	2,798	2,794	46,476	upto 50 years
		(726)			(4)			
Leasehold Improvements	663,619	45,704	706,944	310,115	160,104	469,377	237,567	3 years
		(2,379)			(842)			
Furniture and fixture	1,072,104	145,317	1,204,643	628,341	95,420	712,869	491,774	10%
		(11,192)			(9,766)			
		(1,586)			(1,126)			
Electrical, Computers and office Equipment	8,369,575	1,647,225	9,943,320	6,188,453	827,567	6,945,711	2,997,609	10% to 25%
		(67,943)			(66,121)			
		(5,537)			(4,188)			
Vehicles	742,585	179,769	861,113	379,173	79,929	412,311	448,802	20%
		(59,321)			(45,279)			
		(1,920)			(1,512)			
Ijarah Assets								
Assets held under Ijarah - Car	750,029	570,416	1,228,537	144,970	190,162	290,502	938,035	20%
		(91,908)			(44,630)			
Assets held under Ijarah - Equipment	563,369	354,931	826,634	231,837	160,387	312,054	514,580	20%
		(91,666)			(80,170)			
	34,000,307	5,122,788	38,785,655	7,882,889	1,724,216	9,353,450	29,432,205	
		(322,030)			(245,966)			
		(15,410)			(7,689)			

11.2 Property and equipment

Description	2013												
	Cost/ Revalued amount					Accumulated depreciation					Net book value at December 31, 2013	Annual rate of depreciation estimated useful life	
	At January 01, 2013	Additions/ (disposals) / exchange and other adjustments	Revaluation surplus	Reversal due to revaluation	Transfer in / (out)	At December 31, 2013	At January 01, 2013	Charge for the year/ (description on disposal) exchange and other adjustments	Reversal due to revaluation	Transfer in / (out)			At December 31, 2013
(Rupees in '000)													
Land - Freehold	12,057,399	809,296	1,507,217	-	-	14,373,912	-	-	-	-	14,373,912	-	
Land - Leasehold	120,100	-	5,532	-	-	125,632	-	-	-	-	125,632	-	
Buildings on freehold land	6,101,743	1,062,697	592,273	(526,948)	57,731	7,289,486	295,597	213,047	(526,948)	17,544	7,289,486	upto 70 years	
		1,990						760					
Buildings on leasehold land	538,898	1,836	16,465	(14,013)	(493,999)	49,996	181,563	2,007	(14,013)	(170,314)	49,996	upto 50 years	
		809						757					
Leasehold Improvements*	-	225,847	-	-	436,268	663,619	-	154,583	-	152,770	310,115	353,504	3 years
		1,504						2,762					
Furniture and fixture	982,427	97,216	-	-	-	1,072,104	538,266	97,350	-	-	628,341	443,763	10%
		(9,533)						(6,790)					
		1,994						(485)					
Electrical, Computers and office Equipment	7,662,200	790,075	-	-	-	8,369,575	5,536,781	732,143	-	-	6,188,453	2,181,122	10% to 25%
		(88,094)						(84,727)					
		5,394						4,256					
Vehicles	580,209	233,183	-	-	-	742,585	359,677	75,598	-	-	379,173	363,412	20%
		(73,053)						(57,648)					
		2,246						1,546					
Ijarah Assets													
Assets held under Ijarah - Car	285,284	523,090	-	-	-	750,029	61,550	111,509	-	-	144,970	605,059	20%
		(58,345)						(28,089)					
Assets held under Ijarah - Equipment	537,749	150,840	-	-	-	563,369	123,349	155,077	-	-	231,837	331,532	20%
		(125,220)						(46,589)					
	28,866,009	3,894,080	2,121,487	(540,961)	-	34,000,307	7,096,783	1,541,314	(540,961)	-	7,882,889	26,117,418	
		(354,245)						(223,843)					
		13,937						9,596					

* Leasehold Improvements have been classified separately from Buildings on leasehold land.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

11.2.1 The land and buildings of the Bank are revalued in December 2013 by independent valuers (Arch-e-Decon & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. The information relating to location of revalued assets is given in Annexure V. The details of revalued amounts are as follows:

	(Rupees in '000)
Total revalued amount of land	14,499,544
Total revalued amount of buildings	7,339,482

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2014 would have been as follows:

	(Rupees in '000)
Land	5,384,342
Buildings	6,247,292

11.2.2 The gross carrying amount (cost) of fully depreciated assets that are still in use are as follows:

Furniture and fixture	379,266
Electrical, computers and office equipment	4,560,059
Vehicles	417,779
Leasehold Improvements	206,542
Intangible asset	1,483,551

11.2.3 Details of disposal of operating fixed assets

The information relating to disposal of operating fixed assets required to be disclosed as part of the financial statements by the State Bank of Pakistan is given in Annexure IV and is an integral part of these financial statements.

11.3 Intangible asset

Description	2014							
	Cost			Accumulated amortization			Net Book value at December 31, 2014	Useful Life
	At January 01 2014	Additions/ adjustments	At December 31, 2014	At January 01, 2014	Amortization for the year/ adjustments	At December 31, 2014		
	(Rupees in '000)							
Computer software	2,205,379	465,748 (3,485)	2,667,642	1,615,963	359,734 (2,498)	1,973,199	694,443	3 - 7 years
	2,205,379	465,748 (3,485)	2,667,642	1,615,963	359,734 (2,498)	1,973,199	694,443	

Description	2013							
	Cost			Accumulated amortization			Net Book value at December 31, 2013	Useful Life
	At January 01 2013	Additions/ adjustments	At December 31, 2013	At January 01, 2013	Amortization for the year/ adjustments	At December 31, 2013		
	(Rupees in '000)							
Computer software	1,861,486	340,366 3,527	2,205,379	1,352,661	260,424 2,878	1,615,963	589,416	3 - 7 years
	1,861,486	340,366 3,527	2,205,379	1,352,661	260,424 2,878	1,615,963	589,416	

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
12. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency		21,345,333	8,403,945
Income / mark-up accrued on advances and investments - foreign currencies		284,730	192,928
Accrued income, advances, deposits, and other prepayments		1,425,051	1,075,992
Advance taxation (payments less provisions)		3,196,861	6,081,521
Compensation for delayed income tax refunds		265,971	44,802
Non-banking assets acquired in satisfaction of claims	12.1	1,809,891	1,939,184
Unrealized gain on derivative financial instruments	12.2	862,138	1,649,163
Stationery and stamps on hand		39,142	66,910
Prepaid exchange risk fee		225	257
Receivable from the pension fund	36.3	7,263,254	5,854,207
Others		2,187,686	2,729,121
		<u>38,680,282</u>	<u>28,038,030</u>
Less: Provision held against other assets	12.3	1,125,667	1,081,715
		<u>37,554,615</u>	<u>26,956,315</u>

12.1 The market value of non-banking assets with carrying value of Rs. 1,787.280 million (2013: Rs. 1,814.981 million) net of provision as per the valuation reports dated December 31, 2014 amounted to Rs. 2,039.087 million (2013: Based on valuation as of December 31, 2013 Rs. 1,831.591 million).

12.2 Unrealized gain on derivative financial instruments

	Contract / Notional Amount		Unrealized gain	
	2014	2013	2014	2013
(Rupees in '000)				
Unrealized gain on:				
FX Options	-	216,344	-	1,062
Forward exchange contracts	46,863,967	90,769,449	862,138	1,648,101
	<u>46,863,967</u>	<u>90,985,793</u>	<u>862,138</u>	<u>1,649,163</u>
		2014		2013
(Rupees in '000)				

12.3 Provision held against other assets		
Opening balance	1,081,715	1,131,977
Charge for the year	179,595	31,376
Reversal during the year	(102,660)	(83,661)
	76,935	(52,285)
Write off during the year	(8,774)	(40,091)
Exchange adjustments / reclassification	(24,209)	42,114
Closing balance	<u>1,125,667</u>	<u>1,081,715</u>

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2014 and December 31, 2013.

	2014	2013
(Rupees in '000)		
14. BILLS PAYABLE		
In Pakistan	16,500,957	10,113,386
Outside Pakistan	126,743	25,340
	<u>16,627,700</u>	<u>10,138,726</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
		(Rupees in '000)	
15. BORROWINGS			
In Pakistan		52,126,784	30,267,778
Outside Pakistan		7,416,077	8,274,882
		<u>59,542,861</u>	<u>38,542,660</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		52,126,784	30,267,778
In foreign currencies		7,416,077	8,274,882
		<u>59,542,861</u>	<u>38,542,660</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	15.3	10,604,033	8,939,210
Long term financing facility	15.4	4,828,527	3,832,857
Long term financing - export oriented projects scheme	15.5	60,365	213,965
Financing Facility for Storage of Agricultural Produce	15.6	509,061	670,858
		<u>16,001,986</u>	<u>13,656,890</u>
Repurchase agreement borrowings	15.7	25,952,261	16,675,724
		<u>41,954,247</u>	<u>30,332,614</u>
Unsecured			
Borrowings from other financial institution	15.8	4,463,273	2,633,818
Call borrowings	15.9	12,783,248	4,950,256
Overdrawn nostro accounts		342,093	625,972
		<u>17,588,614</u>	<u>8,210,046</u>
		<u>59,542,861</u>	<u>38,542,660</u>

15.3 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 at rates ranging from 5.50% to 6.50% per annum.

15.4 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 at rates ranging from 6.0% to 7.50% per annum.

15.5 These borrowings have been obtained from SBP for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These carry mark at rates ranging from 4.0% to 5.0% per annum.

15.6 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 7 years. These carry mark at rates ranging from 5.50% to 6.50% per annum.

15.7 These carry mark-up rates ranging from 5.25% to 10% per annum (2013: 7.75% to 10.25% per annum) and are secured against government securities of carrying value of Rs. 25,954.744 million (2013: Rs. 16,683.829 million).

15.8 These carry mark-up ranging from 1.20% to 2.0% per annum (2013: 1.20% to 2.20% per annum).

15.9 These carry mark-up ranging from 0.90% to 9.50% per annum (2013: 0.80% to 3% per annum). These are repayable by March, 2015.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	62,126,560	60,524,016
Saving deposits	382,582,290	349,223,728
Current accounts	227,132,866	206,720,753
Margin accounts	4,207,605	3,937,113
	<u>676,049,321</u>	<u>620,405,610</u>
Financial institutions		
Remunerative deposits	7,193,847	8,058,094
Non-remunerative deposits	5,086,352	3,866,582
	<u>12,280,199</u>	<u>11,924,676</u>
	<u>688,329,520</u>	<u>632,330,286</u>
16.1 Particulars of deposits		
In local currency	650,630,167	596,310,639
In foreign currencies	37,699,353	36,019,647
	<u>688,329,520</u>	<u>632,330,286</u>

16.2 Deposits include deposits from related parties amounting to Rs. 17,226.452 million (2013: Rs. 16,547.558 million).

	Note	2014	2013
		(Rupees in '000)	
17. DEFERRED TAX LIABILITY / (ASSET) - NET			
The details of the tax effect of taxable and deductible temporary differences are as follows:			
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	21.1	931,846	957,493
Accelerated tax depreciation		1,391,924	1,236,316
Receivable from pension fund		2,542,139	2,048,974
Surplus / deficit on revaluation of securities	21.2	5,947,082	311,153
		<u>10,812,991</u>	<u>4,553,936</u>
Deductible temporary differences on:			
Provision for bad debts		(21,640)	(19,766)
Provision for post retirement benefits		(394,251)	(332,797)
		<u>(415,891)</u>	<u>(352,563)</u>
		<u>10,397,100</u>	<u>4,201,373</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		10,074,023	1,982,441
Mark-up / return / interest payable in foreign currencies		83,809	98,562
Accrued expenses		7,562,145	7,151,738
Unclaimed dividend		727,878	1,231,216
Staff welfare fund		12,794	18,846
Unrealized loss on derivative financial instruments	18.1	856,591	1,005,305
Provision for employees' compensated absences	36.3	987,060	934,009
Provision for post retirement medical benefits	36.3	1,498,996	1,340,476
Provision for employees' contributory benevolent scheme	36.3	179,409	213,438
Security deposits		346,315	313,323
Branch adjustment account		12,957	193,597
Retention money		22,238	25,004
Insurance payable against consumer assets		213,547	216,959
Unclaimed balances		988,690	993,264
Duties and taxes payable		195,060	839,820
Others		5,868,729	3,506,347
		<u>29,630,241</u>	<u>20,064,345</u>

18.1 Unrealized loss on derivative financial instruments

	Contracts / Notional Amount		Unrealized loss	
	2014	2013	2014	2013
(Rupees in '000)				
Unrealized loss on:				
Fx Options	-	216,344	-	1,062
Forward exchange contracts	50,474,436	61,406,865	856,591	1,004,243
	<u>50,474,436</u>	<u>61,623,209</u>	<u>856,591</u>	<u>1,005,305</u>

19. SHARE CAPITAL

19.1 Authorised Capital

2014	2013		2014	2013
(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

19.2 Issued, subscribed and paid-up capital

2014			2013			2014	2013	
Issued for cash	Issued as bonus share	Total	Issued for cash	Issued as bonus share	Total	(Rupees in '000)		
(Number of shares)								
197,253,795	814,592,340	1,011,846,135	197,253,795	722,606,328	919,860,123	Opening balance	10,118,461	9,198,601
-	101,184,613	101,184,613	-	91,986,012	91,986,012	Shares issued during the year	1,011,846	919,860
<u>197,253,795</u>	<u>915,776,953</u>	<u>1,113,030,748</u>	<u>197,253,795</u>	<u>814,592,340</u>	<u>1,011,846,135</u>	Closing balance	<u>11,130,307</u>	<u>10,118,461</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

		2014	2013
		(Number of Shares)	
19.3	Number of shares held by the associated undertakings as at December 31, are as follows:		
	Adamjee Insurance Company Limited	34,606,587	29,914,034
	Nishat Mills Limited	81,527,891	73,272,629
	D.G. Khan Cement Company Limited	102,277,232	92,979,303
	Din Leather (Private) Limited	6,936,333	6,305,758
	Siddiqsons Limited	14,276,462	12,978,603
	Mayban International Trust (Labuan) Berhad	222,606,147	202,369,225
		<u>462,230,652</u>	<u>417,819,552</u>
	Note	2014	2013
		(Rupees in '000)	
20.	RESERVES		
	Share premium	9,702,528	9,702,528
	Exchange translation reserve	394,507	598,192
	Statutory reserve	20,132,970	17,700,494
	General reserve	18,600,000	18,600,000
		<u>48,830,005</u>	<u>46,601,214</u>
20.1	Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.		
	Note	2014	2013
		(Rupees in '000)	
21.	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
	Surplus / (deficit) arising on revaluation (net of tax) of:		
	- fixed assets	11,240,358	11,287,987
	- available-for-sale securities	11,955,529	1,671,276
		<u>23,195,887</u>	<u>12,959,263</u>
21.1	Surplus on revaluation of fixed assets-net of tax		
	Surplus on revaluation of fixed assets as at January 01	12,245,480	10,179,052
	Surplus / exchange adjustment during the year	-	2,121,487
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year		
	- net of deferred tax	(47,629)	(35,788)
	Related deferred tax liability	(25,647)	(19,271)
		<u>(73,276)</u>	<u>(55,059)</u>
	Surplus on revaluation of fixed assets as at December 31	12,172,204	12,245,480
	Less: Related deferred tax liability on:		
	Revaluation as at January 01	957,493	763,706
	Surplus during the year	-	213,058
	Incremental depreciation charged during the year transferred to profit and loss account	(25,647)	(19,271)
		<u>931,846</u>	<u>957,493</u>
		<u>11,240,358</u>	<u>11,287,987</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
		(Rupees in '000)	
21.2 Surplus / (deficit) on revaluation of available for sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		(51,057)	(286,345)
- Pakistan Investment Bonds		15,875,682	105,418
Listed Securities			
- Shares / Certificates / Units		2,112,015	2,116,420
- Open Ended Mutual Funds		3,957	2,156
- Term Finance Certificates		11,040	27,470
		2,127,012	2,146,046
Sukuk Bonds		(49,026)	17,310
		17,902,611	1,982,429
Add: Related deferred tax (liability) / asset	17	(5,947,082)	(311,153)
		11,955,529	1,671,276
22. CONTINGENCIES AND COMMITMENTS			
22.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring			
Government		15,307,109	6,453,148
Banks and financial institutions		3,895,904	2,347,585
Others		15,334,608	8,533,001
		34,537,621	17,333,734
22.2 Transaction-related contingent liabilities			
Guarantees in favour of			
Banks and financial institutions		-	20,933
Others		2,026,346	1,500,019
Suppliers' credit / payee guarantee		2,235,176	2,489,432
		4,261,522	4,010,384
22.3 Trade-related contingent liabilities		86,547,085	88,195,433
22.4 Other contingencies			
Claims against the Bank not acknowledged as debts		3,393,783	3,035,863
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.			
22.5 Commitments to extend credit			
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.			
22.6 Commitments in respect of forward foreign exchange contracts			
Purchase		47,859,438	72,216,751
Sale		49,478,965	79,959,563
22.7 Commitments for the acquisition of fixed assets		125,438	243,614
22.8 Other commitments			
FX options (notional amount)	23.1 & 23.2		
Purchase		-	216,344
Sale		-	216,344
Forward outright sale of Government Securities		250,000	-
Outright purchase of Government Securities		100,000	-

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

22.9 Taxation

For assessment year 1988-89 through tax year 2012, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs.3,818 million (2013: Rs.4,189 million) which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. No provision has been made in the financial statements regarding the aforesaid additional tax demand and already issued favourable decisions where the department is in appeal, as the management is of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities.

23. DERIVATIVE INSTRUMENTS

Most corporate (counter parties) have either interest rate exposures arising from debt financing or excess liquidity or currency exposures arising out of commercial and business transactions. In the event of a shift in interest or foreign exchange (FX) rates, these corporate may incur higher borrowing costs or higher cash outflows that will adversely affect profitability.

The Bank provides solutions to this conundrum through derivatives. Through this, counter parties will be hedging exposure to adverse price movements in a security, typically when the counterparty has a concentrated position in the security and is acutely exposed to movements in the underlying risk factors. The Bank is in a better position to hedge that risk, and is thus able to provide cost efficient hedging solutions to the counterparties enabling them to concentrate on their business risk.

Other Objectives include:

- contribution to the development of Pakistan financial markets.
- provision of financial solutions to the counterparties.

Risk management is performed at:

- a) Strategic level: By senior management Assets and Liabilities Management Committee (ALCO), Risk Management Committee (RMC) 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.
- b) Macro Level: By Financial Institution Public Sector (FIPS) & Market Risk Management (MRM) Division, responsible for policy formulation, procedure development & implementation, monitoring and reporting.
- c) Micro Level: Treasury Derivatives & Structured Product Desk and Treasury Operations, where risks are actually created.

FIPS & MRM Division is responsible for coordinating for risk management of derivatives.

The risk management system generates marked to market risk numbers (i.e. VaR, PVBP, duration, etc.) of interest rate derivative portfolio. These numbers are reported to senior management on a daily basis.

As per the State Bank of Pakistan's (SBP) regulations, currency options are hedged back to back and thus the risk associated with such transactions are minimal.

Risk Limits

Before initiating any new derivative transaction, Treasury Division requests the FIPS & MRM Division for risk limits. Limit requests are approved by the appropriate level of authority. Presently the Bank has defined notional limits both for the portfolio and the counterparty.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	28,921,508	24,990,221
On investments in:		
Held for trading securities	939	15,541
Available for sale securities	47,052,221	38,442,248
Held to maturity securities	781,608	775,352
	47,834,768	39,233,141
On deposits with financial institutions	31,246	95,220
On securities purchased under resale agreements	448,129	731,612
On money at call	33,337	13,929
	<u>77,268,988</u>	<u>65,064,123</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	30,340,761	23,560,817
Securities sold under repurchase agreements	1,091,677	1,705,713
Other short-term borrowings	1,698,028	1,107,629
Discount, commission and brokerage	498,862	533,513
Others	127,357	288,222
	<u>33,756,685</u>	<u>27,195,894</u>
26. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	(59,593)	37,828
Pakistan Investment Bonds	180,644	193,812
Others		
Shares and units- Listed	2,020,789	1,870,758
Term Finance Certificates	-	27,943
	<u>2,141,840</u>	<u>2,130,341</u>
27. OTHER INCOME		
Rent on property / lockers	165,610	166,055
Net profit on sale of property and equipment	31,120	42,687
Bad debts recovered	65,081	60,522
Compensation on tax refunds	1,127,996	-
Postal, SWIFT and other charges recovered	176,668	180,340
	<u>1,566,475</u>	<u>449,604</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		8,755,227	8,640,410
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	36.7	(831,689)	(1,701,451)
- Post retirement medical benefits	36.7	156,619	187,792
- Employees' contributory benevolent scheme	36.7	28,360	55,269
- Employees' compensated absences	36.7	233,167	146,623
		(413,543)	(1,311,767)
Contributions to defined contribution plan - provident fund		214,712	197,721
Voluntary Separation Scheme	28.1	26,288	1,057,724
Non-executive directors' fees		34,064	31,674
Rent, taxes, insurance and electricity		2,733,375	2,555,281
Legal and professional charges		281,749	272,431
Communications		965,462	861,849
Repairs and maintenance		1,499,203	1,103,210
Stationery and printing		560,661	502,943
Advertisement and publicity		315,109	119,184
Cash transportation charges		550,183	481,736
Instrument clearing charges		139,807	124,667
Donations	28.2	40,000	25,000
Auditors' remuneration	28.3	33,746	32,112
Depreciation	11.2	1,724,216	1,541,314
Amortization of intangible asset	11.3	359,734	260,424
Travelling, conveyance and fuel		315,450	213,763
Subscription		17,775	19,574
Entertainment		129,472	117,750
Training Expenses		35,415	41,376
Petty Capital items		46,151	32,689
Card Related Expenses		298,368	238,147
Outsourced security guards, tea services and janitorial expenses etc		1,682,885	1,333,108
CNIC verification charges		60,487	52,716
Others		205,653	164,933
		<u>20,611,649</u>	<u>18,709,969</u>

28.1 This expense represents Voluntary Separation Scheme (VSS) announced by the Bank for clerical & non-clerical employees. The above expense excludes the payments made under retirement funds.

28.2 None of the directors, executives or their spouses had any interest in the donee. Detail of donations made during the year is as follows:

	2014	2013
(Rupees in '000)		
"Chief Minister's Relief Fund for IDPs North Waziristan – 2014"	40,000	-
Prime Minister's Earthquake Relief Fund 2013, for Baluchistan	-	25,000
	<u>40,000</u>	<u>25,000</u>
28.3 Auditors' remuneration		
Annual Audit fee	12,976	12,128
Fee for audit and other certifications of overseas branches	3,665	4,477
Tax and other sundry services	15,814	14,732
Out-of-pocket expenses	1,291	775
	<u>33,746</u>	<u>32,112</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
29. OTHER CHARGES		
Workers welfare fund	734,589	645,764
VAT and Crop Insurance Levy - Sri Lanka	56,431	57,611
Education cess	16,225	4,693
Impairment / loss on sale of Non-Banking assets	171,766	220,527
	<u>979,011</u>	<u>928,595</u>
30. TAXATION		
For the year		
Current	11,920,022	15,170,974
Deferred	484,669	(4,378,107)
	<u>12,404,691</u>	<u>10,792,867</u>
Prior years		
Current	-	-
Deferred	-	-
	<u>-</u>	<u>-</u>
	<u>12,404,691</u>	<u>10,792,867</u>
30.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	<u>36,729,447</u>	<u>32,288,205</u>
Tax rate	<u>35%</u>	<u>35%</u>
Tax on income	12,855,306	11,300,872
Tax effect on separate block of income (taxable at reduced rate)	(488,086)	(456,439)
Others	37,471	(51,566)
Tax charge for the year	<u>12,404,691</u>	<u>10,792,867</u>

31. CREDIT RATING

PACRA through its notification dated June 26, 2014, has maintained bank's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus].

	2014	2013
	(Rupees in '000)	
32. BASIC AND DILUTED EARNINGS PER SHARE - PRE TAX		
Profit before taxation	<u>36,729,447</u>	<u>32,288,205</u>
	(Number of Shares)	
Weighted average number of shares outstanding during the year	<u>1,113,030,748</u>	<u>1,113,030,748</u>
	(Rupees)	
Basic and diluted earnings per share - pre tax	<u>33.00</u>	<u>29.01</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	24,324,756	21,495,338
	(Number of Shares)	
Weighted average number of shares outstanding during the year	1,113,030,748	1,113,030,748
	(Rupees)	
Basic and diluted earnings per share - after tax	21.85	19.31

* Weighted average number of shares outstanding for 2013 have been restated to give effect of bonus shares issued during the year.

	Note	2014	2013
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	46,753,804	59,946,150
Balances with other banks	7	3,015,624	1,536,946
Overdrawn nostro accounts	15	(342,093)	(625,972)
		49,427,335	60,857,124

	Note	2014	2013
		(Numbers)	
35. STAFF STRENGTH			
Permanent		10,601	10,372
Temporary/contractual basis		88	81
Bank's own staff strength at the end of the year		10,689	10,453
Outsourced	35.1	1,424	1,477
Total staff strength		12,113	11,930

35.1 This excludes outsourced security guards and tea services staff.

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

The Bank operates the following retirement benefits for its employees:

- Pension fund (final salary plan) - funded
- Benevolent scheme - unfunded
- Post retirement medical benefits - unfunded
- Employees compensated absence - unfunded

The plan assets and defined benefit obligations are based in Pakistan.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

36.2 Principal actuarial assumptions

The latest actuarial valuations of the approved pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2014. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%	%	%
Valuation discount rate	11.25	13	11.25	13	11.25	13	11.25	13
Expected rate of return on plan assets	11.25	13	-	-	-	-	-	-
Salary increase rate	10	11	10	11	10	11	10	11
Medical cost inflation rate	-	-	-	-	8.25	13	-	-
Exposure inflation rate	-	-	-	-	3	3	-	-

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

36.3 (Receivable from) / payable to defined benefit plans and other benefits

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2014	2013	2014	2013	2014	2013	2014	2013
		(Rupees in '000)							
Present value of defined benefit obligations	36.5	3,242,851	3,834,422	179,409	213,438	1,498,996	1,340,476	987,060	934,009
Fair value of plan assets	36.6	(10,506,105)	(9,688,629)	-	-	-	-	-	-
Net (receivable) / payable recognised as at the year-end		(7,263,254)	(5,854,207)	179,409	213,438	1,498,996	1,340,476	987,060	934,009

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the present value of medial obligation at December 31, 2014 would be Rs. 98.484 million (2013: Rs. 48.492 million) and Rs. 80.375 million (2013: Rs. 43.458 million) respectively.

36.4 Movement in balance (receivable) / payable

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2014	2013	2014	2013	2014	2013	2014	2013
		(Rupees in '000)							
Opening balance of (receivable) / payable		(5,854,207)	(18,428,483)	213,438	257,089	1,340,476	1,565,634	934,009	594,100
Expense recognised	36.7	(831,689)	(1,701,451)	28,360	55,269	156,619	187,792	233,167	146,623
Employees' contribution		-	-	5,988	7,564	-	-	-	-
Benefits paid		-	-	(68,583)	(101,510)	(187,117)	(234,011)	(353,596)	(370,840)
Other Comprehensive income		(577,358)	(456,171)	206	(4,974)	189,018	(178,939)	173,480	564,126
Refund / withdrawn from fund		-	14,731,898	-	-	-	-	-	-
Closing balance of (receivable) / payable		(7,263,254)	(5,854,207)	179,409	213,438	1,498,996	1,340,476	987,060	934,009

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

36.5 Reconciliation of the present value of the defined benefit obligations

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Present value of obligation as at January 01,	3,834,422	4,259,671	213,438	257,089	1,340,476	1,565,634	934,009	594,100
Current service cost	44,905	53,739	6,372	13,826	13,602	13,773	43,672	36,447
Interest cost	452,099	451,727	23,289	24,760	162,099	173,835	98,437	49,042
Benefits paid	(713,479)	(990,554)	(68,583)	(101,510)	(187,117)	(234,011)	(353,596)	(370,840)
Loss / (gain) on settlement	(115,547)	(23,251)	4,687	24,247	(19,082)	184	91,058	61,134
-(Gain) / loss from change in demographic assumptions	-	22,670	-	5,824	-	39,965	-	(6,687)
-(Gain) / loss from change in financial assumptions	150,701	34,000	21,367	12,141	127,423	30,238	85,132	(62,754)
-Experience (gains) / losses	(410,250)	26,420	(21,161)	(22,939)	61,595	(249,142)	88,348	633,567
	(259,549)	83,090	206	(4,974)	189,018	(178,939)	173,480	564,126
Present value of obligation as at December 31,	3,242,851	3,834,422	179,409	213,438	1,498,996	1,340,476	987,060	934,009

36.6 Changes in fair values of plan assets

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Net assets as at January 01,	9,688,629	22,688,154	-	-	-	-	-	-
Expected return on plan assets	1,213,146	2,183,666	-	-	-	-	-	-
Refund / withdrawn from fund	-	(14,731,898)	-	-	-	-	-	-
Benefits paid	(713,479)	(990,554)	-	-	-	-	-	-
Actuarial gain / (loss)	317,809	539,261	-	-	-	-	-	-
Net assets as at December 31,	10,506,105	9,688,629	-	-	-	-	-	-

36.7 Charge for defined benefit plans and other benefits

The following amounts have been charged to the profit and loss account in respect of defined benefit plans and other benefits:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Current service cost	44,905	53,739	6,372	13,826	13,602	13,773	43,672	36,447
Interest cost	452,099	451,727	23,289	24,760	162,099	173,835	98,437	49,042
Expected return on plan assets	(1,213,146)	(2,183,666)	-	-	-	-	-	-
Contributions employees	-	-	(5,988)	(7,564)	-	-	-	-
Loss / (gain) on settlement	(115,547)	(23,251)	4,687	24,247	(19,082)	184	91,058	61,134
	(831,689)	(1,701,451)	28,360	55,269	156,619	187,792	233,167	146,623

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the aggregate of the current service cost and interest cost components of net period post - employment medical costs would be Rs. 11.498 million (2013: Rs. 6.129 million) and Rs. 9.384 million (2013: Rs. 5.496 million) respectively.

36.8 Actual return on plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Actual return on plan assets	1,530,955	2,722,927	-	-	-	-	-	-

Notes to and forming part of the unconsolidated Financial Statements

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36.9 Composition of fair value of plan assets

	Approved Pension Fund			
	2014		2013	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Listed equity shares	7,330,994	69.78	5,322,463	54.93
Open ended mutual funds units	388,142	3.69	264,434	2.73
Term Finance certificates	98,583	0.94	-	-
Cash and bank balances	2,688,386	25.59	4,101,732	42.34
Fair value of plan total assets	10,506,105	100	9,688,629	100

36.9.1 Fair value of the Bank's financial instruments included in plan assets

Shares of MCB	5,172,094	4,368,136
Bank balance with MCB	2,688,386	4,101,732
	7,860,480	8,469,868

36.10 Other relevant details of above funds are as follows:

	2014	2013	2012	2011	2010
	(Rupees in '000)				
36.10.1 Pension Fund					
Present value of defined benefit obligation	3,242,851	3,834,422	4,259,671	4,262,421	4,217,507
Fair value of plan assets	(10,506,105)	(9,688,629)	(22,688,154)	(19,543,388)	(19,303,801)
(Surplus) / deficit	(7,263,254)	(5,854,207)	(18,428,483)	(15,280,967)	(15,086,294)
Actuarial gain / (loss) on obligation	259,549	(83,090)	20,130	(190,661)	(191,752)
Actuarial gain / (loss) on assets	317,809	539,261	1,194,359	(1,529,469)	(852,657)
36.10.2 Employees' Contributory Benevolent Scheme					
Present value of defined benefit obligation	179,409	213,438	257,089	283,477	314,414
Fair value of plan assets	-	-	-	-	-
	179,409	213,438	257,089	283,477	314,414
Actuarial gain / (loss) on obligation	(206)	4,974	26,335	19,979	(25,282)

Notes to and forming part of the unconsolidated Financial Statements

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	2014	2013	2012	2011	2010
	(Rupees in '000)				
36.10.3 Post Retirement Medical Benefits					
Present value of defined benefit obligation	1,498,996	1,340,476	1,565,634	1,388,970	1,320,933
Fair value of plan assets	-	-	-	-	-
	1,498,996	1,340,476	1,565,634	1,388,970	1,320,933
Actuarial gain / (loss) on obligation	(189,018)	178,939	(129,950)	(19,198)	30,671
36.10.4 Compensated absences					
Present value of defined benefit obligation	987,060	934,009	594,100	535,870	555,792
Fair value of plan assets	-	-	-	-	-
	987,060	934,009	594,100	535,870	555,792
Actuarial gain / (loss) on obligation	(173,480)	(564,126)	(141,920)	(75,701)	(81,138)

36.11 No contribution to the pension fund is expected in the next year.

37. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 7,724 (2013: 7,306) employees where contributions are made by the Bank and employees at 8.33% per annum (2013: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs. 214.712 million (2013: Rs. 197.721 million) in respect of this fund.

38. 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:

	President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Fees	-	-	34,064	31,674	-	-
Managerial remuneration	27,099	23,013	-	-	1,246,044	1,122,733
Bonus and others	29,620	16,913	-	-	680,113	546,861
Retirement benefits	2,232	1,892	-	-	86,409	76,370
Rent & house maintenance	12,054	10,215	-	-	426,033	391,944
Utilities	2,679	2,270	-	-	95,489	86,593
Medical	-	-	-	-	26,062	23,256
Conveyance	-	-	-	-	492,830	444,493
	73,684	54,303	34,064	31,674	3,052,980	2,692,250
Number of persons	1	1	12	12	991	887

38.1. 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 equipments in accordance with the terms of their employment.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits 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 financial statements.

The maturity and repricing profile and effective rates are stated in notes 43.3, 43.4.1 and 43.4.2 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Inter segment elimination	Total
(Rupees in '000)						
2014						
Total income	179,986	10,780,507	37,614,989	8,371,865	-	56,947,347
Total expenses	(70,034)	(1,785,581)	(16,515,761)	(1,846,524)	-	(20,217,900)
Income tax expense	-	-	-	-	-	(12,404,691)
Net income	109,952	8,994,926	21,099,228	6,525,341	-	24,324,756
Segment assets - (Gross of NPL's provision)	454,341	561,720,044	780,056,430	246,612,785	(639,259,776)	949,583,824
Advance taxation (payments less provisions)	-	-	-	-	-	3,196,861
Total assets	454,341	561,720,044	780,056,430	246,612,785	(639,259,776)	952,780,685
Segment non performing loans	-	-	8,261,678	13,646,113	-	21,907,791
Segment specific provision required	-	-	8,217,857	9,931,344	-	18,149,201
Segment liabilities	101,176	514,875,249	702,889,727	215,523,946	(639,259,776)	794,130,322
Deferred tax liability	-	-	-	-	-	10,397,100
Total liabilities - net	101,176	514,875,249	702,889,727	215,523,946	(639,259,776)	804,527,422
Segment return on assets (ROA) (%)	39.61%	1.92%	4.87%	3.54%	-	-
Segment cost of fund (%)	-	9.92%	6.16%	9.35%	-	-

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Inter segment elimination	Total
	(Rupees in '000)					
2013						
Total income	135,559	8,059,020	33,480,427	7,363,861	-	49,038,867
Total expenses	(30,302)	(1,194,453)	(14,452,521)	(1,073,386)	-	(16,750,662)
Income tax expense	-	-	-	-	-	(10,792,867)
Net income	105,257	6,864,567	19,027,906	6,290,475	-	21,495,338
Segment assets - (Gross of NPL's provision)	390,941	494,256,812	694,394,864	202,347,916	(562,513,535)	828,876,998
Advance taxation (payments less provisions)	-	-	-	-	-	6,081,521
Total assets	390,941	494,256,812	694,394,864	202,347,916	(562,513,535)	834,958,519
Segment non performing loans	-	-	9,600,755	13,666,978	-	23,267,733
Segment specific provision required	-	-	9,565,097	9,885,051	-	19,450,148
Segment liabilities	38,582	469,328,689	622,852,777	171,369,504	(562,513,535)	701,076,017
Deferred tax liability	-	-	-	-	-	4,201,373
Total liabilities - net	38,582	469,328,689	622,852,777	171,369,504	(562,513,535)	705,277,390
Segment return on assets (ROA) (%)	34.68%	1.63%	4.89%	3.83%	-	-
Segment cost of fund (%)	-	9.27%	5.41%	8.94%	-	-

Total income = Net markup income + non-markup income

Total expenses = Non Mark up expenses + Provisions

Segment assets and liabilities include inter segment balances.

Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates.

Segment cost of funds have been computed based on the average balances.

41. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its associates, subsidiaries, employee benefit plans and its key management personnel (including their associates) and companies with common directors. The detail of investment in subsidiary companies and associates are stated in Annexure I (note 5 & 6) to these financial statements.

The Bank enters into transactions with related parties in the normal course of business. 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 38 to these financial statements.



Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	Directors		Associates		Subsidiaries		Other related parties		Key management	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(Rupees in '000)										
A. Balances										
Deposits										
Opening balance	931,665	2,863,874	978,408	976,642	24,771	74,461	14,487,517	26,850,559	125,197	46,039
Received during the year	5,719,181	4,273,706	9,719,217	18,859,601	181,926	167,560	53,502,747	61,540,324	1,131,625	1,176,959
Withdrawn during the year	(3,264,626)	(6,205,915)	(8,977,803)	(18,857,835)	(144,406)	(217,250)	(56,067,168)	(73,903,366)	(1,121,798)	(1,097,801)
Closing balance	3,386,220	931,665	1,719,822	978,408	62,291	24,771	11,923,096	14,487,517	135,024	125,197
Advances (secured)										
Opening balance	2,185	2,795	-	-	526,623	485,749	116,584	98,056	67,765	53,865
Additions / adjustments during the year	-	-	-	-	-	40,874	627,390	406,354	16,042	27,569
Repaid during the year	(636)	(610)	-	-	(24,207)	-	(722,056)	(387,826)	(15,135)	(13,669)
Closing balance	1,549	2,185	-	-	502,416	526,623	21,918	116,584	68,672	67,765
Outstanding Balance of credit card	709	545	-	-	-	-	78	2	1,631	2,635
Receivable from Pension fund	-	-	-	-	-	-	7,263,254	5,854,207	-	-

B. Other transactions (including profit and loss related transactions)

	Directors		Associates		Subsidiaries		Other related parties		Key management	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(Rupees in '000)										
Outstanding commitments and contingent liabilities	-	-	11,405	10,805	-	-	656	90,171	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	-	-	7,497,696	5,623,351	-	-
Unrealized gain / (loss) on forward foreign exchange contracts Outstanding	-	-	-	-	-	-	(30,613)	19,424	-	-
Borrowings	-	-	-	-	-	-	4,019,324	3,159,738	-	-
Trade payable	-	-	9,757	7,594	6,541	3,918	5,653	27,433	-	-
Payments for Capital Expenditure	-	-	15,288	23,257	-	-	-	-	-	-
Retention money	-	-	-	-	-	-	6,525	3,612	-	-
Markup payable	14,407	-	8,511	405	256	156	1,178,840	1,071,287	681	80
Advance receivable	-	-	-	-	1,067	-	44,000	58,085	-	-
Markup Receivable	-	-	-	-	8,820	4,630	419	5,121	-	-
Other Receivable	-	-	-	-	41,778	7,381	-	-	-	-
Commission Receivable	-	-	-	-	38,437	25,181	-	-	-	-
Insurance premium paid-net of refund	-	-	482,843	247,803	-	-	-	-	-	-
Insurance claim settled	-	-	39,526	95,645	-	-	-	-	-	-
Markup income on advances	94	125	-	-	26,516	23,665	4,639	7,983	4,162	6,269
Forward contracts during the period	-	-	-	-	-	-	86,645,768	34,665,422	-	-
Repo deals during the period	-	-	-	-	-	-	-	39,742,107	-	-
Rent Income Received	-	-	-	2,025	-	-	-	-	-	-
Dividend Income	-	-	229,390	126,118	101,631	92,392	34,282	159,570	-	-
Capital gain on sale of investments	-	-	-	-	-	-	-	303,215	-	-
Commission income	-	-	757,822	751,069	43,842	38,803	2,935	7,209	-	-
Reimbursement of expenses	-	-	-	-	6,000	12,081	-	-	-	-
Outsourcing service expenses	-	-	115,392	138,229	-	24,550	-	-	-	-
Switch Expense	-	-	-	-	-	26,925	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	24	2,896
Gain / (loss) on sale of fixed assets	-	-	-	-	-	-	-	-	21	(2,307)
Cash sorting expenses	-	-	-	-	-	-	56,678	49,915	-	-
Stationery Expenses	-	-	-	-	-	-	191,482	207,063	-	-
Security guard expenses	-	-	-	-	-	-	321,424	298,394	-	-
Remuneration and non-executive directors fee	107,747	85,977	-	-	-	-	-	-	440,298	311,605
Mark-up expense	60,678	103,394	80,348	56,068	1,893	1,483	906,010	2,095,967	3,686	2,317
Clearing expenses paid to NIFT	-	-	-	-	-	-	138,727	124,315	-	-
Contribution to provident fund	-	-	-	-	-	-	214,712	197,721	-	-
Gas Charges	-	-	-	-	-	-	10,831	10,939	-	-
Miscellaneous expenses and payments	-	-	114,106	153,831	-	-	56,355	117,843	-	-

The details of director's compensations are also given in note 38 to these financial statements.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Applications

The Basel-III Framework is applicable to the bank both at the consolidated level (comprising of wholly/partially owned subsidiaries & associates) and on a stand alone basis. Subsidiaries are included while calculating Consolidated Capital Adequacy for the Bank using full consolidation method whereas associates in which the bank has significant influence on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

42.2 Capital Management

Objectives and goals of managing capital

The Bank manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities;
- retain flexibility to harness future investment opportunities; build and expand even in stressed times.

Statutory minimum capital requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2013. The raise was to be achieved in a phased manner requiring Rs.10 billion paid up capital (net of losses) by the end of the financial year 2013. The paid up capital of the Bank for the year ended December 31, 2014 stands at Rs. 11.130 billion and is in compliance with the SBP requirement.

The capital adequacy ratio of the Bank was subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr. No	Ratio	Year End						As of Dec 31
		2013	2014	2015	2016	2017	2018	31-12-2019
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	*CCB	-	-	0.25%	0.65%	1.275%	1.90%	2.50%
6	Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

- *(Consisting of CET1 only)

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

Bank's regulatory capital is analysed into three tiers.

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves, as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1.
- Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1.

