

# BANK FOR GENERATIONS

ANNUAL REPORT 2019















# BANK FOR GENERATIONS

When we talk about an institution like MCB Bank, we are talking about the provenance of Pakistan its, about the legacy of generations and about the legacy we leave behind for generations to come. With reverence to the past and our proud heritage, this year's Annual Report is all about looking towards the brightest future we can hold.



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# VISION

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

# MISSION

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







# STRATEGIC OBJECTIVES

Delivering remarkable returns to stakeholders, sustainable performance, exceeding market and shareholder expectations

Providing value added services through operational expansion, geography and upgraded system

Building a corporate culture of equality, trust and team spirit as we remain dedicated to being a socially responsible organization





# LIGHT FROM LIGHT

Sure diamonds are forever, but the values we hold in our culture, our families and in our hearts are timeless, passed on from generation to generation.



# JOURNEY TO DESTINATION

When there is a will there is a way, and when there is passion there is excellence waiting to be uncovered. Our journey is a proud legacy that has been part of Pakistan, from age to age.





# TIME AFTER TIME

Who says time waits for no one? In fact it does for those who know the value of it and almost becomes unstoppable for those with a higher purpose in life.







# Core Values

## **Integrity**

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

## **Innovation**

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

## **Excellence**

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

## **Customer Centricity**

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

## **Respect**

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



# Awards

2019 Asset Triple A Infrastructure Awards  
2019 Asset Triple A Infrastructure Awards  
2019 Asian Banking & Finance Corporate & Investment Banking Awards  
2019 Asian Banking & Finance Corporate & Investment Banking Awards  
2019 Asiamoney  
2019 FinanceAsia  
2019 ICAP and ICMAP  
2019 SAFA Awards

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

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

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

Transport Deal of the Year  
Utility Deal of the Year  
Equity Deal of the Year – Pakistan  
Mergers and Acquisitions Deal of the Year – Pakistan  
Most Outstanding Company in Pakistan – Financial Sector  
FinanceAsia Country Awards – Best Bank Pakistan  
Best Corporate Report Award 2018 – Winner  
Certificate of Merit 2018 – Private Bank Category

Best Islamic Loan Adviser, Pakistan  
Project Finance House of the Year, Pakistan  
Renewable Energy Deal of the Year – Solar, Pakistan to MCB Bank Limited, MCB Bahrain & MCB Dubai  
Oil and Gas Deal of the Year, Pakistan  
Telecom Deal of the Year, Pakistan  
Best Domestic Bank  
Best Bank in Pakistan  
Best Corporate Report Award 2017 - Winner

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



2016 Euromoney Awards	Best Bank in Pakistan 2016
2016 1st Pakistan Banking Awards	Best Bank for Corporate Finance & Capital Market Development
2016 Finance Asia Country Awards	Best Bank in Pakistan 2016
2016 ICAP and ICMAP	Best Corporate Report Award 2015 - Winner
2016 First Global Awards	Most Innovative Investment Bank for Islamic Finance
2016 Assets AAA Country Awards	Best Micro Finance Deal for National Rural Support Programme
2016 SAFA Awards	Certificate of Merit Best Presented Accounts 2015 - Banking Sector
2016 SAFA Awards	Certificate of Merit SAARC Anniversary Awards for Corporate Governance
2015 CFA 12th Excellence Awards	Most Stable Bank of the Year 2014
2015 Finance Asia Country Awards	Best Bank in Pakistan 2015
2015 ICAP and ICMAP	Best Corporate Report Award 2014 - Winner
2015 SAFA Awards	Winner of Best Presented Annual Accounts 2014 - Banking Sector
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	Best Corporate Report Award 2013 - Winner
2014 SAFA Awards	1st Runner up Best Presented Annual Accounts 2013 - Banking Sector
2013 The Asset Triple A	Best Domestic Bank - Pakistan
2013 The Asset Triple A	Best Islamic Deal
2013 ICAP and ICMAP	Best Corporate Report Award 2012 - Winner
2013 LK Domain Registry Sri Lanka	Best Website Award
2013 Lanka Clear Pvt. Limited	T+1 Cheque Clearing Award
2013 SAFA Awards	Certificate of Merit Best Presented Annual Accounts 2012 - Banking Sector
2012 The Asset Triple A	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
2012 SAFA Awards	2nd Runner up Best Presented Annual Accounts 2011 - Banking Sector
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	Best Corporate Report Award 2010 - Winner
2011 SAFA Awards	Joint 2nd Runner up Best Presented Annual Accounts 2010 - Banking Sector
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	Best Corporate Report Award 2009 - Winner
2010 SAFA Awards	Certificate of Merit Best Presented Annual Accounts 2009 - Banking Sector
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
2000 Euromoney	Best Bank in Pakistan