The deduction from Tier 1 Capital include mainly:

- i) Book value of goodwill / intangibles;
 - ii) Deficit on revaluation of available for sale investments
 - iii) Defined-benefit pension fund net assets
 - iv) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
 - v) Investment in mutual funds above a prescribed ceiling;
 - vi) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
 - vii) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position,
- Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and investments up to a maximum of 45 % of the balance and 20% of remaining 55% for 2014 and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2

The deductions from Tier 2 include mainly:

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Bank's management of capital during the year.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

42.3 Capital Adequacy Ratio

	2014	2013
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital	11,130,307	10,118,461
2 Balance in Share Premium Account	9,702,528	9,702,528
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	38,732,970	36,300,494
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	46,947,863	40,552,043
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	106,513,668	96,673,526
10 Total regulatory adjustments applied to CET1 (Note 42.3.1)	2,430,274	1,571,879
11 Common Equity Tier 1	104,083,394	95,101,647
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 42.3.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	104,083,394	95,101,647
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	609,312	499,145
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	6,294,600	5,079,594
29 of which: Unrealized gains/losses on AFS	6,695,096	752,074
30 Foreign Exchange Translation Reserves	394,507	598,192
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	13,993,515	6,929,005
33 Total regulatory adjustment applied to T2 capital (Note 42.3.3)	588,053	735,066
34 Tier 2 capital (T2) after regulatory adjustments	13,405,462	6,193,939
35 Tier 2 capital recognized for capital adequacy	13,405,462	6,193,939
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	13,405,462	6,193,939
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	117,488,856	101,295,586



Notes to and forming part of the unconsolidated Financial Statements For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
39 Total Risk Weighted Assets (RWA) {for details refer Note 42.6}	575,663,052	455,188,687
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	18.08%	20.89%
41 Tier-1 capital to total RWA	18.08%	20.89%
42 Total capital to total RWA	20.41%	22.25%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	5.50%	5.00%
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	12.58%	15.89%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	5.50%	5.00%
49 Tier 1 minimum ratio	7.00%	6.50%
50 Total capital minimum ratio	10.00%	10.00%

Regulatory Adjustments and Additional Information

2014	2013
Amount	Amounts subject to Pre - Basel III treatment

(Rupees in '000)

42.3.1 Common Equity Tier 1 capital: Regulatory adjustments

1 Goodwill (net of related deferred tax liability)	-	-	-
2 All other intangibles (net of any associated deferred tax liability)	897,998	-	836,813
3 Shortfall in provisions against classified assets	-	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
5 Defined-benefit pension fund net assets	944,223	4,721,115	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-
7 Cash flow hedge reserve	-	-	-
8 Investment in own shares/ CET1 instruments	-	-	-
9 Securitization gain on sale	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
15 Amount exceeding 15% threshold	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions*	588,053	-	735,066
22 Total regulatory adjustments applied to CET1	2,430,274	4,721,115	1,571,879

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Regulatory Adjustments and Additional Information		2014	2013
		Amount	Amounts subject to Pre - Basel III treatment
(Rupees in '000)			
42.3.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
24	Investment in own AT1 capital instruments	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	588,053	735,066
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	Total regulatory adjustment applied to AT1 capital *	-	-
*As the Bank has not Tier 1 capital, deduction was made from CET1.			
42.3.3 Tier 2 Capital: regulatory adjustments			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	588,053	735,066
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33	Investment in own Tier 2 capital instrument	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	Total regulatory adjustment applied to T2 capital	588,053	735,066
		2014	2013
(Rupees in '000)			
42.3.4 Additional Information			
Risk Weighted Assets subject to pre-Basel III treatment			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	3,776,892	3,805,233
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)			
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	609,312	499,145
42	Cap on inclusion of provisions in Tier 2 under standardized approach	4,572,704	3,912,455
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

42.4 Capital Structure Reconciliation

Step 1

	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation
	As at 31-12-2014	As at 31-12-2014
(Rupees in '000)		
Assets		
Cash and balances with treasury banks	46,753,804	46,753,804
Balanced with other banks	3,015,624	3,015,624
Lending to financial institutions	1,418,181	1,418,181
Investments	511,137,192	511,137,192
Advances	303,559,480	303,559,480
Operating fixed assets	31,192,588	31,192,588
Deferred tax assets	-	-
Other assets	37,554,615	37,554,615
Total assets	934,631,484	934,631,484
Liabilities & Equity		
Bills payable	16,627,700	16,627,700
Borrowings	59,542,861	59,542,861
Deposits and other accounts	688,329,520	688,329,520
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	10,397,100	10,397,100
Other liabilities	29,630,241	29,630,241
Total liabilities	804,527,422	804,527,422
Share capital	11,130,307	11,130,307
Reserves	48,830,005	48,830,005
Unappropriated profit	46,947,863	46,947,863
Minority Interest	-	-
Total Equity	106,908,175	106,908,175
Surplus on revaluation of assets - net of tax	23,195,887	23,195,887
Total liabilities & equity	934,631,484	934,631,484

Step 2

	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2014	As at 31-12-2014	
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	46,753,804	46,753,804	
Balanced with other banks	3,015,624	3,015,624	
Lending to financial institutions	1,418,181	1,418,181	
Investments	511,137,192	511,137,192	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others	-	-	e
Advances	303,559,480	303,559,480	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	609,312	609,312	g

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

Step 2	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2014	As at 31-12-2014	
(Rupees in '000)			
Fixed Assets	31,192,588	31,192,588	
of which: Intangibles	897,998	897,998	k
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	37,554,615	37,554,615	
of which: Goodwill	-	-	j
of which: Defined-benefit pension fund net assets	7,263,254	7,263,254	l
Total assets	934,631,484	934,631,484	
Liabilities & Equity			
Bills payable	16,627,700	16,627,700	
Borrowings	59,542,861	59,542,861	
Deposits and other accounts	688,329,520	688,329,520	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	10,397,100	10,397,100	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	2,542,139	2,542,139	q
of which: other deferred tax liabilities	7,854,961	7,854,961	r
Other liabilities	29,630,241	29,630,241	
Total liabilities	804,527,422	804,527,422	
Share capital	20,832,835	20,832,835	
of which: amount eligible for CET1	20,832,835	20,832,835	s
of which: amount eligible for AT1	-	-	t
Reserves	39,127,477	39,127,477	
of which: portion eligible for inclusion in CET1 (general reserve & statutory reserve)	38,732,970	38,732,970	u
of which: portion eligible for inclusion in Tier 2	394,507	394,507	v
Unappropriated profit	46,947,863	46,947,863	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	23,195,887	23,195,887	
of which: Revaluation reserves on fixed assets	11,240,358	11,240,358	
of which: Unrealized Gains/Losses on AFS	11,955,529	11,955,529	aa
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	130,104,062	130,104,062	
Total liabilities and equity	934,631,484	934,631,484	

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	11,130,307	(s)
2	9,702,528	
3	-	
4	38,732,970	(u)
5	-	
6	46,947,863	(w)
7	-	(x)
8	106,513,668	
Common Equity Tier 1 capital: Regulatory adjustments		
9	-	(j) - (o)
10	897,998	(k) - (p)
11	-	(f)
12	-	{(h) - (r)} * 20%
13	944,223	{(l) - (q)} * 20%
14	-	(d)
15	-	
16	-	
17	-	
18	-	
19	-	(ab)
20	-	(a) - (ac) - (ae)
21	-	(b) - (ad) - (af)
22	-	(i)
23	-	
24	-	
25	-	
26	-	
27	-	
28	-	
29	588,053	
30	2,430,274	
31	104,083,394	
Additional Tier 1 (AT 1) Capital		
32	-	
33	-	(t)
34	-	(m)
35	-	
36	-	(y)
37	-	

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2
	(Rupees in '000)	
Additional Tier 1 Capital: regulatory adjustments		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39 Investment in own AT1 capital instruments	-	
40 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	588,053	
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to coveredeductions	-	
45 Total of Regulatory Adjustment applied to AT1 capital	-	
46 Additional Tier 1 capital	-	
47 Additional Tier 1 capital recognized for capital adequacy	-	
48 Tier 1 Capital (CET1 + admissible AT1)	104,083,394	
Tier 2 Capital		
49 Qualifying Tier 2 capital instruments under Basel III	-	
50 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
51 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52 of which: instruments issued by subsidiaries subject to phase out	-	
53 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	609,312	(g)
54 Revaluation Reserves eligible for Tier 2	12,989,696	
55 of which: Revaluation reserves on fixed assets	6,294,600	
56 of which: Unrealized Gains/Losses on AFS	6,695,096	portion of (aa)
57 Foreign Exchange Translation Reserves	394,507	(v)
58 Undisclosed/Other Reserves (if any)	-	
59 T2 before regulatory adjustments	13,993,515	
Tier 2 Capital: regulatory adjustments		
60 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	588,053	
61 Reciprocal cross holdings in Tier 2 instruments	-	
62 Investment in own Tier 2 capital instrument	-	
63 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65 Amount of Regulatory Adjustment applied to T2 capital	588,053	
66 Tier 2 capital (T2)	13,405,462	
67 Tier 2 capital recognized for capital adequacy	13,405,462	
68 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69 Total Tier 2 capital admissible for capital adequacy	13,405,462	
70 TOTAL CAPITAL (T1 + admissible T2)	117,488,856	

Notes to and forming part of the unconsolidated Financial Statements

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42.5 Main Features Template of Regulatory Capital Instruments

1	Issuer	MCB Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	MCB
3	Governing law(s) of the instrument	Relevant Capital Market Laws
Regulatory treatment		
4	Transitional Basel III rules	Common equity Tier 1
5	Post-transitional Basel III rules	Common equity Tier 1
6	Eligible at solo/ group/ group & solo	Group & standalone
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,130,307
9	Par value of instrument	PKR 10 per share
10	Accounting classification	Shareholder equity
11	Original date of issuance	1947
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
Coupons / dividends		
17	Fixed or floating dividend/ coupon	Not applicable
18	Coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
Convertible or non-convertible		
23	If convertible, conversion trigger (s)	Not applicable
24	If convertible, fully or partially	Not applicable
25	If convertible, conversion rate	Not applicable
26	If convertible, mandatory or optional conversion	Not applicable
27	If convertible, specify instrument type convertible into	Not applicable
28	If convertible, specify issuer of instrument it converts into	Not applicable
Write-down feature		
29	If write-down, write-down trigger(s)	Not applicable
30	If write-down, full or partial	Not applicable
31	If write-down, permanent or temporary	Not applicable
32	If temporary write-down, description of write-up mechanism	Not applicable
33	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity ranks after all creditors and depositors
34	Non-compliant transitioned features	No
35	If yes, specify non-compliant features	Not applicable

Notes to and forming part of the unconsolidated Financial Statements

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42.6 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

	Capital Requirements		Risk Weighted Assets	
	2014	2013	2014	2013
	(Rupees in '000)			
Credit Risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Corporate portfolio	20,245,752	16,798,503	181,620,569	153,993,395
Banks / DFIs	789,091	607,426	7,078,773	5,568,328
Public sector entities	874,983	829,582	7,849,296	7,604,851
Sovereigns / cash & cash equivalents	789,081	725,599	7,078,684	6,651,630
Loans secured against residential property	142,950	146,302	1,282,379	1,341,164
Retail	1,710,048	1,622,352	15,340,500	14,872,245
Past due loans	353,427	359,457	3,170,522	3,295,180
Operating fixed assets	3,377,023	3,028,063	30,294,590	27,758,525
Other assets	3,377,034	2,323,440	30,294,689	21,299,182
	31,659,389	26,440,724	284,010,002	242,384,500
Off-Balance Sheet				
Non-market related	8,479,176	7,269,044	76,064,982	66,635,984
Market related	96,875	123,285	869,050	1,130,165
	8,576,051	7,392,329	76,934,032	67,766,149
Equity Exposure Risk in the Banking Book				
Listed	387,466	168,971	3,475,876	1,548,974
Unlisted	155,661	141,464	1,396,400	1,296,809
	543,127	310,435	4,872,276	2,845,783
Total Credit Risk	40,778,567	34,143,488	365,816,310	312,996,432
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	6,912,117	2,655,717	86,401,463	33,196,459
Equity position risk	1,835,716	1,134,344	22,946,450	14,179,306
Foreign exchange risk	492,917	177,184	6,161,462	2,214,805
Total Market Risk	9,240,750	3,967,245	115,509,375	49,590,570
Operational Risk				
Capital requirement for operational risks	7,546,989	7,408,135	94,337,367	92,601,685
Total	57,566,306	45,518,868	575,663,052	455,188,687
	2014		2013	
	Required	Actual	Required	Actual
	%	%	%	%
Capital Adequacy Ratio				
CET1 to total RWA	5.50	18.08	5.00	20.89
Tier-1 capital to total RWA	7.00	18.08	6.50	20.89
Total capital to total RWA	10.00	20.41	10.00	22.25

* As SBP capital requirement of 10% (10% in 2013) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

43 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 Risk Management Committee (RMC), 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 process 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 committee convenes regularly to evaluate bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational 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 and forming part of the unconsolidated Financial Statements

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43.1 Credit Risk

Credit risk arises from our dealings with individuals, corporate borrowers, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its lending and investment activities. It stems from Bank's both on and off-balance sheet activities. Credit risk makes up the largest part of the Bank's exposure. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. Organizational structure of this function ensures pre and post-facto management of credit risk. While, Credit Review function provides pre-fact evaluation of counterparties, the Credit Risk Control (CRC) performs post-fact evaluation of financing facilities and reviews clients' performance on an ongoing basis.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-II 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 corporate and commercial borrowers are internally rated. Bank is in the process of continuously improving the system and bringing it inline with the Basel framework requirements.

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.

As a part of credit assessment Bank uses internal rating framework as well as the ratings assigned by the external credit rating agencies, wherever available.

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, being an independent function from the business and operations groups, 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 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 Regulation R-1.

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 made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Please refer note No. 10.5 for reconciliation of changes in specific and general provisions.

Management of Non Performing Loans

The Bank has a Special Asset Management Group (SAMG), which is responsible for management of non performing loans. SAMG 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 all credit exposures including funded and non-funded facilities are subject to stress test. 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.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
43.1.1.2 Segment by sector						
Public / Government	88,409,306	27.43	55,756,607	8.10	39,578,389	17.47
Private	233,908,687	72.57	632,572,913	91.90	186,975,463	82.53
	<u>322,317,993</u>	<u>100</u>	<u>688,329,520</u>	<u>100</u>	<u>226,553,852</u>	<u>100</u>

	2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Public / Government	50,019,400	18.65	47,467,154	7.51	82,894,499	31.23
Private	218,172,858	81.35	584,863,132	92.49	182,533,531	68.77
	<u>268,192,258</u>	<u>100</u>	<u>632,330,286</u>	<u>100</u>	<u>265,428,030</u>	<u>100</u>

43.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	2014		2013	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agriculture, forestry, hunting and fishing	431,506	395,288	507,486	494,680
Mining and quarrying	9,620	9,620	-	-
Textile	4,534,564	4,125,481	4,122,275	4,079,378
Chemical and pharmaceuticals	194,097	194,097	183,434	183,434
Cement	-	-	130,950	130,950
Sugar	235,998	235,998	428,224	428,224
Footwear and leather garments	73,196	73,196	85,595	85,595
Automobile and transportation equipment	24,666	23,847	26,155	25,337
Electronics and electrical appliances	290,996	290,996	374,522	374,522
Construction	92,040	92,040	118,363	118,363
Power (electricity), gas, water, sanitary	2,499	2,499	-	-
Wholesale and retail trade	3,640,093	3,524,368	4,038,560	3,949,429
Transport, storage and communication	596,035	596,035	593,413	589,033
Financial	803,843	803,843	814,600	814,600
Services	355,739	355,239	594,830	590,498
Individuals	2,931,911	2,884,887	3,188,170	3,117,058
Others	7,690,988	4,541,767	8,061,156	4,469,047
	<u>21,907,791</u>	<u>18,149,201</u>	<u>23,267,733</u>	<u>19,450,148</u>

43.1.1.4 Details of non-performing advances and specific provisions by sector

Public/ Government	639,825	-	639,825	-
Private	21,267,966	18,149,201	22,627,908	19,450,148
	<u>21,907,791</u>	<u>18,149,201</u>	<u>23,267,733</u>	<u>19,450,148</u>

Notes to and forming part of the unconsolidated Financial Statements

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43.1.1.5 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan	36,257,450	917,150,509	129,591,721	220,705,725
South Asia	224,687	12,923,675	266,592	5,470,217
Middle East	247,310	4,557,300	245,749	377,910
	<u>36,729,447</u>	<u>934,631,484</u>	<u>130,104,062</u>	<u>226,553,852</u>
	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan	31,708,602	798,416,691	109,635,974	259,694,660
South Asia	327,628	11,314,474	334,864	5,188,358
Middle East	251,975	5,777,206	260,143	545,012
	<u>32,288,205</u>	<u>815,508,371</u>	<u>110,230,981</u>	<u>265,428,030</u>

Total assets employed include intra group items of Rs. NIL (2013: Rs. NIL).

43.1.2 Credit Risk - General Disclosures

The Bank has adopted Standardized approach of Basel II for calculation of capital charge against credit risk in line with SBP's requirements.

43.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company– Vital Information Systems), Fitch, Moody's and Standard & Poors. Credit rating data for advances is obtained from recognized External Credit Assessment Institutions and then mapped to State Bank of Pakistan's Rating Grades.

Type of Exposures for which the ratings from the External Credit Rating Agencies are used by the Bank.

Exposures	JCR-VIS	PACRA	Other (S&P / Moody's / Fitch)
Corporate	Yes	Yes	-
Banks	Yes	Yes	Yes
Sovereigns	-	-	Yes
SME's	Yes	Yes	-

The criteria for transfer public issue ratings onto comparable assets in the banking book and the alignment of the alphanumeric scale of each agency used with risk buckets is the same as specified by the banking regulator SBP in BSD Circular No.8 table 2.3.

Notes to and forming part of the unconsolidated Financial Statements

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Long - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	1
2	A+ A A-	A+ A A-	A+ A A-	A1 A2 A3	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	4
5	B+ B B-	B+ B B-	B+ B B-	B1 B2 B3	B+ B B-	5,6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and Below	CCC+ and below	7

Short - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F1	P-1	A-1+, A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Others	Others	Others	Others	Others

Notes to and forming part of the unconsolidated Financial Statements

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Credit Exposures subject to Standardized approach

Exposures	Rating	2014			2013		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
(Rupees in '000)							
Corporate	1	11,939,397	-	11,939,397	12,965,194	-	12,965,194
	2	11,046,618	-	11,046,618	16,023,019	-	16,023,019
	3,4	2,084,712	-	2,084,712	666,209	-	666,209
	5,6	-	-	-	-	-	-
	Unrated	163,022,996	-	163,022,996	142,722,637	-	142,722,637
Bank	1	22,511,312	-	22,511,312	18,704,638	-	18,704,638
	2,3	708,589	-	708,589	1,263,692	-	1,263,692
	4,5	216,796	-	216,796	527,759	-	527,759
	6	1,126,231	-	1,126,231	18,718	-	18,718
	Unrated	669,757	-	669,757	1,482,555	-	1,482,555
Public Sector Entities in Pakistan	1	23,800,801	-	23,800,801	-	-	-
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	867,906	-	867,906	-	-	-
	Unrated	64,263,893	60,689,337	3,574,555	47,872,322	32,662,619	15,209,703
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash		31,134,075	-	31,134,075	45,126,907	-	45,126,907
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	2,486,790	-	2,486,790	-	-	-
	4,5	3,061,262	-	3,061,262	3,571,381	-	3,571,381
	6	-	-	-	478,848	-	478,848
Unrated	-	-	-	2,361,976	-	2,361,976	
Mortgage		3,663,941	-	3,663,941	3,831,898	-	3,831,898
Retail		20,454,000	-	20,454,000	19,829,660	-	19,829,660

43.1.3 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

43.1.3.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

The Bank has strong policies and processes for collateral valuation and collateral management thus ensuring that collateral valuation happens at regular defined intervals. Collaterals are normally held for the life of exposure. Regular monitoring of coverage of exposure by the collateral and lien/ charge registered over the collaterals is carried out besides ensuring that collateral matches the purpose, nature and structure of the transaction and also reflect the form and capacity of the obligor, its operations, nature of business and economic environment. The Bank mitigates its risk by taking collaterals that may include assets acquired through the funding provided, as well as cash, government securities, marketable securities, current assets, fixed assets, and specific equipment, commercial and personal real estate.

The Standardized Approach of Basel-II guidelines allows the Bank to take benefit of credit risk mitigation of financial collaterals against total exposures in the related loan facilities. As a prudent and conservative measure while calculating capital charge for credit risk of on balance sheet activities, bank has taken only the benefit of Sovereign guarantees.

Notes to and forming part of the unconsolidated Financial Statements

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MCB manages limits and controls concentrations of credit risk as identified, in particular, to individual counterparties and groups, and also reviews exposure to industry sectors and geographical regions on a regular basis. Limits are applied in a variety of forms to portfolios or sectors where MCB considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

Concentration of risk

Out of the total financial assets of Rs. 890,489.176 million (2013: Rs. 774,815.595 million) the financial assets which are subject to credit risk amounting to Rs. 877,078.551 million (2013: Rs. 762,464.749 million). To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 474,684.635 million (2013: Rs. 434,096.855 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 17,604.220 million (2013: Rs. 31,931.448 million) are held by the Bank with the State Bank of Pakistan and central banks of other countries.

43.1.3.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both trading and strategic purposes. The Bank has invested in its subsidiaries and associated companies to achieve long term strategic objectives. As of December 31, 2014 the composition of equity investments, subsidiaries and associated companies is as follows:

Composition of equity investments

Exposures	Held for trading	Available for Sale	Subsidiary and Associates
(Rupees in '000)			
Equity investments – publicly traded	52,330	11,892,874	1,263,723
Equity investments - others	-	206,027	308,905
Total value	52,330	12,098,901	1,572,628

Classification of equity investments

Banks classify its equity investment portfolio in accordance with the directives of SBP as follows:

- Investments - Held for trading
- Investments - Available for sale
- Investments in subsidiaries
- Investments in Associates

Policies, valuation and accounting of equity investments

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than 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 a separate account which is shown in the statement of financial position 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 directly.

Unquoted equity securities 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 audited financial statements.

The cumulative realized gain of Rs. 2,020.789 million has been charged to profit & loss account from sale of equity securities; however unrealized gain of Rs. 2,115.972 million was recognized in the balance sheet in respect of "AFS" equity securities. Further a provision for impairment in value of equity investments amounting to Rs. 2.329 million has been charged to profit and loss account.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

43.2 Market Risk Management

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 Group. Market risk exposure 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, Risk Management Committee of management, ALCO and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk is an independent risk management function that 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 Division seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency in reporting the Bank's market risk profile to the senior management, the Board of Directors and regulator. Market risk management authority, including approval of market risk limits and exposure levels 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 fulfil 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 conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Bank has established a specific Market Risk Limit Policy providing guideline for assuming controlled market risk, its monitoring and management. These Limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Beside 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 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 of both banking and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by the Senior Management and also reported to the SBP.

The Bank is also exposed to interest rate risk both in trading and banking books. Risk numbers along with the marked to market values of government securities held by the Bank's treasury are generated on daily basis. The risk numbers 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.

43.2.1 Foreign Exchange Risk Management

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 is in place. 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 daily basis. Additionally, daily reports are generated to evaluate the exposure in different currencies. Risk management system generates VaR numbers for foreign exchange portfolio to estimate the potential loss under normal conditions. Stress testing of foreign exchange portfolio is also performed and reported to senior management. All these activities are performed on a daily basis.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

	2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	875,350,818	744,485,841	1,701,427	132,566,404
Sri Lankan Rupee	20,767,861	20,785,111	363	(16,887)
United States Dollar	36,554,666	31,176,178	(7,819,739)	(2,441,251)
Pound Sterling	1,040,413	3,791,294	2,743,304	(7,577)
Japanese Yen	40,555	7	(41,686)	(1,138)
Euro	834,523	4,288,991	3,442,493	(11,975)
Other currencies	42,648	-	(26,162)	16,486
	934,631,484	804,527,422	-	130,104,062

	2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	757,862,650	654,735,583	6,922,673	110,049,740
Sri Lankan Rupee	11,049,130	11,099,250	45,462	(4,658)
United States Dollar	44,685,577	31,710,628	(12,854,354)	120,595
Pound Sterling	876,537	3,495,434	2,630,109	11,212
Japanese Yen	10,881	51,448	53,717	13,150
Euro	993,614	4,185,047	3,202,393	10,960
Other currencies	29,982	-	-	29,982
	815,508,371	705,277,390	-	110,230,981

43.2.2 Equity Price Risk

Bank's proprietary positions in the equity instruments expose 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 internal based assumptions. In addition to this Stress Testing and historical scenario analysis on Equities is also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

43.2.3 Country Risk

The world is changing rapidly and interdependencies and inter linkages of banks operating in different countries are ever increasing. Thus the banks having cross border exposures whether on-balance sheet or off-balance sheet are susceptible to the changing conditions in various countries of the world. Therefore, it becomes very important for institutions to effectively manage its cross border exposures to avoid any unfavourable situation.

MCB understands the risks involved in taking cross border exposure and to cater it; Country Risk Policy, in line with SBP guidelines, is already in place. The Policy not only envisages a centralized approach to measure, monitor and manage country risk but also strengthen overall risk management framework in the Bank.

Country Exposure Limits are in place, which broadly capture direct exposure on sovereigns and exposures on foreign domiciled counter parties. Additionally, business product wise sub limits involving cross border exposure are also implemented. Monitoring of these limits is a regular feature of Risk Management.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

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.

	Effective Yield/ Interest rate	2014										Not exposed to Yield/ Interest Risk
		Total	Exposed to Yield/ Interest risk					Above 10 years				
		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												
Cash and balances with treasury banks	0%	4,396,531	-	-	-	-	-	-	-	-	-	42,357,273
Balances with other banks	0.9% to 2.50%	3,015,624	-	-	-	-	-	-	-	-	-	2,203,658
Lendings to financial institutions	5% to 10.35%	1,418,181	-	-	-	-	-	-	-	-	-	-
Investments - net	5.66% to 13.40%	509,564,564	17,072,843	64,470,682	58,504,709	128,806,857	44,281,499	78,203,161	51,618,462	-	-	12,633,601
Advances - net	10.87%	303,559,480	252,678,394	17,370,169	4,508,711	5,895,645	6,554,249	4,351,912	1,434,621	2,607,804	-	26,177,523
Other assets - net		26,177,523	-	-	-	-	-	-	-	-	-	-
		890,469,176	276,375,915	72,828,657	63,013,420	134,702,502	50,835,748	82,555,073	53,053,083	2,607,804	-	83,374,055
Liabilities												
Bills payable		16,627,700	-	-	-	-	-	-	-	-	-	16,627,700
Borrowings	0.9% to 10%	59,542,861	17,371,426	5,297,275	2,750,905	2,708,781	-	-	-	-	-	-
Deposits and other accounts	6.5% to 11.64%	688,329,520	407,951,109	11,440,071	14,664,652	1,400,319	156,796	207,135	-	-	-	236,426,823
Other liabilities		25,748,913	-	-	-	-	-	-	-	-	-	25,748,913
		790,248,994	439,365,583	16,737,346	17,415,557	4,109,100	156,796	207,135	-	-	-	278,803,436
		100,240,182	(162,989,668)	37,888,878	45,597,863	130,593,402	50,678,952	82,347,938	53,053,083	2,607,804	-	(195,429,361)
Off-balance sheet financial instruments												
FX options purchase		47,859,438	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts Purchase		18,624,849	18,156,762	11,046,852	30,975	-	-	-	-	-	-	-
		47,859,438	18,624,849	11,046,852	30,975	-	-	-	-	-	-	-
FX options sale		-	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts sale		49,478,965	28,994,504	3,970,031	-	-	-	-	-	-	-	-
		49,478,965	28,994,504	3,970,031	-	-	-	-	-	-	-	-
		(1,619,527)	(10,369,655)	7,076,821	30,975	-	-	-	-	-	-	-
Off-balance sheet gap												
Total yield / interest risk sensitivity gap		(173,359,323)	39,631,210	62,968,132	45,628,838	130,593,402	50,678,952	82,347,938	53,053,083	2,607,804	-	
Cumulative yield / interest risk sensitivity gap		(173,359,323)	(133,828,113)	(70,859,981)	(25,231,149)	105,362,259	156,041,211	238,389,149	291,442,232	294,050,036	-	

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

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.

Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk							Not exposed to Yield/ Interest Risk			
		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	Above 10 years	
2013 (Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	59,946,150	4,146,998	-	-	-	-	-	-	-	-	55,799,152	
Balances with other banks	1,536,946	484,414	-	-	-	-	-	-	-	-	1,052,532	
Lending to financial institutions	1,224,638	1,224,638	-	-	-	-	-	-	-	-	-	
Investments - net	447,370,091	102,012,978	211,491,020	16,915,652	11,327,089	21,398,565	39,066,342	24,125,404	13,092,611	-	7,940,430	
Advances - net	248,242,965	210,483,644	18,073,299	4,290,733	1,358,361	5,239,720	2,641,480	3,111,616	2,442,367	601,745	16,494,805	
Other assets - net	16,494,805	-	-	-	-	-	-	-	-	-	-	
	774,815,595	318,352,672	229,564,319	21,206,385	12,685,450	26,638,285	41,707,822	27,237,020	15,534,978	601,745	81,286,919	
Liabilities												
Bills payable	10,138,726	-	-	-	-	-	-	-	-	-	-	10,138,726
Borrowings	38,542,660	19,312,395	10,005,135	4,469,005	2,396,684	2,358,641	-	-	-	-	-	
Deposits and other accounts	632,330,286	373,718,728	19,136,275	8,714,275	15,472,801	217,157	219,938	326,664	-	-	214,524,448	
Other liabilities	16,064,197	-	-	-	-	-	-	-	-	-	16,064,197	
	697,075,869	393,031,123	291,141,410	13,183,880	17,869,485	2,575,998	219,938	326,664	-	-	240,727,371	
On-balance sheet gap	77,739,726	(74,678,451)	200,422,909	8,022,505	(5,184,035)	24,062,287	41,487,884	26,910,356	15,534,978	601,745	(159,440,452)	
Off-balance sheet financial instruments												
Foreign exchange contracts Purchase	216,344	-	216,344	-	-	-	-	-	-	-	-	
Cross currency swaps - long position	72,216,751	42,563,683	23,239,215	6,393,853	-	-	-	-	-	-	-	
	72,433,095	42,563,683	23,455,559	6,393,853	-	-	-	-	-	-	-	
Foreign exchange contracts Sale	216,344	-	216,344	-	-	-	-	-	-	-	-	
Cross currency swaps - short position	79,959,563	44,369,336	25,266,531	9,957,417	366,279	-	-	-	-	-	-	
	80,175,907	44,369,336	25,482,875	9,957,417	366,279	-	-	-	-	-	-	
Off-balance sheet gap	(7,742,812)	(1,785,653)	(2,027,316)	(3,563,564)	(366,279)	-	-	-	-	-	-	
Total yield / interest risk sensitivity gap		(76,464,104)	198,395,593	4,458,941	(5,550,314)	24,062,287	41,487,884	26,910,356	15,534,978	601,745	229,437,366	
Cumulative yield / interest risk sensitivity gap		(76,464,104)	121,931,489	126,390,430	120,840,116	144,902,403	186,390,287	213,300,643	228,835,621	229,437,366		

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.

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Reconciliation to total assets	2014 (Rupees in '000)	2013	Reconciliation to total liabilities	2014 (Rupees in '000)	2013
Balance as per balance sheet	934,631,484	815,508,371	Balance as per balance sheet	804,527,422	705,277,390
Less: Non financial assets			Less: Non financial liabilities		
Investments	1,572,628	1,635,928	Other liabilities	3,881,328	4,000,148
Operating fixed assets	31,192,588	28,595,338	Deferred tax liability	10,397,100	4,201,373
Other assets	11,377,092	10,461,510		14,278,428	8,201,521
	44,142,308	40,692,776			
Total financial assets	890,489,176	774,815,595	Total financial liabilities	790,248,994	697,075,869

43.4 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

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 crisis situation. MCB Bank monitors and assesses the impact of increase in NPLs, deposits concentration, deposits withdrawal, decline in earnings, expanded business opportunities, acquisitions and negative reputation, on its liquidity positions. Liquidity Strategy is also in place, to ensure that the Bank can meet its temporal liquidity needs and optimize the contribution towards the profitability of the Bank. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. As per preliminary assessments, the Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio as per Basel III are well within the prescribed limits.

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. MCB Bank also conducts Liquidity Risk Analysis on regular basis. 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 quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling statement of financial position changes. 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 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.

Notes to and forming part of the unconsolidated Financial Statements

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43.4.1 Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

		2014									
		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	Above 10 years	
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks	46,753,804	46,753,804	-	-	-	-	-	-	-	-	
Balances with other banks	3,015,624	3,015,624	-	-	-	-	-	-	-	-	
Lending to financial institutions	1,418,181	1,418,181	-	-	-	-	-	-	-	-	
Investments - net	511,137,192	16,234,092	55,541,660	60,407,842	60,188,404	136,874,636	48,860,762	78,626,653	52,830,525	1,572,628	
Advances - net	303,559,480	74,542,607	73,234,572	46,575,734	32,433,021	22,613,329	19,124,498	24,116,567	8,288,815	2,630,337	
Operating fixed assets	31,192,588	173,663	347,325	520,988	1,041,975	2,083,950	2,083,950	4,167,900	10,419,750	10,353,087	
Deferred tax assets	415,891	5,458	10,915	16,373	54,386	65,491	263,268	-	-	-	
Other assets - net	37,554,615	12,259,607	13,297,311	894,374	2,490,237	-	8,613,086	-	-	-	
	935,047,375	154,403,036	142,431,783	108,415,311	96,208,023	161,637,406	70,332,468	115,524,206	71,539,090	14,556,052	
Liabilities											
Bills payable	16,627,700	16,627,700	-	5,297,275	-	-	-	-	-	-	
Borrowings	59,542,861	31,414,474	17,371,426	11,450,634	2,750,905	2,708,781	-	-	-	-	
Deposits and other accounts	688,329,520	644,377,932	15,891,674	11,450,634	14,845,030	1,400,319	156,796	207,135	-	-	
Deferred tax liabilities	10,812,991	56,455	59,066	52,682	189,985	1,971,757	578,539	4,751,963	2,477,168	675,376	
Other liabilities	29,630,241	13,474,629	3,189,043	5,279,664	2,626,352	3,606,004	478,706	379,352	596,491	-	
	804,943,313	705,951,190	36,511,209	22,080,255	20,412,272	9,686,861	1,214,041	5,338,450	3,073,659	675,376	
Net assets	130,104,062	(551,548,154)	105,920,574	86,335,056	75,795,751	151,950,545	69,118,427	110,185,756	68,465,431	13,880,676	
Share capital	11,130,307										
Reserves	48,830,005										
Unappropriated profit	46,947,863										
Surplus on revaluation of assets - net of tax	23,195,887										
	130,104,062										

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

43.4.1 Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	2013									
	Total	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	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	59,946,150	59,946,150	-	-	-	-	-	-	-	-
Balances with other banks	1,536,946	1,536,946	-	-	-	-	-	-	-	-
Lending to financial institutions	1,224,638	1,224,638	-	-	-	-	-	-	-	-
Investments - net	449,006,019	100,877,118	213,459,894	11,773,577	13,209,949	26,611,921	39,459,204	26,770,124	15,208,304	1,635,928
Advances - net	248,242,965	84,949,035	31,569,858	42,710,236	33,840,507	17,030,056	14,335,825	16,231,895	6,862,033	713,520
Operating fixed assets	28,595,338	150,145	300,290	450,435	900,869	1,801,738	1,801,738	3,603,476	9,008,690	10,577,957
Deferred tax assets	352,563	6,825	13,651	20,476	60,718	81,904	168,989	-	-	-
Other assets - net	26,956,315	7,033,468	8,838,558	1,732,474	2,653,299	-	-	6,698,516	-	-
	815,860,934	255,724,325	254,182,251	56,687,198	50,665,342	45,525,619	55,765,756	53,304,011	31,079,027	12,927,405
Liabilities										
Bills payable	10,138,726	10,138,726	-	-	-	-	-	-	-	-
Borrowings	38,542,660	19,312,395	10,005,135	4,469,605	2,396,684	2,358,841	-	-	-	-
Deposits and other accounts	632,330,286	588,243,176	19,136,275	8,714,275	15,472,801	217,157	219,938	326,664	-	-
Deferred tax liabilities	4,553,936	41,368	9,114	19,953	102,777	378,637	335,693	2,284,833	616,778	764,783
Other liabilities	20,064,345	6,083,397	2,866,485	4,722,981	2,010,004	2,670,442	677,980	271,894	761,162	-
	705,629,953	623,819,062	32,017,009	17,926,814	19,982,266	5,625,077	1,233,611	2,883,391	1,377,940	764,783
Net assets	110,230,981	(368,094,737)	222,165,242	38,760,384	30,683,076	39,900,542	54,532,145	50,420,620	29,701,087	12,162,622
Share capital	10,118,461									
Reserves	46,601,214									
Unappropriated profit	40,552,043									
Surplus on revaluation of assets - net of tax	12,959,263									
	110,230,981									

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

43.4.2 Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

		2014									
		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	Above 10 years	
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks	46,753,804	-	-	-	-	-	-	-	-	-	
Balances with other banks	3,015,624	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	1,418,181	-	-	-	-	-	-	-	-	-	
Investments - net	511,137,192	16,234,092	55,541,660	60,407,842	60,188,404	136,874,636	48,860,762	78,626,653	52,830,525	1,572,628	
Advances - net	303,559,480	42,243,916	39,709,486	27,024,432	11,639,070	53,941,472	52,059,901	56,002,124	18,330,827	2,608,252	
Operating fixed assets	31,192,588	173,663	347,325	520,988	1,041,975	2,083,950	2,083,950	4,167,900	10,419,750	10,363,087	
Deferred tax assets	415,891	5,458	10,915	16,373	54,386	65,491	263,288	-	-	-	
Other assets - net	37,554,615	12,259,607	13,297,311	894,374	2,490,237	-	-	8,613,086	-	-	
	935,047,375	122,104,345	108,906,697	88,864,009	75,414,072	192,965,549	103,267,871	147,409,763	81,581,102	14,533,967	
Liabilities											
Bills payable	16,627,700	-	-	-	-	-	-	-	-	-	
Borrowings	59,542,861	31,414,474	17,371,426	5,297,275	2,750,905	2,708,781	-	-	-	-	
Deposits and other accounts	688,329,520	49,866,453	43,468,710	52,996,330	15,349,942	158,635,417	157,423,589	157,810,537	52,576,542	-	
Deferred tax liabilities	10,812,991	56,455	59,066	52,682	189,985	1,971,757	578,539	4,751,963	2,477,168	675,376	
Other liabilities	29,630,241	13,474,629	3,189,043	5,279,664	2,626,352	3,606,004	478,706	379,352	596,491	-	
	804,943,313	111,439,711	64,088,245	63,627,951	20,917,184	167,121,959	158,480,834	162,941,852	55,650,201	675,376	
Net assets	130,104,062	10,664,634	44,818,452	25,236,058	54,496,888	25,843,590	(55,212,963)	(15,532,089)	25,930,901	13,858,591	
Share capital	11,130,307	-	-	-	-	-	-	-	-	-	
Reserves	48,830,005	-	-	-	-	-	-	-	-	-	
Unappropriated profit	46,947,863	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net of tax	23,195,887	-	-	-	-	-	-	-	-	-	
	130,104,062	-	-	-	-	-	-	-	-	-	

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

43.4.2 Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

2013

	(Rupees in '000)									
	Total	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	Above 10 years
Assets										
Cash and balances with treasury banks	59,946,150									
Balances with other banks	1,536,946									
Lending to financial institutions	1,224,638									
Investments - net	449,006,019	100,877,118	213,459,894	11,773,577	13,209,949	26,611,921	39,459,204	26,770,124	15,208,304	1,635,928
Advances - net	248,242,965	54,755,876	34,665,006	24,564,085	6,087,800	41,703,166	35,809,840	36,780,148	13,192,809	684,235
Operating fixed assets	28,595,338	150,145	300,290	450,435	900,869	1,801,738	1,801,738	3,603,476	9,008,690	10,577,957
Deferred tax assets	352,563	6,825	13,651	20,476	60,718	81,904	168,989			
Other assets - net	26,956,315	7,033,468	8,838,558	1,732,474	2,653,299	-	6,698,516			
	815,860,934	225,531,166	257,277,399	38,541,047	22,912,635	70,198,729	77,239,771	73,852,264	37,409,803	12,898,120
Liabilities										
Bills payable	10,138,726	10,138,726	-	-	-	-	-	-	-	-
Borrowings	38,542,660	19,312,395	10,005,135	4,469,605	2,396,684	2,358,841	-	-	-	-
Deposits and other accounts	632,330,286	49,176,919	55,423,957	33,753,512	15,945,255	143,369,662	143,214,959	143,636,655	47,909,367	-
Deferred tax liabilities	4,553,936	41,368	9,114	19,953	102,777	378,637	335,693	2,284,833	616,778	764,783
Other liabilities	20,064,345	6,083,397	2,866,485	4,722,981	2,010,004	2,670,442	677,980	271,894	761,162	-
	705,629,953	84,752,805	66,304,691	42,966,051	20,454,720	148,777,582	144,228,632	146,193,382	49,187,307	764,783
Net assets	110,230,981	140,778,361	188,972,708	(4,425,004)	2,457,915	(78,578,853)	(66,988,861)	(72,341,118)	(11,777,504)	12,133,337
Share capital	10,118,461									
Reserves	46,601,214									
Unappropriated profit	40,552,043									
Surplus on revaluation of assets - net of tax	12,959,263									
	110,230,981									

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 term 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:

Currently following percentages are being used to distribute the core assets and liabilities among longer term buckets:

Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years
30%	30%	30%	10%

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

43.5 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.

43.5.1 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 during the current year. 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. 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.

44. GENERAL

Comparative information has been reclassified and rearranged in these financial statements for the purpose of better presentation. Below reclassification has been made during the year:

Description	Amount (Rupees in '000)	Reclassified	
		From	To
Finance against foreign bills	898,784	Bills discounted purchased (Advances)	Loans, cash credits, running finances etc (Advances)

45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 12, 2015 has announced a final cash dividend in respect of the year ended December 31, 2014 of Rs. 4.0 per share (2013: Rs. 3.50 per share) and bonus shares of NIL (2013: 10%). These financial statements for the year ended December 31, 2014 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 12, 2015.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Annexure - I

1. Particulars of Investments in listed companies & mutual funds-available for sale

Investee Entities	Note	Number of shares	Paid-up value per share Rupees	Total paid-up/ nominal value (Rupees in '000)	Cost as at December 31, 2014
1 Fully Paid-up Preference Shares					
Azgard Nine Limited		1,160,241	10	11,602	11,602
Aisha Steel Mills Limited		168,286	10	1,683	1,683
Aisha Steel Mills Limited - right shares		84,143	0	-	-
Masood Textile Mills Limited	1.1	5,000,000	10	50,000	50,000
Fully Paid-up Ordinary Shares					
Altern Energy Limited		1,000	10	10	31
Archroma Pakistan Limited		127,550	10	1,276	28,456
Attock Petroleum Limited		1,030,476	10	10,305	436,756
Bank Alfalah Limited		14,720,500	10	147,205	421,625
Bank Al-Habib Limited		10,986,528	10	109,865	336,886
The Bank of Punjab		3,500	10	35	30
Engro Corporation Limited		971,200	10	9,712	214,136
Engro Fertilizers Limited		3,487,500	10	34,875	256,414
Fatima Fertilizer Company Limited		9,673,500	10	96,735	317,440
Fauji Cement Company Limited		500	10	5	10
Fauji Fertilizer Bin Qasim Company Limited		13,926,000	10	139,260	610,433
Fauji Fertilizer Company Limited		7,382,700	10	73,827	632,312
Glaxo Smithkline Pakistan Limited		2,193,000	10	21,930	503,304
Habib Metropolitan Bank Limited		9,546,500	10	95,465	334,882
IGI Insurance Limited		2,117,380	10	21,174	460,881
International Steels Limited		4,530,000	10	45,300	108,174
K-Electric Limited		3,000,000	10	30,000	26,599
Kohat Cement Company Limited		743,000	10	7,430	139,864
Kot Addu Power Company Limited		14,085,500	10	140,855	883,455
Lafarge Pakistan Cement Limited		27,247,000	10	272,470	447,545
Mehr Dastagir Textile Mills Limited		1,616,912	10	16,169	16,169
Murree Brewery Company Limited		3,650	10	37	435
National Bank of Pakistan		6,175,500	10	61,755	386,752
National Foods Limited		13,950	5	70	1,566
National Refinery Limited		527,900	10	5,279	106,767
Nestle Pakistan Ltd Limited		10,782	10	108	68,917
NetSol Technologies Ltd		1,883,500	10	18,835	63,401
Next Capital Limited		1,950,000	10	19,500	19,500
Oil & Gas Development Company Limited		235	10	2	52
Pak Elektron Limited		3,657,000	10	36,570	147,722
Pakistan Oilfields Limited		691,795	10	6,918	351,225
Pakistan Petroleum Limited		2,069,218	10	20,692	454,385
Pakistan State Oil Company Limited		40,400	10	404	14,542
Pakistan Telecommunication Company Limited		2,440,000	10	24,400	58,282
PICIC Growth Fund		16,550,000	10	165,500	457,369
PICIC Investment Fund		13,003,500	10	130,035	189,056
Rafhan Maize Products Limited		25,967	10	260	160,587
Saif Power Limited		7,934,500	10	79,345	260,964
Samba Bank Limited		101	10	1	1
Searle Pakistan Limited		653,600	10	6,536	163,174
Siemens Pakistan Engineering Company Limited		11,280	10	113	13,412
Sui Northern Gas Pipelines Limited		55,126,789	10	551,268	2,205,253
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Food Pakistan Limited		867	10	9	1,364
United Bank Limited		3,875,207	10	38,752	517,652
Zulfiqar Industries Limited		35,117	10	351	3,556
Carrying value before revaluation & provision					11,887,621
Provision for diminution in value of investments					(1,500,664)
Surplus on revaluation of securities					2,112,015
Market value as at December 31, 2014					12,498,972

Annexure - I

Fully Paid-up Ordinary Certificate/ Units of Mutual Funds	Name of Management Company	Number of Units held	Paid-up value per unit (Rupees)	Total paid-up/ nominal value (Rupees in '000)	Cost as at December 31, 2014
National Investments Trust	National Investment Trust Limited	110,602	50	5,530	5,253
Carrying value before revaluation & provision					5,253
Provision for diminution in value of investments					(1,907)
Surplus on revaluation of securities					3,957
Market value as at December 31, 2014					7,303

1.1 These are redeemable after the end of the fourth year from June 2005 at the option of the issuer either in whole or multiples of 10% of outstanding issue at a price of Rs. 10 per share plus any accumulated preference dividend. Dividend rate is 6 months KIBOR + 200 bps per annum.

1.2 Particulars of Investments in listed companies Held for trading

	Number of shares	Paid-up value per share (Rupees)	Total paid up/ nominal value (Rupees in '000)	Cost as at December 31, 2014
Dewan Cement Limited	513,000	10	5,130	4,241
Hascol Petroleum Limited	250,000	10	2,500	19,262
International Industries Limited	97,000	10	970	6,161
Searle Pakistan Limited	71,600	10	716	18,178
United Bank Limited	23,700	10	237	4,488
				52,330

Annexure - I

2. Particulars of Investment held in unlisted companies-available for sale

Company Name	Percentage of holding (%)	Number of shares / certificates held	Cost as at December 31, 2014	Net Asset Value of total investment	Based on audited financial statements as at	Name of Chief Executive
(Rupees in '000)						
Shareholding more than 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
Pak Asian Fund Limited	10.22%	1,150,000	11,500	19,542	Jun 30, 2014	Mr. Ashfaq A. Berdi
First Women Bank Limited	11.58%	23,095,324	63,300	252,702	Dec 31, 2013	Ms. Tahira Raza
Central Depository Company of Pakistan Limited	10.00%	6,500,000	10,000	186,657	Jun 30, 2014	Mr. Mohammad Hanif Jakhura
			84,800			

Shareholding upto 10%

Fully paid up Ordinary Shares/ Certificates/ Units

First Capital Investment Limited						
National Institute of Facilitation		275,000	2,500	3,651	Jun 30, 2014	Mr. Shahzad Jawahar
Technology Private Limited		1,478,227	1,526	93,421	Jun 30, 2014	Mr. M.M. Khan
National Investment Trust Limited		79,200	100	872,874	Jun 30, 2014	Mr. Manzoor Ahmed
SME Bank Limited		1,490,619	10,106	3,892	Sep 30, 2014	Mr. Ihsan ul haq Khan
Islamabad Stock Exchange Limited		3,034,603	30,346	32,702	June 30, 2014	Mr. Imtiaz Haider
Society for Worldwide Inter Fund Transfer (SWIFT)		18	1,738	6,453	Dec 31, 2013	Mr. Gottfried Leibbrandt
Credit Information Bureau of Srilanka		300	23	18,252	Dec 31, 2013	Mr. Gamini Karunaratne
Lanka Clear (Private) Limited		100,000	766	5,513	Mar 31, 2014	Mr. S. B. Weerasooriya
Lanka Financial Services Bureau Limited		100,000	766	777	Mar 31, 2014	Mr. Minindu Rajaratne
Pakistan Agro Storage and Services corporation		2,500	2,500	207,536	Mar 31, 2014	Capt (R) Tariq Masud
Arabian Sea Country Club*		500,000	5,000	-	-	-
Al-Ameen Textile Mills Limited.*		19,700	197	-	-	-
Ayaz Textile Mills Limited.*		225,250	2,252	-	-	-
Custodian Management Services*		100,000	1,000	-	-	-
Musarrat Textile Mills Limited.*		3,604,500	36,045	-	-	-
Sadiqabad Textile Mills Limited.*		2,636,100	26,362	-	-	-
			121,227			

Cost of unlisted shares/ certificates/ units **206,027**

Provision against unlisted shares **(77,070)**

Carrying value of unlisted shares/ certificates/ units **128,957**

* These are fully provided unlisted shares.

Annexure - I

3. Particulars of investments in Term Finance Certificates and Sukuk Bonds- (refer note 9)

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2014	Name of Chief Executive
LISTED TERM FINANCE CERTIFICATES - available for sale							
Askari Bank Limited - issue no. III	50,000	5,000	250,000,000	6 months KIBOR + 2.5% p.a. for first five years & 6 month KIBOR +2.95% for next five years	0.32% of principal amount in the 96 months and remaining principal in four equal semi annual installments starting from the 102nd month from issue.	249,500	Syed Majeedullah Husaini
Bank Alfalah Limited - issue no. IV	100,000	5,000	500,000,000	6 months KIBOR + 2.5% p.a.	0.26% of principal amount in the first 78 months and remaining principal in three semi -annual installments starting from the 84th month.	499,000	Mr. Atif Bajwa
Allied Bank Limited - issue no. II	37,000	5,000	185,000,000	6 months KIBOR + 0.85% p.a. for first five years & 6 months KIBOR+1.30% for next 5 years.	0.38% of principal amount in the first 114 months and remaining principal will be paid at maturity	182,153	Mr. Tariq Mahmood
Carrying value before revaluation						930,653	
Surplus on revaluation of securities						11,040	
Market value of listed TFCS (revalued amount)						941,693	
SUKUK BONDS - available for sale							
	Terms of Redemption			Rate of Interest	Currency		
	Principal	Interest					
Government of Pakistan Ijara Sukuks	At maturity	Half-yearly		6-Month MTB Auction Weighted Average Yield.	PKR	3,715,236	
Deficit on revaluation of securities						(49,026)	
Market value of Sukuk bonds						3,666,210	

Annexure - I

TERM FINANCE CERTIFICATES - held to maturity

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at	Name of Chief Executive
						December 31, 2014	
			(Rupees)				(Rupees in '000)
Bank Alfalah Limited - issue no. V	100,000	5,000	500,000,000	6 months KIBOR + 1.25% p.a.	0.3% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity. First maturity in the 96th month	481,921	Mr. Atif Bajwa
Bank Al Habib Limited - issue no. IV	20,000	5,000	100,000,000	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each	99,860	Mr. Abbas D. Habib
Allied Bank Limited - issue no. II	46,400	5,000	232,000,000	6 months KIBOR + 0.85% p.a. for first five years & 6 months KIBOR+1.30% for next 5 years.	0.38% of principal amount in the first 114 months and remaining principal will be paid at maturity	231,536	Mr. Tariq Mahmood
Askari Bank Limited - issue no. V	120,000	5,000	600,000,000	6 months KIBOR + 1.20% p.a	0.36% of principal amount in the first 108 months and remaining principal in 2 equal semi annual installments of 49.82% each.	600,000	Syed Majeedullah Husaini
NIB Bank Limited	60,000	5,000	300,000,000	6 months KIBOR + 1.15% p.a.	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.	299,940	Mr. Atif R. Bokhari
Azgard Nine Limited	13,878	5,000	69,390,000	NIL	In 7 semi-annual installments starting from 24th month	69,390	Mr. Ahmed Shaikh
Shakarganj Mills Limited	16,000	5,000	80,000,000	6 month KIBOR +2.25% p.a. from March 2012	In 10 equal semi-annual installments starting from March 2012 .	40,000	Mr. Ahsan Saleem
Pakistan Mobile Communication Limited	200,000	5,000	1,000,000,000	3 month KIBOR +2.65% p.a.	In 17 equal quarterly installments starting from 12th month after first disbursement and subsequently every three months.	470,588	Mr. Jeffery Hedberg
Carrying value of TFCs - HTM						2,293,235	

The above excludes unlisted term finance certificates, debentures, bonds and participation term certificates of companies which are fully provided for in these financial statements.

Annexure - I

4. Details of Bonds, Debentures and Federal Government Securities (refer note 9) - held to maturity

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency Amount (’000)	Carrying value as at December 31, 2014 (Rupees in ’000)
	Principal	Interest				
Debentures						
Bank of Ceylon	At maturity	Half-yearly	Weighted Average Six Month T Bill Rate (Before Tax) + 0.75 %	LKR	250,000	191,475
Sampath Bank	At maturity	Half-yearly	13.40%	LKR	64,610	49,485
NDB Bank	At maturity	Half-yearly	13.40%	LKR	62,760	48,068
Richard Pieris & Company PLC	At maturity	Half-yearly	10.75%	LKR	43,500	33,317
Siyapatha Finance Limited	At maturity	Half-yearly	8.90%	LKR	100,000	76,590
Commercial papers						
Singer (Sri Lanka) PLC	At maturity	Half-yearly	9.00%	LKR	265,243	203,150
Development Bonds						
Government of Sri Lanka	At maturity	Half-yearly	6 Month LIBOR + 400 BP	LKR	793,680	607,880
Sukuk Bonds						
Maple Leaf Cement Factory Limited Sukuk Bonds	In 8 unequal semi-annual installments.	Half-yearly	6 Month KIBOR+1.70%	PKR	-	203,109
Quetta Textile Mills Limited Sukuk Bonds	In 12 equal semi-annual installments.	Half-yearly	6 Month KIBOR+1.50%	PKR	-	41,380
					-	244,489
Euro Bonds						
Pakistan Euro Bonds	At maturity	Half-yearly	7.125% & 6.875	US\$	22,729	2,283,917

5. Investment in subsidiaries

Details of the Bank's subsidiary companies are as follows:

Name	% of holding	Country of incorporation	Year of incorporation
MCB Financial Services Limited	* 99.99	Pakistan	1992
MNET Services (Private) Limited	* 99.95	Pakistan	2001
MCB Trade Services Limited	100	Hong Kong	2005
MCB - Arif Habib Savings & Investments Limited	51.33	Pakistan	2005
"MCB Leasing" Closed Joint Stock Company	95	Azerbaijan	2009

* Remaining shares are held by certain individuals as nominees of the Bank.

6. Summarized financial information of associated undertakings (refer note 9)

The gross amount of assets, liabilities, revenue, profit and net assets of associated undertakings are as follows:

Name of associated undertaking	Country of incorporation	Assets	Liabilities	Net assets	Revenue	Profit / (loss) after tax	% of interest held
		(Rupees in ’000)					
2014							
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2014)	Pakistan	251,701	36,670	215,031	258,208	3,615	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2014)	Pakistan	29,831,228	16,202,619	13,628,609	4,613,013 *	1,388,740	29.13%
2013							
Euronet Pakistan (Private) Limited (audited based on December 31, 2013)	Pakistan	249,379	37,962	211,417	266,718	25,823	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2013)	Pakistan	27,321,610	14,457,637	12,863,973	4,099,609 *	1,735,188	29.13%

* Represents net premium revenue

Islamic Banking Business Report of Shari'ah Advisor

ANNEXURE - II

The Shareholders of MCB Bank Limited

The year under review was 2014 of Banking Operations, MCB Islamic banking Group (MCB IBG). The fundamental objectives of Islamic Banking Group is to design & provide unique Shari'ah compliant efficient products & services.

A lot of work is being done on existing and new liability & assets side products, catering financial needs & demand of all walk of society, are in finalization stage.

During the year, MCB IBG developed and executed a number of Islamic Commercial Banking products in consultation with the Shari' ah Advisor of the Bank. Currently the Bank is offering a number of Shari' ah Complaint Banking Products on both asset and liability sides which include:

LIABILITY SIDE:

For general deposits and treasury functions (Based on Islamic contract of Mudarabah & Qard):

Existing Products:

- Hifazat Saving Account (A Mudarabah based Saving Account Product for general depositors, corporate entities, NBFIs & non-banking financial intuitions and mutual funds).
- Hifazat Plus Saving Account (A Slab based Mudarabah Saving Account Product for general depositors, corporate entities, NBFIs & non-banking financial intuitions and mutual funds).
- Aasoodgi one year Term Deposits Receipt (TDR) for senior citizens and widows.
- Na'mat Term Deposit Account (A Mudarabah based Term Deposits Receipt (TDR) Product for general depositors, corporate entities, non-banking financial intuitions and mutual funds).
- Hidayat Current Account (A Qard based Term Current Account for general depositors, corporate entities, non-banking financial intuitions and mutual funds).

NEW VARIANT OF ALREADY DEVELOP ASSET SIDE PRODUCTS:

- Flee Car Ijarah for Blue Chip Corporate Customers
- Foreign Currency Import Financing (FCIF) through Spot Murabaha for Shipbreaking Industry.
- Local Currency Financing through Spot Murabaha for Shipbreaking Industry.
- Diminishing Musharakah Based Commercial Vehicles Financing for Corporate Customers and Modaraba Sector.

ASSETS SIDE:

Existing Products:

- **Corporate Banking products (Based on Islamic contracts of Murabaha, Ijarah, and Musharakah-Shirkat-ul-Milk & Shirkat-ul-Aqd)**
 - Maeeshat Murabaha (A Murabaha based facility for working capital finance)
 - Running Finance Musharaka
 - Spot Payment Murabaha facility specially designs for shipbreaking industry.
 - Pre-shipment Export Financing (An Istisna based facility to finance to finance manufacturing of export consignment)
 - For Medium & Long Term Finance for Plant, Machinery & Equipment
 - Rafaqat Musharaka Financing (A Musharakah based facility for tangible asset financing)
 - San' at Equipment Ijarah (An Ijarah based facility for tangible assets financing)
 - Salam Car Ijarah (An Ijarah based motor vehicles financing product)
 - Islamic Export Refinance Scheme (IERS)
- **Trade Finance Facilities:**
 - Bar'aamad Export Financing (A Musharaka based Shari' ah Complaint alternative for conventional banking Foreign Bill Purchased (FBP) Product.
 - Letters of Credit (Sight & Usance) local and foreign.
- **Kafalat Bank Guarantee (Non funds based facility to issue different guarantees based on Islamic contract of Kafalah):**

CHARITY

The opening balance of undistributed charity was PKR 2,877,000/- During the year under review, PKR 21,804,000/- received from customers on account of charity due to late payments of Bank dues and disbursed PKR 5,000,000/- to registered charitable institutions. The closing balance of undistributed charity is PKR 19,681,000/-.

SHARI'AH COMPLIANCE

During the year, I visited Islamic Banking Branches and observed its general banking operational activities from Shari' ah perspective which I found satisfactory. These activities included basic Shari' ah Knowledge of staff members, display of profit sharing ratio & weightages of various deposit types for the next month, display of profit rates of previous month, timely distributed of profit

ANNEXURE - II

to depositors, Shari' ah compliance of account opening forms etc. Relevant reports have also been issued by the undersigned from time to time. During the year, I also reviewed/verified the assignment of weightages to various depositors, calculation of profit on monthly basis and its' distribution, application of profit and loss sharing ratios to distributable profit and allocation of funds, which were found satisfactory from Shari' ah perspective. I have also reviewed all credit & Trade transactions executed by the branches and found that the transactions were done as per the approved/suggested mechanism. However, while carrying out the Shari' ah compliance process, the following observations are made to further improve the Shari' ah compliance of the transactions:

1. In some Murabaha cases, I advised that soon after the goods are procured by the customers as bank's agent, offer & acceptance should be executed without allowing any further period to the customers, because at this particular stage, all risk pertaining to ownership of asset remains with the bank. In case, the asset is not insured, and faces partial/full destruction within this grace period, bank shall have to bear the loss, as it may lead to expose Shari' ah/bank risks.
2. Though, the bank has started the process of making Takaful arrangement instead of conventional insurance, yet Islamic Banking Portfolio must continue the conversion of conventional insurance into Takaful arrangement.

3. Although, few training programs were arranged but I would like to suggest that Long tenure extensive training program should be arranged for IBG and Islamic windows staff for better understanding of Islamic banking products & services.
4. Staff Provident Fund of Islamic Banking Group should be managed under Shari' ah guidelines & invested in Shari' ah complaint avenues.

I would like to take this opportunity to offer praise to Almighty Allah and seek his guidance and Tawfeeq, and to express my 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.

Regards,



Dr. Muhammad Zubair Usmani
Shari'ah Advisor
MCB Islamic Banking Group
21st Floor, MCB Tower,
I.I Chundrigar Road, Karachi
Dated: February 03, 2015

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ISLAMIC BANKING BUSINESS

The Bank is operating 27 Islamic banking branches at the end of December 31, 2014 (2013: 27 branches).

Statement of Financial Position

As at December 31, 2014

	2014	2013
Note	(Rupees in '000)	
ASSETS		
Cash and balance with treasury banks	611,058	609,797
Balance with other banks	-	-
Due from financial institution	-	-
Investments - net	3,707,589	2,817,667
Islamic financing & related assets	13,768,034	11,207,333
Operating fixed assets	2,175,818	1,632,910
Deferred tax assets	-	-
Other assets	67,535	90,592
	20,330,034	16,358,299
LIABILITIES		
Bills payable	96,574	107,938
Due to financial institution	515,200	682,770
Deposits and other accounts		
- Current accounts	1,127,464	1,302,177
- Saving accounts	1,978,248	2,391,100
- Term deposits	3,122,950	2,765,346
- Others	29,847	96,641
Deposits from financial institution - remunerative	4,728,287	4,609,453
Deposits from financial institution - non- remunerative	12	12
Due to head office	6,427,402	1,898,328
Deferred tax liability	-	-
Other liabilities	541,245	729,272
	18,567,229	14,583,037
	1,762,805	1,775,262
REPRESENTED BY		
Islamic banking fund	1,500,000	1,500,000
Other reserves	-	-
Unappropriated profit	243,462	257,952
	1,743,462	1,757,952
Surplus on revaluation of assets - net of tax	19,343	17,310
	1,762,805	1,775,262
Remuneration to Shariah Advisor / Board	2,150	1,944
CHARITY FUND		
Opening balance	2,877	6,892
Additions during the year		
Received from customers on delayed payments	20,919	8,208
Profit on charity saving account	885	277
	21,804	8,485
Payments / utilization during the year		
Social welfare	(2,000)	(1,000)
Health	(2,000)	(500)
Education	(1,000)	(1,000)
Relief and disaster recovery	-	(10,000)
	(5,000)	(12,500)
Closing balance	19,681	2,877

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ISLAMIC BANKING BUSINESS

Profit and Loss Account

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
Income / return / profit earned	1,237,058	1,120,157
Income / return / profit expensed	807,047	655,873
	430,011	464,284
Provision against loans and advances - net	21,136	(129)
Provision for diminution in the value of investments	(21,136)	-
Bad debts written off directly	-	-
	-	(129)
Net profit / income after provisions	430,011	464,413
Other income		
Fee, commission and brokerage income	510,037	392,592
Dividend income	-	-
Income from dealing in foreign currencies	16,137	14,546
Other income	38,685	22,295
Total other income	564,859	429,433
	994,870	893,846
Other expenses		
Administrative expenses	750,350	635,888
Other provisions / write offs	-	-
Other charges	1,058	6
Total other expenses	751,408	635,894
Extra ordinary / unusual items	-	-
Profit before taxation	243,462	257,952
Taxation - Current	-	-
- Prior years	-	-
- Deferred	-	-
	-	-
Profit after taxation	243,462	257,952

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ISLAMIC BANKING BUSINESS Cash Flow Statement

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
Cash flows from operating activities		
Profit before taxation	243,462	257,952
Less: Dividend income	-	-
	243,462	257,952
Adjustments for non-cash charges		
Depreciation on fixed assets	396,904	305,718
Provision against loans and advances - net	21,136	(129)
Provision / (reversal) for diminution in the value of investments - net	(21,136)	-
Gain on disposal of fixed assets - net	(2,256)	(2,135)
	394,648	303,454
	638,110	561,406
(Increase) / decrease in operating assets		
Islamic Financing & Related Assets	(2,581,837)	(1,299,413)
Other assets - net	23,057	1,791
	(2,558,780)	(1,297,622)
Increase / (decrease) in operating liabilities		
Bills payable	(11,364)	19,474
Due to Financial Institution	(167,570)	101,719
Deposits and other accounts	(177,921)	1,542,550
Other liabilities	(188,028)	370,501
	(544,883)	2,034,244
	(2,465,553)	1,298,028
Income tax paid	-	-
Net cash flows from operating activities	(2,465,553)	1,298,028
Cash flows from investing activities		
Net investments in 'available-for-sale' securities	(1,009,253)	(1,027,120)
Net investments in 'held-to-maturity' securities	74,131	173,278
Due to Head office	4,529,075	8,353
Profit remitted to Head Office	(257,952)	(118,380)
Sale proceeds of operating fixed assets disposed off	61,025	111,171
Investment in operating fixed assets	(930,212)	(743,707)
Net cash flows from investing activities	2,466,814	(1,596,405)
Cash flows from financing activities		
Injection of capital	-	200,000
Net cash flows from financing activities	-	200,000
Increase / (decrease) in cash and cash equivalents	1,261	(98,377)
Cash and cash equivalents at beginning of the period	609,797	708,174
Cash and cash equivalents at end of period	611,058	609,797

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ISLAMIC BANKING BUSINESS

Notes to the annexure II

For the year ended December 31, 2014

		Notes	2014 (Rupees in '000)	2013
A-II.1	Islamic Financing and Related Assets			
	Murabaha	A-II.1.1	12,097,673	9,500,229
	Ijarah	A-II.1.2	108,984	268,721
	Diminishing Musharakah	A-II.1.3	1,679,147	1,535,016
	Gross advances		13,885,804	11,303,966
	Provision held		(117,770)	(96,633)
			13,768,034	11,207,333
A-II.1.1	Murabaha			
	Financing/Investments/Receivables		4,534,519	4,162,888
	Advances		1,036,720	756,568
	Assets/Inventories		6,526,434	4,580,773
	Others		-	-
			12,097,673	9,500,229
A-II.1.2	Ijarah			
	Financing/Investments/Receivables		-	-
	Advances		108,984	268,721
	Assets/Inventories		-	-
	Others		-	-
			108,984	268,721
A-II.1.3	Diminishing Musharakah			
	Financing/Investments/Receivables		1,554,785	1,305,563
	Advances		124,362	229,453
	Assets/Inventories		-	-
	Others		-	-
			1,679,147	1,535,016
A-II.2	Type of unrestricted investments/ PLS deposits			
			2014	2013
			(Rupees in '000)	
	Savings accounts		4,029,535	2,422,553
	Term Deposits		5,799,950	7,343,346
			9,829,485	9,765,899

A-II.2.1 Funds of unrestricted investment / PLS deposit account holders and their equivalent have been considered as redeemable capital for the purpose of financial accounting and reporting. All the Redeemable capital by the bank is in Pakistan Rupee.

A-II.3 Rights, obligations and conditions

(a) Rights

It is the right of Unrestricted Investment Accounts/ PLS Deposit Accounts to know

- (i) that the pool to which their deposit is to be allocated is identified at the time of accepting the deposit.
- (ii) that their deposits are invested in earning assets i.e. financing, investment etc. Such deposits shall not be invested in non-trading fixed and other assets i.e. land, building, furniture fixtures, computers and IT systems etc.
- (iii) that the Mudarib (Bank) may comingle its own equity (available in liquid/cash form) with the depositor's funds in a pool.
- (iv) the percentage of Mudarib Share for period concerned and at least two previous periods in each category of deposits.
- (v) the weightages assigned to each category of deposits for period concerned and at least two previous periods.

(b) Obligations

- (i) Unrestricted/PLS Deposit account holders are responsible for risk of the pools in which their deposits is invested.
- (ii) In case of loss, the loss is distributed according to the investment ratio among the Unrestricted investment/ PLS deposits account holders.

(c) Conditions

Premature withdrawals of fixed deposits is allowed as per the approved conditions.

A-II.4 MCB Islamic Banking Division is maintaining following pools for profit declaration & distribution.

- I) General Pool
- II) IERS Musharakah Pool
- III) AAFM Pool
- IV) AAFM FCIF Pool Shipbreaking I
- V) AAFM FCIF Pool Shipbreaking II
- VI) AAFM FCIF Pool Shipbreaking III

Features, risks & rewards of each pool are given below:

I) General Pool

a) Priority of utilization of Funds in the general pool shall be

- Depositor Funds
- Placements/ Investments of other IBI
- Mudaraba placements of MCB (Principal Office)
- Equity Funds

b) Weightages for distribution of profit in general pool

Assignment of weight-age for profit distribution to different type of profit bearing sources of funds is as follows:

- While considering weight-ages emphasis shall be given to the quantum, type and the period of risk assessed by following factors.
- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk
- Weight-ages for general pool shall be determined & declared on monthly basis prior to commencement of next month's business in order to provide an opportunity to the customers/ fund providers to exercise their option of either to keep or withdraw their deposits/ funds.

Any change in profit sharing weight-age of any category of deposit/ fund providers shall be applicable from the next month.

ANNEXURE - II

c) Identification and allocation of pool related income & expenses

The allocation of income and expenses to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenses shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by MCB IBIs as Mudarib. The direct expenses to be charged to the pool may include depreciation of Ijarah assets, cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc., impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; MCB IBIs 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.

d) Parameters associated with risk & rewards

Following are the consideration attached with risk & 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 withdrawals of deposits according to the maturities affecting the deposit base.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of Islamic Banking Branches & MCB-IBD.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

II) IERS Musharaka Pool

All the features and other detail of this pool are in accordance with the SBP IERS Scheme and all circulars and instructions issued from time to time in this regard.

III) AAFM Pool

a) Priority of utilization of Funds in the AAFM pool shall be

- Mudaraba placements of MCB (Principal Office)
- Equity Funds

b) Weightages for distribution of profit in AAFM pool

Assignment of weight-age for profit distribution to different type of profit bearing sources of funds is as follows:

- While considering weight-ages emphasis shall be given to the quantum, type and the period of risk assessed by following factors.
- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk
- Weight-ages for AAFM pool shall be determined & declared on monthly basis prior to commencement of next month's business in order to provide an opportunity to the customers/ fund providers to exercise their option of either to keep or withdraw their deposits/ funds.

Any change in profit sharing weight-age of any category of deposit/ fund providers shall be applicable from the next month.

c) Identification and allocation of pool related income & expenses

The allocation of income and expenses to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenses shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by MCB IBIs as Mudarib. The direct expenses to be charged to the pool may include depreciation of Ijarah assets, cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc, impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; MCB IBIs 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.

ANNEXURE - II

d) **Parameters associated with risk & rewards**

Following are the consideration attached with risk & reward of AAFM 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 withdrawals of deposits according to the maturities affecting the deposit base.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of Islamic Banking
- Branches & MCB-IBD.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

IV) **AAFM FCIF Shipbreaking Pool - I**

a) **Priority of utilization of Funds in the AAFM FCIF Shipbreaking Pool - I shall be**

- Mudarabah placements of MCB (Principal Office)
- Equity Funds

b) **Weightages for distribution of profit in AAFM FCIF Shipbreaking Pool - I**

Assignment of weight-age for profit distribution to different type of profit bearing sources of funds is as follows:

- While considering weight-ages emphasis shall be given to the quantum, type and the period of risk assessed by following factors.
- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk
- Weight-ages for AAFM FCIF Shipbreaking Pool - I shall be determined & declared on monthly basis prior to commencement of next month's business in order to provide an opportunity to the customers/ fund providers to exercise their option of either to keep or withdraw their deposits/ funds.

Any change in profit sharing weight-age of any category of deposit/ fund providers shall be applicable from the next month.

c) **Identification and allocation of pool related income & expenses**

The allocation of income and expenses to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenses shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by MCB IBIs as Mudarib. The direct expenses to be charged to the pool may include insurance / Takaful expenses of pool assets, stamp fee or documentation charges etc., impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; MCB IBIs 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.

d) **Parameters associated with risk & rewards**

Following are the considerations attached with risk & reward of AAFM FCIF Shipbreaking Pool - I:

- 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 withdrawals of deposits according to the maturities affecting the deposit base.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of Islamic Banking Branches & MCB-IBD.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.

ANNEXURE - II

- SBP rules & Shariah Clearance.

V) AAFM FCIF Shipbreaking Pool - II

a) Priority of utilization of Funds in the AAFM FCIF Shipbreaking Pool - II shall be

- Mudarabah placements of MCB (Principal Office)
- Equity Funds

b) Weightages for distribution of profit in FCIF Shipbreaking Pool - II

Assignment of weight-age for profit distribution to different type of profit bearing sources of funds is as follows:

- While considering weight-ages emphasis shall be given to the quantum, type and the period of risk assessed by following factors.
- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk
- Weight-ages for AAFM FCIF Shipbreaking Pool - II shall be determined & declared on monthly basis prior to commencement of next month's business in order to provide an opportunity to the customers/ fund providers to exercise their option of either to keep or withdraw their deposits/ funds.

Any change in profit sharing weight-age of any category of deposit/ fund providers shall be applicable from the next month.

c) Identification and allocation of pool related income & expenses

The allocation of income and expenses to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenses shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by MCB IBIs as Mudarib. The direct expenses to be charged to the pool may include insurance / Takaful expenses of pool assets, stamp fee or documentation charges etc., impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; MCB IBIs 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.

d) Parameters associated with risk & rewards

Following are the considerations attached with risk & reward of FCIF Shipbreaking Pool - II:

- 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 withdrawals of deposits according to the maturities affecting the deposit base.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of Islamic Banking Branches & MCB-IBD.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

VI) AAFM FCIF Shipbreaking Pool - III

a) Priority of utilization of Funds in the AAFM FCIF Shipbreaking Pool - III shall be

- Mudarabah placements of MCB (Principal Office)
- Equity Funds

b) Weightages for distribution of profit in FCIF Shipbreaking Pool - III

Assignment of weight-age for profit distribution to different type of profit bearing sources of funds is as follows:

- While considering weight-ages emphasis shall be given to the quantum, type and the period of risk assessed by following factors.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk
- Weight-ages for AAFM FCIF Shipbreaking Pool - III shall be determined & declared on monthly basis prior to commencement of next month's business in order to provide an opportunity to the customers/ fund providers to exercise their option of either to keep or withdraw their deposits/ funds.

Any change in profit sharing weight-age of any category of deposit/ fund providers shall be applicable from the next month.

c) Identification and allocation of pool related income & expenses

The allocation of income and expenses to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenses shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by MCB IBIs as Mudarib. The direct expenses to be charged to the pool may include insurance / Takaful expenses of pool assets, stamp fee or documentation charges etc., impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; MCB IBIs 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.

d) Parameters associated with risk & rewards

Following are the considerations attached with risk & reward of AAFM FCIF Shipbreaking Pool - III:

- 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 withdrawals of deposits according to the maturities affecting the deposit base.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of Islamic Banking Branches & MCB-IBD.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

A-II.5 Net Income / Loss has been allocated between equity and the unrestricted investment/ PLS deposits accounts in proportion to their respective share in a pool where the equity has been commingled.

A-II.5.1 No restricted pool has been managed therefore no significant category of accounts and the percentage thereof is maintained during the financial year.

A-II.5.2 No administrative expenses has been charged to unrestricted investment/ PLS deposits accounts during the financial year.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

A-II.5.3 Percentage for profit allocation between owners equity & various unrestricted investment / PLS deposits accounts

	2014	2013
*Equity Share		
Minimum	2%	7%
Maximum	61%	31%

*equity share means proportionate equity share for all pools in a profit distribution period.

A-II.5.4 No revenue from banking operations has been shared with unrestricted investment/ PLS deposits accounts during the financial year.

A-II.6 Classification of assets, revenues, expenses, gain and losses on the basis of sources of finance:the financial year.

a) Exclusively financed by unrestricted investment/PLS deposits account holders:

No earning assets are solely financed by unrestricted investment/PLS deposits account holders.

b) Exclusively financed by MCB IBD:

No earning assets are solely financed by MCB IBD.

c) Exclusively financed by MCB IBD:

Below are Avenues/sectors of economy/business which are jointly financed by Unrestricted Investment/ PLS deposits account holders and MCB IBD:

	2014	2013
	(Rupees in '000)	
Chemical and Pharmaceuticals	293,258	304,980
Agribusiness	-	5,090
Textile	1,670,182	1,369,692
GOP Ijarah Sukuk	3,756,315	2,821,494
Sugar	37,475	159,159
Production and transmission of energy	-	-
Commerce / Trade	-	-
Transport, Storage and Communication	-	-
Services	124,479	51,034
Individuals	-	-
Ship Breaking	3,497,006	2,075,472
Food & Tobacco Except Sugar	6,634,897	6,430,141
Others	1,628,807	908,397
	<u>17,642,419</u>	<u>14,125,459</u>

A-II.7 Basis of Profit Allocation:

Profit was distributed between Mudarib & Rabb ul Maal with below profit sharing ratio based upon Gross Income approach (Gross Income less Direct Expenses)

Rabb ul Maal	50%
Mudarib	50%

Charging Expenses

The direct expenses are being charged to respective pool, while indirect expenses including the establishment cost is being borne by MCB IB as Mudarib. The direct expenses to be charged to the pool may include depreciation of Ijarah assets, cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc., impairment / losses due to physical damages

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

to specific assets in pools etc. However, this is not an exhaustive list; MCB IB 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.

Provisions

The general and specific provisions created against non-performing financings and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the MCB IB as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to respective pool along with other direct expenses.

The losses on financings and investments due to misconduct/negligence/breach of contract by MCB IB shall not be charged to the pool; the MCB IB as Mudarib shall be responsible for absorbing such losses. The financing approved and disbursed and investment made in contravention to the prudential regulations or the MCB IB's own policies, procedures and processes as determined by internal auditor, external auditor and/or SBP inspection team will be treated as the negligence on the part of the MCB IB.

A-II.8 Mudarib Share (in amount and Percentage of Distributable income)

	2014 (Rupees in '000)		2013 (Rupees in '000)	
		%		%
Rabb ul Maal	674,103	69	496,915	56
Mudarib	307,390	31	382,588	44
Distributable Income	981,493		879,503	

A-II.8.1 No incentive profit has been received by Mudarib (Bank) from the profits of unrestricted investments/ PLS deposits accounts.

A-II.9 Amount & percentage of Mudarib share transferred to depositors through Hiba

	2014 (Rupees in '000)	2013 (Rupees in '000)
Mudarib Share	307,390	382,588
Hiba	42,598	72,238
Hiba percentage of Mudarib Share	14%	19%

A-II.10 Profit Rate Earned vs Profit rate Distributed to the depositors during the year:

	2014	2013
*Profit Rate Earned	9.15%	10.77%
Profit Rate distributed to Depositors	6.66%	6.65%

* The profit rate earned means the return on earning assets.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2014

A-II.11 Profit Distribution of the Pools jointly financed by MCB IBD and unrestricted investments/ PLS deposit account holders.

	2014 (Rupees in '000)
Income derived from investment of depositors and others PLS funds	
Income from Financing activities	983,227
Income from Investment in Shares and Securities	253,831
Income from Other sources	-
- Income from Ijarah Assets	460,842
- Others (Postage, Service Charges, etc.)	-
Total Income	1,697,900
Direct Expenses charged to pool(s)	371,604
Write-offs	-
Transfer (to)/from Profit Equalization reserve	-
Net Income of the pool(s)	1,326,296
Profit distributed to bank (Mudarib fee & equity share)	556,291
Profit distributed to other PLS fund providers	150,599
Profit distributed to Depositors	619,406
	1,326,296

A-II.12 Contractual Maturity of unrestricted investments/PLS deposit accounts

Type of unrestricted investment/PLS Deposit Accounts	2014					
	Total	Upto 1 Month	Over 1 Months To 3 Months	Over 3 Months To 6 Months	Over 6 Months To 1 Year	Over 1 Year
	(Rupees in '000)					
Savings	4,029,535	4,029,535	-	-	-	-
Term Deposits	5,799,950	3,211,632	1,159,419	575,405	695,801	157,693
	9,829,485	7,241,167	1,159,419	575,405	695,801	157,693

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2014

Sr. No	Name & 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	Other Fin. Reliefs Provided	Total
		Name			Principal	Int/Acc/Mup	Others	Total				
		Name	CNIC No.									
1	Asia Corporation P-170, St No. 5, Al Messoom Town, Faisalabad.	Muhammad Aslam Muhammad Farhan Aslam	33100-1001826-3 33100-1001826-5	Muhammad Ismail Muhammad Aslam	-	549	-	549	-	-	549	549
2	Saeed Anwar Janjua House # 7211, 8th Commercial Street, Phase IV- DHA, Karachi.	Saeed Anwar Janjua	42301-2750055-9	Muhammad Latif Janjua	-	1,420	65	1,485	-	-	1,485	1,485
3	Zeb Rice Pvt. Ltd. 2-KM, Narowal Road, Muridke.	Makhdoom Abbas Kashif Amanat Ali Nadeem Abbas Naeem Amanat	35202-9786080-9 35200-1520481-7 35202-0964542-3 35401-1726310-1	Amanat Ali Amanat Ali Amanat Ali Amanat Ali	-	17,891	163	18,054	-	-	18,054	18,054
4	Sheikh Kanyana Merchant H.No. 529, Block III, Sector C II, Green town, Lahore.	Sheikh Anwar Ul Haq Muhammad Hassan	35202-3061006-7 35202-3061009-9	Muhammad Hassan Aliah Baksh	-	1,122	-	1,122	-	-	1,122	1,122
5	Ch. Aziz Ur Rehman & Rubina Aziz 237 D/II, Johar Town, Lahore.	Ch. Aziz Ur Rehman Rubina Aziz	35202-5462193-7 35202-1754926-2	Ch. Abdul Raheem Ch. Aziz Ur Rehman	-	4,090	77	4,167	-	-	4,167	4,167
6	Muhammad Afzaal & Nabila Afzaal House # 49, Tufail Block, Canal Bank Scheme, Lahore.	Muhammad Afzaal Nabila Afzaal	35201-4362523-5 35201-6250402-8	Malik Muhammad Iqbal Muhammad Afzaal	-	2,897	-	2,897	-	-	2,897	2,897
7	Mian Rice Corporation New Ghalla Mandi, Qila Didar Singh, District Gujranwala.	Mian M. Arshad	34101-9980358-7	Ghulam Muhammad	-	1,541	-	1,541	-	-	1,541	1,541
8	Malik Muneer Ahmed House # 503, G-1 M/A, Johar Town, Lahore.	Malik Muneer Ahmed	35201-4363429-3	Abdul Majeed	-	1,938	-	1,938	-	-	1,938	1,938
9	Mumtaz Ahmad Warrach 12-KM Lahore Sheikhpura Road, Kot Abdul Malik, District Lahore.	Mumtaz Ahmad Warrach	35201-3990110-1	Ch Muhammad Saadiq	-	1,749	-	1,749	-	-	1,749	1,749
10	City Petroleum Chak No. 266/RB, Khurianwala, Tehsil-Jaranwala, Faisalabad.	Mubbarik Ali Ishaq Mehmood	33104-6255174-9 33104-0462801-3	Feroz Din Muhammad Akram	-	882	-	882	-	-	882	882
11	Sun Enterprises 156 GT Road Baghbanpura, Lahore.	Muhammad Jamil Muhammad Saghir	35201-3089595-1 35201-9789897-1	Bashir Ahmed Bashir Ahmed	300	1,569	150	2,019	-	-	1,669	1,669
12	Chancellor Overseas 216 DOHS-1 Gujranwala Cantt. United Centre, Rawalpindi.	Fiaz Jillani Malik Sanwar Sultana	54548-7874135-1 41549-7987896-5	S/o Rizq Ul Hassan W/o Rizq Ul Hassan	-	858	115	973	-	-	973	973
13	Khan Poultry Breeders Flat No. 13, 2nd Floor, United Centre, Rawalpindi.	Liaquat Ali Khan	61101-2117649-1	Muhammad Zafar Khan	16,995	7,950	278	25,223	-	-	8,332	8,332
14	Kh Qammar Pervaiz House # 451, Block IV, Phase III, DHA, Lahore.	Kh Qammar Pervaiz	35201-7452359-1	Kh Abdul Khaliq	-	6,883	70	6,953	-	-	6,953	6,953
15	Fida Hussain Niazi House #1, Zaidar Street, Main Bazar Rawwind, Lahore.	Fida Hussain Niazi	35202-9213344-1	Ali Ahmed Niazi	-	721	9	730	-	-	730	730
16	Jawad Ali Khan House # 42-E, Model Town, Lahore.	Jawad Ali Khan Ruksana Jawad	35200-0143605-7 35202-1574972-0	Sardar Ali Khan Jawad Ali Khan	-	641	-	641	-	-	641	641
17	Aliah Ditta Ghalib Street, Rajgah, Lahore.	Aliah Ditta	35202-3052017-5	Lal Din	-	1,031	-	1,031	-	-	1,031	1,031

ANNEXURE - III

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2014

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Interest/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name			Principal	Intt/Acc/Map	Others	Total			
		Name	CNIC No.								
18	Al-Syed Garments House # 8, Street 10-B, Sher Shah Colony, Ichhra, Lahore.	Syed Rizaz Ull Islam	35202-2517881-3	Syed Zulfiqar Islam	-	533	-	533	-	533	
19	Abdul Wadood Alvi & Atta Ullah Alvi 12-B, Shatrzaib Market, 9 Cooper Road, Lahore	Abdul Wadood Alvi Atta Ullah Alvi	35202-2754995-1 35202-2343650-5	Atta Ullah Alvi Umer Din	-	1,174	-	1,174	-	1,174	
20	Shahryar Abbas Baloch & Ifrat Sultana House No. 124/71, Block GG, Phase IV, DHA, Lahore Cantt.	Shahryar Abbas Baloch Ifrat Sultana	35201-7661137-3 35202-2782002-6	Zawar Hussain Baloch Zawar Hussain Baloch	-	1,428	-	1,428	-	1,428	
21	786-Friends Filling Station Shearpur Road, Sheikhupura.	Khalid Mehmood Gull Bahar Khan Javed Iqbal	35404-7311753-1 35404-7689070-1 35404-7312608-1	Muhammad Jameel Gulzar Ahmad Muhammad Abdullah	-	664	-	664	-	664	
22	Muhammad Shadi Sabri & Co. P-2, S# 6, Raja Town, Faisalabad.	Aliah Rakina Muhammad Sarwar	33100-1012435-9 33100-5199472-3	Muhammad Shadi Muhammad Shadi	-	748	-	748	-	748	
23	Chemium Innovation Shop #2, Ground Floor, Mehraba Centre, Plot # 396-C, Block 2, P1 PECHS Karachi.	Sadia Chaman	42201-6627571-6	Abdul Malik	-	523	-	523	-	523	
24	Hussain Builders C/o Zaid Builders, Opposite NBP Main Branch, Bhimber Road, Gujrat.842	M. Atzal	34201-0488511-7	M. Hussain	-	842	-	842	-	842	
25	M. Ashraf Nasir City Top Hotel, Mandi Bahaudin.	M. Ashraf Nasir	34402-3534381-1	Bashir Ahmed	-	644	-	644	-	644	
26	Mehar Ali Shahi Bazar, P.O. Kandhra, Taluka, Ponri District Sukkur.	Mehar Ali	45502-6796650-7	Muhammad Payal Buitro	3,969	1,062	67	5,098	-	935	
27	Javid Iqbal & Muhammad Saleem House No: 415, Block EE, Phase IV, DHA Lahore.	Javid Iqbal Muhammad Saleem	45402-0938869-9 45402-0938880-3	Muhammad Saleem Muhammad Hussain	-	4,639	45	4,684	-	4,684	
28	Nazir Ahmed H # 634/1, Afshan Colony, Rawalpindi Cantt.	Nazir Ahmed	37405-4108303-9	Abdul Ghani	733	2,460	70	3,263	-	2,339	
29	Hajvery Sanitary Store 27/B, New Shalimar Scheme, Salamatpura, Lahore.	Muhammad Irfan Siddique	35202-3066927-1	Muhammad Siddique Akhtar	-	1,230	-	1,230	-	878	
30	Javid Iqbal 289-Fhwaz Garden, Lahore.	Javid Iqbal	35202-3033728-3	Abdul Haq	12,542	3,823	-	16,365	-	3,905	
31	Abid Eliahi 26-B, S# 43, G-8/2, Islamabad.	Abid Eliahi	13101-0990951-9	Karam Eliahi	240	230	-	470	240	504	
32	Liaquat Ali Liaquat Ali House Main St. East, Aslamabad Bin Dor Wali, Rahim Yar Khan.	Liaquat Ali	31303-2381117-7	Muhammad Boota	118	517	-	635	118	696	
33	Muhammad Jamil H # 1, Adda Chebeel, GT Road, Batapur, Lahore.	Muhammad Jamil	35202-6264235-7	Abdur Razaq	-	679	-	679	-	718	
34	Sajjad Iqbal Kiyani H# B-IV-1606, S# 11, Al-Muslim St, Muslim Town, Rawalpindi.770	Sajjad Iqbal Kiyani	37405-8678520-7	Muhammad Nazir Kiyani	1,674	760	-	2,434	-	770	
35	Malik Zahid Iqbal 87-Mamdot Block, Mustafatown, Lahore.	Malik Zahid Iqbal	35202-2909833-7	Malik Amjad Iqbal	3,157	1,425	-	4,582	-	1,454	