# Products & Services

## **MCB Liability Products**

MCB Bank offers a wide range of products and services hence ensuring ease and freedom for the customer to bank from any of the 1350+, branches across the country and a wide array of digital channels. Details pertaining to the Bank's key liability products are shared below:

## **MCB Current Deposit Products**

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

## **MCB Savings Deposit Products**

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

## **MCB Term Deposit Products**

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

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

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



- **MCB Salary Club Account:** A unique product offering targeted towards organizations to manage payroll by getting employee accounts opened with MCB Bank. MCB Salary Club Account has both Current and Savings variants on which employees can avail various free benefits & discounts on different services.
- **MCB Ladies Account:** MCB Ladies Account is targeted specifically towards ladies with the main objective to create a niche for females of Pakistan and give them the freedom of managing their own finances with a sense of security and independence. This product offers various benefits including free Insurance with a unique blend of health, accident, critical illness and death coverage along with attractive discounts on other services. MCB Ladies Account holders also have an option to choose from 5 unique and colorful debit card designs with higher transaction limits, along with an exclusive Cheque Book.
- **MCB Current Life Account:** A current account which offers Free Life insurance coverage of up to PKR 1 million, giving customers peace of mind by ensuring the security of their loved ones in case of an unforeseen event.
- **MCB Senior Citizens Account:** MCB Senior Citizens Account comes in both Current and Savings variants and aims to provide exclusive privileges in order for our elderly customers to take care of their financial needs with ease, while providing discounts on a wide array of services.
- **MCB Pensioners Account:** MCB Pensioners Account comes in both Current and Savings variants and allows account holders to live their lives to the fullest and face the future with confidence. This account is designed especially to cater to the financial needs of Pensioners and goes the extra mile to ensure peace of mind at this stage in their life. In addition, 50% discount on numerous services can be availed by opening up a MCB Pensioners Account.
- **MCB Asaan Account:** A current deposit account with simplified account opening requirements is designed to extend benefits of financial services to unbanked segments of society. This product aims to improve economic growth of potential customers under the financial inclusion initiative.
- **MCB 365 Savings Gold Account:** This account enables customers to enjoy attractive returns on their deposits on a monthly basis along with making use of various self-service channels such as Internet Banking & Mobile Banking.

- **MCB Burqraftaar Remittance Account** is a promising product to serve home remittance consumers with security, convenience, and accessibility from a trusted medium. This account also provides a secure remittance inflow medium which will help the customer and the remitter with a unique withholding tax exemption on cash withdrawal. The account is targeted towards Remittance Beneficiaries, who are resident Pakistanis and rely on different mediums to receive funds with different risk associated mediums.
- **MCB Asaan Remittance Account** is another initiative by the SBP under the financial inclusion program to provide secure home remittance inflows. The account is available in the Current variant only and is targeted towards unbanked/under-banked remittance beneficiaries of Pakistan, with simplified account opening requirements. This product not only increases the Bank's product portfolio but also fulfills its fiduciary responsibility of documenting the economy and inculcating a saving habit in its customers.

#### MCB E-Statements

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

#### MCB Privilege Banking

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

#### MCB State of the Art Up Mall Branches

MCB Bank's State of the Art Up Mall branches are open every day of the week and operate from Monday to Sunday with extended business hours at Emporium and Packages Malls in Lahore. The initiative has been taken to cater to the financial needs of customers and provides an avenue for customers to enjoy banking services at their convenience.