ANNEXURE - III

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2014

Sr. No	Name & 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	Other Fin. Reliefs Provided	Total	
		Name	CNIC No.		Principal	Int/ Accr/ Mup	Others					Total
36	Muhammad Atif Abbasi St # 3, Gulshan-e-Deedan Khan, Muree Road, Rawalpindi.	Muhammad Atif Abbasi	37405-0471750-9	Muhammad Asif Abbasi	975	562	-	1,537	-	744	744	
37	Zareen Jaffary 46-B, A-1 Block, Punjab Board of Revenue Society, Johar Town, Lahore.	Zareen Jaffary	35202-2509315-4	Navazish Al Jaffary	2,556	598	-	3,154	-	765	765	
38	M. Iqbal Sialkot Road, Gulzar Colony, Gujranwala.	M. Iqbal	34101-9421597-1	Fazal Hussain	-	534	-	534	-	534	534	
39	Shah Jahan Traders Village & P.O. Kasseyay, Tehsil Phindi Bhattian, District Hafizabad.	Rai Alamgir Khan	34302-1263439-9	M. Yaqoob	-	1,368	-	1,368	-	1,368	1,368	
40	3-A Diagnostics 368-B, PCSIR Phase-II, Lahore.	Mushtaq Ahmed	35202-4738485-7	Sultan Ahmed	868	1,895	-	2,763	-	1,522	1,522	
41	Modern Agriculture Development Farm Inds. Opp. Millat Tractor, 8-KM, Sheikhpura Road, Lahore.	Shekh Muhammad Ikhlas Muhammad Ejaz Shekh	35202-0216795-5 35202-6947464-5	Muhammad Sadiq Muhammad Sadiq	9,995	1,227	-	11,222	-	896	896	
42	Hameed & Sons 64-Moleed Road, Lahore.	Hamid Mehmood	35202-3859442-9	Sheikh Abdul Hameed	-	2,655	-	2,655	-	2,110	2,110	
43	Asghar Ali Commission Shop Kot Sarwar, Post Office Sukhtek Mandi, Phindi Bhattian, Distt. Hafizabad.1,517	M. Ashghar	34302-1128581-5	M. Ameer	-	1,617	-	1,617	-	1,517	1,517	
44	Nasim & Co. BXIV-45-166/3A, Mihal Prem Kot, Tehsil & District Hafizabad.887	Nasim Abbas	34301-1518008-5	M. Akbar	-	1,051	-	1,051	-	887	887	
45	Babar Enterprises Ammar Road, link Musim Road, Gujranwala.	Hafeez-ur-Rehman Babar	34101-9487815-7	M. Shafi	-	648	-	648	-	648	648	
46	Tahir Javed Khan Ward # 14, House # 131, Mohallah Rehmanabad, Kot Addu, District Muztagar.707	Tahir Javed Khan	32303-0699281-5	Allah Bux	-	707	-	707	-	707	707	
47	Atly Textile H-6/A, Textile Avenue, SITE, Karachi.	Tahir Mehmood Yahiya Rehana Yahiya	42201-1547702-9 42201-6836650-4	Taj Muhammad Yahiya Taj Muhammad Yahiya	-	2,695	183	2,878	-	2,878	2,878	
48	Junaid & Co. Mouza Badooke, Ghusian, Ghakhar, District Gujranwala.1,112	M. Shahid Qureshi	34104-3209964-5	Siraj Din	3,323	1,169	-	4,492	-	1,112	1,112	
49	Khalid Mahmood House No. 12, Street No. 01, Block - B Ghulam Muhammadabad, Faisalabad.945	Khalid Mahmood	33100-3473349-7	Mushtaq Ahmad	-	945	-	945	-	945	945	
50	Umair Enterprises By Pass Road, Jaranian Distt. Khenwala.	Sh. Muhammad Akhtar Sh. Muhammad Saleem	36101-0268556-9 36101-7485188-7	Karim ud Din Karim ud Din	-	471	60	531	-	531	531	
51	Sheikh Aftab Ahmad House # 88-A, Zakiya Town, Bosan Road, Multan.	Shekh Aftab Ahmad	36603-6552494-7	Shekh Altar Ahmad	-	974	-	974	-	974	974	
52	Mahli Fish Farm Chak No. 165/RB, Tehsil Chak Jhumra, District Faisalabad.	Nazir Ahmad Mahli	33101-9125914-9	Muhammad Munshi	-	972	-	972	-	972	972	

ANNEXURE - III

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2014

Sr. No	Name & 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	Other Fin. Reliefs Provided	Total
		Name	CNIC No.		Principal	Int/Acc/Mup	Others				
53	Mahj Dairy Farm Chak No. 165/RB, Tarsi Chak Jhumra, District Faisalabad.	Nazir Ahmad Malhi	33101-9125914-9	Muhammad Munshi	-	2,626	-	-	-	2,626	2,626
54	Muhammad Amir Iqbal H # P-13, Rachina Town, Satiana Road, Faisalabad.	Muhammad Amir Iqbal	33100-9604081-1	Muhammad Iqbal Qamar	-	572	-	-	-	572	572
55	Shahid Farms House No-92-A, Peoples Colony No. 01, Faisalabad.	Shahid Mahmood	33100-3417421-7	Ghulam Rasool	5,989	1,208	-	-	-	7,207	1,267
56	Inayat Ullah Khan Niazi House No. 219, Block B, Gulberg, Faisalabad.	Inayat Ullah Khan Niazi	33100-0719029-7	Muhammad Ayub Khan Niazi	-	1,853	-	-	-	1,853	1,853
57	Munir Ahmed Malik H No. 488, Block-Y, Phase-III, DHA, Lahore.	Munir Ahmed Malik	35201-3357698-7	Muhammad Hussain Malik	-	4,934	-	-	-	4,934	4,934
58	Kamran Butt & Sharqat Inam House No. 454, Block - G, Gulshan Ravi, Lahore.	Kamran Butt Sharqat Inam	35202-2993519-1 35202-2849804-0	Inam Rasool Butt Inam Rasool Butt	-	1,412	-	-	-	1,412	1,412
59	Naseem ur Rehman H No. 123-E, Nadirabad No 1, Badlian Road, Lahore.	Naseem ur Rehman	35201-9114309-7	Ghulam Rasool Khan	-	1,165	70	-	-	1,235	1,061
60	Imran Wazir Qureshi House No. 143, Aurangzaib Block, New Garden Town, Lahore-2,167	Imran Wazir Qureshi	35202-0722979-3	Wazir Ali Qureshi	-	2,101	66	-	-	2,167	2,167
61	S & S Tractors Multan Road near Madina Petroleum Services, Vehari.	Irtad Ali	36601-1215266-9	Sultan Ali	-	1,719	-	-	-	1,719	1,719
62	Umar Ahmad Petroleum Services Aycoob Nagar By Pass, KLP Road, Sadiaqabad.	Abdul Rauf	31304-1659978-3	Muhammad Ashraf	-	960	-	-	-	960	960
63	Raza Impex Corporation Daska Road, Adna District, Sialkot.	Malik Muhammad Arif	34603-221322-9	Muhammad Sharif	5,222	2,951	116	-	-	8,289	3,054
64	UK Travels 55-B, PCSIR Staff Cooperative Housing Society, College Road, Lahore.	Muhammad Faheem Siddique	35202-2982956-9	Zakria Siddique	995	1,954	61	-	-	3,010	1,974
65	Shalozan Marble (Pvt.) Ltd. Peer Bala, Wansak Road, Peshawar.	Maqsood Khan Raza Ullah Khan	17301-6402510-5 17301-6816847-3	Ameer Nawaz Nasrullah Khan	122	3,821	-	-	-	3,943	3,823
66	International Fashion Apparels Plot No. 218, Shah Khalid Bin Abdul Aziz Colony, Sector 16-A, North Karachi, Karachi.	Muhammad Tariq Paracha	42201-7646135-3	Abdul Aziz Paracha	5,164	3,096	-	-	-	8,260	3,295
67	Akber Naseem House# F-44/3, Block-B, KDA Scheme No. 2, North Nazimabad, Karachi.	Akber Naseem	42101-7176262-3	Muhammad Naseem	3,707	1,267	105	-	-	5,079	1,345
68	Shabbir Ghani House No. 20, C/1, Nespak Colony, Ghazi Chowk, Lahore.	Shabbir Ghani	42301-5947141-5	Abdul Ghani	14,961	5,283	205	-	-	20,449	4,856
69	Nageeb ul Hassnain Musavi Flat# F-7, 2nd Floor, Prime House, Plot# C-2, Block-9, KDA Scheme No. 5, Clifton, Karachi.	Nageeb ul Hassnain Musavi	45504-1102984-3	Syed Baqar Hussain Musavi	5,985	1,435	247	-	-	7,667	1,795

ANNEXURE - III

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		Name	CNIC No.		Principal	Int/Acc/Mup	Others				
70	Hassnain Corporation Flat# F-7, 2nd Floor, Prime House, Plot# C-2, Block 9, KDA Scheme No. 5, Clifton, Karachi.	Nazeem ul Hassnain Musavi	45504-1102984-3	Syed Badar Hussain Musavi	-	947	66	1,013	-	1,013	1,013
71	Muhammad Murad Sheikh House No. A-156, Kalthora Colony, Jail Road, Hyderabad.	Muhammad Murad Sheikh	41303-1528615-9	Pir Bux Sheikh	7,500	3,344	162	11,006	-	3,640	3,640
72	Raja Sajid Mehmood Abbasi H # DK-308, Block A, Dhoke Paracha, Rawalpindi.	Raja Sajid Mehmood Abbasi	37405-6359404-3	Sarfraz Abbasi	6,441	1,787	-	8,228	-	2,231	2,231
73	Sohail Ahmed Paracha House No. 491, Mouza Ratta Amra, Rawalpindi.	Sohail Ahmed Paracha	37405-5942349-9	Ejaz Hussain Paracha	3,417	647	-	4,064	-	1,636	1,636
74	Akhtaq Ahmed Malik House No. 06, Lane No. 02 Ch, Waliyat Colony Scheme-III, Rawalpindi.	Akhtaq Ahmed Malik	37405-4304951-3	Malik Muhammad Yusef	1,781	1,029	-	2,810	-	1,115	1,115
75	Abdul Qayyum Qureshi H # 210, Block E-1, Wapda Town, Lahore.	Abdul Qayyum Qureshi	34104-2356245-1	Fateh Muhammad Qureshi	1,246	1,783	75	3,104	-	1,783	1,783
76	Mazhar Iqbal Bhatti H # 46, Kashmir Block, Allama Iqbal Town, Lahore.	Mazhar Iqbal Bhatti	35200-1556392-7	Ghulam Muhammad Bhatti	4,069	3,178	45	7,292	-	2,882	2,882
77	Malik Zulfiqar Ali House # 2, AL-Haj Road, khasra # 889, Mouza Pakki Thatti, Anwer Park, Link Bastami Road Lahore.	Malik Zulfiqar Ali Shakeela Ali	35202-1751889-9 35202-4907252-8	Malik Muhammad Siddique Malik Zulfiqar Ali	2,520	790	45	3,355	-	866	866
78	Usman Javed House # 380, Block A /3, Gulberg-III, Lahore.	Usman Javed Shaheena Javed	35202-5335010-7 35202-8868508-2	Javed Iqbal Javed Iqbal	1,035	576	17	1,628	-	607	607
79	Naveed Ahmed Anjum House No. 111, Block J, Model Town, Lahore.	Naveed Ahmed Anjum	35202-2969677-5	Chaudhry Abdul Majeed	10,266	4,099	296	14,661	-	4,553	4,553
80	Amjad Mumtaz House No. 117 - X, Shad Bagh, Lahore.	Amjad Mumtaz	35202-7994134-1	Muhammad Bashir	2,715	752	178	3,645	-	882	882
81	Syed Zafar Shah 134-A, Hachan Block, Allama Iqbal Town, Lahore.	Syed Zafar Shah	35202-4256591-1	M Arif Shah	3,017	12,478	-	15,495	-	13,930	13,930
82	Saad Traders Ghalla Mardi, Warburton, District Nankana Sahib.	Muhammad Naeem	35402-2002215-9	Mian Muhammad Rafique	-	2,021	-	2,021	-	1,220	1,220
83	Al-Madina Traders Sarafa Bazar, Iandlianwala, Faisalabad.	Muhammad Ali	33106-0343640-5	Muhammad Siddique	500	770	-	1,270	-	578	578
84	Mian Zulfiqar Traders Sharqpur Road, Shekhupura.	Zulfiqar Ahmed	35404-1308637-5	Mukhtar Ahmed	-	1,349	-	1,349	-	1,106	1,106
85	Al Noor Petroleum Mortaleh Barhanga Lalan, Tarsi Chinoi, Distt. Jhang.	Javed Akhtar	33201-6490717-7	Nazir Ahmad	-	1,192	-	1,192	-	596	596
86	Abdul Sattar Katchery Road, Mianwali.	Abdul Sattar	38302-1147401-7	Mola Bakshish	1,997	568	78	2,643	-	678	678
87	Rana Muhammad Nadeem & Bros. Main Bazar, Nawab, Jandawala, Tarsi Kallurkot, Dist. Bhakkar-577	Rana Nadeem	38103-2167252-5	Muhammad Yameen	-	460	117	577	-	577	577

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		Name	CNIC No.		Principal	Intt/Accr/Mup	Others				
88	Muhammad Haroon Khatri WH-4, H#D-12, Block 17, Gulshan-e Iqbal, Karachi.	Muhammad Haroon Khatri	42201-7736839-7	Barkat Ali	12,806	6,979	-	19,785	-	16,825	16,825
89	Taj Mahal Zari Palace Shop # 8, AL-Sheikh Plaza, Chandni Chowk, Rawalpindi.	Ansar Iqbal Shahzad Akbar	61101-2493263-7 37405-3641868-9	Muhammad Iqbal Sheikh Inayat Ullah	-	1,482	-	1,482	-	1,482	1,482
90	New Ever Gold Furniture House No. A-46, Wasim Bagh, Block-13, D-2, K.D.A Scheme No. 24, Gulshan-e Iqbal, Karachi.	Muhammad Anjad Muhammad Aslam	42201-3245678-5 42201-0799587-1	Muhammad Ayub Muhammad Ayub	3,922	2,715	101	6,738	-	2,834	2,834
91	Mian Traders Ghata Mandi East, Hafizabad.	Mian Shoab Ahmed	34301-1289218-1	Mian M. Tufail	-	552	-	552	-	552	552
92	Softnet Madhainwala Road, Hafizabad.	Saeed Ahmed	34301-2661300-9	Alian Baksh	-	522	-	522	-	522	522
93	Khalid Ehsan Alaow Din Ke Chatha, Hafizabad.	Khalid Ehsan	34301-1737877-9	Sana Ullah	-	584	-	584	-	584	584
94	Muhammad Aslam VPO Adhi Sangal, Tehsil Noopur, Distt. Khushab.	Muhammad Aslam	38202-9004052-3	Said Rasool	1,519	2,845	-	4,364	-	2,893	2,893
95	Hussain Abad Filling Station Hussainabad Colony, Gul Barar Road, Peshawar.	Malik Zulficar Ahmed	17301-2437379-5	Malik Ghulam Hussain	2,500	1,248	110	3,858	-	1,380	1,380
96	Rizwan Haider House # 256, Block-E, Phase - I, Punjab Co-operative Housing Society Ltd., Defence Road, Lahore.	Rizwan Haider	35202-6598591-5	Sheikh Rajab Ali	3,695	821	131	4,647	-	1,094	1,094
97	Muhammad Azeem H No. 3, ST, No. 28, Mohallah Qilla Gujjar Singh Lahore.	Muhammad Azeem	35202-0310761-9	M Saleem	4,043	1,033	82	5,158	-	1,177	1,177
98	Muhammad Imran Haani House 18/B, Behind Jal Road, Lahore.	Muhammad Imran Haani	34104-9499032-9	Muhammad Atzaal	4,590	1,633	67	6,290	-	1,356	1,356
99	Mian Zubair Ahmed P-82, Gole Kiriyana Bazar Faisalabad.	Mian Zubair Ahmed	33100-7969198-1	Zia ul Haq Naeem	2,996	3,326	-	6,322	-	2,708	2,708
100	Muhammad Naseem & Faisal Naseem Chak No. 116-SB, Saigodha.	Muhammad Naseem Faisal Naseem	38403-7544540-1 38403-5668794-3	Muhammad Din Muhammad Naseem	2,801	1,579	-	4,380	-	1,560	1,560
101	Saeed Ahmad House No 347/D, Zaib Clinic, People Colony, Faisalabad.	Saeed Ahmad	33100-8695531-9	Manzoor Ahmad	2,495	1,757	-	4,252	-	1,926	1,926
102	Muhammad Shahid House No. 163-184, Gulistan Colony, Block H, Faisalabad.	Muhammad Shahid	33100-1229474-7	Khushi Muhammad	999	869	-	1,868	-	892	892
103	Mirza Muhammad Farooq Lodhi Chowk, House No. 91/1, Batala Colony, Faisalabad.	Mirza Muhammad Farooq	33100-6153941-1	Mirza Abdul Majeed	5,302	1,138	-	6,440	-	1,412	1,412
104	Al Nafiu Engineering and Trading Concern Street No. 01, Katar Band Road, Thokar Niaz Baig, Lahore.	Nosheen Azhar	35202-4397902-8	Ali Raaza Hussain	6,000	5,393	202	11,595	2,000	5,755	7,755

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Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Interest/ Markup Written off	Other Fin. Reliefs Provided	Total
		CNIC No.			Principal	Intt/Accr/Map	Others	Total			
		Name									
105	Texcellence House # 252, Block G-3, Johar Town, Lahore.	Wajih-ud-Din	35202-2030145-5	Ghias-ud-Din	3,489	1,299	66	4,854	-	1,407	1,407
106	Muhammad Azmat Chaudhary House No. 64, Rawi Block, Alama Iqbal Town, Lahore.	Muhammad Azmat Chaudhary	35202-9973556-3	Ch. Muhammad Sharif	354	956	102	1,412	-	727	727
107	Babar Nisar Khan and Gulshan Ara. House No. 42-A, Khyber Block, Alama Iqbal Town, Lahore.	Babar Nisar Gulshan Ara	35202-2352094-9 35202-2261606-8	Nisar Ahmed Khan Nisar Ahmed Khan	4,040	903	75	5,018	-	1,137	1,137
108	Hassan Majid & Abdul Majid H # 80, Azal Town, Baghat Pura, Shadbagh, Lahore.	Hassan Majid Abdul Majid	35202-5362446-1 35202-2505384-3	Abdul Majid Mehtar Laba	2,534	5,466	17	8,017	-	5,522	5,522
109	Talat Waseem 78/4-A, Block-A, Satellite Town, Rawalpindi.	Talat Waseem	37405-3335951-5	Qazi Alaudin	-	2,502	-	2,502	-	2,502	2,502
110	Capital Industries (Pvt.) Ltd. 2-A-1, Race Course Road, Lahore.	Kamran Atzal Yousaf Waqar Sheikh Zubair Ahmed	35202-5013880-1 35202-2868513-9 35202-3988608-5	Muhammad Atzal Hameed Waqar Ahmed Sheikh Sheikh Nazir Ahmed	57,400	70,155	1,900	129,455	-	73,714	73,714
111	Ace Indigo Transformers (Pvt.) Ltd. 172-A, Canal View Housing Society, Lahore.	Gohar Yasin Chaudhary Shazia Gohar	35202-3727410-9 35202-1375143-0	Muhammad Yasin Chaudhary Mr. Gohar Yasin Chaudhary	75,399	28,334	1,500	105,233	15,182	32,247	47,429
112	Sh. Muhammad Naseeb 161-Shalimar Link Road, Lahore.	Sh. Muhammad Naseeb	35201-0696997-9	Muhammad Shaabir	2,000	850	18	2,868	-	950	950
113	Jehanzeb Saeed House No.475 - E, Phase I, Punjab Cooperative Housing Society, Lahore - Cantt.	Jehanzeb Saeed	35202-8509552-9	Muhammad Saeed	1,137	993	84	2,214	-	1,051	1,051
114	Nasir Ahmed House No 19 A, Block A, Fort Villas, Lahore Cantt.	Nasir Ahmed	35201-1569254-7	Imdad Hussain	782	2,634	19	3,435	-	2,256	2,256
115	Abdul Hameed 3rd Floor, 2-B Street, Kahayaban-e-Jami, Phase-II Ext. DHA, Karachi.	Abdul Hameed	42201-8215526-1	Rehmatullah	657	413	-	1,070	132	443	575
116	Ch M Anjad Shahzad 17, College Block, Alama Iqbal Town, Lahore.	Ch M Anjad Shahzad	35202-2918259-5	Ch M Shafi	11,412	4,670	-	16,082	-	4,949	4,949
117	Muhammad Mairaj Uddin House # B-42, Block-12, FB, Area, Karachi.	Muhammad Mairaj Uddin	42101-1714012-3	Muhammad Noor Ul Islam	8,989	4,485	-	13,474	-	5,779	5,779
118	Pak Poultry Services GT Road, Gujranwala.	M. Mansha Creema	34101-2588151-7	M. Abdullah	2,669	653	-	3,322	-	720	720
119	Rehman Karyana & General Store 65-Urdu Bazar, Chowk Sabzi Mandi, Sargodha.	Asif Rehman	38403-8915380-9	Abdul Rehman	-	1,252	-	1,252	-	1,252	1,252
120	Muhammad Iqbal House No. 447/2, Eehi Bukhish Colony, Main Bazar, Jhang Sadoor.	Muhammad Iqbal	33202-1355086-9	Sraji Din	1,133	999	-	2,132	-	785	785
121	Malik Petroleum Services House No. 1, Sargodha-Mianwali Road, Shadia Janubi, Mianwali.	Malik Fateh Sher	38302-8755920-5	Heji Alam Sher	-	781	-	781	-	731	731

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		Name	CNIC No.		Principal	Intt/Acc/Mup	Others				
122	Shaheen Atta Sheikh House # 15, Street # 08, Sector D, Phase 1, DHA, Islamabad.	Shaheen Atta Sheikh	37405-0652845-5	Shekh Atta Allah	-	1,133	40	1,173	-	1,173	1,173
123	Sajjad Traders Shop No.03, Ghalla Mandi, Burewala.	Aamar Zahoor Rehan Zahoor Sajjad Zahoor	36601-8413015-7 36601-2862015-1 36601-6528719-9	Zahoor Ahmad Zahoor Ahmad Zahoor Ahmad	999	866	-	1,865	-	866	866
124	Star Horizon (Pvt.) Ltd. No.15, Tickell Road, Colombo - 08.	Mohamed Unais Ziyad Fathima Shizea Ziyad	650101626V 738850443V	N/A	4,309	5,053	-	9,362	-	4,084	4,084
125	D B Exim (Pvt.) Ltd. 307, 3rd Floor, George F De Silva, Mawatha, Colombo-13.	Dr.Doraisami Venkateshwaran Shalngam Raveendran K. Aruna Priyankara	730313250V 691768730V 773182151V	N/A	4,700	2,872	-	7,572	-	1,546	1,546
126	Rai Enterprises Village Lakhiya, District Hafizabad.	Mr. Amir	34301-1757174-3	Sardar Khan	-	1,388	-	1,388	-	1,388	1,388
127	Rafaqat Hayat Bhatti Muhai Karak, Tehsil & District Hafizabad.	Rafaqat Hayat Bhatti	34301-8437475-1	Aslam Hayat	1,300	515	-	1,815	-	540	540
128	Faisal Ijaz Bajwa House No. 517, F Block, Gulistan Colony, No. 01, Faisalabad.	Faisal Ijaz Bajwa	33100-1092829-1	Ijaz Ahmad Bajwa	2,071	2,589	-	4,660	-	2,663	2,663
129	Muhammad Shareef & Parveen Habibat Maiza Deshpura, Tehsil cantt, District Lahore.	Muhammad Shareef Parveen Begum	35201-3908929-1 35201-0836646-2	Din Muhammad Muhammad Shareef	8,986	3,850	167	13,003	-	2,564	2,564
130	Muhammad Najeeb H. No. 298, St # 18, G-10/2, Islamabad.	Muhammad Najeeb	61101-5157357-3	Ch Sanaullah	1,764	1,843	-	3,607	-	2,207	2,207
131	Khurram Electric Concern House No. N/269, Mohalla Waris Khan, Rawalpindi.	Rab Nawaz	37405-0312251-3	Abdur Rahim	1,982	1,247	-	3,229	-	593	593
132	Hassan Industries P-67, Maqbool Road, Faisalabad.	Abdul Rauf	33100-1128735-5	Ahmed Din	9,067	4,101	-	13,168	-	4,590	4,590
133	Syed Petroleum Main Jhurra, Near Awani Bazar, Commercial Market, Faisalabad.	Syed Zeeshan Elnhi Syed Ehsan Elnhi	33100-9421835-9 33100-8764384-9	Syed Shabbir Hussain Syed Shabbir Hussain	-	2,373	-	2,373	-	2,373	2,373
134	Shakeel Plastic House No. 3/B, Street No 25, Malap Street, Dars Road, Baghbanpura, Lahore.	Shakeel Sharif	35201-1360899-7	Muhammad Sharif Tahir	3,654	988	80	4,692	-	1,232	1,232
135	Fara Metal Crafts 45-K/M, G T Road, Kamonke, District Gujranwala.	Muhammad Asif Khan Muhammad Salmaan Asif Khan Muhammad Wejrid Ali Khan	34102-2834525-9 35202-0708003-3 34102-3751513-5	Abdul Aziz Khan Muhammad Asif Khan Abdul Aziz Khan	1,444	1,645	141	3,230	-	1,759	1,759
136	Moa Ali & Co Thatta Garha, Tehsil & District Hafizabad.	Ihsan Ullah	34301-2350615-3	Noor Muhammad	-	5,602	-	5,602	-	5,602	5,602
137	Tahir Corporation 128-C, Small Industrial Estate, Sialkot.	M.Rafique (Late) M.Tahir Rafique (Late) M.Amir Rafique M.Kamir Rafique	301-45258280 300-33414351 34603-4346815-9 300-77414355	Hassan ud din Muhammad Rafique Muhammad Rafique Muhammad Rafique	2,222	5,452	90	7,764	-	5,765	5,765
138	Prime Gas (Pvt.) Ltd. Suite No. 1, Plot No. 624, Milan Plaza, Block-G/1 Market, Johar Town, Lahore.	Javed Iqbal Rukhsana Javed Iqbal Umar Javed	35202-9566584-5 35202-7365262-8 35202-1719947-1	Abdul Razzak Javed Iqbal Javed Iqbal	3,827	2,534	113	6,474	-	2,692	2,692

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(Rs. in '000)

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Interest/ Markup Written off	Other Fin. Reliefs Provided	Total	
		Name	CNIC No.		Principal	Intt/Accr/Map	Others	Total				
139	Shuja Farid House # 222, Block-S, DHA, Lahore.	Shuja Farid	35200-9756697-5	Sh. Zaheer Ahmed	-	4,304	66	4,370	-	4,370	4,370	
140	Adnan Ahmed Amin & Safia Amin House No. 68, Street No.2, Cavalary Ground, Officer Colony, Lahore Cantt.	Adnan Ahmed Amin Safia Amin	35201-9003760-7 35201-3779656-6	CH Muhammad Amin CH Muhammad Amin	-	3,503	19	3,522	-	3,522	3,522	
141	S.T Stores Shop No. 50, 2nd Floor, Glamour One, Tariq Road, Karachi.	Muhammad Ali Tahir	42301-0800778-5	Muhammad Saeed Bari	6,982	2,613	136	9,741	-	3,035	3,035	
142	Muhammad Yasin D-801, FT 16/3, Mehran Square, Free Town, Clifton, Karachi.	Muhammad Yasin	42301-7253383-9	Abdul Sattar	8,395	4,722	87	13,204	-	5,066	5,066	
143	Muhammad Iqbal Hashmani House No. 130-L, Block -2, P.E.C.H.S, Karachi.	Muhammad Iqbal Hashmani	42201-6242358-3	Abu Bakar	6,598	4,764	145	11,507	-	5,029	5,029	
144	Kissan Textile Industries (Pvt.) Ltd. By Pass Road, Rahim Yar Khan.	Naseer Ahmad Tanveer Ahmad Tanzeer Ahmad Zaheer Ahmad	31303-1217689-7 31303-2452034-3 31303-2452036-1 31303-2452037-3	Ali Muhammad Naseer Ahmad Naseer Ahmad Naseer Ahmad	-	4,695	100	4,795	-	4,795	4,795	
145	Data Bakers and General Store House # B-IV/285, Street No.03, Muslim Town, Rawalpindi.	Malik Muhammad Asif	37405-7554015-3	Malik Muhammad Ashiq	4,465	3,276	-	7,741	-	3,610	3,610	
146	Rana Muhammad Saleem 170, G-11, Jinnar Town, Lahore.	Rana Muhammad Saleem	35202-2668944-7	Rana Faiz Muhammad	10,778	4,349	-	15,127	-	4,979	4,979	
					455,320	411,396	8,959	875,675	17,672	-	432,677	450,349

ANNEXURE - IV

Disposal of operating fixed assets (refer note 11.2.3)

Description	Cost/revalued amount	Accumulated depreciation	Book value	Sales proceeds /insurance claim	Mode of disposal /settlement	Particulars of buyers	Location
(Rupees in '000)							
Furniture and fixture, electrical, computers and office equipment							
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000	5,394	4,888	506	1,154	Claim	AdamJee Insurance Company	Lahore
	5,359	5,341	18	37	Auction/Quotation	M/S 3rd Generation Solutions	Islamabad
	46,731	46,723	8	-	Write Off		Karachi
	2,179	2,179	-	118	Auction/Quotation	M/s Innovative Pvt Ltd.	Karachi
	1,344	1,344	-	199	Auction/Quotation	M. Farooq Potha Bansai AJ	Faisalabad
	5,538	4,477	1,061	205	Auction/Quotation	M/S Farnan & Company	Karachi
	66,545	64,952	1,593	1,713			
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	12,589	10,935	1,654	2,378	Auction/Quotation	Different Buyers	All Pakistan
Vehicles							
Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	39,446	31,646	7,800	28,783	Auction/Quotation	Different Buyers	All Pakistan
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000	1,040	236	804	900	Claim	M/S Adam Jee Insurance	Karachi
Suzuki Cultus	1,389	1,111	278	950	Auction	Muhammad Nasir Khan	Lahore
Toyota Corolla	1,402	1,121	281	958	Auction	Muhammad Nasir Khan	Lahore
Toyota Corolla	1,749	373	1,376	1,535	Claim	M/S Adam Jee Insurance	Karachi
Honda Civic	1,800	1,440	360	1,185	Auction	Abdul Ahad	Lahore
Honda Civic	1,905	1,397	508	1,255	Auction	Muhammad Tauseef Khan	Lahore
Honda Civic	1,941	1,035	906	1,510	Auction	Mr. Plana Khalil Ur Rehman	Lahore
Toyota Hilux	2,290	1,832	458	867	Auction	Muhammad Arif	Lahore
Honda Accord	2,410	1,928	482	1,375	Auction	Asim Nadeem	Lahore
Mercedes Benz	3,950	3,160	790	2,750	Auction	Kamran Jehangir	Lahore
	19,876	13,633	6,243	13,285			
Car Ijarah							
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000	9,952	2,124	7,828	8,065	Buy Back	EFU Insurance Ltd	Lahore
Mercedes Benz	1,437	1,437	-	370	Buy Back	Niaz Arshad Malik	Lahore
Toyota Corolla	1,912	1,361	551	551	Buy Back	Mehboob Ali	Lahore
Honda Civic	1,609	1,454	155	155	Buy Back	Big Bird Poultry	Lahore
Toyota Corolla GLI	1,740	1,572	168	168	Buy Back	Big Bird Poultry	Lahore
Toyota Corolla GLI	1,740	1,361	379	379	Buy Back	Big Bird Poultry	Lahore
Honda Civic -VTI	1,730	1,396	334	334	Buy Back	Mr. Jhazabi Khan Banth	Faisalabad
Suzuki Swift	1,003	565	438	541	Buy Back	Interloop Ltd	Faisalabad
Suzuki APV	1,736	1,568	168	167	Buy Back	Interloop Ltd	Faisalabad
Suzuki Cultus	1,038	250	788	855	Buy Back	Interloop Ltd	Faisalabad
Suzuki Swift	1,137	480	657	749	Buy Back	Interloop Ltd	Faisalabad
Toyota Avanza	2,191	1,977	214	214	Buy Back	Interloop Ltd	Faisalabad
Toyota Corolla GLI	1,309	881	428	451	Buy Back	Pakistan Tobacco Company	Islamabad
Honda Civic -VTI	2,045	1,451	594	593	Buy Back	Konnect Holden Pvt Ltd	Islamabad
Suzuki Alto	771	485	286	308	Buy Back	Konnect Holden Pvt Ltd	Islamabad
Toyota Corolla GLI	1,444	503	941	1,012	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,682	537	1,145	1,198	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	349	960	1,009	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	1,399	649	750	802	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	1,579	694	885	963	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,749	299	1,450	1,467	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,749	587	1,162	1,177	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,354	736	618	689	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,749	342	1,407	1,424	Insurance Claim	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	1,399	727	672	723	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,749	498	1,251	1,301	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,226	259	1,967	1,925	Insurance Claim	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	1,489	532	957	1,027	Insurance Claim	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	711	598	645	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,749	399	1,350	1,382	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Camry	3,605	3,065	540	540	Buy Back	Pakistan Tobacco Company	Islamabad
Suzuki Mehran	554	332	222	161	Buy Back	Konnect Holden (Pvt) Ltd	Islamabad
Suzuki Cultus	942	753	189	189	Buy Back	Capital Strategies Group Pvt Ltd	Islamabad
Suzuki Bolan	684	547	137	136	Buy Back	Capital Strategies Group Pvt Ltd	Islamabad
Suzuki Bolan	684	547	137	136	Buy Back	Capital Strategies Group Pvt Ltd	Islamabad
Suzuki Cultus	790	713	77	77	Buy Back	Interloop Ltd	Faisalabad
Suzuki Cultus	962	869	93	94	Buy Back	Grand Parent Poultry	Lahore
Suzuki Cultus	962	869	93	94	Buy Back	Grand Parent Poultry	Lahore
Suzuki Mehran	604	545	59	59	Buy Back	Grand Parent Poultry	Lahore
Suzuki Mehran	533	456	77	77	Buy Back	Big Bird Poultry	Lahore
Mercedes E250 CGI	5,405	2,393	3,012	3,283	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,106	191	1,915	1,890	Insurance Claim	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,264	347	1,917	1,861	Insurance Claim	Pakistan Tobacco Company	Islamabad
Suzuki Swift	1,151	819	332	332	Buy Back	Konnect Holden (Pvt) Ltd	Islamabad
Toyota Corolla Xli	1,255	741	514	549	Insurance Claim	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,173	836	1,337	1,396	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,181	591	1,590	1,642	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,749	473	1,276	1,318	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,422	730	692	762	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota corolla GLI	1,745	478	1,267	1,322	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,354	720	634	721	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,749	673	1,076	1,144	Buy Back	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,749	698	1,051	1,125	Buy Back	Pakistan Tobacco Company	Islamabad
	91,908	44,630	47,278	49,528			
Equipment Ijarah							
Cages for Birds	37,166	33,450	3,716	3,717	Buy Back	Bigbird Poultry	Lahore
Cages for Birds	27,100	24,390	2,710	2,710	Buy Back	Bigbird Poultry	Lahore
Cages for Birds	16,200	12,250	3,950	3,950	Buy Back	Grand Parent Poultry	Lahore
Cages for Birds	11,200	10,080	1,120	1,120	Buy Back	Grand Parent Poultry	Lahore
	91,666	80,170	11,496	11,497			
2014	322,030	245,966	76,064	107,184			
2013	354,245	223,843	130,402	173,089			

ANNEXURE - V

Summarized detail of the valuation of owned properties (refer note 11.2.1)

City	Land	Building	Total
		(Rupees in '000)	
Abbottabad	22,000	19,856	41,856
Bahawalpur	78,012	24,445	102,457
Chakwal	2,000	1,920	3,920
Dera Gazi Khan	18,450	20,000	38,450
Faisalabad	812,308	223,618	1,035,926
Gawadar	1,900	9,000	10,900
Gujranwala	221,044	172,238	393,282
Gujrat	78,500	42,216	120,716
Hafizabad	27,000	14,782	41,782
Haripur	28,453	2,958	31,411
Haroonabad	20,000	5,240	25,240
Hyderabad	185,498	87,118	272,616
Islamabad	1,317,210	416,652	1,733,862
Jehlum	55,000	32,817	87,817
Jhang	124,110	30,715	154,825
Karachi	4,666,793	2,974,623	7,641,416
Kasur	16,380	2,390	18,770
Khairpur	1,442	3,183	4,625
Khanewal	13,500	2,800	16,300
Kohat	4,650	-	4,650
Khanpur	24,040	14,420	38,460
Lahore	4,972,779	2,305,651	7,278,430
Larkana	47,735	13,601	61,336
Mianwali	19,125	35,443	54,568
Mirpurkhas	11,040	3,726	14,766
Multan	139,600	332,878	472,478
Muree	15,000	991	15,991
Muridke	45,000	25,453	70,453
Muzafarabad	128,373	52,979	181,352
Nawabshah	18,270	10,339	28,609
Okara	26,275	12,524	38,799
Peshawar	114,375	16,726	131,101
Quetta	284,696	59,803	344,499
Rahim Yar Khan	9,915	5,740	15,655
Rawalpindi	448,536	168,514	617,050
Sadiqabad	26,667	4,842	31,509
Sahiwal	52,094	13,826	65,920
Sargodha	140,986	20,825	161,811
Sheikhupura	56,000	13,112	69,112
Sialkot	94,000	20,895	114,895
Sukkur	48,288	16,656	64,944
Swat	56,500	6,715	63,215
Vehari	11,000	7,330	18,330
Wazirabad	15,000	7,274	22,274
Overseas	-	82,648	82,648
Grand total	14,499,544	7,339,482	21,839,026



MCB Bank Limited
Consolidated Financial Statements
For the year ended December 31, 2014

Director's 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 Trade Services and MCB Leasing Closed Joint Stock Company for the year ended December 31, 2014.

The following appropriation of profit has been recommended by the Board of Directors

	(Rs. in '000)
Profit before taxation	37,354,022
Taxation	(12,579,576)
Profit after taxation	24,774,446
Profit attributable to minority interest	(118,859)
Profit attributable to ordinary shareholders	24,655,587
Un-appropriated profit brought forward	43,038,094
Re-measurement of defined benefits plans - net of tax	139,500
Transfer from surplus on revaluation of fixed assets - net of tax	47,941
	43,225,535
Profit available for appropriation	67,881,122
Appropriations:	
Statutory Reserve	2,432,476
Issue of Bonus Shares - December 2013	1,011,846
Final Cash Dividend - December 2013	3,541,461
Interim Cash Dividend - March 2014	3,339,092
Interim Cash Dividend - June 2014	3,895,608
Interim Cash Dividend - September 2014	3,895,608
Total Appropriations	18,116,091
Un-appropriated profit carried forward	49,765,031

Pattern of Shareholding

The pattern of shareholding as at December 31, 2014 is annexed in annual report.

Earnings per Share

The consolidated financial statements reflect Rs. 22.15 earnings per share for the year under review.

On behalf of Directors



Mian Mohammad Mansha
Chairman

February 12, 2015

Auditors' Report to the Members

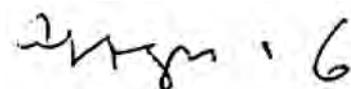
We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of MCB Bank Limited and its subsidiary companies as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the 'consolidated financial statements') for the year then ended. These consolidated financial statements include unaudited certified returns from the branches except for fifty branches which have been audited by us and nine branches audited by auditors abroad. We have also expressed separate opinions on the financial statements of MCB Bank Limited and MNET Services (Private) Limited. While the subsidiary MCB - Arif Habib Savings & Investments Limited was subject to a limited scope review by us. The financial statements of subsidiary companies MCB Financial Services Limited and MCB Leasing Closed Joint Stock Company were audited by other firms of chartered accountants, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. The financial statements of MCB Trade Services Limited are unaudited.