## MCB Agri Financing Products

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

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

MCB Bank fully supports all Government and State Bank of Pakistan initiatives for promotion and steady flow of credit to the farmers. This lends support to the national cause of food security for the people of Pakistan and to exploit the potential of agriculture sector. Efforts are made to enhance outreach to growers through innovative lending including value chains, processing units. MCB Bank will continue to support agriculture sector as a matter of its policy by remaining an active partner supporting progressive farmers by providing credit for all types of farm and non-farm activities. The microcredit needs of small farmers are met through extending credit lines to NGOs supported through digital services, thus serving the cause of financial inclusion.

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

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

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

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

**High Efficiency Irrigation System (HEIS):** The Financing Product for "High Efficiency Irrigation System (HEIS)" facilitates farmers in availing the subsidy provided under the provincial government schemes aimed at conservation of water and avoiding wastage of the precious resource. Drip and sprinkler irrigation systems are referred to as High Efficiency Irrigation Systems, (HEIS) which enable timely application of water and other inputs i.e. fertilizers, nutrients etc. as per plant requirements at various stages of growth. The HEISs are versatile in their applicability and provide complete control in irrigation operations. HEISs can be practiced on a variety of soil conditions e.g. uneven topography, odd field configurations, rolling sandy areas, etc. and are best suited for variety of crops such as orchards, vegetables, cotton, maize, sugarcane wheat, fodder, gram etc.

Governments of Punjab and Sindh are subsidizing these high efficiency irrigation systems to farmers by contributing 60% of the total project cost and remaining 40% cost sharing by the farmers. Under HEIS Financing, MCB will provide financing to the extent of 80% of farmer's share towards installation of HEIS. The purpose of HEIS financing scheme is to facilitate farmers in adoption of high efficiency irrigation system, which in turn would help them in efficient utilization of water & other resources to improve per acre yield.

### Digital Access to record of Punjab Land Record Authority (PLRA):

MCB has signed a Service Level Agreement with Punjab Land Record Authority (PLRA) to provide online access to data for a defined scope of services under the SLA. Digital access is aimed at enabling the fast track provision of documents/information related to land record of farmers for quick decision making and sanctioning of financing facilities. The scope of services covers issuance of Fard, charge creation and redemption. The branches are being equipped with necessary infrastructure/equipment



in a phased manner for availability of online access to PLRA records. The initiative has been implemented and branches have started providing services to farmers. As a result of this initiative, the dream of a strong digitalized platform for dedicated support to farmers of Punjab Province for quick access to banking facilities is close to realization. MCB Bank is one of the leading banks which has started offering services to the farmers under the digitalized access to PLRA record.

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

### **MCB Rupee Travellers Cheque**

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

### **MCB Consumer Lending Products**

MCB Consumer Banking offers a full suite of consumer lending products to its valued customers. The Bank's current product portfolio consists of credit cards, auto loans, home loans, personal loans, secured personal loans, unsecured overdraft facility and student personal loan (for LUMS MBA students). At MCB Bank, the ideology behind our innovative Consumer financing products focuses on meeting three of our client's objectives simultaneously, i.e. Affordability, Convenience and Lifestyle. MCB Consumer Finance products enhance the overall life experience of our customers. MCB Bank works to collaborate with targeted brands and organizations to ensure that we provide premium value added services to our clients. MCB Consumer Banking is ably assisted by strong back office support which includes Operations, Service Quality, Internal Audit, Compliance and a Legal Team that work together to ensure that the Bank operates efficiently and in the best interest of its customers under the regulatory framework.

### **MCB Car4U**

The Bank's auto financing product, MCB Car4U, provides a one-stop financing solution to help our customers obtain the automobile of their dreams. Customers are free to choose between used and new vehicles, both locally

manufactured and imported. MCB Car4U also allows customers to finance up to three cars simultaneously from MCB Bank in line with their unique needs and requirements. Both loan and lease variants are offered under Car4U financing. MCB Car4U offers auto loans to customers in 1350+ of our branches across 85 cities. Both self-employed and salaried customers can apply for a MCB Car4U Loan with ease. The Bank offers a competitive markup rate to all customers and also offers a discounted markup rate to its existing Branch Customers. Over the years, the Bank has formed a strong network of auto-dealers, engaged in sale of both new/used and imported cars enabling us to facilitate our customers evolving needs. MCB Bank values its credible and expansive dealer network as one of the key pillars of its success in the auto finance business.