These consolidated financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of MCB Bank Limited and its subsidiary companies as at December 31, 2014 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Lahore
Dated: February 28, 2015



A. F. Ferguson & Co.
Chartered Accountants
Engagement Partner
Imran Farooq Mian

Consolidated Statement of Financial Position

As at December 31, 2014

	Note	2014	2013
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	46,753,868	59,946,218
Balances with other banks	7	3,063,774	1,594,660
Lendings to financial institutions	8	1,418,181	1,224,638
Investments - net	9	516,898,299	453,808,345
Advances - net	10	304,000,563	248,521,792
Operating fixed assets	11	31,583,646	29,005,931
Deferred tax assets - net		-	-
Other assets - net	12	37,888,155	27,176,720
		941,606,486	821,278,304
LIABILITIES			
Bills payable	14	16,627,700	10,138,726
Borrowings	15	59,776,578	38,660,405
Deposits and other accounts	16	688,270,091	632,309,094
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	17	10,735,841	4,500,293
Other liabilities	18	29,927,070	20,206,991
		805,337,280	705,815,509
NET ASSETS		136,269,206	115,462,795
Represented by			
Share capital	19	11,130,307	10,118,461
Reserves	20	49,200,045	47,008,936
Unappropriated profit		49,765,031	43,038,094
		110,095,383	100,165,491
Minority interest		511,960	489,671
		110,607,343	100,655,162
Surplus on revaluation of assets - net of tax	21	25,661,863	14,807,633
		136,269,206	115,462,795
Contingencies and commitments	22		

The annexed notes 1 to 46 and Annexures I to III form an integral part of these consolidated financial statements.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
Mark-up / return / interest earned	24	77,411,189	65,186,388
Mark-up / return / interest expensed	25	33,770,144	27,219,433
Net mark-up / interest income		43,641,045	37,966,955
Provision / (reversal) for diminution in the value of investments - net	9.3	(355,809)	(6,834)
Provision / (reversal) against loans and advances - net	10.5.2	(1,093,745)	(2,828,783)
Bad debts written off directly	10.6.1	20	-
		(1,449,534)	(2,835,617)
Net mark-up / interest income after provisions		45,090,579	40,802,572
Non-mark-up / interest income			
Fee, commission and brokerage income		7,775,318	7,204,266
Dividend income		729,708	714,207
Income from dealing in foreign currencies		1,443,458	920,008
Gain on sale of securities - net	26	2,206,577	2,165,381
Unrealized gain / (loss) on revaluation of investments classified as held for trading		27,324	21,787
Other income	27	1,570,088	450,879
Total non-mark-up / interest income		13,752,473	11,476,528
		58,843,052	52,279,100
Non-mark-up / interest expenses			
Administrative expenses	28	21,014,641	19,099,222
Other provision / (reversal) - net	12.3	76,935	(52,285)
Other charges	29	979,225	928,954
Total non-mark-up / interest expenses		22,070,801	19,975,891
Share of profit of associates	9.7 & 9.8	581,771	628,861
Extra ordinary / unusual item		-	-
Profit before taxation		37,354,022	32,932,070
Taxation - Current year		12,003,454	15,220,551
- Prior years		(1,074)	(2,137)
- Deferred		529,658	(4,318,658)
Share of tax of associates		47,538	82,173
	30	12,579,576	10,981,929
Profit after taxation		24,774,446	21,950,141
Profit attributable to minority interest		(118,859)	(75,043)
Profit attributable to ordinary share holders		24,655,587	21,875,098
Unappropriated profit brought forward		43,038,094	37,530,955
Transfer from surplus on revaluation of fixed assets - net of tax		47,941	36,045
		43,086,035	37,567,000
Profit available for appropriation		67,741,622	59,442,098
Basic and diluted earnings - after tax	Rupees per share	33	22.15
			19.65

The annexed notes 1 to 46 and Annexures I to III form an integral part of these consolidated financial statements.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
Profit after tax for the year	24,774,446	21,950,141
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans - net of tax	139,500	49,373
Items that may be reclassified to profit and loss account		
Effect of translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the bank	(213,212)	211,772
- Minority interest	(498)	737
	(213,710)	212,509
Share of exchange translation reserve of associates	(28,155)	26,702
Comprehensive income transferred to equity	24,672,081	22,238,725
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	15,996,388	(3,650,355)
Deferred tax	(5,635,929)	1,189,889
Share of other comprehensive income of associates - net of tax	541,972	726,265
	10,902,431	(1,734,201)
Total Comprehensive income	35,574,512	20,504,524

The annexed notes 1 to 46 and Annexures I to III form an integral part of these consolidated financial statements.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Consolidated Cash Flow Statement

For The Year Ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
Cash flows from operating activities			
Profit before taxation		37,354,022	32,932,070
Less: Dividend income and share of profit of associates		(1,311,479)	(1,343,068)
		36,042,543	31,589,002
Adjustments for non-cash charges			
Depreciation	11.2	1,742,867	1,557,534
Amortization	11.3	364,648	263,024
Provision / (reversal) against loans and advances - net	10.5.2	(1,093,745)	(2,828,783)
Provision / (reversal) for diminution in the value of investments - net	9.3	(355,809)	(6,834)
Other provision / (reversal) - net	12.3	76,935	(52,285)
Bad debts written off directly	10.6.1	20	-
Provision for Workers' Welfare Fund	29	734,803	646,123
Reversal for defined benefit plan - net	28	(413,188)	(1,307,285)
Unrealized gain on revaluation of investments classified as held for trading	9.5	(27,324)	(23,400)
Gain on disposal of fixed assets - net	27	(31,051)	(42,687)
		998,156	(1,794,593)
		37,040,699	29,794,409
(Increase) / decrease in operating assets			
Lendings to financial institutions		(193,543)	326,834
Net investments in 'held for trading' securities		41,638	(1,689)
Advances - net		(54,385,046)	(5,904,498)
Other assets - net		(12,278,459)	(2,814,959)
		(66,815,410)	(8,394,312)
Increase / (decrease) in operating liabilities			
Bills payable		6,488,974	242,442
Borrowings		21,400,052	(40,200,995)
Deposits and other accounts		55,960,997	87,321,003
Other liabilities		9,310,253	(2,487,841)
		93,160,276	44,874,609
Defined benefits paid		63,385,565	66,274,706
Receipt from pension fund		(603,267)	(706,361)
Income tax paid		-	14,731,898
		(9,108,676)	(10,398,228)
Net cash flows from operating activities		53,673,622	69,902,015
Cash flows from investing activities			
Net investments in 'available for sale' securities		(45,335,732)	(51,013,745)
Net investments in 'held to maturity' securities		(597,679)	405,975
Dividends received		959,159	848,353
Investments in operating fixed assets		(4,761,613)	(4,682,052)
Sale proceeds of property and equipment disposed off		107,434	173,089
Net cash flows from investing activities		(49,628,431)	(54,268,380)
Cash flows from financing activities			
Dividend paid		(15,270,838)	(12,759,262)
Net cash flows from financing activities		(15,270,838)	(12,759,262)
Exchange differences on translation of the net investment in foreign branches and subsidiaries		(213,710)	212,509
Increase/(decrease) in cash and cash equivalents		(11,439,357)	3,086,882
Cash and cash equivalents at beginning of the year		61,429,851	57,218,423
Effects of exchange rate changes on cash and cash equivalents		(514,945)	609,601
		60,914,906	57,828,024
Cash and cash equivalents at end of the year	34	49,475,549	60,914,906

The annexed notes 1 to 46 and Annexures I to III form an integral part of these consolidated financial statements.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

	Capital Reserves				Revenue Reserves			Minority interest	Total	
	Share Capital	Reserve for issue of bonus shares	Share Premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit			
(Rupees in '000)										
Balance as at December 31, 2012	9,198,601	-	9,924,438	545,530	15,550,960	18,600,000	37,530,955	91,350,484	501,256	91,851,740
Profit after taxation for the year ended December 31, 2013	-	-	-	-	-	-	21,950,141	21,950,141	-	21,950,141
Profit attributable to minority interest	-	-	-	-	-	-	(75,043)	(75,043)	75,043	-
Profit after taxation for the year ended December 31, 2013 attributable to ordinary share holders of the group	-	-	-	-	-	-	21,875,098	21,875,098	75,043	21,950,141
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	49,373	49,373	-	49,373
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	211,772	-	-	-	211,772	737	212,509
Share of exchange translation reserve of associates	-	-	-	26,702	-	-	-	26,702	-	26,702
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	36,045	36,045	243	36,288
Transferred to statutory reserve	-	-	-	-	2,149,534	-	(2,149,534)	-	-	-
Transfer to reserve for issue of bonus shares	-	919,860	-	-	-	-	(919,860)	-	-	-
Issue of bonus shares - December 2012	919,860	(919,860)	-	-	-	-	-	-	-	-
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(87,608)	(87,608)
Final cash dividend - December 2012	-	-	-	-	-	-	(2,759,581)	(2,759,581)	-	(2,759,581)
Interim cash dividend - March 2013	-	-	-	-	-	-	(3,541,471)	(3,541,471)	-	(3,541,471)
Interim cash dividend - June 2013	-	-	-	-	-	-	(3,541,470)	(3,541,470)	-	(3,541,470)
Interim cash dividend - September 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)	-	(3,541,461)
Balance as at December 31, 2013	10,118,461	-	9,924,438	784,004	17,700,494	18,600,000	43,038,094	100,165,491	489,671	100,655,162
Profit after taxation for the year ended December 31, 2014	-	-	-	-	-	-	24,774,446	24,774,446	-	24,774,446
Profit attributable to minority interest	-	-	-	-	-	-	(118,859)	(118,859)	118,859	-
Profit after taxation for the year ended December 31, 2014 attributable to ordinary shareholders of the group	-	-	-	-	-	-	24,655,587	24,655,587	118,859	24,774,446
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	139,500	139,500	-	139,500
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	(213,212)	-	-	-	(213,212)	(498)	(213,710)
Share of exchange translation reserve of associates	-	-	-	(28,155)	-	-	-	(28,155)	-	(28,155)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	47,941	47,941	297	48,238
Transferred to statutory reserve	-	-	-	-	2,432,476	-	(2,432,476)	-	-	-
Transfer to reserve for issue of bonus shares	-	1,011,846	-	-	-	-	(1,011,846)	-	-	-
Issue of bonus shares - December 2013	1,011,846	(1,011,846)	-	-	-	-	-	-	-	-
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(96,369)	(96,369)
Final cash dividend - December 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)	-	(3,541,461)
Interim cash dividend - March 2014	-	-	-	-	-	-	(3,339,092)	(3,339,092)	-	(3,339,092)
Interim cash dividend - June 2014	-	-	-	-	-	-	(3,895,608)	(3,895,608)	-	(3,895,608)
Interim cash dividend - September 2014	-	-	-	-	-	-	(3,895,608)	(3,895,608)	-	(3,895,608)
Balance as at December 31, 2014	11,130,307	-	9,924,438	542,637	20,132,970	18,600,000	49,765,031	110,095,383	511,960	110,607,343

For details of dividend declaration and appropriations, please refer note 45 to these consolidated financial statements.

The annexed notes 1 to 46 and Annexures I to III form an integral part of these consolidated financial statements.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

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 all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) representing two ordinary shares (2013: two ordinary shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,222 branches including 27 Islamic banking branches (2013: 1,208 branches including 27 Islamic banking branches) within Pakistan and 10 branches (2013: 9 branches) outside the country (including the Karachi Export Processing Zone branch).

Subsidiary Companies

MCB Financial Services Limited

MCB Financial Services Limited was incorporated on February 12, 1992 under the Companies Ordinance, 1984 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 99.999% shares of the company while remaining shares are held by nominees of the Bank.

MNET Services (Private) Limited

MNET Services (Private) Limited is a private limited company incorporated in Pakistan under the Companies Ordinance, 1984 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.

During the year 2013, the Board of Directors (BOD) of the Company in their meeting held on August 7, 2013 resolved to voluntarily wind up the Company (subject to supervision of the court) because of its worsening financial position. The

main reason for the worsening financial position was due to huge fixed cost being incurred by the Company on account of Switch operations against which the Company was unable to generate sufficient revenues. Further, the Board of Directors of MCB Bank Limited in their meeting held on August 16, 2013 also resolved to wind up the subsidiary i.e. MNET Services (Private) Limited.

However, the BOD of the Company, in their meeting held on December 15, 2014, has decided to reverse their aforementioned decision and has requested the Board of the Holding Company to reverse their decision taken earlier in this regard as well. In pursuance of the above resolution, the management of the Company has proceeded to withdraw their request submitted to State Bank of Pakistan for transfer of Switch to MCB Bank Limited and dissolution of the Company.

The Bank owns 99.95% shares of the company while remaining shares are held by nominees of the Bank.

MCB Trade Services Limited

The company was incorporated under the laws of Hong Kong on February 25, 2005. The registered office of the company is located at 28 / F, BEA Harbour View Centre 56 Gloucester Road, Wan Chai, Hong Kong. The principal activity of the company is to provide agency services. The Company ceased its business since October 21, 2013 and there is no more business transaction during 2014. The Company is under process of deregistration with the Hong Kong Companies Registry. The Bank owns 100% shares of the company.

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 under the Companies Ordinance, 1984. During 2008, the Company was listed on the Karachi 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 8th Floor, Techno City, Corporate Tower, Molana Hasrat Mohani Road, 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 was incorporated as a Closed Joint Stock Company under the laws of Azerbaijan on October 16, 2009 with 95% holding of MCB Bank Limited. The registered office of the company is located at 49B Tbilisi Ave. Baku AZ1065, Republic of Azerbaijan.

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The Company's principal business activity is providing lease finance within the Republic of Azerbaijan. The company leases various types of industrial equipment, medical equipment, public transports and real estate. In addition, the Company leases cars, trucks and rail cars. The company purchases leasing assets from suppliers in the Republic of Azerbaijan and abroad.

MCB Islamic Bank Limited

During the year, the Bank incorporated MCB Islamic Bank Limited, a wholly owned subsidiary, with an authorized share capital of Rs 15 Billion. Subject to regulatory approvals, the operation of Islamic Bank Division of MCB Bank Limited referred to in Annexure II to the unconsolidated financial statements will be transferred to the said subsidiary. The commercial operation of the said subsidiary will commence after formal go ahead from State Bank of Pakistan. Consequently, no financial statements of the said subsidiary have been prepared as at December 31, 2014. Subsequent to the year end, the Bank has injected equity of Rs 10 billion in the said subsidiary.

2. BASIS OF PRESENTATION

- 2.1** These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.
- 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 financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The Islamic Banking branches of the Bank 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 Ordinance, 1984.
- 2.3** The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure II to unconsolidated financial statements.
- 2.4** For the purpose of translation, rates of Rs. 100.4831 per US Dollar (2013: Rs. 105.3246) and Rs. 0.7659 per LKR (2013: Rs.0.8052) Rs. 128.1019 per AZN (2013: Rs. 134.2570) have been used.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions and directives given in Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 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.

IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as SBP has defined the segment categorisation in the above mentioned circular, its requirements will prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.

- 3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of

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Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank as disclosed in Annexure II to unconsolidated financial statements.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these consolidated financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are relevant and not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2015

	Effective date (accounting periods beginning on or after)
- IAS 27 'Separate Financial Statements (Amendments)'	January 01, 2015
- IFRS 10 'Consolidated Financial Statements (Amendments)'	January 01, 2015
- IFRS 11 'Joint Arrangements'	January 01, 2015
- IFRS 12 'Disclosure of interests in other entities (Amendments)'	January 01, 2015
- IFRS 13 'Fair value measurement'	January 01, 2015

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2015 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 financial statements.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods will have no material impact on these consolidated financial statements other than in presentation / disclosures.

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 are stated at revalued amounts and certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value.

4.2 The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and

presentation currency. The amounts are rounded off to the nearest thousand.

4.3 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. 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 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 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 notes 10.5.3, 10.5.5 and 10.5.6.

c) Impairment of 'available for sale' equity investments

The Bank determines that 'available for sale' equity

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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 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 interest rates at the balance sheet date and the rates contracted.

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 36 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

5.1 Basis of consolidation

a) The 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, 2014 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Material intra-group balances and transactions have been eliminated.

c) Associates are all entities over which the Group has significant influence but not control. 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) Minority 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.

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.

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For the year ended December 31, 2014

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.

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 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 a separate account which is shown in the balance sheet 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 audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. 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 the 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 the 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. 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.

5.5 Operating fixed assets and depreciation

Property and equipment, other than land carrying value of which is not amortized, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets become available for use.

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to these financial

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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.

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Gains / losses on sale of property and equipment are credited / charged to the profit and loss account currently, except that the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

5.5.1 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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level.

5.5.2 Leases (Ijarah)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for

re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

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. Recoverable amount is the greater of net selling price and value in use. 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.

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- 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.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognise past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs
- (ii) and when the Bank recognises related restructuring costs or termination benefits

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.

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.

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 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.

5.9 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. Foreign bills purchased and 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

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 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.

5.10.4 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 statement of financial position.

5.11 Acceptances

Commitments for outstanding forward foreign exchange contracts are disclosed in these 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 statement of financial position.

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 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.

- Ijarah income is recognized on an accrual basis as and when the rental becomes due.
- 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.
- 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.

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

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value or current fair value of such assets.

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

treasury banks, balances with other banks, lendings to financial institutions, investments (excluding investment in associates and subsidiaries), 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.

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 set off and the net amount is reported in the 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.

5.17 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.

5.18 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.

5.18.1 Business segments

Corporate Finance

Corporate Finance includes underwriting, securitization, investment banking, syndications, IPO related activities (excluding investments) and secondary private placements.

Trading and Sales

It includes fixed income, equity, foreign exchange commodities, lendings to and borrowings from financial institutions and brokerage debt.

Retail and Consumer Banking

It includes retail lending and deposits, banking services, private lending and deposits, banking services and retail offered to its retail customers and small and medium enterprises.

Commercial Banking

It includes project finance, export finance, trade finance, leasing, lending, guarantees and bills of exchange relating to its corporate customers.

Asset Management

It includes asset management, investment advisory, portfolio management, equity research and underwriting.

5.18.2 Geographical segments

The Bank operates in four geographic regions being:

- Pakistan
- South Asia
- Middle East
- Eurasia

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 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	6.1	11,140,319	10,189,522
- foreign currencies		2,270,370	2,161,392
With State Bank of Pakistan (SBP) in:			
Local currency current account	6.2	11,023,747	25,986,891
Foreign currency current account	6.3	170,097	142,724
Foreign currency deposit account	6.2	5,854,648	5,529,331
With other central banks in foreign currency current account	6.2	555,728	272,502
With National Bank of Pakistan in local currency current account		15,738,959	15,663,856
		<u>46,753,868</u>	<u>59,946,218</u>

6.1 This includes national prize bonds amounting to Rs. 122.066 million (2013: Rs. 118.737 million).

6.2 Deposits with SBP are maintained to comply with their requirements issued from time to time. Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

6.3 This represents US Dollar settlement account maintained with SBP.

	Note	2014	2013
(Rupees in '000)			
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
- current account		3,098	16,882
- deposit account	7.1	39,402	37,922
Outside Pakistan			
- current account		2,211,308	1,052,532
- deposit account	7.2	809,966	487,324
		<u>3,063,774</u>	<u>1,594,660</u>

7.1 Balances with other banks inside Pakistan in deposit accounts carry interest rate ranging from 7.00% to 8.25% per annum (2013: 7.25% to 8.50% per annum).

7.2 Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 0.90% to 2.50% per annum (2013: 2.35 % per annum).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2 & 8.3	382,950	664,261
Repurchase agreement lendings	8.2 & 8.3	1,035,231	560,377
		<u>1,418,181</u>	<u>1,224,638</u>
8.1 Particulars of lendings			
In local currency		1,000,000	996,766
In foreign currencies		418,181	227,872
		<u>1,418,181</u>	<u>1,224,638</u>

8.2. These carry mark up rates ranging from 5% to 10.35% per annum (2013 : 6.50% to 10%).

8.3 Securities held as collateral against lendings to financial institutions

	2014			2013		
	Held by bank	Further Given as collateral	Total	Held by bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	1,035,231	-	1,035,231	560,377	-	560,377
	<u>1,035,231</u>	<u>-</u>	<u>1,035,231</u>	<u>560,377</u>	<u>-</u>	<u>560,377</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

9. INVESTMENTS - NET

9.1 Investments by types

Note	2014			2013		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in '000)						
Held for trading securities						
- Shares in listed companies	9.5.1	52,330	-	52,330	-	-
- Units in open ended mutual fund	9.5.2	504,702	-	504,702	575,270	575,270
		557,032		557,032	575,270	575,270
Available-for-sale securities						
- Market Treasury Bills		113,790,156	25,908,740	139,698,896	304,804,941	16,631,860 321,436,801
- Pakistan Investment Bonds		329,079,474	-	329,079,474	107,615,147	- 107,615,147
- Shares in listed companies		11,887,621	-	11,887,621	7,792,448	- 7,792,448
- Units in open ended mutual fund		257,841	-	257,841	222,443	- 222,443
- Shares in unlisted companies	9.4	206,027	-	206,027	206,107	- 206,107
- NIT units		5,253	-	5,253	5,253	- 5,253
- Sukuk Bonds		3,715,236	-	3,715,236	2,700,000	- 2,700,000
- Term Finance Certificates (TFCs)		930,653	-	930,653	958,412	- 958,412
		459,872,261	25,908,740	485,781,001	424,304,751	16,631,860 440,936,611
Held-to-maturity securities						
- Market Treasury Bills	9.6	1,780,611	58,441	1,839,052	1,656,039	64,836 1,720,875
- Provincial Government Securities		118	-	118	118	- 118
- Sukuk Bonds		244,489	-	244,489	442,838	- 442,838
- Euro Bonds		2,283,917	-	2,283,917	2,344,907	- 2,344,907
- Term Finance Certificates (TFCs), Debentures, Bonds and Participation Term Certificates (PTCs)		3,516,856	-	3,516,856	2,778,015	- 2,778,015
		7,825,991	58,441	7,884,432	7,221,917	64,836 7,286,753
Associates						
- Adamjee Insurance Company Limited	9.7	6,203,825	-	6,203,825	5,386,250	- 5,386,250
- Euronet Pakistan (Private) Limited	9.8	64,511	-	64,511	63,426	- 63,426
		6,268,336	-	6,268,336	5,449,676	- 5,449,676
Investments at cost		474,523,620	25,967,181	500,490,801	437,551,614	16,696,696 454,248,310
Less: Provision for diminution in value of investments	9.3	(1,702,808)	-	(1,702,808)	(2,549,959)	- (2,549,959)
Investments (net of provisions)		472,820,812	25,967,181	498,787,993	435,001,655	16,696,696 451,698,351
Surplus / (Deficit) on revaluation of available for sale securities - net	21.2	18,095,419	(12,437)	18,082,982	2,099,461	(12,867) 2,086,594
Surplus on revaluation of 'held for trading' securities - net	9.5	27,324	-	27,324	23,400	- 23,400
Investments at revalued amounts-net of provisions		490,943,555	25,954,744	516,898,299	437,124,516	16,683,829 453,808,345

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills		139,698,896	321,436,801
- Pakistan Investment Bonds		329,079,474	107,615,147
- Euro Bonds		2,283,917	2,344,907
- Sukuk Bonds		3,715,236	2,700,000
Overseas Government Securities			
- Market Treasury Bills - Sri Lanka		1,839,052	1,720,875
- Development Bonds		607,880	632,791
Provincial Government Securities		118	118
Associated Undertakings		6,268,336	5,449,676
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas		11,876,666	7,729,163
- Unlisted companies / funds		206,027	206,107
Units of Open Ended Mutual Funds		762,543	797,713
Fully Paid-up Preference Shares:			
- Listed Companies		63,285	63,285
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates		1,445,050	1,267,298
- Unlisted Term Finance Certificates		1,789,213	1,527,553
- Commercial Papers		203,150	-
- Debentures, Bonds and Participation Term Certificates (PTCs)		402,216	308,785
Other Investments:			
- Sukuk Bonds		244,489	442,838
- NIT Units		5,253	5,253
Total investments at cost		500,490,801	454,248,310
Less: Provision for diminution in the value of investments	9.3	(1,702,808)	(2,549,959)
Investments (net of provisions)		498,787,993	451,698,351
Surplus on revaluation of available for sale securities - net	21.2	18,082,982	2,086,594
Surplus on revaluation of held for trading securities - net	9.5	27,324	23,400
Investments at revalued amounts - net of provisions		516,898,299	453,808,345
9.3 Particulars of provision			
Opening balance		2,549,959	2,783,347
Charge during the year		4,829	75,299
Reversal made during the year		(360,638)	(82,133)
		(355,809)	(6,834)
Reversal on disposal of shares		(491,342)	(224,353)
Reclassification		-	(173)
Investment written off against provision		-	(2,028)
Closing balance		1,702,808	2,549,959
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Listed shares / Certificates / Units		1,502,571	1,993,913
Unlisted shares		77,070	74,741
		1,579,641	2,068,654
Held-to-maturity securities			
Unlisted TFCs, Debentures, Bonds and Participation Term Certificates		123,167	481,305
		1,702,808	2,549,959

Notes to and forming part of the Consolidated Financial Statements

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9.4 Quality of 'available for sale' securities

Note	2014		2013		
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating	
Market Treasury Bills	9.4.1	139,647,839	Unrated	321,150,456	Unrated
Pakistan Investment Bonds	9.4.1	344,958,847	Unrated	107,720,565	Unrated
Listed Term Finance Certificates					
Askari Bank Limited		244,695	AA-	253,321	AA-
Bank Alfalah Limited		516,380	AA-	527,480	AA-
Allied Bank Limited		180,618	AA	205,081	AA
		941,693		985,882	
Shares in Listed Companies					
Abbott Laboratories Pakistan Limited		-	-	25,814	Not available
Aisha Steel Mills Limited (including right shares)		1,231	A- & A2	1,345	A- & A2
Allied Bank Limited		-	-	794,738	AA+ & A1+
Arif Habib Limited		-	-	3,067	Not available
Arif Habib Corporation Limited		-	-	41,188	AA & A1+
Altern Energy Limited		31	Not available	-	-
Archroma Pakistan Limited		72,826	Not available	34,410	Not available
Attock Cement Pakistan Limited		-	-	2,754	Not available
Attock Petroleum Limited		556,024	Not available	494,906	Not available
Bank Alfalah Limited		513,451	AA & A1+	8,112	AA & A1+
Bank Al-Habib Limited		533,396	AA+ & A1+	533,977	AA+ & A1+
The Bank of Punjab		38	AA- & A1+	-	-
Engro Corporation Limited		215,131	AA- & A1+	-	-
Engro Fertilizers Limited		272,374	A+ & A1	-	-
Fatima Fertilizer Company Limited		346,021	AA- & A1+	-	-
Fauji Cement Company Limited		13	Not available	22,330	Not available
Fauji Fertilizer Bin Qasim Company Limited		629,594	Not available	168,909	Not available
Fauji Fertilizer Company Limited		864,588	Not available	1,123,183	Not available
First AI - Noor Modaraba		-	-	27,766	Not available
Glaxo Smithkline Pakistan Limited		480,947	Not available	-	Not available
Habib Bank Limited		-	-	111,669	AAA & A1+
Habib Metropolitan Bank Limited		356,084	AA+ & A1+	2,883	AA+ & A1+
Hub Power Company Limited		-	-	230,190	AA+ & A1+
IGI Insurance Limited		572,921	AA	11,507	AA
Indus Motors Company Limited		-	-	9,000	Not available
International Steels Limited		115,289	Not available	-	-
K-Electric Limited		27,660	A+ & A2	-	-
Kohat Cement Company Limited		141,816	Not available	-	-
Kohinoor Energy Limited		-	-	1,952	AA & A1+
Kot Addu Power Company Limited		1,111,909	AA+ & A1+	367,752	AA+ & A1+
Lafarge Pakistan Cement Limited		472,735	BB+ & B	-	-
Masood Textile Mills Limited - preference shares		50,000	Not available	50,000	Not available
Meezan Bank Limited		-	-	15,627	AA & A1+
Millat Tractors Limited		-	-	29	Not available
Murree Brewery Company Limited		4,024	Not available	9,460	Not available
National Bank of Pakistan		428,950	AAA & A1+	428,773	AAA & A1+
National Foods Limited		5,527	AA- & A1	11,430	A+ & A1
National Refinery Limited		97,582	AA+ & A1+	-	-
Nestle Pakistan Ltd Limited		98,116	Not available	40,378	Not available
NetSol Technologies Ltd		70,368	Not available	-	-
*Next Capital Limited		11,213	Not available	9,750	Not available
Oil & Gas Development Company Limited		48	AAA & A1+	130,783	AAA & A1+
Pak Elektron Limited		149,681	A- & A2	-	-
Balance carried forward		8,199,588		4,713,682	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

Note	2014		2013		
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating	
Balance brought forward	8,199,588		4,713,682		
Pakistan Oilfields Limited	262,439	Not available	592,297	Not available	
Pakistan Petroleum Limited	365,258	Not available	457,001	Not available	
Pakistan State Oil Company Limited	14,460	AA+ & A1+	96,410	AA+ & A1+	
Pakistan Telecommunication Company Limited	56,193	Not available	32,706	Not available	
Pakistan Tobacco Company Limited	-	-	27,572	Not available	
Rafhan Maize Products Limited	290,929	Not available	127,037	Not available	
Rupali Polyester Limited	-	-	2,985	Not available	
Saif Power Limited	292,942	A+ & A1	-	-	
Samba Bank Limited	1	AA- & A1	66,947	AA- & A1	
Searle Pakistan Limited	158,067	BBB & A-3	11,244	BBB & A-3	
Siemens Pakistan Engineering Company Limited	12,573	Not available	-	-	
** Sui Northern Gas Pipelines Limited	1,582,690	AA & A1+	1,174,200	AA & A1+	
* Trust Securities & Brokerage Limited	1,254	Not available	885	Not available	
Unilever Pakistan Foods Limited	7,699	Not available	8,063	Not available	
United Bank Limited	684,788	AA+ & A1+	602,352	AA+ & A1+	
Zulfiqar Industries Limited	3,490	Not available	3,481	Not available	
	11,932,371		7,916,862		
Open Ended Mutual Fund					
Pakistan Pension Fund	195,442	Not Applicable	162,546	Not Applicable	
Pakistan Islamic Pension Fund	199,355	Not Applicable	164,062	Not Applicable	
Pakistan Stock Market Fund	39,724	Not Applicable	-	-	
	434,521		326,608		
Closed Ended Mutual Fund					
PICIC Growth Fund	407,958	Not available	-	-	
PICIC Investment Fund	158,643	Not available	-	-	
	566,601		-		
Shares in Un-listed Companies	9.4.2				
* National Investment Trust Limited	100	AM2-	100	AM2-	
* SME Bank Limited	3,892	BBB- & A3	6,527	BBB & A3	
First Capital Investment (Private) Limited	2,500	AM4+	2,500	AM4+	
First Women Bank Limited	63,300	BBB+ & A2	63,300	A- & A2	
Pak Asian Fund	11,500	Not available	11,500	Not available	
* Pakistan Agro Storage and Services corporation	2,500	Not available	-	Not available	
* Arabian Sea Country Club	-	Not available	2,194	Not available	
* Central Depository Company of Pakistan Limited	10,000	Not available	10,000	Not available	
* National Institutional Facilitation Technologies (Private) Limited	1,526	Not available	1,526	Not available	
Society for Worldwide Inter Fund Transfer (SWIFT)	1,738	Not available	1,738	Not available	
Islamabad Stock Exchange Limited	30,346	Not available	30,346	Not available	
Lanka Clearing (Private) Limited	766	Not available	805	Not available	
Lanka Financial Services Bureau Limited	766	Not available	805	Not available	
Credit Information Bureau of Srilanka	23	Not available	25	Not available	
	128,957		131,366		
Other Investment					
Sukuk Bonds	9.4.1	3,666,210	Unrated	2,717,310	Unrated
N.I.T. Units		7,303	AM2-	5,502	AM2-
		502,284,342		440,954,551	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

9.4.1 These are Government of Pakistan guaranteed securities.

9.4.2 Investments in unlisted companies are stated at carrying value. The above excludes unlisted shares of companies which are fully provided for in these financial statements.

*These are the strategic investments of the Group.

**This includes 37.292 million shares valuing Rs. 1,070.639 million (2013: 37.292 million shares valuing Rs. 794.309 million) which are held as strategic investment by the Group.

9.5 Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'

Note	Unrealized gain / (loss)		Cost	
	2014	2013	2014	2013
(Rupees in '000)				
9.5.1 Investment in Shares				
Investee Company				
Dewan Cement Limited	(260)	-	4,241	-
Hascol Petroleum Limited	(737)	-	19,262	-
International Industries Limited	(114)	-	6,161	-
Searle Pakistan Limited	(862)	-	18,178	-
United Bank Limited	(300)	-	4,488	-
	(2,273)	-	52,330	-

9.5.2 Investment in units of mutual funds

Investee Company				
MCB Dynamic Cash Fund	5,998	12,921	90,817	358,985
MCB Dynamic Allocation Fund	17,419	6,053	169,933	173,348
Metro Bank-Pakistan Sovereign Fund	6,180	488	243,952	15,937
Pakistan Cash Management Fund	-	3,938	-	27,000
	29,597	23,400	504,702	575,270
	27,324	23,400	557,032	575,270

2014 2013
(Rupees in '000)

9.5.3 At fair value through profit or loss

Cost of investment	-	27,000
Unrealized gain	-	3,938
Fair value of investments	-	30,938
Fair value of investment		
Opening balance	30,938	28,614
Purchased during the year	44,157	-
Gain on fair value of remeasurement recognized in Profit & Loss	3,136	2,324
Investment redeemed during the year	(78,231)	-
Closing balance	-	30,938

9.6 "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan. The market value of Market Treasury Bills classified as 'held to maturity' as at December 31, 2014 amounted to Rs. 1,839.052 million (2013: Rs. 1,720.875 million).

9.7 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, 2014 amounted to Rs. 5,042.493 million (2013: Rs. 3,809.906 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

Investment in Adamjee Insurance Company Limited under equity method - holding 29.13%

	2014	2013
	(Rupees in '000)	
Opening Balance	5,386,250	4,176,476
Share of profit for the year before tax	580,609	622,902
Dividend from associate	(229,390)	(126,118)
Share of tax	(47,461)	(83,961)
	303,758	412,823
Share of other comprehensive income	513,817	796,951
Closing Balance	6,203,825	5,386,250
9.7.1 Share of other comprehensive income		
Share of unrealized surplus on assets -net of tax	541,972	770,249
Share of exchange translation reserve of associate	(28,155)	26,702
	513,817	796,951

- 9.8** 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%

	2014	2013
	(Rupees in '000)	
Opening Balance	63,426	55,679
Share of profit for the year before tax	1,162	5,959
Share of tax	(77)	1,788
	1,085	7,747
Closing Balance	64,511	63,426

- 9.9** First Women Bank Limited has been reclassified from Investment in associates to unlisted shares due to dilution in shareholding.
- 9.10** Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2013: Rs. 232.60 million) earmarked by the SBP and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2013: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.
- 9.11** Information relating to investments in ordinary shares and preference shares of listed companies and unlisted companies required to be disclosed as part of the financial statements under BSD Circular No.04 of 2006 dated February 17, 2006, is given in Annexure "I".
- 9.12** 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 and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		280,297,779	231,039,502
Outside Pakistan		13,477,931	13,469,340
		<u>293,775,710</u>	<u>244,508,842</u>
Islamic Financing and related assets	10.2	13,885,804	11,303,966
Net investment in finance lease	10.3		
In Pakistan		2,101,598	1,027,911
Outside Pakistan		1,032,743	911,165
		<u>3,134,341</u>	<u>1,939,076</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		4,406,599	1,455,467
Payable outside Pakistan		7,556,783	9,263,734
		<u>11,963,382</u>	<u>10,719,201</u>
Advances - gross		<u>322,759,237</u>	<u>268,471,085</u>
Provision against advances	10.5		
Specific provision		(18,149,201)	(19,450,148)
General provision		(322,307)	(267,860)
General provision against consumer loans and small enterprise loans		(254,595)	(201,354)
General provision by Sri Lanka Operations and MCB Leasing		(32,571)	(29,931)
		<u>(18,758,674)</u>	<u>(19,949,293)</u>
Advances - net of provision		<u>304,000,563</u>	<u>248,521,792</u>
10.1 Particulars of advances (gross)			
10.1.1 In local currency		285,542,597	222,305,289
In foreign currencies		37,216,640	46,165,796
		<u>322,759,237</u>	<u>268,471,085</u>
10.1.2 Short-term		231,929,535	202,403,592
Long-term		90,829,702	66,067,493
		<u>322,759,237</u>	<u>268,471,085</u>
10.2 Islamic Financing and related assets			
Islamic Financing		6,089,304	5,468,451
Inventories		6,526,434	4,580,773
Advance against Murabaha		1,036,720	756,568
Advance against Future Ijara		108,984	268,721
Advance against Diminishing Musharaka		124,362	229,453
		<u>13,885,804</u>	<u>11,303,966</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

10.3 Net investment in finance lease

	2014				2013			
	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	845,629	1,678,352	1,348,872	3,872,853	956,830	1,148,581	-	2,105,411
Guaranteed residual value	20,901	36,245	2,243	59,389	37,176	64,978	-	102,154
Minimum lease payments	866,530	1,714,597	1,351,115	3,932,242	994,006	1,213,559	-	2,207,565
Finance charge for future periods	(168,792)	(243,036)	(386,073)	(797,901)	(150,595)	(117,894)	-	(268,489)
Present value of minimum lease payments	697,738	1,471,561	965,042	3,134,341	843,411	1,095,665	-	1,939,076

10.4 Advances include Rs. 21,907.791 million (2013: Rs. 23,267.733 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2014								
		Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)										
Other Assets Especially Mentioned (OAEM)	10.4.1	50,405	-	50,405	3,477	-	3,477	3,477	-	3,477
Substandard		234,172	-	234,172	58,352	-	58,352	58,352	-	58,352
Doubtful		873,888	-	873,888	436,526	-	436,526	436,526	-	436,526
Loss		15,896,249	4,853,077	20,749,326	15,241,574	2,409,272	17,650,846	15,241,574	2,409,272	17,650,846
		17,054,714	4,853,077	21,907,791	15,739,929	2,409,272	18,149,201	15,739,929	2,409,272	18,149,201
(Rupees in '000)										
Category of Classification	Note	2013								
		Class Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)										
Other Assets Especially Mentioned (OAEM)	10.4.1	35,782	-	35,782	2,660	-	2,660	2,660	-	2,660
Substandard		168,423	50,438	218,861	41,200	12,610	53,810	41,200	12,610	53,810
Doubtful		1,453,012	-	1,453,012	405,827	-	405,827	405,827	-	405,827
Loss		16,584,176	4,975,902	21,560,078	16,502,626	2,485,225	18,987,851	16,502,626	2,485,225	18,987,851
		18,241,393	5,026,340	23,267,733	16,952,313	2,497,835	19,450,148	16,952,313	2,497,835	19,450,148

10.4.1 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 and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

Note	2014				Total
	Specific	General	General provision against consumer & SEs loans	General provision by Sri Lanka Operations & MCB Leasing	
(Rupees in '000)					
10.5 Particulars of provision against advances					
Opening balance	19,450,148	267,860	201,354	29,931	19,949,293
Exchange adjustments	(74,558)	-	-	(1,462)	(76,020)
Provision made during the year	2,193,998	54,447	53,241	4,102	2,305,788
Reversals	(3,399,533)	-	-	-	(3,399,533)
	(1,205,535)	54,447	53,241	4,102	(1,093,745)
Amounts written off	10.6.1 (20,854)	-	-	-	(20,854)
Closing balance	18,149,201	322,307	254,595	32,571	18,758,674

Note	2013				Total
	Specific	General	General provision against consumer & SEs loans	General provision by Sri Lanka Operations & MCB Leasing	
(Rupees in '000)					
Opening balance	22,380,087	257,457	145,568	25,911	22,809,023
Exchange adjustments	129,419	-	-	1,502	130,921
Provision made during the year	1,619,488	10,403	55,786	2,518	1,688,195
Reversals	(4,516,978)	-	-	-	(4,516,978)
	(2,897,490)	10,403	55,786	2,518	(2,828,783)
Amounts written off	10.6.1 (161,868)	-	-	-	(161,868)
Closing balance	19,450,148	267,860	201,354	29,931	19,949,293

10.5.1 Particulars of provisions against advances

	2014			2013		
	Specific	General (Total)	Total	Specific	General (Total)	Total
(Rupees in '000)						
In local currency	15,739,929	576,902	16,316,831	16,952,313	469,214	17,421,527
In foreign currencies	2,409,272	32,571	2,441,843	2,497,835	29,931	2,527,766
	18,149,201	609,473	18,758,674	19,450,148	499,145	19,949,293

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

10.5.2 The following amounts have been charged to the profit and loss account:

	Note	2014	2013
(Rupees in '000)			
Specific provision		(1,205,535)	(2,897,490)
General provision	10.5.3	54,447	10,403
General provision against consumer & Small Enterprise loans	10.5.5	53,241	55,786
General provision by Sri Lanka Operations and MCB Leasing		4,102	2,518
		<u>(1,093,745)</u>	<u>(2,828,783)</u>

10.5.3 General provision against advances represents provision maintained at around 0.1% of gross advances.

10.5.4 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.

10.5.5 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the 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 the fully secured performing portfolio and 2% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

10.5.6 General provision against advances in Sri Lanka is maintained at 0.5% of performing advances.

	Note	2014	2013
(Rupees in '000)			
10.6 Particulars of write offs:			
10.6.1 Against provisions	10.5	20,854	161,868
Directly charged to the profit and loss account		20	-
		<u>20,874</u>	<u>161,868</u>
10.6.2 Write offs of Rs. 500,000 and above	10.6.3	17,672	150,079
Write offs of below Rs. 500,000		3,202	11,789
		<u>20,874</u>	<u>161,868</u>

10.6.3 Details of loan write offs 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, 2014 is given at Annexure- III in unconsolidated financial statements. However, this write off does not affect the Bank's right to recover the debts from these customers.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013	
		(Rupees in '000)		
10.7	Particulars of advances to directors, executives, associated companies, etc.			
	Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons			
	Balance at beginning of the year	3,637,694	3,884,919	
	Loans granted during the year	721,997	583,827	
	Repayments	(857,432)	(831,052)	
	Balance at end of the year	3,502,259	3,637,694	
	Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
	Balance at beginning of the year	199,676	156,696	
	Loans granted during the year	651,671	445,085	
	Repayments	(737,827)	(402,105)	
	Balance at end of the year	113,520	199,676	
		3,615,779	3,837,370	
11.	OPERATING FIXED ASSETS			
	Capital work-in-progress	11.1	1,065,940	1,900,221
	Property and equipment	11.2	29,537,332	26,234,684
	Intangible asset	11.3	980,374	871,026
			31,583,646	29,005,931
11.1	Capital work-in-progress			
	Civil works	129,757	1,260,427	
	Advances to suppliers and contractors	84,077	161,359	
	Others	852,106	478,435	
		1,065,940	1,900,221	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

11.2 Property and equipment

Description	2014							
	Cost/Revalued amount			Accumulated depreciation			Net Book value at December 31, 2014	Annual Rate of depreciation /estimated useful life
	At January 01, 2014	Additions/ (disposals)/ Exchange and other adjustments	At December 31, 2014	At January 01, 2014	Charge for the year/ (depreciation on disposals) exchange and other adjustments	At December 31, 2014		
(Rupees in '000)								
Land-Freehold	14,373,912	272,267	14,646,179	-	-	-	14,646,179	-
Land-Lease Hold	125,632	122,317	247,949	-	-	-	247,949	-
Buildings on freehold land	7,377,725	1,784,842 (3,262)	9,159,305	15,541	207,849 (17)	223,373	8,935,932	upto 70 years
Buildings on leasehold land	49,996	- (726)	49,270	-	2,798 (4)	2,794	46,476	upto 50 years
Leasehold Improvements	663,619	45,704 346	709,669	308,206	160,692 (842)	468,056	241,613	3 years
Furniture and fixture	1,088,171	145,722 (11,250) (4,765)	1,217,878	639,179	97,627 (9,766) (1,275)	725,765	492,113	10%
Electrical, Computers and office Equipment	8,440,072	1,648,678 (69,418) (6,008)	10,013,324	6,217,053	839,887 (67,335) (4,502)	6,985,103	3,028,221	10% to 25%
Vehicles	748,307	185,252 (59,321) (2,165)	872,073	389,362	83,465 (45,279) (1,709)	425,839	446,234	20%
Ijarah Assets								
Assets held under Ijarah - Car	750,029	570,416 (91,908)	1,228,537	144,970	190,162 (44,630)	290,502	938,035	20%
Assets held under Ijarah - Equipment	563,369	354,931 (91,666)	826,634	231,837	160,387 (80,170)	312,054	514,580	20%
	34,180,832	5,130,129 (323,563) (16,580)	38,970,818	7,946,148	1,742,867 (247,180) (8,349)	9,433,486	29,537,332	

11.2 Property and equipment

Description	2013												
	Cost/ Revalued amount					Accumulated depreciation					Net book value at December 31, 2013	Annual rate of depreciation/ estimated useful life	
	At January 01, 2013	Additions/ (disposals) / exchange and other adjustments	Revaluation surplus	Reversal due to revaluation	Transfer in / (out)	At December 31, 2013	At January 01, 2013	Charge for the year/ (depreciation on disposals) exchange and other adjustments	Reversal due to revaluation	Transfer in / (out)			At December 31, 2013
(Rupees in '000)													
Land - Freehold	12,057,399	809,296	1,507,217	-	-	14,373,912	-	-	-	-	14,373,912	-	
Land - Leasehold	120,100	-	5,532	-	-	125,632	-	-	-	-	125,632	-	
Buildings on freehold land	6,191,206	1,062,697 1,990	595,968	(538,745)	64,609	7,377,725	319,280	216,702 760	(538,745)	17,544	15,541	7,362,184	upto 70 years
Buildings on leasehold land	538,898	1,836 809	16,465	(14,013)	(493,999)	49,996	181,563	2,007 757	(14,013)	(170,314)	-	49,996	upto 50 years
Leasehold Improvements*	-	225,847 1,504	-	-	436,268	663,619	-	154,583 853	-	152,770	308,206	355,413	3 years
Furniture and fixture	1,001,163	100,656 (9,533) 2,763	-	-	(6,878)	1,088,171	544,725	99,097 (6,790) 2,147	-	-	639,179	448,992	10%
Electrical, Computers and office Equipment	7,722,797	799,170 (88,094) 6,199	-	-	-	8,440,072	5,567,447	740,918 (84,727) 3,415	-	-	6,217,053	2,223,019	10% to 25%
Vehicles	585,513	233,183 (73,053) 2,664	-	-	-	748,307	366,787	77,641 (57,648) 2,582	-	-	389,362	358,945	20%
Ijarah Assets													
Assets held under Ijarah - Car	285,284	523,090 (58,345)	-	-	-	750,029	61,550	111,509 (28,089)	-	-	144,970	605,059	20%
Assets held under Ijarah - Equipment	537,749	150,840 (125,220)	-	-	-	563,369	123,349	155,077 (46,589)	-	-	231,837	331,532	20%
	29,040,109	3,906,615 (354,245) 15,929	2,125,182	(552,758)	-	34,180,832	7,154,701	1,557,534 (223,843) 10,514	(552,758)	-	7,946,148	26,234,684	

* Leasehold Improvements have been classified separately from Buildings on leasehold land.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

11.2.1 The land and buildings of the Group were revalued in December 2013 by independent valuers (Arch-e-Decon & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. The information relating to location of revalued assets is given in Annexure III. The details of revalued amounts are as follows:

	(Rupees in '000)
Total revalued amount of land	14,499,544
Total revalued amount of buildings	7,412,180

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2014 would have been as follows:

	(Rupees in '000)
Land	5,384,342
Buildings	6,319,990

11.2.2 The gross carrying amount (cost) of fully depreciated assets that are still in use are as follows:

Furniture and fixture	379,266
Electrical, computers and office equipment	4,560,059
Vehicles	417,779
Leasehold Improvements	206,542
Intangible asset	1,483,551

11.2.3 Details of disposal of operating fixed assets

The information relating to disposal of operating fixed assets required to be disclosed as part of the financial statements by the State Bank of Pakistan is given in Annexure II and is an integral part of these consolidated financial statements.