### **MCB Home Loan**

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

### **MCB Credit Cards**

MCB Credit Cards are secured with Chip & Pin functionality and carry world class features that provide transactional & payment convenience to our customers across the globe. The instant SMS and E-Alert facility enables our customers to monitor credit card transactions and avoid any misuse of their credit card. The cards are available in three different ranges i.e. Classic, Gold and Platinum to cater to the diverse needs of our distinguished customers.

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

Credit Card Bill payments are made more convenient for customers, who can now make their credit card bill payments through Cash, MCB cheque, Other Bank cheques over the MCB Branch counters. They can also make payments through MCB and Other Bank's Internet, Mobile Banking & ATMs.

## MCB Digital Banking Products and Services

### MCB Debit Card

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

### MCB ATMs

MCB Bank has one of the largest ATM networks in the country with 1350+ ATMs which includes more than 140+ off-site ATMs placed at commercial locations like malls, workplaces and hospitals etc., for consumers' convenience. The network covers 400+ cities across the country and is steadily growing. MCB Bank has one of the best ATM uptime rates across the industry, ensured by the presence of ATM monitoring teams working 24/7, periodic system health checks and timely hardware replacements. We take pride in the fact that our entire ATM network is equipped with antiskimming and anti-malware solutions which helps in safeguarding customers. MCB ATMs provide our customers with 24-hours of convenience to withdraw cash, view mini-statement, utility bill payments, mobile top-ups, funds transfer and much more.

### MCB CDMs

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

### MCB Mobile

With the proposition "banking anywhere, anytime" MCB Mobile has proven and positioned itself as one of the

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

### MCB Internet Banking

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

### MCB Lite

MCB Bank received its branchless banking license 8 years ago, and formally started its branchless journey with the launch of MCB Lite in 2014. MCB Lite mobile wallet allows customers to handle their daily transactions and payments in an efficient and real time manner from one's mobile phone. Moreover, to support foreign remittances, the enablement of Lite Remit feature has allowed customers to receive money directly into their Lite mobile wallet from anywhere in the world. MCB Lite is all set to explore new fronts and expand its overall footprint across the branchless banking arena.

### MCB Card Discounts

Caring for and giving back to our esteemed customers is what MCB Card Discounts is all about. MCB Bank is proud to have the best discount offers for our prized MCB (Debit, Credit, Prepaid and Lite) card holders. MCB offers a wide variety of discounts across all top retail merchants and brands ranging from dining, shopping and lodging. MCB Bank's motto i.e. 'Bank for Life' is truly personified through our MCB Card Discounts program. The year 2019 saw the bank partnering with around 30 top of the line discount partners for multiple strategic and long term discount deals.

### MCB Alerts

MCB Bank is proud to offer its valued customers with alerts services that comprise of SMS alerts. This service allows customers to keep track of all of their banking transactions through SMS notifications. By applying to this service, customers receive real time updates whenever they conduct a transaction on any of their MCB bank accounts. It is a great way of staying updated about transactions conducted on one's account(s).



### Card Acquiring (POS)

MCB Bank has a strong Network of approximately 3,000+ POS terminals at key locations across Pakistan. Our Point of Sale (POS) network is fully compliant with EMV & UICC (international safety & quality standards) and accepts Visa, MasterCard, UPI, JCB and Paypak enabled cards from all over the world. The POS Acquiring business continues to grow due to deepening of merchant relationships, round the clock support, increased POS productivity and quality of deployments.