11.3 Intangible asset

Description	2014							
	Cost			Accumulated amortization			Net Book value at December 31, 2014	Useful Life
	At January 01 2014	Additions/ adjustments	At December 31, 2014	At January 01, 2014	Amortization for the year/ adjustments	At December 31, 2014		
	(Rupees in '000)							
Computer software	2,224,847	474,991 (3,495)	2,696,343	1,627,948	364,648 (2,500)	1,990,096	706,247	3 - 7 years
Goodwill	82,127	-	82,127	-	-	-	82,127	
Management rights	192,000	-	192,000	-	-	-	192,000	
	2,498,974	474,991 (3,495)	2,970,470	1,627,948	364,648 (2,500)	1,990,096	980,374	
Description	2013							
	Cost			Accumulated amortization			Net Book value at December 31, 2013	Useful Life
	At January 01 2013	Additions/ adjustments	At December 31, 2013	At January 01, 2013	Amortization for the year/ adjustments	At December 31, 2013		
	(Rupees in '000)							
Computer software	1,876,612	344,708 3,527	2,224,847	1,362,046	263,024 2,878	1,627,948	596,899	3 - 7 years
Goodwill	82,127	-	82,127	-	-	-	82,127	
Management rights	192,000	-	192,000	-	-	-	192,000	
	2,150,739	344,708 3,527	2,498,974	1,362,046	263,024 2,878	1,627,948	871,026	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
12. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency		21,341,618	8,403,945
Income / mark-up accrued on advances and investments - foreign currencies		303,679	188,298
Accrued income, advances, deposits, and other prepayments		1,406,779	1,065,013
Advance taxation (payments less provisions)		3,246,452	6,145,527
Compensation for delayed income tax refunds		265,971	44,802
Non-banking assets acquired in satisfaction of claims	12.1	1,809,891	1,939,184
Unrealized gain on derivative financial instruments	12.2	862,138	1,649,163
Stationery and stamps on hand		39,142	66,910
Prepaid exchange risk fee		225	257
Receivable from the pension fund	36.3	7,263,254	5,854,207
Others		2,474,673	2,901,129
		<u>39,013,822</u>	<u>28,258,435</u>
Less: Provision held against other assets	12.3	1,125,667	1,081,715
		<u>37,888,155</u>	<u>27,176,720</u>

12.1 The market value of non-banking assets with carrying value of Rs. 1,787.280 million (2013: Rs. 1,814.981 million) net of provision as per the valuation reports dated December 31, 2014 amounted to Rs. 2,039.087 million (2013: Based on valuation as of December 31, 2013 Rs. 1,831.591 million).

12.2 Unrealized gain on derivative financial instruments

	Contract / Notional amount		Unrealized gain	
	2014	2013	2014	2013
(Rupees in '000)				
Unrealized gain on:				
FX Options	-	216,344	-	1,062
Forward exchange contracts	46,863,967	90,769,449	862,138	1,648,101
	<u>46,863,967</u>	<u>90,985,793</u>	<u>862,138</u>	<u>1,649,163</u>

12.3 Provision held against other assets

	2014	2013
(Rupees in '000)		
Opening balance	1,081,715	1,131,977
Charge for the year	179,595	31,376
Reversal during the year	(102,660)	(83,661)
	76,935	(52,285)
Write off during the year	(8,774)	(40,091)
Exchange adjustments / reclassification	(24,209)	42,114
Closing balance	<u>1,125,667</u>	<u>1,081,715</u>

13. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2014 and December 31, 2013.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

		2014	2013
		(Rupees in '000)	
14. BILLS PAYABLE			
In Pakistan		16,500,957	10,113,386
Outside Pakistan		126,743	25,340
		<u>16,627,700</u>	<u>10,138,726</u>
15. BORROWINGS			
In Pakistan		52,126,784	30,267,778
Outside Pakistan		7,649,794	8,392,627
		<u>59,776,578</u>	<u>38,660,405</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		52,126,784	30,267,778
In foreign currencies		7,649,794	8,392,627
		<u>59,776,578</u>	<u>38,660,405</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	15.3	10,604,033	8,939,210
Long term financing facility	15.4	4,828,527	3,832,857
Long term financing - export oriented projects scheme	15.5	60,365	213,965
Financing Facility for Storage of Agricultural Produce	15.6	509,061	670,858
		<u>16,001,986</u>	<u>13,656,890</u>
Repurchase agreement borrowings	15.7	25,952,261	16,675,724
		<u>41,954,247</u>	<u>30,332,614</u>
Unsecured			
Borrowings from other financial institution	15.8	4,696,990	2,751,563
Call borrowings	15.9	12,783,248	4,950,256
Overdrawn nostro accounts		342,093	625,972
		<u>17,822,331</u>	<u>8,327,791</u>
		<u>59,776,578</u>	<u>38,660,405</u>

15.3 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 at rates ranging from 5.50% to 6.50% per annum.

15.4 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 at rates ranging from 6.0% to 7.50% per annum.

15.5 These borrowings have been obtained from SBP for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These carry mark at rates ranging from 4.0% to 5.0% per annum.

15.6 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 7 years. These carry mark at rates ranging from 5.50% to 6.50% per annum.

15.7 These carry mark-up rates ranging from 5.25% to 10% per annum (2013: 7.75% to 10.25% per annum) and are secured against government securities of carrying value of Rs. 25,954.744 million (2013: Rs. 16,683.829 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

15.8 These carry mark-up ranging from 1.20% to 15.0% per annum (2013: 1.20% to 11.50% per annum).

15.9 These carry mark-up ranging from 0.90% to 9.50% per annum (2013: 0.80% to 3% per annum). These are repayable by March, 2015.

16. DEPOSITS AND OTHER ACCOUNTS

	2014	2013
	(Rupees in '000)	
Customers		
Fixed deposits	62,126,560	60,524,016
Saving deposits	382,535,978	349,209,809
Current accounts	227,119,749	206,713,480
Margin accounts	4,207,605	3,937,113
	<u>675,989,892</u>	<u>620,384,418</u>
Financial institutions		
Remunerative deposits	7,193,847	8,058,094
Non-remunerative deposits	5,086,352	3,866,582
	<u>12,280,199</u>	<u>11,924,676</u>
	<u>688,270,091</u>	<u>632,309,094</u>
16.1 Particulars of deposits		
In local currency	650,570,738	596,295,535
In foreign currencies	37,699,353	36,013,559
	<u>688,270,091</u>	<u>632,309,094</u>

16.2 Deposits include deposits from related parties amounting to Rs. 17,167.162 million (2013: Rs. 16,525.673 million).

17. DEFERRED TAX LIABILITY / (ASSET) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

	Note	2014	2013
		(Rupees in '000)	
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	21.1	937,505	963,433
Accelerated tax depreciation		1,440,377	1,276,877
Receivable from pension fund		2,542,139	2,048,974
Investments in associates		285,262	254,886
Surplus/ (deficit) on revaluation of securities	21.2	5,947,082	311,153
		<u>11,152,365</u>	<u>4,855,323</u>
Deductible temporary differences on:			
Provision for bad debts		(21,640)	(19,766)
Taxable losses		(157)	(2,467)
Provision for post retirement benefits		(394,727)	(332,797)
		<u>(416,524)</u>	<u>(355,030)</u>
		<u>10,735,841</u>	<u>4,500,293</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

18. OTHER LIABILITIES

	Note	2014	2013
(Rupees in '000)			
Mark-up / return / interest payable in local currency		10,074,023	1,982,285
Mark-up / return / interest payable in foreign currencies		78,704	93,932
Accrued expenses		7,602,338	7,217,767
Unclaimed dividend		730,196	1,232,896
Staff welfare fund		12,794	18,846
Unrealized loss on derivative financial instruments	18.1	856,591	1,005,305
Provision for employees' compensated absences	36.3	987,060	934,009
Provision for post retirement medical benefits	36.3	1,498,996	1,340,476
Provision for employees' contributory benevolent scheme	36.3	179,409	213,438
Staff gratuity payable		1,372	976
Security deposits		346,315	322,371
Branch adjustment account		12,957	193,597
Retention money		22,238	25,004
Insurance payable against consumer assets		213,547	216,959
Unclaimed balances		988,690	993,264
Duties and taxes payable		359,724	897,003
Others		5,962,116	3,518,863
		<u>29,927,070</u>	<u>20,206,991</u>

18.1 Unrealized loss on derivative financial instruments

	Contract / Notional amount		Unrealized loss	
	2014	2013	2014	2013
(Rupees in '000)				
Unrealized loss on:				
FX Options	-	216,344	-	1,062
Forward exchange contracts	50,474,436	61,406,865	856,591	1,004,243
	<u>50,474,436</u>	<u>61,623,209</u>	<u>856,591</u>	<u>1,005,305</u>

19. SHARE CAPITAL

19.1 Authorised Capital

2014		2013		2014		2013	
(Number of shares)				(Rupees in '000)			
<u>1,500,000,000</u>	<u>1,500,000,000</u>	Ordinary shares of Rs 10 each		<u>15,000,000</u>	<u>15,000,000</u>		

19.2 Issued, subscribed and paid-up capital

2014			2013				2014	2013
Issued for cash	Issued as bonus share	Total	Issued for cash	Issued as bonus share	Total		(Rupees in '000)	
(Number of shares)								
197,253,795	814,592,340	1,011,846,135	197,253,795	722,606,328	919,860,123	Opening balance	10,118,461	9,198,601
-	101,184,613	101,184,613	-	91,986,012	91,986,012	Shares issued during the year	1,011,846	919,860
<u>197,253,795</u>	<u>915,776,953</u>	<u>1,113,030,748</u>	<u>197,253,795</u>	<u>814,592,340</u>	<u>1,011,846,135</u>	Closing balance	<u>11,130,307</u>	<u>10,118,461</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

19.3 Number of shares held by the associated undertakings as at December 31, are as follows:

	2014 (Number of shares)	2013
Adamjee Insurance Company Limited	34,606,587	29,914,034
Nishat Mills Limited	81,527,891	73,272,629
D.G. Khan Cement Company Limited	102,277,232	92,979,303
Din Leather (Private) Limited	6,936,333	6,305,758
Siddiqsons Limited	14,276,462	12,978,603
Mayban International Trust (Labuan) Berhad	222,606,147	202,369,225
	<u>462,230,652</u>	<u>417,819,552</u>

20. RESERVES

	Note	2014 (Rupees in '000)	2013
Share premium		9,924,438	9,924,438
Exchange translation reserve		542,637	784,004
Statutory reserve	20.1	20,132,970	17,700,494
General reserve		18,600,000	18,600,000
		<u>49,200,045</u>	<u>47,008,936</u>

20.1 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

	Note	2014 (Rupees in '000)	2013
21. SURPLUS ON REVALUATION OF ASSETS- NET OF TAX			
Surplus / (deficit) arising on revaluation (net of tax) of:			
- fixed assets	21.1	11,251,810	11,300,011
- available-for-sale securities	21.2	12,135,900	1,775,441
Surplus / (deficit) arising on revaluation of assets of associated undertaking (net of tax)		2,274,153	1,732,181
		<u>25,661,863</u>	<u>14,807,633</u>
21.1 Surplus on revaluation of fixed assets-net of tax			
Surplus on revaluation of fixed assets as at January 01		12,263,444	10,194,231
Surplus / exchange adjustment during the year		37	2,125,182
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(48,238)	(36,288)
Related deferred tax liability		(25,928)	(19,681)
		<u>(74,166)</u>	<u>(55,969)</u>
Surplus on revaluation of fixed assets as at December 31		12,189,315	12,263,444
Less: Related deferred tax liability on:			
Revaluation as at January 01		963,433	768,800
Surplus during the year		-	214,314
Incremental depreciation charged during the year transferred to profit and loss account		(25,928)	(19,681)
		<u>937,505</u>	<u>963,433</u>
		<u>11,251,810</u>	<u>11,300,011</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
		(Rupees in '000)	
21.2 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		(51,057)	(286,345)
- Pakistan Investment Bonds		15,879,373	105,418
Listed Securities			
- Shares / Certificates / Units		2,112,015	2,116,420
- Open Ended Mutual Funds		180,637	106,321
- Term Finance Certificates		11,040	27,470
		2,303,692	2,250,211
Sukuk Bonds		(49,026)	17,310
		18,082,982	2,086,594
Add: Related deferred tax (liability) / asset	17	(5,947,082)	(311,153)
		12,135,900	1,775,441
22. CONTINGENCIES AND COMMITMENTS			
22.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring			
Government		15,307,109	6,453,148
Banks and financial institutions		3,895,904	2,347,585
Others		15,334,608	8,533,001
		34,537,621	17,333,734
22.2 Transaction-related contingent liabilities			
Guarantees in favour of			
Banks and financial institutions		-	20,933
Others		2,026,346	1,500,019
Suppliers' credit / payee guarantee		2,235,176	2,489,432
		4,261,522	4,010,384
22.3 Trade-related contingent liabilities		86,547,085	88,195,433
22.4 Other contingencies			
Claims against the Bank not acknowledged as debts		3,393,783	3,035,863
<p>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.</p>			
22.5 Commitments to extend credit			
<p>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.</p>			
22.6 Commitments in respect of forward foreign exchange contracts			
Purchase		47,859,438	72,216,751
Sale		49,478,965	79,959,563
22.7 Commitments for the acquisition of fixed assets		125,438	243,614
22.8 Other commitments			
FX options (notional amount)	23.1 & 23.2		
Purchase		-	216,344
Sale		-	216,344
Forward outright sale of Government Securities		250,000	-
Outright purchase of Government Securities		100,000	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

22.9 Taxation

For assessment year 1988-89 through tax year 2012, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs.3,818 million (2013: Rs.4,189 million) which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. No provision has been made in the financial statements regarding the aforesaid additional tax demand and already issued favourable decisions where the department is in appeal, as the management is of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities.

23. DERIVATIVE INSTRUMENTS

Most corporate (counter parties) have either interest rate exposures arising from debt financing or excess liquidity or currency exposures arising out of commercial and business transactions. In the event of a shift in interest or foreign exchange (FX) rates, these corporate may incur higher borrowing costs or higher cash outflows that will adversely affect profitability.

The Bank provides solutions to this conundrum through derivatives. Through this, counterparties will be hedging exposure to adverse price movements in a security, typically when the counterparty has a concentrated position in the security and is acutely exposed to movements in the underlying risk factors. The Bank is in a better position to hedge that risk, and is thus able to provide cost efficient hedging solutions to the counterparties enabling them to concentrate on their business risk.

Other Objectives include:

- contribution to the development of Pakistani financial markets.
- provision of financial solutions to the counterparties.

Risk management is performed at:

- a) Strategic level: By senior management Assets and Liabilities Management Committee (ALCO), Risk Management Committee (RMC) 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.
- b) Macro Level: By Financial Institution Public Sector (FIPS) & Market Risk Management (MRM) Division, responsible for policy formulation, procedure development & implementation, monitoring and reporting.
- c) Micro Level: Treasury Derivatives & Structured Product Desk and Treasury Operations, where risks are actually created.

FIPS & MRM Division is responsible for coordinating for risk management of derivatives.

The risk management system generates marked to market risk numbers (i.e. VaR, PVBP, duration, etc.) of Interest rate derivative portfolio. These numbers are reported to senior management on a daily basis.

As per the State Bank of Pakistan's (SBP) regulations, currency options are hedged back to back and thus the risk associated with such transactions are minimal.

Risk Limits

Before initiating any new derivative transaction, Treasury Division requests the FIPS & MRM Division for risk limits. Limit requests are approved by the appropriate level of authority. Presently the Bank has defined notional limits both for the portfolio and the counterparty.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

23.1 Product analysis

Counter parties	2014					
	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
Total						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-

Counter parties	2013					
	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	-	-	-	-	2	216,344
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	2	216,344
Total						
Hedging	-	-	-	-	2	216,344
Market Making	-	-	-	-	2	216,344

23.2 Maturity analysis

Remaining maturity	2014				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
FX Options					
Over 1 to 3 months	-	-	-	-	-
Remaining maturity	2013				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
FX Options					
Over 1 to 3 months	4	432,688	(1,062)	1,062	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	29,040,286	25,107,486
On investments in:		
Held for trading securities	939	15,541
Available for sale securities	47,072,191	38,442,248
Held to maturity securities	781,608	775,352
	47,854,738	39,233,141
On deposits with financial institutions	34,699	100,220
On securities purchased under resale agreements	448,129	731,612
On money at call	33,337	13,929
	<u>77,411,189</u>	<u>65,186,388</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	30,340,761	23,560,817
Securities sold under repurchase agreements	1,091,677	1,705,713
Other short-term borrowings	1,711,487	1,123,626
Discount, commission and brokerage	498,862	541,052
Others	127,357	288,225
	<u>33,770,144</u>	<u>27,219,433</u>
26. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	(59,593)	37,828
Pakistan Investment Bonds	180,644	193,812
Others		
Shares and units- Listed	2,085,526	1,905,798
Term Finance Certificates	-	27,943
	<u>2,206,577</u>	<u>2,165,381</u>
27. OTHER INCOME		
Rent on property / lockers	165,610	163,786
Net profit on sale of property and equipment	31,051	42,687
Bad debts recovered	65,081	60,522
Compensation on tax refunds	1,127,996	-
Postal, SWIFT and other charges recovered	176,668	180,340
Switch and outsourcing revenue	3,682	3,544
	<u>1,570,088</u>	<u>450,879</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		9,007,909	8,885,794
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	36.7	(831,689)	(1,701,451)
- Post retirement medical benefits	36.7	156,619	187,792
- Employees' contributory benevolent scheme	36.7	28,360	55,269
- Employees' compensated absences	36.7	233,167	146,623
- Gratuity scheme		355	4,482
		(413,188)	(1,307,285)
Contributions to defined contribution plan - provident fund		215,265	198,213
Voluntary Separation Scheme	28.1	26,288	1,057,724
Non-executive directors' fees		34,064	31,674
Rent, taxes, insurance and electricity		2,761,314	2,598,334
Legal and professional charges		301,531	286,936
Communications		969,084	886,322
Repairs and maintenance		1,528,825	1,132,519
Stationery and printing		565,059	508,395
Advertisement and publicity		318,641	124,552
Cash transportation charges		550,183	481,736
Instrument clearing charges		139,807	124,667
Donations	28.2	40,000	25,000
Auditors' remuneration	28.3	37,973	36,494
Depreciation	11.2	1,742,867	1,557,534
Amortization of intangible asset	11.3	364,648	263,024
Travelling, conveyance and fuel		319,919	217,581
Subscription		26,805	27,886
Entertainment		132,261	119,944
Training Expenses		35,415	41,376
Petty Capital items		47,459	34,112
Card Related Expenses		298,368	238,147
Outsourced security guards, tea services and janitorial expenses etc		1,686,443	1,308,558
CNIC verification charges		60,487	52,716
Others		217,214	167,269
		<u>21,014,641</u>	<u>19,099,222</u>

28.1 This expense represents Voluntary Separation Scheme (VSS) announced by the Bank for clerical & non-clerical employees. The above expense excludes the payments made under retirement funds.

28.2 None of the directors, executives or their spouses had any interest in the donee. Detail of donations made during the year is as follows:

	2014	2013
(Rupees in '000)		
"Chief Minister's Relief Fund for IDPs North Waziristan – 2014"	40,000	-
Prime Minister's Earthquake Relief Fund 2013, for Baluchistan	-	25,000
	<u>40,000</u>	<u>25,000</u>

28.3 Auditors' remuneration

Annual Audit fee	12,976	12,128
Fee for audit and other certifications of overseas branches	3,665	4,477
Fee for the audit of subsidiaries	2,420	2,428
Fee for the audit of overseas subsidiary	1,369	1,836
Tax and other sundry services	16,214	14,736
Out-of-pocket expenses	1,329	889
	<u>37,973</u>	<u>36,494</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
29. OTHER CHARGES		
Workers welfare fund	734,803	646,123
VAT and Crop Insurance Levy - Sri Lanka	56,431	57,611
Education cess	16,225	4,693
Impairment / loss on sale of Non-Banking assets	171,766	220,527
	<u>979,225</u>	<u>928,954</u>
30. TAXATION		
For the year		
Current	12,003,454	15,220,551
Deferred	529,658	(4,318,658)
	<u>12,533,112</u>	<u>10,901,893</u>
Prior years		
Current	(1,074)	(2,137)
Deferred	-	-
	<u>(1,074)</u>	<u>(2,137)</u>
Share of tax of associates	47,538	82,173
	<u>12,579,576</u>	<u>10,981,929</u>
30.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	37,354,022	32,932,070
Tax rate	35%	35%
Tax on income	13,073,908	11,526,225
Tax effect on separate block of income (taxable at reduced rate)	(488,086)	(456,439)
Tax effect of prior years provisions	(1,074)	-
Others	(5,172)	(87,857)
Tax charge for the year	<u>12,579,576</u>	<u>10,981,929</u>
31. CREDIT RATING		
PACRA through its notification dated June 26, 2014, has maintained bank's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus].		
	2014	2013
	(Rupees in '000)	
32. BASIC AND DILUTED EARNINGS PER SHARE - PRE TAX		
Profit before taxation	37,354,022	32,932,070
	(Number of shares)	
*Weighted average number of shares outstanding during the year	1,113,030,748	1,113,030,748
	(Rupees)	
Basic and diluted earnings per share - pre tax	33.56	29.59
	(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation attributable to ordinary shareholders	24,655,587	21,875,098
	(Number of shares)	
*Weighted average number of shares outstanding during the year	1,113,030,748	1,113,030,748
	(Rupees)	
Basic and diluted earnings per share - after tax	22.15	19.65

*Weighted average number of shares outstanding for 2013 have been restated to give effect of bonus shares issued during the year.

Notes to and forming part of the Consolidated Financial Statements

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	Note	2014	2013
(Rupees in '000)			
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	46,753,868	59,946,218
Balances with other banks	7	3,063,774	1,594,660
Overdrawn nostro accounts	15	(342,093)	(625,972)
		<u>49,475,549</u>	<u>60,914,906</u>

	Note	2014	2013
(Numbers)			
35. STAFF STRENGTH			
Permanent		10,714	10,479
Temporary/contractual basis		88	81
Bank's own staff strength at the end of the year		<u>10,802</u>	<u>10,560</u>
Outsourced	35.1	1,499	1,549
Total staff strength		<u>12,301</u>	<u>12,109</u>

35.1 This excludes outsourced security guards and tea services staff.

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

The Bank operates the following retirement benefits for its employees:

- Pension fund (final salary plan) - funded
- Benevolent scheme - unfunded
- Post retirement medical benefits - unfunded
- Employees compensated absence - unfunded

The plan assets and defined benefit obligations are based in Pakistan.

36.2 Principal actuarial assumptions

The latest actuarial valuations of the approved pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2014.

The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2014	2013	2014	2013	2014	2013	2014	2013
	(%)							
Valuation discount rate	11.25	13	11.25	13	11.25	13	11.25	13
Expected rate of return on plan assets	11.25	13	-	-	-	-	-	-
Salary increase rate	10	11	10	11	10	11	10	11
Medical cost inflation rate	-	-	-	-	8.25	13	-	-
Exposure inflation rate	-	-	-	-	3	3	-	-

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

36.3 (Receivable from) / payable to defined benefit plans and other benefits

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2014	2013 (Restated)	2014	2013	2014	2013	2014	2013
(Rupees in '000)									
Present value of defined benefit obligations	36.5	3,242,851	3,834,422	179,409	213,438	1,498,996	1,340,476	987,060	934,009
Fair value of plan assets	36.6	(10,506,105)	(9,688,629)	-	-	-	-	-	-
Net (receivable) / payable recognised as at the year-end		(7,263,254)	(5,854,207)	179,409	213,438	1,498,996	1,340,476	987,060	934,009

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the present value of medial obligation at December 31, 2014 would be Rs. 98.484 million (2013: Rs. 48.492 million) and Rs. 80.375 million (2013: Rs. 43.458 million) respectively.

36.4 Movement in balance (receivable) / payable

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2014	2013	2014	2013	2014	2013	2014	2013
(Rupees in '000)									
Opening balance of (receivable) / payable		(5,854,207)	(18,428,483)	213,438	257,089	1,340,476	1,565,634	934,009	594,100
Expense recognised	36.7	(831,689)	(1,701,451)	28,360	55,269	156,619	187,792	233,167	146,623
Employees' contribution		-	-	5,988	7,564	-	-	-	-
Benefits paid		-	-	(68,583)	(101,510)	(187,117)	(234,011)	(353,596)	(370,840)
Other Comprehensive income		(577,358)	(456,171)	206	(4,974)	189,018	(178,939)	173,480	564,126
Refund / withdrawn from fund		-	14,731,898	-	-	-	-	-	-
Closing balance of (receivable) / payable		(7,263,254)	(5,854,207)	179,409	213,438	1,498,996	1,340,476	987,060	934,009

36.5 Reconciliation of the present value of the defined benefit obligations

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2014	2013	2014	2013	2014	2013	2014	2013
(Rupees in '000)								
Present value of obligation as at January 01,	3,834,422	4,259,671	213,438	257,089	1,340,476	1,565,634	934,009	594,100
Current service cost	44,905	53,739	6,372	13,826	13,602	13,773	43,672	36,447
Interest cost	452,099	451,727	23,289	24,760	162,099	173,835	98,437	49,042
Benefits paid	(713,479)	(990,554)	(68,583)	(101,510)	(187,117)	(234,011)	(353,596)	(370,840)
Loss / (gain) on settlement	(115,547)	(23,251)	4,687	24,247	(19,082)	184	91,058	61,134
-(Gain) / loss from change in demographic assumptions	-	22,670	-	5,824	-	39,965	-	(6,687)
-(Gain) / loss from change in financial assumptions	150,701	34,000	21,367	12,141	127,423	30,238	85,132	(62,754)
-Experience (gains) / losses	(410,250)	26,420	(21,161)	(22,939)	61,595	(249,142)	88,348	633,567
	(259,549)	83,090	206	(4,974)	189,018	(178,939)	173,480	564,126
Present value of obligation as at December 31,	3,242,851	3,834,422	179,409	213,438	1,498,996	1,340,476	987,060	934,009

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

36.6 Changes in fair values of plan assets

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Net assets as at January 01,	9,688,629	22,688,154	-	-	-	-	-	-
Expected return on plan assets	1,213,146	2,183,666	-	-	-	-	-	-
Refund / withdrawn from fund	-	(14,731,898)	-	-	-	-	-	-
Benefits paid	(713,479)	(990,554)	-	-	-	-	-	-
Actuarial gain / (loss)	317,809	539,261	-	-	-	-	-	-
Net assets as at December 31,	36.9	10,506,105	9,688,629	-	-	-	-	-

36.7 Charge for defined benefit plans and other benefits

The following amounts have been charged to the profit and loss account in respect of defined benefit plans and other benefits:

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Current service cost	44,905	53,739	6,372	13,826	13,602	13,773	43,672	36,447
Interest cost	452,099	451,727	23,289	24,760	162,099	173,835	98,437	49,042
Expected return on plan assets	(1,213,146)	(2,183,666)	-	-	-	-	-	-
Contributions employees	-	-	(5,988)	(7,564)	-	-	-	-
Loss / (gain) on settlement	(115,547)	(23,251)	4,687	24,247	(19,082)	184	91,058	61,134
	(831,689)	(1,701,451)	28,360	55,269	156,619	187,792	233,167	146,623

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the aggregate of the current service cost and interest cost components of net period post - employment medical costs would be Rs. 11.498 million (2013: Rs. 6.129 million) and Rs. 9.384 million (2013: Rs. 5.496 million) respectively.

36.8 Actual return on plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Actual return on plan assets	1,530,955	2,722,927	-	-	-	-	-	-

36.9 Composition of fair value of plan assets

	Approved Pension Fund			
	2014		2013	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Listed equity shares	7,330,994	69.78	5,322,463	54.93
Open ended mutual funds units	388,142	3.69	264,434	2.73
Term Finance certificates	98,583	0.94	-	-
Cash and bank balances	2,688,386	25.59	4,101,732	42.34
Fair value of plan total assets	10,506,105	100	9,688,629	100

36.9.1 Fair value of the Bank's financial instruments included in plan assets:

Shares of MCB	5,172,094	4,368,136
Bank balance with MCB	2,688,386	4,101,732
	<u>7,860,480</u>	<u>8,469,868</u>

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36.10 Other relevant details of above funds are as follows:

36.10.1 Pension Fund

	2014	2013	2012	2011	2010
	(Rupees in '000)				
Present value of defined benefit obligation	3,242,851	3,834,422	4,259,671	4,262,421	4,217,507
Fair value of plan assets	(10,506,105)	(9,688,629)	(22,688,154)	(19,543,388)	(19,303,801)
(Surplus) / deficit	(7,263,254)	(5,854,207)	(18,428,483)	(15,280,967)	(15,086,294)
Actuarial gain / (loss) on obligation	259,549	(83,090)	20,130	(190,661)	(191,752)
Actuarial gain / (loss) on assets	317,809	539,261	1,194,359	(1,529,469)	(852,657)
36.10.2 Employees' Contributory Benevolent Scheme					
Present value of defined benefit obligation	179,409	213,438	257,089	283,477	314,414
Fair value of plan assets	-	-	-	-	-
	179,409	213,438	257,089	283,477	314,414
Actuarial gain / (loss) on obligation	(206)	4,974	26,335	19,979	(25,282)
36.10.3 Post Retirement Medical Benefits					
Present value of defined benefit obligation	1,498,996	1,340,476	1,565,634	1,388,970	1,320,933
Fair value of plan assets	-	-	-	-	-
	1,498,996	1,340,476	1,565,634	1,388,970	1,320,933
Actuarial gain / (loss) on obligation	(189,018)	178,939	(129,950)	(19,198)	30,671
36.10.4 Compensated absences					
Present value of defined benefit obligation	987,060	934,009	594,100	535,870	555,792
Fair value of plan assets	-	-	-	-	-
	987,060	934,009	594,100	535,870	555,792
Actuarial gain / (loss) on obligation	(173,480)	(564,126)	(141,920)	(75,701)	(81,138)

36.11 No contribution to the pension fund is expected in the next year.

37. DEFINED CONTRIBUTION PLAN

37.1 MCB Bank Limited(Holding company)

The Bank operates an approved contributory provident fund for 7,724 (2013: 7,306) employees where contributions are made by the Bank and employees at 8.33% per annum (2013: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs. 214.712 million (2013: Rs. 197.721 million) in respect of this fund.

37.2. 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.

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38. 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 Group as follows:

	President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Fees	-	-	34,064	31,674	-	-
Managerial remuneration	27,099	23,013	-	-	1,316,698	1,189,283
Bonus and others	29,620	16,913	-	-	698,150	562,447
Retirement benefits	2,232	1,892	-	-	89,624	79,375
Rent and house maintenance	12,054	10,215	-	-	444,808	407,956
Utilities	2,679	2,270	-	-	99,208	90,150
Medical	-	-	-	-	29,484	26,506
Conveyance	-	-	-	-	504,087	455,633
	73,684	54,303	34,064	31,674	3,182,059	2,811,350
Number of persons	1	1	12	12	1026	918

- 38.1. 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 Group's maintained cars and household equipments in accordance with the terms of their employment.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits 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 5.4 to these consolidated financial statements.

The maturity and repricing profile and effective rates are stated in notes 43.3, 43.4.1 and 43.4.2 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Inter segment/ group elimination	Total
(Rupees in '000)							
2014							
Total income	220,248	10,567,973	38,066,034	8,510,776	612,922	(2,664)	57,975,289
Total expenses	(97,316)	(1,767,805)	(16,602,402)	(1,872,772)	(283,636)	2,664	(20,621,267)
Income tax expense	-	-	-	-	-	-	(12,579,576)
Net income	122,932	8,800,168	21,463,632	6,638,004	329,286	-	24,774,446
Segment assets - (Gross of NPL's provision)	588,078	564,578,299	789,210,778	249,438,985	1,797,434	(649,104,339)	956,509,235
Advance taxation (payments less provisions)	-	-	-	-	-	-	3,246,452
Total assets	588,078	564,578,299	789,210,778	249,438,985	1,797,434	(649,104,339)	959,755,687
Segment non performing loans	-	-	8,261,678	13,646,113	-	-	21,907,791
Segment specific provision required	-	-	8,217,857	9,931,344	-	-	18,149,201
Segment liabilities	140,671	517,157,912	708,711,714	217,323,742	371,739	(649,104,339)	794,601,439
Deferred tax liability	-	-	-	-	-	-	10,735,841
Total liabilities - net	140,671	517,157,912	708,711,714	217,323,742	371,739	(649,104,339)	805,337,280
Segment return on assets (ROA) (%)	37.45%	1.87%	4.87%	3.55%	34.10%	-	-
Segment cost of fund (%)	-	9.92%	6.16%	9.35%	-	-	-

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Inter segment/ group elimination	Total
(Rupees in '000)							
2013							
Total income	171,289	7,970,392	33,999,672	7,530,014	455,614	(54,637)	50,072,344
Total expenses	(54,381)	(1,192,313)	(14,584,308)	(1,109,566)	(254,343)	54,637	(17,140,274)
Income tax expense	-	-	-	-	-	-	(10,981,929)
Net income	116,908	6,778,079	19,415,364	6,420,448	201,271	-	21,950,141
Segment assets - (Gross of NPL's provision)	483,485	494,892,926	697,975,826	203,531,529	1,504,746	(563,805,587)	834,582,925
Advance taxation (payments less provisions)	-	-	-	-	-	-	6,145,527
Total assets	483,485	494,892,926	697,975,826	203,531,529	1,504,746	(563,805,587)	840,728,452
Segment non performing loans	-	-	9,600,755	13,666,978	-	-	23,267,733
Segment specific provision required	-	-	9,565,097	9,885,051	-	-	19,450,148
Segment liabilities	49,592	469,547,401	623,681,467	171,643,706	198,637	(563,805,587)	701,315,216
Deferred tax liability	-	-	-	-	-	-	4,500,293
Total liabilities - net	49,592	469,547,401	623,681,467	171,643,706	198,637	(563,805,587)	705,815,509
Segment return on assets (ROA) (%)	35.43%	1.61%	4.94%	3.89%	30.28%	-	-
Segment cost of fund (%)	-	9.27%	5.41%	8.94%	-	-	-

Total income = Net markup income + non-markup income

Total expenses = Non Mark up expenses + Provisions

Segment assets and liabilities include inter segment balances.

Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates.

Segment cost of funds have been computed based on the average balances.

Notes to and forming part of the Consolidated Financial Statements

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41. RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its associates, employee benefit plans and its key management personnel (including their associates) and companies with common directors. The detail of investment in associates are stated in Annexure I (note 5) to these consolidated financial statements.

The Group enters into transactions with related parties in the normal course of business. 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 38 to these consolidated financial statements.

	Directors		Associates		Other related parties		Key management	
	2014	2013	2014	2013	2014	2013	2014	2013
(Rupees in '000)								
A. Balances								
Deposits								
Opening balance	931,665	2,863,874	978,408	976,642	14,490,403	26,850,559	125,197	46,039
Received during the year	5,719,181	4,273,706	9,719,217	18,859,601	53,502,747	61,543,210	1,131,625	1,176,959
Withdrawn during the year	(3,264,626)	(6,205,915)	(8,977,803)	(18,857,835)	(56,067,168)	(73,903,366)	(1,121,798)	(1,097,801)
Closing balance	3,386,220	931,665	1,719,822	978,408	11,925,982	14,490,403	135,024	125,197
Advances (secured)								
Opening balance	2,185	2,795	-	-	116,584	98,056	78,927	53,865
Additions / adjustments during the year	-	-	-	-	627,390	406,354	24,281	38,731
Repaid during the year	(636)	(610)	-	-	(722,056)	(387,826)	(15,135)	(13,669)
Closing balance	1,549	2,185	-	-	21,918	116,584	88,073	78,927
Outstanding Balance of credit card	709	545	-	-	78	2	1,631	2,635
Receivable from Pension fund	-	-	-	-	7,263,254	5,854,207	-	-
B. Other transactions (including profit and loss related transactions)								
Outstanding commitments and contingent liabilities	-	-	11,405	10,805	656	90,171	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	7,497,696	5,623,351	-	-
Unrealized gain / (loss) on forward foreign exchange contracts Outstanding	-	-	-	-	(30,613)	19,424	-	-
Borrowings	-	-	-	-	4,019,324	3,159,738	-	-
Trade payable	-	-	9,757	7,594	5,653	27,498	-	-
Payments for Capital Expenditure	-	-	15,288	23,257	-	-	-	-
Investments in units	-	-	-	-	747,602	297,000	-	-
Redemption of units	-	-	-	-	825,662	347,268	-	-
Outstanding Investments in mutual funds	-	-	-	-	968,821	877,915	-	-
Retention money	-	-	-	-	6,525	3,612	-	-
Markup payable	14,407	-	8,511	405	1,178,840	1,071,287	681	80
Advance receivable	-	-	-	-	44,000	58,085	-	-
Trade debts	-	-	-	280	-	1,345	-	-
Markup Receivable	-	-	-	-	419	5,121	-	-
Other Receivable	-	-	6,195	3,821	274,870	210,076	-	2,819
Other payable	-	-	2,136	-	-	-	-	-
Insurance premium paid-net of refund	-	-	482,843	247,803	574	4,124	-	-
Insurance claim settled	-	-	39,526	95,645	-	-	-	-
Markup income on advances	94	125	-	-	4,639	8,216	4,162	7,475
Forward contracts during the period	-	-	-	-	86,645,768	34,665,422	-	-
Repo deals during the period	-	-	-	-	-	39,742,107	-	-
Rent Income Received	-	-	-	2,025	-	-	-	-
Dividend Income	-	-	229,390	126,118	34,282	159,570	-	-
Capital gain on sale of investments	-	-	-	-	-	303,215	-	-
Commission income	-	-	757,822	751,069	7,419	14,410	-	-
Management fee and Advisory income	-	-	-	-	565,303	503,526	-	-
Reimbursement of expenses	-	-	-	-	1,871	1,571	-	-
Outsourcing service expenses	-	-	115,392	138,229	-	-	-	-
Switch Expense	-	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	57,970	24	2,896
Gain / (loss) on sale of fixed assets	-	-	-	-	-	-	21	(2,307)
Service fee & IBFT	-	-	3,531	43,843	-	-	-	-
Cash sorting expenses	-	-	-	-	56,678	49,915	-	-
Stationery Expenses	-	-	-	-	191,482	207,063	-	-
Security guard expenses	-	-	-	-	321,424	298,394	-	-
Remuneration and non-executive directors fee	107,747	85,977	-	-	-	-	440,298	377,743
Mark-up expense	60,678	103,394	80,348	71,275	906,010	2,080,760	3,686	2,317
Clearing expenses paid to NIFT	-	-	-	-	138,727	124,315	-	-
Contribution to provident fund	-	-	-	-	214,712	202,355	-	-
Gas Charges	-	-	-	-	10,831	10,939	-	-
Miscellaneous expenses and payments	-	-	114,106	153,832	57,338	124,196	-	-

The details of director's compensations are given in note 38 to these Consolidated Financial Statements.

Notes to and forming part of the Consolidated Financial Statements

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42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Applications

The Basel-III Framework is applicable to the bank both at the consolidated level (comprising of wholly/partially owned subsidiaries & associates) and on a stand alone basis. Consolidation for capital adequacy is based on consolidated financial statements of MCB Bank Limited and its subsidiaries and associates. Subsidiaries are included while calculating Consolidated Capital Adequacy for the Bank using full consolidation method whereas associates in which the bank has significant influence on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

42.2 Capital Management

Objectives and goals of managing capital

The Bank manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities;
- retain flexibility to harness future investment opportunities; build and expand even in stressed times.

Statutory minimum capital requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2013. The raise was to be achieved in a phased manner requiring Rs.10 billion paid up capital (net of losses) by the end of the financial year 2013. The paid up capital of the Bank for the year ended December 31, 2014 stands at Rs. 11.130 billion and is in compliance with the SBP requirement.

The capital adequacy ratio of the Bank was subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr. No	Ratio	Year End						As of Dec 31
		2013	2014	2015	2016	2017	2018	31-12-2019
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	*CCB	-	-	0.25%	0.65%	1.275%	1.90%	2.50%
6	Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

- *(Consisting of CET1 only)

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Bank's regulatory capital is analysed into three tiers.

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves, minority interest as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1.
- Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1.

The deduction from Tier 1 Capital include mainly:

- i) Book value of goodwill / intangibles;
 - ii) Deficit on revaluation of available for sale investments
 - iii) Defined-benefit pension fund net assets
 - iv) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
 - v) Investment in mutual funds above a prescribed ceiling;
 - vi) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
 - vii) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position,
- Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and investments up to a maximum of 45 % of the balance and 20% of remaining 55% for 2014 and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2

The deductions from Tier 2 include mainly:

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Bank's management of capital during the year.

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42.3 Capital Adequacy Ratio

	2014	2013
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital	11,130,307	10,118,461
2 Balance in Share Premium Account	9,924,438	9,924,438
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	38,732,970	36,300,494
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	49,765,031	43,038,094
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	511,960	489,671
9 CET 1 before Regulatory Adjustments	110,064,706	99,871,158
10 Total regulatory adjustments applied to CET1 (Note 42.3.1)	4,698,923	3,911,092
11 Common Equity Tier 1	105,365,783	95,960,066
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 42.3.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	105,365,783	95,960,066
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	609,473	499,145
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	6,355,692	5,128,943
29 of which: Unrealized gains/losses on AFS	8,014,952	1,534,492
30 Foreign Exchange Translation Reserves	542,637	784,004
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	15,522,754	7,946,584
33 Total regulatory adjustment applied to T2 capital (Note 42.3.3)	2,481,530	2,693,125
34 Tier 2 capital (T2) after regulatory adjustments	13,041,224	5,253,459
35 Tier 2 capital recognized for capital adequacy	13,041,224	5,253,459
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	13,041,224	5,253,459
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	118,407,007	101,213,525

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
39 Total Risk Weighted Assets (RWA) {for details refer Note 42.6}	580,157,751	456,836,518
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	18.16%	21.01%
41 Tier-1 capital to total RWA	18.16%	21.01%
42 Total capital to total RWA	20.41%	22.16%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	5.50%	5.00%
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	12.66%	16.01%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	5.50%	5.00%
49 Tier 1 minimum ratio	7.00%	6.50%
50 Total capital minimum ratio	10.00%	10.00%

Regulatory Adjustments and Additional Information

2014		2013
Amount	Amounts subject to Pre - Basel III treatment	
(Rupees in '000)		

42.3.1 Common Equity Tier 1 capital: Regulatory adjustments

1 Goodwill (net of related deferred tax liability)	82,127	-	82,127
2 All other intangibles (net of any associated deferred tax liability)	1,101,802		1,048,023
3 Shortfall in provisions against classified assets	-		-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-
5 Defined-benefit pension fund net assets	944,223	4,721,115	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-		-
7 Cash flow hedge reserve	-		-
8 Investment in own shares/ CET1 instruments	-		-
9 Securitization gain on sale	-		-
10 Capital shortfall of regulated subsidiaries	-		-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
15 Amount exceeding 15% threshold	-		-
16 of which: significant investments in the common stocks of financial entities	-		-
17 of which: deferred tax assets arising from temporary differences	-		-
18 National specific regulatory adjustments applied to CET1 capital	-		-
19 Investments in TFCs of other banks exceeding the prescribed limit	-		-
20 Any other deduction specified by SBP (mention details)	-		-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions*	2,570,771		2,780,942
22 Total regulatory adjustments applied to CET1	4,698,923		3,911,092

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	2014	2013
	Amount	Amounts subject to Pre - Basel III treatment
(Rupees in '000)		
42.3.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments		
23		
Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	89,241	87,817
24		
Investment in own AT1 capital instruments	-	-
25		
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26		
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27		
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28		
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	2,481,530	2,693,125
29		
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30		
Total regulatory adjustment applied to AT1 capital *	-	-

*As the Bank has not Tier 1 capital, deduction was made from CET1.