### Internet Acquiring (MCB eGate)

MCB eGate is a world class online payment gateway, formed as a result of our partnership with MasterCard International. MCB eGate equips online businesses to accept payments reliably and securely from both credit and debit cards and currently facilitates more than 600 online merchants, directly and indirectly. The online card acquisition footprint has grown and continues to grow substantially worldwide and MCB Bank is playing an integral part in developing the e-commerce market in the country. Further, to improve online shopping and merchant experience for e-commerce, MCB eGate payment system has now been upgraded from Mastercard Internet Gateway Service (MiGS) to Mastercard Payment Gateway Services (MPGS) which is fast, reliable and supports multiple payment modes. It also comes with the range of other value added features including real time fraud prevention and supports Mobile Commerce.

### MCB Call Center

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

## WBG Products and Services

MCB Bank's Home Remittance brand, MCB Burqraftaar was amongst the largest remittance payout brands of Pakistan in 2019. Our contribution through MCB Burqraftaar is not only limited to the bank's growth but we are also proud to be one of the biggest contributors towards the national interest of the country by promoting

remittances through legal channels. MCB has managed to build an extensive network of partners across the globe to ensure overseas Pakistanis can send money to their families back home.

- **MCB Burqraftaar Cash (Cash in Hand)** is available via MCB's entire branch network. Payments can be made from any of MCB's 1350+ branches to walk in customers.
- **MCB Burqraftaar Transfer (Straight to Account)** enables overseas Pakistanis to send their remittances to their loved ones in Pakistan through our hassle free straight to account credit service.
- **MCB Motherland Account:** MCB offers Overseas Pakistanis the facility to open and operate an account in their home country while still residing abroad. It is designed to allow transferring of funds to their families with the convenience of their own personal account.
- **MCB Lite Remit** allows beneficiaries to receive money from their loved ones directly into their Mobile Wallet, from our global network of remittance partners. Money can be conveniently withdrawn from MCB Lite Card through MCB branches, MCB ATM's, 1Link ATM's, or use the funds through the MCB Lite mobile App and POS terminals.
- **MCB Asaan Remittance Account** is targeted towards unbanked / under-banked Remittance Beneficiaries of Pakistan with simplified / relaxed account opening requirements and procedures.
- **MCB Burqraftaar Remittance Account** is targeted towards inward Remittance Beneficiaries in Pakistan with a unique feature of exemption on withholding tax on all cash withdrawal transactions of any amount via cheques from all MCB Bank Branches & Country-wide ATM's.

MCB Home Remittance is continuously working to design new products and facilities for the ease and convenience of remitters and beneficiaries.

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

### Corporate Collection and Payment

- **CollectPlus:** Collection through deposit of cash, same branch and local clearing instruments in designated MCB Branches
- **RemitPlus:** Collection through a confirmed and secured receipt, without the involvement of clearing process
- **SIDA:** Collection through direct debit of dealer's account maintained at the branch.
- **DebitPlus:** Collection through direct debit of dealer's account maintained at the branch by TBD via a one-time instruction from the dealer/distributor and email instruction from the customer.
- **PayPlus:** Payment by IFT/IBFT/Bankers cheques/ RTGS by emailing the relevant file/instructions to TBD
- **TBD - FI Cash Management:** We offer unique cash management solutions to our local Correspondent Banks and Non-Bank Financial Institutions to meet their particular requirements for fund collection, payment, reconciliation and reporting.
- **Online Fund Transfer (OFT):** This web based electronic fund transfer facility has been designed to enable large network of franchises / dealers / distributors to conduct real time branchless transactions through secured MCB website.
- **Dividend Warrant Management:** The Bank provides a complete and comprehensive dividend solution to customers through Electronic Transfers to Shareholders Accounts & processing of Warrants through MCB branches, followed by complete reconciliation. Foreign dividends are also managed end to end by TBD.
- **Tejarat Card:** Tejarat card is a closed loop debit card designed for cash-less electronic transactions empowering businesses to conduct branchless transactions through Point of Sale (POS) terminal.
- **Sub Clearing Arrangement:** Micro finance banks that do not have operating licenses for clearing can now rely on MCB to act as their sub-clearing agent for processing transactions through NIFT.
- **Payment Station:** Corporate Payment Station "Pay Direct" offers a real-time comprehensive payment and transfer mechanism for corporate and large business entities. This allows our customers to virtually execute A2A, Cash Payments, Bankers Cheque, IBFT, RTGS and Report Printing.