42.3.3 Tier 2 Capital: regulatory adjustments

31		
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,481,530	2,693,125
32		
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33		
Investment in own Tier 2 capital instrument	-	-
34		
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35		
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36		
Total regulatory adjustment applied to T2 capital	2,481,530	2,693,125

42.3.4 Additional Information

	2014	2013
(Rupees in '000)		
Risk Weighted Assets subject to pre-Basel III treatment		
37		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)		
of which: deferred tax assets	-	-
(ii)		
of which: Defined-benefit pension fund net assets	3,776,892	3,805,233
(iii)		
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)		
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
38		
Non-significant investments in the capital of other financial entities	-	-
39		
Significant investments in the common stock of financial entities	-	-
40		
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
41		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	609,473	499,145
42		
Cap on inclusion of provisions in Tier 2 under standardized approach	4,607,395	3,913,834
43		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44		
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

42.4 Capital Structure Reconciliation

Step 1

	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation
	As at 31-12-2014	As at 31-12-2014
(Rupees in '000)		
Assets		
Cash and balances with treasury banks	46,753,868	46,753,868
Balanced with other banks	3,063,774	3,063,774
Lending to financial institutions	1,418,181	1,418,181
Investments	516,898,299	516,898,299
Advances	304,000,563	304,000,563
Operating fixed assets	31,583,646	31,583,646
Deferred tax assets	-	-
Other assets	37,888,155	37,888,155
Total assets	941,606,486	941,606,486
Liabilities & Equity		
Bills payable	16,627,700	16,627,700
Borrowings	59,776,578	59,776,578
Deposits and other accounts	688,270,091	688,270,091
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	10,735,841	10,735,841
Other liabilities	29,927,070	29,927,070
Total liabilities	805,337,280	805,337,280
Share capital	11,130,307	11,130,307
Reserves	49,200,045	49,200,045
Unappropriated profit	49,765,031	49,765,031
Minority Interest	511,960	511,960
Total Equity	110,607,343	110,607,343
Surplus on revaluation of assets - net of tax	25,661,863	25,661,863
Total liabilities & equity	941,606,486	941,606,486

Step 2

	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2014	As at 31-12-2014	
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	46,753,868	46,753,868	
Balanced with other banks	3,063,774	3,063,774	
Lending to financial institutions	1,418,181	1,418,181	
Investments	516,898,299	516,898,299	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	89,241	89,241	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others	-	-	e

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

Step 2	Balance Sheet	Under	Ref
	as per published	regulatory	
	Financial Statements	scope of	
	As at 31-12-2014	As at 31-12-2014	
	(Rupees in '000)		
Advances	304,000,563	304,000,563	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	609,473	609,473	g
Fixed Assets	31,583,646	31,583,646	
of which: Intangibles	1,101,802	1,101,802	k
of which: Goodwill	82,127	82,127	j
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	37,888,155	37,888,155	
of which: Defined-benefit pension fund net assets	7,263,254	7,263,254	l
Total assets	941,606,486	941,606,486	
Liabilities & Equity			
Bills payable	16,627,700	16,627,700	
Borrowings	59,776,578	59,776,578	
Deposits and other accounts	688,270,091	688,270,091	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	10,735,841	10,735,841	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	2,542,139	2,542,139	q
of which: other deferred tax liabilities	8,193,702	8,193,702	r
Other liabilities	29,927,070	29,927,070	
Total liabilities	805,337,280	805,337,280	
Share capital	21,054,745	21,054,745	
of which: amount eligible for CET1	21,054,745	21,054,745	s
of which: amount eligible for AT1	-	-	t
Reserves	39,275,607	39,275,607	
of which: portion eligible for inclusion in CET1 (general reserve & statutory reserve)	38,732,970	38,732,970	u
of which: portion eligible for inclusion in Tier 2	542,637	542,637	v
Unappropriated profit	49,765,031	49,765,031	w
Minority Interest	511,960	511,960	
of which: portion eligible for inclusion in CET1	511,960	511,960	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	25,661,863	25,661,863	
of which: Revaluation reserves on fixed assets	11,349,450	11,349,450	aa
of which: Unrealized Gains/Losses on AFS	14,312,413	14,312,413	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	136,269,206	136,269,206	
Total liabilities and equity	941,606,486	941,606,486	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital	11,130,307 (s)
2	Balance in Share Premium Account	9,924,438
3	Reserve for issue of Bonus Shares	-
4	General/ Statutory Reserves	38,732,970 (u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/(losses)	49,765,031 (w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	511,960 (x)
8	CET 1 before Regulatory Adjustments	110,064,706
Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	82,127 (j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	1,101,802 (k) - (p)
11	Shortfall of provisions against classified assets	- (f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
13	Defined-benefit pension fund net assets	944,223 {(h) - (r)} * 20%
14	Reciprocal cross holdings in CET1 capital instruments	- {(l) - (q)} * 20%
15	Cash flow hedge reserve	-
16	Investment in own shares/ CET1 instruments	-
17	Securitization gain on sale	-
18	Capital shortfall of regulated subsidiaries	-
19	Deficit on account of revaluation from bank's holdings of property/ AFS	- (ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	- (a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	- (b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	- (i)
23	Amount exceeding 15% threshold	-
24	of which: significant investments in the common stocks of financial entities	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments applied to CET1 capital	-
27	Investment in TFCs of other banks exceeding the prescribed limit	-
28	Any other deduction specified by SBP (mention details)	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-
	2,570,771	
30	Total regulatory adjustments applied to CET1	4,698,923
31	Common Equity Tier 1	105,365,783
Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-
33	of which: Classified as equity	-
34	of which: Classified as liabilities	- (t)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	- (m)
36	of which: instrument issued by subsidiaries subject to phase out	-
37	AT1 before regulatory adjustments	- (y)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
Additional Tier 1 Capital: regulatory adjustments		
38	89,241	
39	-	
40	-	
41	-	
42	-	(ac)
43	-	(ad)
44	2,481,530	
45	-	
46	-	
47	-	
48	105,365,783	
Tier 2 Capital		
49	-	(n)
50	-	
51	-	(z)
52	-	
53	609,473	(g)
54	14,370,644	
55	6,355,692	portion of (aa)
56	8,014,952	
57	542,637	(v)
58	-	
59	15,522,754	
Tier 2 Capital: regulatory adjustments		
60	2,481,530	
61	-	
62	-	
63	-	(ae)
64	-	(af)
65	2,481,530	
66	13,041,224	
67	13,041,224	
68	-	
69	13,041,224	
70	118,407,007	

Notes to and forming part of the Consolidated Financial Statements

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42.5 Main Features Template of Regulatory Capital Instruments

1	Issuer	MCB Bank Limited
2	Unique identifier (e.g KSE Symbol or Bloomberg identifier etc.)	MCB
3	Governing law(s) of the instrument	Relevant Capital Market Laws
	Regulatory treatment	
4	Transitional Basel III rules	Common equity Tier 1
5	Post-transitional Basel III rules	Common equity Tier 1
6	Eligible at solo/ group/ group & solo	Group & standalone
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,130,307
9	Par value of instrument	PKR 10 per share
10	Accounting classification	Shareholder equity
11	Original date of issuance	1947
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	Coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
	Convertible or non-convertible	Not applicable
23	If convertible, conversion trigger (s)	Not applicable
24	If convertible, fully or partially	Not applicable
25	If convertible, conversion rate	Not applicable
26	If convertible, mandatory or optional conversion	Not applicable
27	If convertible, specify instrument type convertible into	Not applicable
28	If convertible, specify issuer of instrument it converts into	Not applicable
	Write-down feature	Not applicable
29	If write-down, write-down trigger(s)	Not applicable
30	If write-down, full or partial	Not applicable
31	If write-down, permanent or temporary	Not applicable
32	If temporary write-down, description of write-up mechanism	Not applicable
33	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity ranks after all creditors and depositors
34	Non-compliant transitioned features	No
35	If yes, specify non-compliant features	Not applicable

Notes to and forming part of the Consolidated Financial Statements

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43. 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 Risk Management Committee (RMC), 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 process 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:

- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational 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.

43.1 Credit Risk

Credit risk arises from our dealings with individuals, corporate borrowers, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its lending and investment activities. It stems from Bank's both on and off-balance sheet activities. Credit risk makes up the largest part of the Bank's exposure. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. Organizational structure of this function ensures pre and post-facto management of credit risk. While, Credit Review function provides pre-fact evaluation of counterparties, the Credit Risk Control (CRC) performs post-fact evaluation of financing facilities and reviews clients' performance on an ongoing basis.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-II requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Ratings Systems, the Bank has developed a system and all its corporate and commercial borrowers are internally rated. Bank is in the process of continuously improving the system and bringing it inline with the Basel framework requirements.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

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.

As a part of credit assessment Bank uses internal rating framework as well as the ratings assigned by the external credit rating agencies, wherever available.

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, being an independent function from the business and operations groups, 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 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 Regulation R-1.

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 made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Please refer note No. 10.5 for reconciliation of changes in specific and general provisions.

Management of Non Performing Loans

The Bank has a Special Asset Management Group (SAMG), which is responsible for management of non-performing loans. SAMG 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 all credit exposures including funded and non-funded facilities are subject to stress test. 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
43.1.1.2 Segment by sector						
Public / Government	88,409,306	27.39	55,756,607	8.10	39,578,389	17.47
Private	234,349,931	72.61	632,513,484	91.90	186,975,463	82.53
	<u>322,759,237</u>	<u>100</u>	<u>688,270,091</u>	<u>100</u>	<u>226,553,852</u>	<u>100</u>
	2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Public / Government	50,019,400	18.63	47,467,154	7.51	82,894,499	31.23
Private	218,451,685	81.37	584,841,940	92.49	182,533,531	68.77
	<u>268,471,085</u>	<u>100</u>	<u>632,309,094</u>	<u>100</u>	<u>265,428,030</u>	<u>100</u>

43.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	2014		2013	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agriculture, forestry, hunting and fishing	431,506	395,288	507,486	494,680
Mining and quarrying	9,620	9,620	-	-
Textile	4,534,564	4,125,481	4,122,275	4,079,378
Chemical and pharmaceuticals	194,097	194,097	183,434	183,434
Cement	-	-	130,950	130,950
Sugar	235,998	235,998	428,224	428,224
Footwear and leather garments	73,196	73,196	85,595	85,595
Automobile and transportation equipment	24,666	23,847	26,155	25,337
Electronics and electrical appliances	290,996	290,996	374,522	374,522
Construction	92,040	92,040	118,363	118,363
Power (electricity), gas, water, sanitary	2,499	2,499	-	-
Wholesale and retail trade	3,640,093	3,524,368	4,038,560	3,949,429
Transport, storage and communication	596,035	596,035	593,413	589,033
Financial	803,843	803,843	814,600	814,600
Services	355,739	355,239	594,830	590,498
Individuals	2,931,911	2,884,887	3,188,170	3,117,058
Others	7,690,988	4,541,767	8,061,156	4,469,047
	<u>21,907,791</u>	<u>18,149,201</u>	<u>23,267,733</u>	<u>19,450,148</u>

43.1.1.4 Details of non-performing advances and specific provisions by sector

Public/ Government	639,825	-	639,825	-
Private	21,267,966	18,149,201	22,627,908	19,450,148
	<u>21,907,791</u>	<u>18,149,201</u>	<u>23,267,733</u>	<u>19,450,148</u>

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43.1.1.5 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	36,846,710	923,127,641	135,525,801	220,705,725
South Asia	224,687	12,923,675	266,592	5,470,217
Middle East	247,310	4,557,300	245,749	377,910
Eurasia(Azerbaijan)	35,315	997,870	231,064	-
	<u>37,354,022</u>	<u>941,606,486</u>	<u>136,269,206</u>	<u>226,553,852</u>

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	32,302,923	803,308,163	114,654,666	259,694,660
South Asia	327,628	11,314,474	334,864	5,188,358
Middle East	251,975	5,777,206	260,143	545,012
Eurasia(Azerbaijan)	49,544	878,461	213,122	-
	<u>32,932,070</u>	<u>821,278,304</u>	<u>115,462,795</u>	<u>265,428,030</u>

Total assets employed include intra group items of Rs. NIL (2013: Rs. NIL).

43.1.2 Credit Risk - General Disclosures

The Bank has adopted Standardized approach of Basel II for calculation of capital charge against credit risk in line with SBP's requirements.

43.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company- Vital Information Systems), Fitch, Moody's and Standard & Poors. Credit rating data for advances is obtained from recognized External Credit Assessment Institutions and then mapped to State Bank of Pakistan's Rating Grades.

Type of Exposures for which the ratings from the External Credit Rating Agencies are used by the Bank.

Exposures	JCR-VIS	PACRA	Other (S&P / Moody's / Fitch)
Corporate	Yes	Yes	-
Banks	Yes	Yes	Yes
Sovereigns	-	-	Yes
SME's	Yes	Yes	-

The criteria for transfer public issue ratings onto comparable assets in the banking book and the alignment of the alphanumeric scale of each agency used with risk buckets is the same as specified by the banking regulator SBP in BSD Circular No.8 table 2.3.

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Long - Term Ratings Grades Mapping

"SBP Rating Grade"	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	1
2	A+ A A-	A+ A A-	A+ A A-	A1 A2 A3	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	4
5	B+ B B-	B+ B B-	B+ B B-	B1 B2 B3	B+ B B-	5,6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and Below	CCC+ and below	7

Short - Term Ratings Grades Mapping

SBP	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F1	P-1	A-1+, A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Others	Others	Others	Others	Others

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Credit Exposures subject to Standardized approach

Exposures	Rating	2014			2013		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
(Rupees in '000)							
Corporate	1	11,939,397	-	11,939,397	12,965,194	-	12,965,194
	2	11,046,618	-	11,046,618	16,023,019	-	16,023,019
	3,4	2,084,712	-	2,084,712	666,209	-	666,209
	5,6	-	-	-	-	-	-
	Unrated	163,066,375	-	163,066,375	142,495,310	-	142,495,310
Bank	1	22,553,812	-	22,553,812	18,745,447	-	18,745,447
	2,3	708,589	-	708,589	1,263,692	-	1,263,692
	4,5	218,680	-	218,680	540,960	-	540,960
	6	1,126,231	-	1,126,231	18,718	-	18,718
	Unrated	673,524	-	673,524	1,486,260	-	1,486,260
Public Sector Entities in Pakistan	1	23,800,801	-	23,800,801	-	-	-
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	867,906	-	867,906	-	-	-
	Unrated	64,263,893	60,689,337	3,574,555	47,872,322	32,662,619	15,209,703
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash	1	31,134,139	-	31,134,139	45,126,975	-	45,126,975
	2	-	-	-	-	-	-
	3	2,486,790	-	2,486,790	-	-	-
	4,5	3,061,262	-	3,061,262	3,571,381	-	3,571,381
	6	-	-	-	478,848	-	478,848
	Unrated	-	-	-	2,361,976	-	2,361,976
Mortgage		3,672,127	-	3,672,127	3,843,059	-	3,843,059
Retail		20,842,422	-	20,842,422	20,324,653	-	20,324,653

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43.1.3 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

43.1.3.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

The Bank has strong policies and processes for collateral valuation and collateral management thus ensuring that collateral valuation happens at regular defined intervals. Collaterals are normally held for the life of exposure. Regular monitoring of coverage of exposure by the collateral and lien/ charge registered over the collaterals is carried out besides ensuring that collateral matches the purpose, nature and structure of the transaction and also reflect the form and capacity of the obligor, its operations, nature of business and economic environment. The Bank mitigates its risk by taking collaterals that may include assets acquired through the funding provided, as well as cash, government securities, marketable securities, current assets, fixed assets, and specific equipment, commercial and personal real estate.

The Standardized Approach of Basel-II guidelines allows the Bank to take benefit of credit risk mitigation of financial collaterals against total exposures in the related loan facilities. As a prudent and conservative measure while calculating capital charge for credit risk of on balance sheet activities, bank has taken only the benefit of Sovereign guarantees.

MCB manages limits and controls concentrations of credit risk as identified, in particular, to individual counterparties and groups, and also reviews exposure to industry sectors and geographical regions on a regular basis. Limits are applied in a variety of forms to portfolios or sectors where MCB considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

Concentration of risk

Out of the total financial assets of Rs. 892,377.412 million (2013: Rs. 776,290.225 million) the financial assets which are subject to credit risk amounting to Rs. 878,966.723 million (2013: Rs. 763,939.311 million). To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 474,777.523 million (2013: Rs. 434,096.855 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 17,604.220 million (2013: Rs. 31,931.448 million) are held by the Bank with the State Bank of Pakistan and central banks of other countries.

43.1.3.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both trading and strategic purposes. The Bank has invested in its subsidiaries and associated companies to achieve long term strategic objectives. As of December 31, 2014 the composition of equity investments, subsidiaries and associated companies is as follows:

Composition of equity investments

Exposures	Held for trading	Available for Sale	Associates
(Rupees in '000)			
Equity investments – publicly traded	557,032	12,150,715	6,203,825
Equity investments - others	-	206,027	64,511
Total value	557,032	12,356,742	6,268,336

Classification of equity investments

Bank classifies its equity investment portfolio in accordance with the directives of SBP as follows:

- Investments - Held for trading
- Investments - Available for sale
- Investments in Associates

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Policies, valuation and accounting of equity investments

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than 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 a separate account which is shown in the statement of financial position 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 directly.

Unquoted equity securities 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 audited financial statements.

The cumulative realized gain of Rs. 2,085.526 million has been charged to profit & loss account from sale of equity securities; however unrealized gain of Rs. 2,292.652 million was recognized in the balance sheet in respect of "AFS" equity securities. Further a provision for impairment in value of equity investments amounting to Rs. 2.329 million has been charged to profit and loss account.

43.2 Market Risk Management

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 Group. 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, Risk Management Committee of management, ALCO and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk is an independent risk management function that 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 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 conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Bank has established a specific Market Risk Limit Policy providing guideline for assuming controlled market risk, its monitoring and management. These Limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Beside 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 of 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.

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The Bank is also exposed to interest rate risk both in trading and banking books. Risk numbers along with the marked to market values of government securities held by the Bank's treasury are generated on daily basis. The risk numbers 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.

43.2.1 Foreign Exchange Risk Management

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 is in place. 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 daily basis. Additionally, daily reports are generated to evaluate the exposure in different currencies. Risk management system generates VaR numbers for foreign exchange portfolio to estimate the potential loss under normal conditions. Stress testing of foreign exchange portfolio are also performed and reported to senior management. All these activities are performed on a daily basis.

	2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	881,326,900	744,528,893	1,701,427	138,499,434
Sri Lankan Rupee	20,767,861	20,785,111	363	(16,887)
United States Dollar	36,555,716	31,176,178	(7,819,739)	(2,440,201)
Pound Sterling	1,040,413	3,791,294	2,743,304	(7,577)
Japanese Yen	40,555	7	(41,686)	(1,138)
Euro	834,523	4,288,991	3,442,493	(11,975)
Other currencies	1,040,518	766,806	(26,162)	247,550
	<u>941,606,486</u>	<u>805,337,280</u>	<u>-</u>	<u>136,269,206</u>
	2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	762,751,477	654,607,438	6,922,673	115,066,712
Sri Lankan Rupee	11,049,130	11,099,250	45,462	(4,658)
United States Dollar	44,688,222	31,711,553	(12,854,354)	122,315
Pound Sterling	876,537	3,495,434	2,630,109	11,212
Japanese Yen	10,881	51,448	53,717	13,150
Euro	993,614	4,185,047	3,202,393	10,960
Other currencies	908,443	665,339	-	243,104
	<u>821,278,304</u>	<u>705,815,509</u>	<u>-</u>	<u>115,462,795</u>

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43.2.2 Equity Price Risk

Bank's proprietary positions in the equity instruments expose 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 internal based assumptions. In addition to this Stress Testing and historical scenario analysis on Equities is also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

43.2.3 Country Risk

The world is changing rapidly and interdependencies and inter linkages of banks operating in different countries are ever increasing. Thus the banks having cross border exposures whether on-balance sheet or off-balance sheet are susceptible to the changing conditions in various countries of the world. Therefore, it becomes very important for institutions to effectively manage its cross border exposures to avoid any unfavorable situation.

MCB understands the risks involved in taking cross border exposure and to cater it; Country Risk Policy, in line with SBP guidelines, is already in place. The Policy not only envisages a centralized approach to measure, monitor and manage country risk but also strengthen overall risk management framework in the Bank.

Country Exposure Limits are in place, which broadly capture direct exposure on sovereigns and exposures on foreign domiciled counter parties. Additionally, business product wise sub limits involving cross border exposure are also implemented. Monitoring of these limits is a regular feature of Risk Management.

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43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

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.

Effective Yield/ Interest rate	Total	2014										Not exposed to Yield/ Interest Risk		
		Exposed to Yield/ Interest risk												
		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	Above 10 years				
		(Rupees in '000)												
On-balance sheet financial instruments														
Assets														
	46,753,868	4,396,590	-	-	-	-	-	-	-	-	-	-	42,357,278	
Cash and balances with treasury banks	3,063,774	855,593	-	-	-	-	-	-	-	-	-	-	2,208,181	
Balances with other banks	1,418,181	1,418,181	-	-	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	510,629,963	17,607,142	54,503,850	64,470,682	58,504,709	128,806,857	44,281,499	78,203,161	51,618,462	-	-	-	12,633,601	
Investments - net	304,000,563	252,676,394	17,370,169	8,157,975	4,508,711	6,336,728	6,554,249	4,351,912	1,434,621	-	-	-	-	
Advances - net	26,511,063	-	-	-	-	-	-	-	-	-	-	-	26,511,063	
Other assets - net	892,377,412	276,955,900	71,874,019	72,628,657	63,013,420	135,143,585	50,835,748	82,555,073	53,053,083	2,607,804	-	-	83,710,123	
Liabilities														
Bills payable	16,627,700	-	-	-	-	-	-	-	-	-	-	-	-	16,627,700
Borrowings	59,776,578	31,414,474	17,605,143	5,297,275	2,750,905	2,708,781	-	-	-	-	-	-	-	
Deposits and other accounts	688,270,091	407,890,207	16,082,615	11,440,071	14,664,652	1,400,319	156,796	207,135	-	-	-	-	236,428,296	
Other liabilities	26,045,742	-	-	-	-	-	-	-	-	-	-	-	-	26,045,742
	790,720,111	439,304,681	33,687,758	16,737,346	17,415,557	4,109,100	156,796	207,135	-	-	-	-	279,101,738	
	101,657,301	(162,348,781)	38,186,261	55,891,311	45,597,863	131,034,485	50,678,952	82,347,938	53,053,083	2,607,804	-	-	(195,391,615)	
On-balance sheet gap														
Off-balance sheet financial instruments														
FX options purchase	-	-	-	-	-	-	-	-	-	-	-	-	-	
Foreign exchange contracts Purchase	47,859,438	18,624,849	18,156,762	11,046,862	30,975	-	-	-	-	-	-	-	-	
	47,859,438	18,624,849	18,156,762	11,046,862	30,975	-	-	-	-	-	-	-	-	
FX options sale	-	-	-	-	-	-	-	-	-	-	-	-	-	
Foreign exchange contracts Sale	49,478,965	28,994,504	16,514,430	3,970,081	-	-	-	-	-	-	-	-	-	
	49,478,965	28,994,504	16,514,430	3,970,081	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap	(1,619,527)	(10,369,655)	1,642,332	7,076,821	30,975	-	-	-	-	-	-	-	-	
Total yield / interest risk sensitivity gap		(172,718,436)	39,626,593	62,968,132	45,626,838	131,034,485	50,678,952	82,347,938	53,053,083	2,607,804	-	-	295,429,389	
Cumulative yield / interest risk sensitivity gap		(172,718,436)	(132,889,843)	(69,921,711)	(24,292,873)	106,741,612	157,420,564	239,766,502	292,821,565	295,429,389	-	-	-	

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43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

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.

	Effective Yield/ Interest rate	Total	2013							Not exposed to Yield/ Interest Risk		
			Exposed to Yield/ Interest risk									
			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		Above 10 years	
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0%	59,946,218	4,146,998	-	-	-	-	-	-	-	-	55,799,220
Balances with other banks	2.35%	1,594,660	542,128	-	-	-	-	-	-	-	-	1,052,532
Lendings to financial institutions	6.5% to 10%	1,224,638	1,224,638	-	-	-	-	-	-	-	-	-
Investments - net	8.93% to 13.20%	448,295,369	102,012,978	211,491,020	16,915,662	11,327,089	21,398,585	39,066,342	24,125,404	13,092,611	-	8,865,708
Advances - net	10.77%	248,521,792	210,483,644	18,073,299	4,290,733	1,784,794	5,615,918	2,117,676	3,111,616	2,442,367	601,745	-
Other assets - net		16,707,548	-	-	-	-	-	-	-	-	-	16,707,548
		776,290,225	318,410,386	229,564,319	21,206,385	13,111,883	27,014,483	41,184,018	27,237,020	15,534,978	601,745	82,425,008
Liabilities												
Bills payable		10,138,726	-	-	-	-	-	-	-	-	-	10,138,726
Borrowings	0.8% to 10.25%	38,660,405	19,312,395	10,005,135	4,469,605	2,396,684	2,434,306	42,280	-	-	-	-
Deposits and other accounts	7% to 10.75%	632,309,094	373,704,833	19,138,275	8,714,275	15,472,801	217,157	219,988	326,664	-	-	214,517,151
Other liabilities		16,205,867	-	-	-	-	-	-	-	-	-	16,205,867
		697,314,092	393,017,228	29,141,410	13,183,880	17,869,485	2,651,463	262,218	326,664	-	-	240,861,744
On-balance sheet gap		78,976,133	(74,606,842)	200,422,909	8,022,505	(4,757,602)	24,363,020	40,921,800	26,910,356	15,534,978	601,745	(158,436,736)
Off-balance sheet financial instruments												
Foreign exchange contracts Purchase		216,344	-	216,344	-	-	-	-	-	-	-	-
Cross currency swaps - long position		72,216,751	42,583,683	23,239,215	6,393,853	-	-	-	-	-	-	-
		72,433,095	42,583,683	23,455,559	6,393,853	-	-	-	-	-	-	-
Foreign exchange contracts Sale		216,344	-	216,344	-	-	-	-	-	-	-	-
Cross currency swaps - short position		79,959,563	44,369,336	25,266,531	9,957,417	366,279	-	-	-	-	-	-
		80,175,907	44,369,336	25,482,875	9,957,417	366,279	-	-	-	-	-	-
Off-balance sheet gap		(7,742,812)	(1,785,653)	(2,027,316)	(3,563,564)	(366,279)	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(76,392,495)	(76,392,495)	198,395,593	4,458,941	(5,123,881)	24,363,020	40,921,800	26,910,356	15,534,978	601,745	-
Cumulative yield / interest risk sensitivity gap		(76,392,495)	(76,392,495)	122,003,098	126,462,039	121,338,158	145,701,178	186,622,978	213,533,334	229,068,312	229,670,057	-

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

Reconciliation to total assets	2014	2013	Reconciliation to total liabilities	2014	2013
	(Rupees in '000)			(Rupees in '000)	
Balance as per balance sheet	941,606,486	821,278,304	Balance as per balance sheet	805,337,280	705,815,509
Less: Non financial assets			Less: Non financial liabilities		
Investments	6,268,336	5,512,976	Other liabilities	3,881,328	4,001,124
Operating fixed assets	31,583,646	29,005,931	Deferred tax liability	10,735,841	4,500,293
Other assets	11,377,092	10,469,172		14,617,169	8,501,417
	49,229,074	44,988,079			
Total financial assets	892,377,412	776,290,225	Total financial liabilities	790,720,111	697,314,092

43.4 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

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 crisis situation. MCB Bank monitors and assesses the impact of increase in NPLs, deposits concentration, deposits withdrawal, decline in earnings, expanded business opportunities, acquisitions and negative reputation on its liquidity positions. Liquidity Strategy is also in place, to ensure that the Bank can meet its temporal liquidity needs and optimize the contribution towards the profitability of the Bank. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. As per preliminary assessments, the Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio as per Basel III are well within the prescribed limits.

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. MCB Bank also conducts Liquidity Risk Analysis on regular basis. 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, quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling statement of financial position changes. 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 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

43.4.1 Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

2014

	Total	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	Above 10 years
Assets										
Cash and balances with treasury banks	46,753,868									
Balances with other banks	3,063,774									
Lendings to financial institutions	1,418,181									
Investments - net	516,898,299	16,786,391	56,072,760	60,407,842	60,188,404	136,874,636	48,860,752	78,626,653	52,830,525	6,268,336
Advances - net	304,000,563	74,542,607	73,234,572	46,575,734	32,433,021	23,054,412	19,124,498	24,116,567	8,288,815	2,630,337
Operating fixed assets	31,583,646	173,663	347,325	520,988	1,041,975	2,475,008	2,083,950	4,167,900	10,419,750	10,353,087
Deferred tax assets	416,524	6,091	10,915	16,373	54,386	65,491	263,268			
Other assets - net	37,888,155	12,593,147	13,297,311	894,374	2,490,237			8,613,086		
	942,023,010	155,319,722	142,962,883	108,415,311	96,208,023	162,469,547	70,332,468	115,524,206	71,539,090	19,251,760
Liabilities										
Bills payable	16,627,700									
Borrowings	59,776,578	31,414,474	17,605,143	5,297,275	2,750,905					
Deposits and other accounts	688,270,091	644,318,503	15,891,674	11,450,634	14,845,030	1,400,319	156,796	207,135		
Deferred tax liabilities	11,152,365	56,455	59,066	52,682	189,985	2,025,869	578,539	4,751,963	2,477,168	960,638
Other liabilities	29,927,070	13,771,458	3,189,043	5,279,664	2,626,352	3,606,004	478,706	379,352	596,491	
	805,753,804	706,188,590	36,744,926	22,080,255	20,412,272	9,740,973	1,214,041	5,338,450	3,073,659	960,638
Net assets	136,269,206	(50,868,868)	106,217,957	86,335,056	75,795,751	152,728,574	69,118,427	110,185,756	68,465,431	18,291,122
Share capital	11,130,307									
Reserves	49,200,045									
Unappropriated profit	49,765,031									
Minority interest	511,960									
Surplus on revaluation of assets - net of tax	25,661,863									
	136,269,206									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

43.4.1 Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	2013									
	Total	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	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	59,946,218	59,946,218	-	-	-	-	-	-	-	-
Balances with other banks	1,594,660	1,594,660	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,224,638	1,224,638	-	-	-	-	-	-	-	-
Investments - net	453,808,345	101,475,786	213,459,894	11,773,577	13,209,949	26,938,529	39,459,204	26,770,124	15,208,304	5,512,978
Advances - net	248,521,792	84,949,035	31,569,858	42,710,236	33,840,507	17,308,883	14,335,825	16,231,895	6,862,033	713,620
Operating fixed assets	29,005,931	151,713	303,427	455,140	919,689	1,820,568	1,820,568	3,641,116	9,102,790	10,790,940
Deferred tax assets	355,030	6,825	13,651	20,476	63,185	81,904	168,989	-	-	-
Other assets - net	27,176,720	7,253,873	8,838,558	1,732,474	2,653,299	-	-	6,698,516	-	-
	821,633,334	256,602,748	254,185,388	56,691,903	50,688,629	46,149,874	55,784,576	53,341,651	31,173,127	17,017,438
Liabilities										
Bills payable	10,138,726	10,138,726	-	-	-	-	-	-	-	-
Borrowings	38,660,405	19,312,395	10,005,135	4,469,605	2,472,149	2,401,121	-	-	-	-
Deposits and other accounts	632,309,094	588,221,984	19,136,275	8,714,275	15,472,801	217,157	219,938	326,664	-	-
Deferred tax liabilities	4,855,323	41,368	9,114	19,953	102,777	378,637	335,693	2,284,833	616,778	1,066,170
Other liabilities	20,206,991	6,226,043	2,866,485	4,722,981	2,010,004	2,670,442	677,980	271,894	761,162	-
	706,170,539	623,940,516	32,017,009	17,926,814	20,057,731	5,667,357	1,233,611	2,883,391	1,377,940	1,066,170
Net assets	115,462,795	(367,337,768)	222,168,379	38,765,089	30,628,898	40,482,517	54,550,965	50,458,260	29,795,187	15,951,268
Share capital	10,118,461									
Reserves	47,008,936									
Unappropriated profit	43,038,094									
Minority interest	489,671									
Surplus on revaluation of assets - net of tax	14,807,633									
	115,462,795									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

43.4.2 Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

2014

	Total	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	Above 10 years
Assets										
Cash and balances with treasury banks	46,753,868	46,753,868	-	-	-	-	-	-	-	-
Balances with other banks	3,063,774	3,063,774	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,418,181	1,418,181	-	-	-	-	-	-	-	-
Investments - net	516,898,299	16,768,391	56,072,760	60,407,842	60,188,404	136,874,636	48,860,752	78,626,653	52,830,525	6,288,336
Advances - net	304,000,563	42,243,916	39,709,486	27,024,432	11,639,070	54,382,555	52,059,901	56,002,124	18,330,827	2,608,252
Operating fixed assets	31,583,646	173,663	347,325	520,988	1,041,975	2,475,008	2,083,950	4,167,900	10,419,750	10,353,087
Deferred tax assets	416,524	6,091	10,915	16,373	54,386	65,491	263,268	-	-	-
Other assets - net	37,888,155	12,593,147	13,297,311	894,374	2,490,237	-	-	8,613,086	-	-
	942,023,010	123,021,031	109,437,797	88,864,009	75,414,072	193,797,690	103,267,871	147,409,763	81,581,102	19,229,675
Liabilities										
Bills payable	16,627,700	16,627,700	-	-	-	-	-	-	-	-
Borrowings	59,776,578	31,414,474	17,605,143	5,297,275	2,750,905	2,708,781	-	-	-	-
Deposits and other accounts	688,270,091	49,807,024	43,468,710	52,998,330	15,349,942	158,835,417	157,423,589	157,810,537	52,576,542	-
Deferred tax liabilities	11,152,365	56,455	59,066	52,682	189,985	2,025,869	578,539	4,751,963	2,477,168	960,638
Other liabilities	29,927,070	13,771,458	3,189,043	5,279,664	2,626,352	3,606,004	478,706	379,352	596,491	-
	805,753,804	111,677,111	64,321,962	63,627,951	20,917,184	167,176,071	158,480,884	162,941,852	55,650,201	960,638
Net assets	136,269,206	11,343,920	45,115,836	25,236,058	54,496,888	26,621,619	(55,212,963)	(15,532,089)	25,930,901	18,269,037
Share capital	11,130,307									
Reserves	49,200,045									
Unappropriated profit	49,765,031									
Minority interest	511,960									
Surplus on revaluation of assets - net of tax	25,661,863									
	136,269,206									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

43.4.2 Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

		2013									
		(Rupees in '000)									
Total	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	Above 10 years		
Assets											
Cash and balances with treasury banks	59,946,218	-	-	-	-	-	-	-	-	-	
Balances with other banks	1,594,660	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	1,224,638	-	-	-	-	-	-	-	-	-	
Investments - net	453,808,345	101,475,786	11,773,577	13,209,949	26,938,529	39,459,204	26,770,124	15,208,304	5,512,978		
Advances - net	248,521,792	54,755,876	34,665,006	6,514,233	42,079,364	35,286,036	36,780,148	13,192,809	684,235		
Operating fixed assets	29,005,931	151,713	303,427	455,140	919,689	1,820,558	3,641,116	9,102,790	10,790,940		
Deferred tax assets	355,030	6,825	13,651	20,476	63,185	168,989	-	-	-		
Other assets - net	27,176,720	7,253,873	8,838,558	1,732,474	2,653,299	-	6,698,516	-	-		
	821,633,334	226,409,589	257,280,536	38,545,752	23,360,355	70,920,355	76,734,787	37,503,903	16,988,153		
Liabilities											
Bills payable	10,138,726	10,138,726	-	-	-	-	-	-	-		
Borrowings	38,660,405	19,312,395	10,005,135	2,472,149	2,401,121	-	-	-	-		
Deposits and other accounts	632,309,094	49,155,727	55,423,957	33,753,512	15,945,255	143,369,662	143,214,959	47,809,367	-		
Deferred tax liabilities	4,855,323	41,368	9,114	19,953	102,777	378,637	335,693	2,284,833	1,066,170		
Other liabilities	20,206,991	6,226,043	2,866,486	4,722,981	2,010,004	2,670,442	677,980	761,162	-		
	706,170,539	84,874,259	68,304,691	42,966,051	20,530,185	148,819,862	144,228,632	49,187,307	1,066,170		
Net assets	115,462,795	141,535,330	188,975,845	(4,420,299)	2,830,170	(77,899,507)	(67,493,845)	(11,683,404)	15,921,983		
Share capital	10,118,461										
Reserves	47,008,936										
Unappropriated profit	43,038,094										
Minority interest	489,671										
Surplus on revaluation of assets - net of tax	14,807,633										
	115,462,795										

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 term buckets based on the discussion and decision by the ALCO. Following percentages are used to distribute the core assets and liabilities among longer term buckets:

Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years
30%	30%	30%	10%

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

43.5 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.

43.5.1 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 during the current year. 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. 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.

44. GENERAL

Comparative information has been reclassified and rearranged in these consolidated financial statements for the purpose of better presentation. Below reclassification has been made during the year:

Description	Amount (Rupees in '000)	Reclassified	
		From	To
Finance against Foreign Bills	898,784	Bills discounted & purchased (Advances)	Loans, cash credits, running finances etc (Advances)

45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 12, 2015 has announced a final cash dividend in respect of the year ended December 31, 2014 of Rs. 4.0 per share (2013: Rs. 3.50 per share) and bonus shares of NIL (2013: 10%). These consolidated financial statements for the year ended December 31, 2014 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 12, 2015.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Tariq Rafi
Director



Mian Umer Mansha
Director

Annexure - I

1. Particulars of Investments in listed companies and mutual funds-available for sale

Investee Entities	Note	Number of shares	Paid-up value per share Rupees	Total paid-up/ nominal value (Rupees in '000)	Cost as at December 31, 2014
1 Fully Paid-up Preference Shares					
Azgard Nine Limited		1,160,241	10	11,602	11,602
Aisha Steel Mills Limited		168,286	10	1,683	1,683
Aisha Steel Mills Limited - right shares		84,143	0	-	-
Masood Textile Mills Limited	1.1	5,000,000	10	50,000	50,000
Fully Paid-up Ordinary Shares					
Altern Energy Limited		1,000	10	10	31
Archroma Pakistan Limited		127,550	10	1,276	28,456
Attock Petroleum Limited		1,030,476	10	10,305	436,756
Bank Alfalah Limited		14,720,500	10	147,205	421,625
Bank Al-Habib Limited		10,986,528	10	109,865	336,886
The Bank of Punjab		3,500	10	35	30
Engro Corporation Limited		971,200	10	9,712	214,136
Engro Fertilizers Limited		3,487,500	10	34,875	256,414
Fatima Fertilizer Company Limited		9,673,500	10	96,735	317,440
Fauji Cement Company Limited		500	10	5	10
Fauji Fertilizer Bin Qasim Company Limited		13,926,000	10	139,260	610,433
Fauji Fertilizer Company Limited		7,382,700	10	73,827	632,312
Glaxo Smithkline Pakistan Limited		2,193,000	10	21,930	503,304
Habib Metropolitan Bank Limited		9,546,500	10	95,465	334,882
IGI Insurance Limited		2,117,380	10	21,174	460,881
International Steels Limited		4,530,000	10	45,300	108,174
K-Electric Limited		3,000,000	10	30,000	26,599
Kohat Cement Company Limited		743,000	10	7,430	139,864
Kot Addu Power Company Limited		14,085,500	10	140,855	883,455
Lafarge Pakistan Cement Limited		27,247,000	10	272,470	447,545
Mehr Dastagir Textile Mills Limited		1,616,912	10	16,169	16,169
Murree Brewery Company Limited		3,650	10	37	435
National Bank of Pakistan		6,175,500	10	61,755	386,752
National Foods Limited		13,950	5	70	1,566
National Refinery Limited		527,900	10	5,279	106,767
Nestle Pakistan Ltd Limited		10,782	10	108	68,917
NetSol Technologies Ltd		1,883,500	10	18,835	63,401
Next Capital Limited		1,950,000	10	19,500	19,500
Oil & Gas Development Company Limited		235	10	2	52
Pak Elektron Limited		3,657,000	10	36,570	147,722
Pakistan Oilfields Limited		691,795	10	6,918	351,225
Pakistan Petroleum Limited		2,069,218	10	20,692	454,385
Pakistan State Oil Company Limited		40,400	10	404	14,542
Pakistan Telecommunication Company Limited		2,440,000	10	24,400	58,282
PICIC Growth Fund		16,550,000	10	165,500	457,369
PICIC Investment Fund		13,003,500	10	130,035	189,056
Rafhan Maize Products Limited		25,967	10	260	160,587
Saif Power Limited		7,934,500	10	79,345	260,964
Samba Bank Limited		101	10	1	1
Searle Pakistan Limited		653,600	10	6,536	163,174
Siemens Pakistan Engineering Company Limited		11,280	10	113	13,412
Sui Northern Gas Pipelines Limited		55,126,789	10	551,268	2,205,253
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Food Pakistan Limited		867	10	9	1,364
United Bank Limited		3,875,207	10	38,752	517,652
Zulfiqar Industries Limited		35,117	10	351	3,556
Carrying value before revaluation & provision					11,887,621
Provision for diminution in value of investments					(1,500,664)
Surplus on revaluation of securities					2,112,015
Market value as at December 31, 2014					12,498,972

Annexure - I

Fully Paid-up Ordinary Certificate/ Units of Mutual Funds	Name of Management Company	Number of Units held	Paid-up value per unit (Rupees)	Total paid-up/ nominal value (Rupees in '000)	Cost as at December 31, 2014
National Investments Trust	National Investment Trust Limited	110,602	50	5,530	5,253
Carrying value before revaluation & provision					5,253
Provision for diminution in value of investments					(1,907)
Surplus on revaluation of securities					3,957
Market value as at December 31, 2014					7,303

1.1 These are redeemable after the end of the fourth year from June 2005 at the option of the issuer either in whole or multiples of 10% of outstanding issue at a price of Rs. 10 per share plus any accumulated preference dividend. Dividend rate is 6 months KIBOR + 200 bps per annum.

1.2 Particulars of Investments in listed companies & mutual funds-Held for trading

Listed company	Number of shares	Paid-up value per share (Rupees)	Total paid up/ nominal value (Rupees in '000)	Cost as at December 31, 2014
Dewan Cement Limited	513,000	10	5,130	4,241
Hascol Petroleum Limited	250,000	10	2,500	19,262
International Industries Limited	97,000	10	970	6,161
Searle Pakistan Limited	71,600	10	716	18,178
United Bank Limited	23,700	10	237	4,488
				52,330

1.3 Mutual fund

	Number of units	Paid-up value per share (Rupees)	Total paid up/ nominal value (Rupees in '000)	Cost as at December 31, 2014
MCB Dynamic Cash Fund	894,111	100	89,411	90,817
MCB Dynamic Allocation Fund	2,364,412	100	236,441	169,933
MetroBank-Pakistan Sovereign Fund - perpetual	4,589,584	50	229,479	243,952
				504,702

Annexure - I

2. Particulars of Investment held in unlisted companies-available for sale

Company Name	Percentage of holding (%)	Number of shares / certificates held	Cost as at December 31, 2014	Net Asset Value of total investment	Based on audited financial statements as at	Name of Chief Executive
(Rupees in '000)						
Shareholding more than 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
Pak Asian Fund Limited	10.22%	1,150,000	11,500	19,542	Jun. 30, 2014	Mr. Ashfaq A. Berdi
First Women Bank Limited	11.58%	23,095,324	63,300	252,702	Dec. 31, 2013	Ms. Tahira Raza
Central Depository Company of Pakistan Limited	10.00%	6,500,000	10,000	186,657	Jun. 30, 2014	Mr. Mohammad Hanif Jakhura
			84,800			
Shareholding upto 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
First Capital Investment Limited		275,000	2,500	3,651	Jun. 30, 2014	Mr. Shahzad Jawahar
National Institute of Facilitation Technology Private Limited		1,478,227	1,526	93,421	Jun. 30, 2014	Mr. M.M. Khan
National Investment Trust Limited		79,200	100	872,874	Jun. 30, 2014	Mr. Manzoor Ahmed
SME Bank Limited		1,490,619	10,106	3,892	Sep. 30, 2014	Mr. Ihsan ul haq Khan
Islamabad Stock Exchange Limited		3,034,603	30,346	32,702	Jun. 30, 2014	Mr. Imtiaz Haider
Society for Worldwide Inter Fund Transfer (SWIFT)		18	1,738	6,453	Dec. 31, 2013	Mr. Gottfried Leibbrandt
Credit Information Bureau of Srilanka		300	23	18,252	Dec. 31, 2013	Mr. Gamini Karunaratne
Lanka Clear (Private) Limited		100,000	766	5,513	Mar. 31, 2014	Mr. S. B. Weerasooriya
Lanka Financial Services Bureau Limited		100,000	766	777	Mar. 31, 2014	Mr. Minindu Rajaratne
Pakistan Agro Storage and Services corporation		2,500	2,500	207,536	Mar. 31, 2014	Capt (R) Tariq Masud
Arabian Sea Country Club*		500,000	5,000	-	-	-
Al-Ameen Textile Mills Limited.*		19,700	197	-	-	-
Ayaz Textile Mills Limited.*		225,250	2,252	-	-	-
Custodian Management Services*		100,000	1,000	-	-	-
Musarrat Textile Mills Limited.*		3,604,500	36,045	-	-	-
Sadiqabad Textile Mills Limited.*		2,636,100	26,362	-	-	-
			121,227			
Cost of unlisted shares/ certificates/ units			206,027			
Provision against unlisted shares			(77,070)			
Carrying value of unlisted shares/ certificates/ units			128,957			

* These are fully provided unlisted shares.

Annexure - I

3. Particulars of investments in Term Finance Certificates and Sukuk Bonds- (refer note 9)

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at	Name of Chief Executive
						December 31, 2014	
						(Rupees in '000)	
LISTED TERM FINANCE CERTIFICATES - available for sale							
Askari Bank Limited - issue no. III	50,000	5,000	250,000,000	6 months KIBOR + 2.5% p.a. for first five years & 6 month KIBOR + 2.95% for next five years	0.32% of principal amount in the 96 months and remaining principal in four equal semi annual installments starting from the 102nd month from issue.	249,500	Syed Majeedullah Husaini
Bank Alfalah Limited - issue no. IV	100,000	5,000	500,000,000	6 months KIBOR + 2.5% p.a.	0.26% of principal amount in the first 78 months and remaining principal in three semi-annual installment starting from the 84th month.	499,000	Mr. Atif Bajwa
Allied Bank Limited - issue no. II	37,000	5,000	185,000,000	6 months KIBOR + 0.85% p.a. for first five years & 6 months KIBOR+ 1.30% for next 5 years.	0.38% of principal amount in the first 114 months and remaining principal will be paid at maturity	182,153	Mr. Tariq Mahmood
Carrying value before revaluation						930,653	
Surplus on revaluation of securities						11,040	
Market value of listed TFCS (revalued amount)						941,693	
SUKUK BONDS - available for sale	Terms of Redemption			Rate of Interest	Currency		
	Principal	Interest					
Government of Pakistan Ijara Sukuks	At maturity	Half-yearly		6-Month MTB Auction Weighted Average Yield.	PKR	3,715,236	
Deficit on revaluation of securities						(49,026)	
Market value of Sukuk bonds						3,666,210	

Annexure - I

TERM FINANCE CERTIFICATES - held to maturity

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2014	Name of Chief Executive
						(Rupees)	
Bank Alfalah Limited - issue no. V	100,000	5,000	500,000,000	6 months KIBOR + 1.25% p.a.	0.3% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity. First maturity in the 96th month	481,921	Mr. Atif Bajwa
Bank Al Habib Limited - issue no. IV	20,000	5,000	100,000,000	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each	99,860	Mr. Abbas D. Habib
Allied Bank Limited - issue no. II	46,400	5,000	232,000,000	6 months KIBOR + 0.85% p.a. for first five years & 6 months KIBOR+1.30% for next 5 years.	0.38% of principal amount in the first 114 months and remaining principal will be paid at maturity	231,536	Mr. Tariq Mahmood
Askari Bank Limited - issue no. V	120,000	5,000	600,000,000	6 months KIBOR + 1.20% p.a	0.36% of principal amount in the first 108 months and remaining principal in 2 equal semi annual installments of 49.82% each.	600,000	Syed Majeedullah Husaini
NIB Bank Limited	60,000	5,000	300,000,000	6 months KIBOR + 1.15% p.a.	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.	299,940	Mr. Atif R. Bokhari
Azgard Nine Limited	13,878	5,000	69,390,000	NIL	In 7 semi-annual installments starting from 24th month	69,390	Mr. Ahmed Shaikh
Shakarganj Mills Limited	16,000	5,000	80,000,000	6 months KIBOR +2.25% p.a. from March 2012	In 10 equal semi-annual installments starting from March 2012 .	40,000	Mr. Ahsan Saleem
Pakistan Mobile Communication Limited	200,000	5,000	1,000,000,000	3 Month KIBOR +2.65% p.a.	In 17 equal quarterly installments starting from 12th month after first disbursement and subsequently every three months.	470,588	Mr. Jeffery Hedberg
Carrying value of TFCs - HTM						2,293,235	

The above excludes unlisted term finance certificates, debentures, bonds and participation term certificates of companies which are fully provided for in these financial statements.

Annexure - I

4. Details of Bonds, Debentures and Federal Government Securities (refer note 9) - held to maturity

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency Amount ('000)	Carrying value as at December 31, 2014 (Rupees in '000)
	Principal	Interest				
Debentures						
Bank of Ceylon	At maturity	Half-yearly	Weighted Average Six Month T Bill Rate (Before Tax) + 0.75 %	LKR	250,000	191,475
Sampath Bank	At maturity	Half-yearly	13.40%	LKR	64,610	49,485
NDB Bank	At maturity	Half-yearly	13.40%	LKR	62,760	48,068
Richard Pieris & Company PLC	At maturity	Half-yearly	10.75%	LKR	43,500	33,317
Siyapatha Finance Limited	At maturity	Half-yearly	8.90%	LKR	100,000	76,590
Commercial papers						
Singer (Sri Lanka) PLC	At maturity	Half-yearly	9.00%	LKR	265,243	203,150
Development Bonds						
Government of Sri Lanka	At maturity	Half-yearly	6 Month LIBOR + 400 BP	LKR	793,680	607,880
Sukuk Bonds						
Maple Leaf Cement Factory Limited Sukuk Bonds	In 8 unequal semi-annual installments.	Half-yearly	6 Month KIBOR+1.70%	PKR	-	203,109
Quetta Textile Mills Limited Sukuk Bonds	In 12 equal semi-annual installments.	Half-yearly	6 Month KIBOR+1.50%	PKR	-	41,380
					-	244,489
Euro Bonds						
Pakistan Euro Bonds	At maturity	Half-yearly	7.125% & 6.875	US\$	22,729	2,283,917

5. Summarized financial information of associated undertakings (refer note 9)

The gross amount of assets, liabilities, revenue, profit and net assets of associated undertakings are as follows:

Name of associated undertaking	Country of incorporation	Assets	Liabilities	Net assets	Revenue	Profit / (loss) after tax	% of interest held
		(Rupees in '000)					
2014							
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2014)	Pakistan	251,701	36,670	215,031	258,208	3,615	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2014)	Pakistan	29,831,228	16,202,619	13,628,609	4,613,013 *	1,388,740	29.13%
2013							
Euronet Pakistan (Private) Limited (audited based on December 31, 2013)	Pakistan	249,379	37,962	211,417	266,718	25,823	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2013)	Pakistan	27,321,610	14,457,637	12,863,973	4,099,609 *	1,735,188	29.13%

*Represents net premium revenue

Annexure - III

Summarized detail of the valuation of owned properties (refer note 11.2.1)

City	Land	Building	Total
Abbottabad	22,000	19,856	41,856
Bahawalpur	78,012	24,445	102,457
Chakwal	2,000	1,920	3,920
Dera Gazi Khan	18,450	20,000	38,450
Faisalabad	812,308	223,618	1,035,926
Gawadar	1,900	9,000	10,900
Gujranwala	221,044	172,238	393,282
Gujrat	78,500	42,216	120,716
Hafizabad	27,000	14,782	41,782
Haripur	28,453	2,958	31,411
Haroonabad	20,000	5,240	25,240
Hyderabad	185,498	87,118	272,616
Islamabad	1,317,210	416,652	1,733,862
Jehlum	55,000	32,817	87,817
Jhang	124,110	30,715	154,825
Karachi	4,666,793	2,974,623	7,641,416
Kasur	16,380	2,390	18,770
Khairpur	1,442	3,183	4,625
Khanewal	13,500	2,800	16,300
Kohat	4,650	-	4,650
Khanpur	24,040	14,420	38,460
Lahore	4,972,779	2,305,651	7,278,430
Larkana	47,735	13,601	61,336
Mianwali	19,125	35,443	54,568
Mirpurkhas	11,040	3,726	14,766
Multan	139,600	332,878	472,478
Muree	15,000	991	15,991
Muridke	45,000	25,453	70,453
Muzafarabad	128,373	52,979	181,352
Nawabshah	18,270	10,339	28,609
Okara	26,275	12,524	38,799
Peshawar	114,375	16,726	131,101
Quetta	284,696	59,803	344,499
Rahim Yar Khan	9,915	5,740	15,655
Rawalpindi	448,536	168,514	617,050
Sadiqabad	26,667	4,842	31,509
Sahiwal	52,094	13,826	65,920
Sargodha	140,986	20,825	161,811
Sheikhupura	56,000	13,112	69,112
Sialkot	94,000	20,895	114,895
Sukkur	48,288	16,656	64,944
Swat	56,500	6,715	63,215
Vehari	11,000	7,330	18,330
Wazirabad	15,000	7,274	22,274
Overseas	-	82,648	82,648
Karachi - (subsidiary company)	-	72,698	72,698
Grand total	14,499,544	7,412,180	21,911,724

Branch Network

As on December 31, 2014

RETAIL BANKING GROUP - SOUTH

Circle / No. of Branches		Region	No. of Branches	No. of Sub Branches
Retail Banking Group – South				
1. KARACHI CITY 45	01.	Karachi City	21	-
	02.	Karachi North	24	-
2. KARACHI EAST 41	03.	Karachi East	21	-
	04.	Karachi South	20	-
3. KARACHI WEST 42	05.	Karachi Central	21	-
	06.	Karachi West	21	-
4. HYDERABAD 67	07.	Hyderabad	37	-
	08.	Nawabshah	30	1
5. QUETTA 42	09.	Makran	10	-
	10.	Quetta Circle	32	-
TOTAL RBG - SOUTH			237	01

Retail Banking Group – East

1. BAHAWALPUR 91	01.	Bahawalpur	34	-
	02.	Rahim Yar Khan	29	-
	03.	Vehari	28	-
2. MULTAN 105	04.	Dera Ghazi Khan	33	-
	05.	Multan	34	-
	06.	Sahiwal	38	-
3. SUKKUR 68	07.	Larkana	34	-
	08.	Sukkur	34	-
TOTAL RBG - EAST			264	-

Retail Banking Group – Central

1. LAHORE 99	01.	Lahore Central	24	-
	02.	Lahore City	25	-
	03.	Lahore East	28	-
	04.	Lahore West	22	-
2. FAISALABAD 102	05.	Faisalabad	37	-
	06.	Faisalabad City	37	-
	07.	Sheikhupura	28	-
3. GUJRANWALA 95	08.	Gujranwala	28	1
	09.	Gujrat	35	1
	10.	Sialkot	32	-
4. SARGODHA 93	11.	Jhang	31	1
	12.	Mianwali	29	-
	13.	Sargodha	33	-
TOTAL RBG - CENTRAL			389	03

Retail Banking Group – North

1. ISLAMABAD 58	01.	Islamabad	29	-
	02.	Rawalpindi	29	1
2. JHELUM 80	03.	Chakwal	25	-
	04.	Jhelum	24	-
	05.	Muzaffarabad A.K.	31	-
3. PESHAWAR 74	06.	Kohat	23	-
	07.	Mardan	25	1
	08.	Peshawar	26	1
4. ABBOTTABAD 74	09.	Abbottabad	27	-
	10.	Attock	29	3
	11.	Swat	18	-
TOTAL RBG - NORTH			286	06

Branch Network

As on December 31, 2014

	No. of Branches
Wholesale Banking Branches	10
Islamic Banking	27
Privilege Banking	09

OVERSEAS OPERATION

Circle / No. of Branches	No. of Branches
1. Colombo	1
2. EPZ	1
3. Kandy	1
4. Maradana	1
5. Kollupitiya	1
6. Offshore Banking Unit (OBU) - Bahrain	1
7. Pettah	1
8. Wellawatte	1
9. Batticaloa	1
10. Galle	1
TOTAL	10
Dubai (Rep. Office)	1

SUMMARY

Group	Circles	Regions	No. of Branches	No. of Sub Branches
RBG-South	5	10	237	1
RBG-East	3	8	264	-
RBG-Central	5	13	389	3
RBG-North	4	11	286	6
Privilege Banking	-	-	09	-
Wholesale Banking	4	6	10	-
Islamic Banking	-	-	27	-
Total	21	48	1,222	10
Overseas	-	-	09	-
EPZ	-	-	1	-
Grand Total	21	48	1,232	10

PROVINCE-WISE

Province / Territory/AJK	Branches	Sub-Branches	Total
Azad Jammu & Kashmir	26	-	26
Balochistan	44	-	44
Federal Capital Territory	28	1	29
Federally Administered Tribal Areas (FATA)	6	-	6
Gilgit-Baltistan	4	-	4
Khyber Pakhtunkhwa	116	2	118
Punjab	722	6	728
Sindh	276	1	277
Domestic Total	1,222	10	1,232
Overseas	9	-	9
EPZ	1	-	1
Grand Total	1,232	10	1,242

Pattern of Shareholding

As of December 31, 2014

No. of Shareholders	Having Shares		No. of Shares	Percentage
	From	To		
14,546	1	100	590,923	0.0531%
11,889	101	500	2,901,954	0.2607%
5,497	501	1,000	4,057,516	0.3645%
7,784	1,001	5,000	13,030,114	1.1707%
275	5,001	10,000	1,944,659	0.1747%
197	10,001	50,000	4,082,059	0.3668%
52	50,001	100,000	3,704,857	0.3329%
59	100,001	500,000	14,228,814	1.2784%
28	500,001	1,000,000	22,024,109	1.9788%
58	1,000,001	5,000,000	143,759,258	12.9160%
5	5,000,001	10,000,000	34,732,081	3.1205%
3	10,000,001	15,000,000	40,518,687	3.6404%
4	15,000,001	25,000,000	70,735,696	6.3552%
12	25,000,001	Above	756,720,021	67.9873%
40,409			1,113,030,748	100.0000%

Categories of Shareholders

As of December 31, 2014

Particulars	No. of Shareholders	Shares Held	Percentage
Directors, CEO, Spouse(s) & Minor Children	16	119,702,756	10.7547%
Associated Companies	5	239,624,505	21.5290%
NIT & ICP	2	114,659	0.0103%
Banks, DFI & NBFIs	20	4,583,047	0.4118%
Insurance Companies	10	71,806,698	6.4515%
Modarabas & Mutual Funds	31	1,671,838	0.1502%
Public Sector Cos. & Corp.	11	32,713,890	2.9392%
General Public (Local)	36,703	153,301,664	13.7734%
General Public (Foreign)	3,354	2,579,727	0.2318%
Foreign Companies	105	419,640,257	37.7025%
Others	152	67,291,707	6.0458%
Company Total	40,409	1,113,030,748	100.0000%

Pattern of Shareholding under Code of Corporate Governance

As of December 31, 2014

Associated Companies, Undertakings and Related Parties

Maybank International Trust (Labuan) Berhad	222,606,147
D. G. Khan Cement Company Limited	102,277,232
Nishat Mills Limited	81,527,891
Adamjee Insurance Company Limited	34,606,587
Trustee - MCB Provident Fund Pak Staff	33,985,760
Trustee - MCB Employees Pension Fund	16,921,622
Siddiqsons Limited	14,276,462
Din Leather (Pvt) Ltd	6,936,333
Trustees Nishat Mills Ltd. Employees Provident Fund	4,168,126
Nishat Mills Ltd. Employees Provident Fund Trust	4,116,264
Trustees D.G.Khan Cement Co. Ltd. Employees Provident Fund	266,200
Trustees of Adamjee Insurance Company Ltd. Employees Provident Fund	73,577
CDC - Trustee Pak Strategic Alloc. Fund	57,730
Trustee, Nishat (Chunian) Limited Employees Provident Fund	8,857

Mutual Funds:

CDC - Trustee NIT-Equity Market Opportunity Fund	682,676
CDC - Trustee IGI Stock Fund	155,000
CDC - Trustee NAFA Stock Fund	104,900
CDC - Trustee AKD Index Tracker Fund	102,558
CDC - Trustee ABL Stock Fund	99,680
CDC - Trustee Alfalah GHP Alpha Fund	85,000
CDC - Trustee NAFA Asset Allocation Fund	72,700
CDC - Trustee Pak Strategic Allocation Fund	57,730
CDC - Trustee Alfalah GHP Value Fund	57,400
CDC - Trustee Askari Asset Allocation Fund	52,000
CDC - Trustee NAFA Multi Asset Fund	50,624
CDC - Trustee First Capital Mutual Fund	32,900
CDC - Trustee First Habib Stock Fund	31,970
CDC - Trustee Faysal Savings Growth Fund - MT	20,000
MC FSL - Trustee JS KSE-30 Index Fund	18,058
CDC - Trustee JS Pension Savings Fund - Equity Account	13,500
CDC - Trustee Crosby Dragon Fund	13,000
CDC - Trustee NAFA Pension Fund Equity Sub-Fund Account	7,400
CDC - Trustee NAFA Savings Plus Fund - MT	5,000
CDC - Trustee NAFA Income Opportunity Fund - MT	2,100
Safeway Fund (Pvt) Ltd.	1,651
TRI. Star Mutual Fund Ltd.	754
Growth Mutual Fund Limited	303
Prudential Stock Fund Ltd.	179
Pak Asian Fund Limited	162
CDC - Trustee Lakson Equity Fund	134

Pattern of Shareholding under Code of Corporate Governance

As of December 31, 2014

Directors, spouse(s) and minor children:

Mian Mohammad Mansha	7,834
Naz Mansha	6,424,057
S. M. Muneer	2,059
Saeeda Parveen	2,427,986
Tariq Rafi	32,008,864
Nighat Tariq	5,715,093
Shahzad Saleem	902
Sarmad Amin	2,851
Mian Raza Mansha	12,661,685
Ammil Raza	28,461,365
Mian Umer Mansha	31,986,378
Aftab Ahmad Khan	914
Ahmad Alman Aslam	665
Dato' Seri Ismail Shahudin	669
Muhammad Ali Zeb	550
Mohd Suhail Amar Suresh Bin Abdullah	884
Executives	78,816
Public Sector Companies and Corporations:	32,713,890
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	137,080,259
Shareholders holding Five percent (5%) or more:	
Maybank International Trust (Labuan) Berhad	222,606,147
D. G. Khan Cement Company Limited	102,277,232
Nishat Mills Limited	81,527,891

All trades in shares carried out by Directors, CEO, CFO, Company Secretary, Executives, their Spouse(s) and Minor Children during the year 2014 are given as under:

Name	Status	No. of Shares	Purchase / Sale/Transfer
Mr. Mohd Suhail Amar Suresh Bin Abdullah	Director	884	Transferred
Mr. Muhammad Furqan Ahmed	Executive	150	Purchased
Mr. Muhammad Imran	Executive	100	Purchased

Notice of 67th Annual General Meeting

Notice is hereby given that 67th Annual General Meeting of **MCB Bank Limited** will be held at Pearl-Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, on **Friday, March 27, 2015, at 11:00 AM** to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Annual Audited Separate and Consolidated Financial Statements of **MCB Bank Limited** (the "Bank") together with the Directors' and Auditors' Reports thereon for the year ended December 31, 2014,
2. To appoint auditors till the conclusion of next Annual General Meeting and fix their remuneration. The retiring Auditors, M/s A.F. Ferguson & Company, Chartered Accountants, being eligible, have offered themselves for re-appointment.
3. To approve, as recommended by the Directors, payment of Final Cash Dividend @ 40% i.e., PKR 4.00 per share for the financial year 2014, in addition to 100% (30% for 1st, 35% for 2nd and 3rd quarter) Interim Cash Dividends already paid for the year ended December 31, 2014.
4. To elect twelve (12) Directors as fixed by the Board of Directors of the Bank under Section 178(1) of the Companies Ordinance, 1984, for a period of three years commencing from March 27, 2015. The following are the names of retiring directors of the Bank:
 - i. Mian Mohammad Mansha.
 - ii. Mr. S. M. Muneer.
 - iii. Mr. Tariq Rafi.
 - iv. Mr. Shahzad Saleem.
 - v. Mr. Sarmad Amin.
 - vi. Mian Raza Mansha.
 - vii. Mian Umer Mansha.
 - viii. Mr. Aftab Ahmad Khan.
 - ix. Dato' Seri Ismail Shahudin.
 - x. Mr. Ahmad Alman Aslam.
 - xi. Mr. Muhammad Ali Zeb.
 - xii. Mr. Mohd Suhail Amar Suresh.

Special Business:

5. To consider and pass the following Ordinary Resolution as recommended by the Board of Directors of the Bank:

"RESOLVED THAT post facto approval be and is hereby accorded for donation of PKR 40 million (Rupees forty million only), for 'Chief Minister's Relief Fund for IDPs North Waziristan – 2014', as Bank's Corporate Social Responsibility."
6. To consider and, if deemed fit, pass the following resolutions as 'Special Resolutions', with or without

modification, for alterations in the Articles of Association of the Bank:

"RESOLVED THAT the alterations in the Articles of Association of MCB Bank as disclosed in Statement under Section 160 (1) (b) of the Companies Ordinance, 1984, annexed with this notice be and are hereby approved."

"FURTHER RESOLVED THAT the Company Secretary be and is hereby 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."

7. To consider and approve additional equity Investment in MCB Leasing, Closed Joint Stock Company ("CJSC"), Azerbaijan, a subsidiary of MCB Bank Limited and pass the following resolutions as "Special Resolutions", with or without modifications, as required under Section 208 of the Companies Ordinance, 1984:

"RESOLVED THAT subject to all applicable regulatory approvals and compliance of all relevant legal formalities, the approval of the members of MCB Bank Limited be and is hereby accorded for additional long term equity investment of equivalent of USD 2.5 million in MCB Leasing, CJSC, a subsidiary of MCB Bank Limited incorporated under the laws of Azerbaijan as per terms and conditions disclosed to the members."

"FURTHER RESOLVED THAT subject to all applicable regulatory approvals and compliance of all relevant legal formalities, the approval of the members of MCB Bank Limited be and is hereby accorded for long term equity investment by way of purchase of 82,442 shares of MCB Leasing, CJSC offered by Mr. Hasan Matla, a minority shareholder against a consideration of USD 105,000 (US Dollar one hundred and five thousands only) as per terms and conditions disclosed to the members."

"FURTHER RESOLVED THAT the Company Secretary and/or Mr. Rashid Jahangir, EVP & Divisional Head, MCB Bank Ltd, singly and/or jointly be and are hereby authorized and empowered to complete all the regulatory formalities and to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required under the relevant laws, rules and regulations."

A Statement under Section 160(1)(b) of the Companies Ordinance, 1984, setting forth all material facts pertaining to the Special Business referred to above is annexed to this Notice being sent to the members.

By Order of the Board,

-Sd-

FIDA ALI MIRZA
Company Secretary

March 05, 2015
Lahore

Notice of 67th Annual General Meeting

Notes:

1. The Shares Transfer Books of MCB Bank Limited will remain closed from **March 18, 2015 to March 27, 2015** (both days inclusive). Share Transfers received at the Bank's Share Registrar and Transfer Agent at the below mentioned address, at the close of business hours on **March 17, 2015** will be treated as being in time for the purpose of the entitlement of cash dividend and for attending the meeting.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or not.
3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarized certified copy of the power of attorney or authority in order to be effective must be deposited at the Share Registrar of the Bank not less than 48 hours before the time for holding the meeting, and must be duly stamped, signed and witnessed.
4. Members are requested to immediately notify the change, if any, in their registered addresses to the Share Registrar of the Bank at the below mentioned address.
5. CDC Accountholders will further have to follow the under mentioned guidelines as laid down by Circular No. 1, dated January 26, 2000, issued by Securities and Exchange Commission of Pakistan ("SECP").

For Attending of Meeting:

- i. In case of individuals, the Accountholder and/or Sub-Accountholder whose registration details are uploaded as per the CDC regulations, shall authenticate his/her identity by showing his/her original 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 and/or Sub-Accountholder whose registration details are uploaded as per the CDC regulations, shall submit the proxy form as per above requirements.
- ii. The proxy form shall be witnessed by the two persons whose name, 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 entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.

6. CNIC /NTN Requirement for Payment Of Dividend – SECP Notification:

SECP through its notification SRO # 19 (I) 2014, dated January 10, 2014, read with SRO # 831 (I) 2012, dated July 05, 2012, 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. In order to avoid any inconvenience in this respect, the shareholders are once again requested to provide a valid copy of your CNIC/NICOP/ Passport/NTN to the Share Registrar at the below mentioned address, at their earliest convenience failing which dividend payable will be withheld by the Bank.

Notice of 67th Annual General Meeting

7. Payment of Cash Dividend Electronically (e-Dividend Mechanism):

SECP through its Notification No. 8(4)SM/CDC 2008, dated April 05, 2013, has advised that the shareholders who have provided bank mandate should be paid dividend by transferring directly to their respective bank accounts (e-dividend mechanism); therefore, the registered shareholders of MCB Bank Ltd, who have not yet provided us dividend mandate are requested to provide the details of their bank account including title of account, account number, bank name, branch name & code and address, in order to credit their cash dividends, as and when declared, directly to their respective bank accounts. This information is to be provided to: (i) in case of book-entry securities in Central Depository System (CDS), to CDS Participants; and (ii) in case of physical securities to our Share Registrar at the below mentioned address.

8. 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 Audit Financial Statements ("Annual Financial Statements") along with Notice of Annual General Meeting ("Notice of AGM") to its members through email.

In order to avail this facility, the members who desire to opt to receive Annual Financial Statements and Notice of AGM through email are requested to provide their written consent and email addresses to the Share Registrar at the below mentioned address. For the convenience of the members, a "Standard Request Form" has been placed on the website of MCB Bank Ltd to communication their e-mail address and consent for electronic transmission of Annual Financial Statements and Notice of AGM. 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.

9. Deduction of Withholding Tax on the Amount of Dividend:

As notified by SECP-Circular No. 19 of 2014, dated October 24, 2014.

The Government of Pakistan through Finance Act, 2014, has made certain amendments in Section 150 of the Income Tax Ordinance, 2001, whereby, different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- a. For filers of income tax returns: 10%
- b. For non-filers of income tax returns: 15%

To enable the Bank to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the shareholders whose names are not entered into the Active Tax-Payer List ("ATL") provided on the website of FBR, despite the fact that they are filer, are advised to make sure that their name are entered into ATL before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @15% instead of 10%.

The corporate shareholders having CDC accounts are required to have National Tax Number ("NTN") updated with their respective participants, whereas, corporate physical shareholders should send a copy of their NTN certificate to the Share Registrar at the below mentioned address. The shareholders while sending NTN or NTN certificate, as the case may be, must quote their respective folio numbers must be in the name of MCB Bank Limited.

For any query/problem/information, the shareholders may contact our Share Registrar at the following address:

M/s THK Associates (Pvt) Limited, Share Registrar, Second Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi-75530. UAN +92(21) 111-000-322. Email: secretariat@thk.com.pk

Statement under Section 160 (1)(b) of the Companies Ordinance, 1984 pertaining to Special Business:

This Statement sets out the material facts pertaining to the Special Business to be transacted at the 67th Annual General Meeting ("AGM") of the Bank.

Notice of 67th Annual General Meeting

Agenda No. 4

Election of Directors:

The term of office of the present Directors of the Bank will expire on March 27, 2015. In terms of Section 178 (1) of the Companies Ordinance, 1984, the directors have fixed the number of elected directors at twelve (12) to be elected in the AGM for a period of three years.

The present Directors are interested to the extent that they are eligible for re-election as Directors of the Company.

Any person who seeks to contest the election to the office of a Director, whether he is retiring director or otherwise, shall file following with the Company Secretary of the Bank at the Registered Office, MCB Building, 15-Main Gulberg, Lahore, not later than fourteen days before the date of AGM to obtain clearance/approval, in principle, from State Bank of Pakistan ("SBP"):

- i. In terms of Section 178 (3) of the Companies Ordinance, 1984, notice of his/her intention to offer him/herself for the election together with: (a) Consent on Form 28 under Section 184 of the Companies Ordinance, 1984; (b) a Declaration under clause (ii) of the Code of Corporate Governance, 2012, of SECP to the effect that he is not a director of more than seven (07) listed companies; (c) a Declaration that he is not ineligible to become director of MCB Bank in terms of Section 187 of the Companies Ordinance, 1984; and (d) a Declaration that he is not ineligible to become a director of MCB Bank under any circulars / directives of SBP: (e) A detailed profile along with office address as required under SECP's SRO 634 (I)/2014, dated July 10, 2014.
- ii. A director must be holding 500 shares of the Bank at the time of filing of his/her consent to act as director.
- iii. A questionnaire duly completed, recent photograph, copy of CNIC / Passport and an Affidavit to, *interalia*, meet the requirement of SBP's Prudential Regulations G-1 and the Fit and Proper Test for Appointment of Directors as contained in Annexure VI-A and VI-B of the Prudential Regulations. This questionnaire may be obtained from Registered Office of the Bank.

In terms of the criteria prescribed by the SBP, association of the following person as director is undesirable and against the public interest:

- a. A person who is / has been associated with any illegal activity, especially relating to banking business.
- b. A person who is in his individual capacity or a proprietary concern of any partnership firm or any private limited company or any unlisted public company or any listed public company (of which he has been a proprietor, partner, director or shareholder), has been in default of payment of dues owed to any financial institution and / or in default of payment of any taxes.

Agenda No. 5

Donation to Prime Minister's Relief Fund for IDPs of North Waziristan:

MCB Board to redress the dire needs of the "Internally Displaced Persons" (IDPs) of North Waziristan, approved a donation for 'Chief Minister's Relief Fund for IDPs North Waziristan - 2014', as a part of Bank's philanthropic and Corporate Social Responsibility in order to stand-by our internally displaced brethren in their hour of adversity.

Agenda No. 6

Amendments in Articles of Association of the Bank:

The Board of Directors has proposed the following amendments in the Articles of Association of the Bank for the purposes including, to bring them in line with the requirements of the regulators, provisions of the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984.

Notice of 67th Annual General Meeting

Existing Articles	Proposed Article
<p>Article 41:</p> <p>Pertaining to Transfer of Shares. (Transfer Deed)</p>	<p>Article 41: (Amended)</p> <p>The format of Transfer Deed as prescribed in Article 41 of the Articles of Association will be changed to incorporate the following changes:</p> <ol style="list-style-type: none"> i. Option for Transferee to provide Bank Account details for Dividend Mandate. ii. After the words "Full address of the transferee" the words "including e-mail address in case transferee intends to receive annual accounts of the company through e-mail" shall be inserted.
<p>Article 92:</p> <p>"The qualification of a Director other than nominated by Federal Government shall be holding of at least 500 shares in the Company of the face value of Rupees Five thousand, in his own name, solely or jointly with another or others and whether beneficially or as a trustee for another or others or otherwise howsoever."</p>	<p>Article 92: (Amended)</p> <p>"Subject to the exclusions given in Section 187(h) of the Ordinance, no person shall be appointed as a director unless he is a member of the Company and holds at least 500 (Five Hundred) ordinary shares of the face value of PKR 5,000 (Rupees Five Thousand) in his own name."</p>
<p>Article 102:</p> <p>"The Company may by Resolution in General Meeting remove any Director before the expiration of his period of office and may in manner aforesaid appoint another person in his stead. A resolution for removing a Director shall not be deemed to have been passed unless the number of votes favouring such resolution is equal to or exceed the number of votes cast in favour of the last candidate declared elected in the immediately preceding election of Directors."</p>	<p>Article 102: (Amended)</p> <p>"Subject to the provisions of Section 181 of the Ordinance, the Company may, by a Resolution passed in a General Meeting, remove a Director before the expiration of his term of office."</p>
<p>Article 107:</p> <p>"The Secretary may at any time and he shall upon the request of a Director convene a meeting of the Directors. A Director who is at any time not in Pakistan shall not during such time be entitled to notice of any such meeting."</p>	<p>Article 107: (Amended)</p> <p>"The Secretary may at any time and he shall upon the request of a Director convene a meeting of the Directors. Notice sent through email, shall be a valid notice of a meeting."</p>
<p>Article 110:</p> <p>"The Board of Directors shall elect one Director as Chairman. The Board of Directors shall also elect a Vice Chairman. The first Chairman and Vice Chairman shall hold the office for a period of three years and subsequently the tenure of office shall be two years. The retiring Chairman and Vice Chairman shall be eligible for re-election. Upon completion of the tenure of the Chairman and Vice Chairman, or earlier determination thereof by virtue of death, resignation or retirement, the Board of Directors shall elect a new Chairman and/or Vice Chairman as the case may be for remaining term. Subject as aforesaid, the Directors may elect a Chairman of their meeting. If no Chairman is elected or if at any meeting the Chairman is not present within 15 minutes of the appointed time for holding the same, the Directors present shall choose one of their members to be a Chairman of such meeting."</p>	<p>Article 110: (Amended)</p> <p>"The Board of Directors shall elect, amongst elected Directors, a Chairman and a Vice-Chairman. The Chairman and the Vice Chairman shall hold the office for a period of three years. The retiring Chairman and the Vice-Chairman shall be eligible for re-election. Upon completion of tenure of the Chairman and the Vice-Chairman, or earlier determination thereof by virtue of death, resignation or retirement, the Board of Directors shall elect a new Chairman and/or Vice-Chairman, as the case may be, for remaining term. The Chairman and in his absence, the Vice-Chairman will preside over the Board meetings. If no Chairman and/or Vice-Chairman is elected or if at any meeting the Chairman and/or the Vice-Chairman is not present within 15 minutes of the appointed time, the Directors present shall choose one of their members to be a Chairman of such meeting.</p> <p>Upon the expiry of the term of office of the Chairman and/or the Vice Chairman, and in the event that the Directors have not elected any other persons to act as Chairman and/or Vice-Chairman, the retiring Chairman and/or Vice-Chairman Directors shall be deemed to have been reappointed, for the purposes of subsequent meetings till such time as the directors reappoint/appoint a new Chairman / Vice-Chairman. No resolution of the Board shall be called in question solely due to the non-appointment of a Chairman and/or Vice Chairman."</p>

Notice of 67th Annual General Meeting

Existing Articles	Proposed Article
<p>Article 121:</p> <p>“No Director shall be disqualified for his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relation thereby established, but it is declared that the nature of his interest shall be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined on, if his interest then exists, or in any other case at the first meeting of the Directors after the acquisition of his interest, and that no Director shall as a Director vote in respect of any contract or arrangement in which he is so interested as aforesaid; nor shall his presence count for the purpose of forming a quorum at the time of any such vote and if he does so vote, his vote shall not be counted. A general notice that a Director is a member of any specified firm or company, and is to be regarded as interested in any subsequent transaction with such firm or company, shall be sufficient disclosure under this Clause, and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such firm or company.”</p>	<p>Article 121:</p> <p>“The directors shall comply with the provisions of Section 214 and 216 of the Ordinance.”</p>
<p>Article 127(a):</p> <p>“The Company shall, out of the declared profits of each year and before any dividend is declared, transfer a sum equivalent to not less than 20 per cent, of such profits to reserve fund (hereinafter referred to as the Statutory Reserve Fund) until the amount of the said fund is equal to the paid up capital of the Company.”</p>	<p>Article 127(a): (Amended)</p> <p>“The Company shall create a reserve fund (hereinafter referred to as the Statutory Reserve Fund) to which shall be credited—</p> <p>(a) if the amount in such fund together with the amount in the share premium account is less than the paid-up capital of the banking company, a sum equivalent to not less than twenty per cent of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared; and</p> <p>(b) if the amount in such fund together with the amount in the share premium account is equal to or exceeds the paid-up capital of the banking company, a sum equivalent to not less than ten per cent of the balance of profit disclosed as aforesaid and before any dividend is declared.”</p>
<p>Article 127(b):</p> <p>“The Company shall invest the amount standing to the credit of its Statutory Reserve Fund in Government Securities or in securities mentioned or referred to in Section 20 of the Indian Trusts Act of 1882 or keep deposited in a special account to be opened by the Company for the purpose in a scheduled Bank as defined in Clause (e) of Section 2 of the Reserve Bank of Indian Act, 1934.”</p> <p>N.B.- This article may be dispensed with and will not apply to the Company as soon as the Company is declared by the appropriate authority to be a scheduled Bank as defined in Clause (e) of Section 2 of the Reserve Bank of Indian Act, 1934.</p>	<p>Article 127(b): (Amended)</p> <p>“The Company shall invest the amount standing to the credit of its Statutory Reserve Fund in Government Securities or in securities mentioned or referred to in Section 20 of the Trusts Act of 1882 or keep deposited in a special account to be opened by the Company for the purpose in a scheduled Bank as defined in Clause (l) of Section 5 of the Banking Companies Ordinance, 1962.”</p>
<p>Article 131:</p> <p>“The Company in General Meeting may declare a dividend to be paid to the members according to the rights and interests in the profits and may fix the time for payment subject to the provision of Section 251. No longer shall dividend be declared than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend.”</p>	<p>Article 131: (Amended)</p> <p>“The Company in General Meeting may declare a dividend to be paid to the members according to the rights and interests in the profits and may fix the time for payment subject to the provision of Section 251 of the Ordinance but no dividend shall exceed the amount recommended by the directors.”</p>

Notice of 67th Annual General Meeting

Existing Articles	Proposed Article
<p>Article 146:</p> <p>"A balance-sheet shall be made at least once in every year and laid before the Company in General Meeting made up to a date not more than four months before such meeting. The balance sheet shall be accompanied by a report of the Directors as to the state of the Company's affairs and the amount which they recommend to be paid by way of dividend and the amount (if any) which they propose to carry to the reserve funds. The profit and loss account and balance sheet shall be signed by at least three Directors."</p>	<p>Article 146: (Amended)</p> <p>"The Balance Sheet and Profit and Loss Account of the Company shall be prepared, signed and submitted to the relevant regulatory authorities and others, as the case may be, in accordance with the applicable laws, rules and regulations."</p>
<p>Article 147:</p> <p>"A copy of the balance sheet and report shall, at least twenty-one days previously to the meeting, be sent to the persons entitled to receive notices of General Meeting in the manner in which notices are to be given hereunder."</p>	<p>Article 147: (Amended)</p> <p>"A copy of the Balance Sheet and Profit and Loss account and the Directors' and Auditors' Reports thereon as are required under law shall, at least twenty-one days prior to the meeting, be sent to the persons entitled to receive notices of the Annual General Meeting in the manner in which notices are to be issued."</p>

Agenda No. 7

Additional Equity Investment in MCB Leasing, CJSC, Azerbaijan:

MCB Leasing, Closed Joint Stock Company ("CJSC"), a 95% owned subsidiary of MCB Bank Limited, having a joint venture with local partner, was incorporated in Azerbaijan in 2009 with initial capital base of US\$ 1 million which was subsequently increased to US\$ 2 million during 2012. MCB Leasing has been performing exceptionally well since launch of its commercial operations in 2010. The year-wise financial numbers of MCB Leasing are as under:

Amount in AZN

	2010	2011	2012	2013	2014
Yearly lending	1,209,130	3,714,172	4,631,102	4,227,263	5,197,273
Non-performing leases	NIL	NIL	NIL	NIL	0.03%
Profit after tax	(354,153)	(141,736)	109,089	305,376	216,330
Equity	487,952	346,216	1,282,042	1,587,418	1,803,748

MCB Leasing achieved its break even during 2011, whereas, recovered its initial years' losses within a period of 4 years in 2014. For the financial year 2014, MCB Leasing has also declared a cash dividend of 34% of after tax profits.

One of the major impediments of attracting higher amounts from local lenders has been MCB Leasing's lower equity base and the most of the financial institutions have required higher capital by the sponsors into MCB Leasing. In order to manage this situation, MCB Leasing Board in its meeting held in December, 2014, requested MCB Bank Board to inject an additional amount of US\$ 2.5 million. MCB Leasing Management is confident that enhanced capital and increased profitability would help MCB Leasing to attract funding lines from local banks.

Mr. Hassan Matla, a minor shareholder of MCB Leasing, has also approached MCB Bank to buy his entire holding of 82,442 (4.94%) shares in MCB Leasing and the Bank's Management has agreed at a price of US\$ 105,000 (at par).

Section 208 of the Companies Ordinance, 1984, requires prior approval of shareholders of MCB Bank through their Special Resolution for investing in associated entities in general meeting. Likewise, SBP's prior approval would also require for further investment by MCB Bank. In order to comply with all the regulatory requirements, M/s Riaz Ahmed & Company, Chartered Accountants, were engaged for valuation who have valued MCB Leasing based on generally acceptable valuation techniques.

The Board of Directors of MCB Bank Limited in its meeting held on February 12, 2015, approved this additional capital investment and purchase of shares from minor shareholder.

The shareholders are requested to approve additional equity investment in MCB Leasing, Azerbaijan.

Notice of 67th Annual General Meeting

Information as per the Regulation 3(1)(a) of the Companies (Investment in Associated Companies or Undertakings) Regulations, 2012.

1.	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established;	MCB Leasing CJSC – Azerbaijan, a subsidiary company											
2.	Purpose, benefits and period of investment;	Additional Equity to increase company's capital base which will lead to increase in available internal and external resources resulting in increased business, thus, profitability.											
3.	Maximum amount of investment;	USD \$ 2.5 million											
4.	Maximum price at which securities will be acquired;	At par i.e. one share at 1 AZN											
5.	Maximum number of securities to be acquired;	New share will be issued at face value and proposed investment will be converted into AZN at the time of remittance and converted amount will be utilized to subscribe the new issue.											
6.	Number of securities and percentage thereof held before and after the proposed investment;	Currently MCB Bank Limited holds 95% of share capital of MCB Leasing CJSC, after proposed equity increase and purchase of Mr. Matla shares, MCB Bank Limited holding will be 99.98%											
7.	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired;	NA											
8.	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1);	DCF value using FCFE method AZN 1.09 (USD \$ 1.39) DCF value using FCFE method AZN 11.35 (USD \$ 14.48)											
9.	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements;	AZN 1.08 (USD \$ 1.38)											
10.	Earnings per share of the associated company or associated undertaking for the last three years;	<table border="1"> <thead> <tr> <th>Year</th> <th>2012</th> <th>2013</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Earnings per share</td> <td>AZN 0.13</td> <td>AZN 0.18</td> <td>AZN 0.07</td> </tr> </tbody> </table>				Year	2012	2013	2014	Earnings per share	AZN 0.13	AZN 0.18	AZN 0.07
Year	2012	2013	2014										
Earnings per share	AZN 0.13	AZN 0.18	AZN 0.07										
11.	Sources of fund from which securities will be acquired;	Retained profit of MCB Bank, holding company											
12.	Where the securities are intended to be acquired using borrowed funds: (I) justification for investment through borrowings; and (II) detail of guarantees and assets pledged for obtaining such funds;	NA											
13.	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment;	NA											
14.	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	The directors and/or their relatives of MCB Bank have no direct or indirect interest either in MCB Leasing, CJSC, Azerbaijan or the proposed additional equity investment, save their shareholdings in the Bank.											
15.	Any other important details necessary for the members to understand the transaction; and	NA											
16.	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely: (I) description of the project and its history since conceptualization; (II) starting and expected dated of completion of work; (III) time by which such project shall become commercially operational; and (IV) expected time by which the project shall start paying return on investment.	NA											



Notice of 67th Annual General Meeting

The directors have carried out their due diligence for the offered stake and after due deliberation decided to make long term investment in MCB Leasing subject to approval of the shareholders in the Annual General Meeting and other regulatory approvals, if required.

Inspection of Documents:

A copy of the original and amended copies of the Articles of Association have been kept at the Registered Office of the Bank which could be inspected on any working days during usual business hours till the date of Annual General Meeting. Further, Due Diligence Report and audited latest annual financial statements along with the latest reviewed financial statements, if required, of MCB Leasing will be available for inspection of the members in the Annual General Meeting

The Financial Statements of the Bank have been placed on Website of the Bank.

The directors of MCB Bank have no direct or indirect interest in the above said Special Business, save their shareholding in the Bank.

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 excluding the impact of revaluation on fixed assets, divided by the total number of share outstanding at year end.

BSD

Banking Surveillance Department

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 total operating costs excluding total provisions and write-offs, 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 partly 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

Glossary of Terms

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 20	Up to Rs. 75 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.

Form of Proxy

67th 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, video 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 67th Annual General Meeting of the Bank to be held on **Friday, March 27, 2015 at 11:00 AM** at Pearl-Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, and at any adjournment thereof.

As witness my / our hand/Seal this _____ day of _____ 2015
Signed by _____
In the presence of _____

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.

Important:

1. 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, situated at 2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instrument of proxies are deposited by a member with the Share Registrar, all such instruments of proxy shall be rendered invalid.
3. **For CDC Account Holders / Corporate Entities**

In addition to the above the following requirements have to be met:

- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- The proxy shall produce his original CNIC or passport at the time of the meeting.
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