Our Corporate Banking team works in conjunction with Transaction Banking to facilitate customer requirements for collections, payments, dealer finance, electronic dividends and bulk salary processing.

- **Corporate IVR for Collections:** MCB introduced a new platform to Dealers, Distributors and Franchisees to conduct transactions without the need to visit MCB branches, by using our existing CRM and IVR channel. The product provides security in terms of

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

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

### Banker to the Issue for IPO/SPOs & Right Shares:

We provide efficient & effective processing for both IPO/ SPOs & Right Share Mandates. Our branches are well-trained in handling collections for both these products. Information mentioned in the forms is matched with funds collected and after reconciliation these are transferred to the respective company. MCB's TBD team works jointly with Investment Banking Team on various IPO/SPOs & Rights Shares to facilitate clients.

**MCB Corporate Banking Finance:** MCB Corporate Banking Finance provides access to diversified financing options, including working capital loans, term loans, trade based finance services (bank guarantees, Import Letter of Credits, import and export services, bill discounting / negotiation, Export finance both in USD and PKR, State Bank of Pakistan export refinance and Long Term Finance, Import finance both in USD and PKR), dollar based loans, financing under SBP schemes and furthermore, depository options are also offered under various schemes. Our Corporate Banking team works in close liaison with our Investment Banking team to facilitate clients with advisory and arrangement services for equity, debt and project finance offered through our Investment Banking division. Similarly our Corporate Banking team works in conjunction with Transaction Banking to facilitate their requirements for collections, payments, dealer finance, electronic dividends and bulk salary processing.

**MCB Investment Banking:** MCB Investment Banking offers full suite of Investment Banking services ranging from equity & advisory, syndications and debt capital markets to Project and structured finance. MCB Investment Banking works in close coordination with



Corporate and Retail Banking to facilitate their clients with its services.

**MCB Project and Structured Finance:** MCB Project and Structured Finance is a 'Non-recourse' or 'Limited Recourse' financing, where the lenders base their credit decision primarily on the cash flows of the project, with respect to repayment of the project debts. Risks are carefully allocated amongst various stakeholders.

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

**MCB Quasi Equity / Hybrid Instruments:** MCB Quasi Equity/Hybrid Instruments are structured and tailor-made products incorporating specific customer requirements based on debt and/or equity components including unsecured nature instruments, subordinated nature types, cumulative/noncumulative dividend payments types, equity play component instruments etc.

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

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

**Strategic Investments and Acquisitions** division evaluates potential investments, both minority and majority stakes in different financial institutions and then proceeds with execution on advice of Board of Directors. An example is the acquisition and amalgamation of NIB Bank into MCB Bank Ltd. Strategic acquisitions also evaluate operations of different subsidiaries/businesses and with Board of Directors consent can proceed with divestments of businesses which are deemed non-core businesses. This Division also maintains relationships with strategic investors.

## MCB Sri Lanka - Products and Services

### **Current Account - Take account of things that matter!**

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

### **Privilege Current Account – Feel prioritized and privileged!**

MCB Bank Privilege Current Account offers a range of personal and business banking solutions that are specially tailored to meet our customers' emerging needs, with a whole array of value additions coupled with our unparalleled customer services.

### **Savings Account - The smarter your savings, the higher your returns!**

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

### **Fixed Deposits -The safe way to save!**

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

### **MCB Kidz Club - Pave the future for your child!**

Children are the wealth of our nation. We offer ample encouragement and incentives to assure them of a future that's secure. MCB Kidz Club Account offers an attractive interest rate coupled with a wonderful gift scheme based on the account balance. This encourages parents and children to grow their account balance in order to enjoy the financial return, as well as to collect gift items on reaching specific account balances.

### **Foreign Currency Accounts - When you need financial diversity!**

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

**MCB Debit Card – Introducing more convenience!**

MCB has been providing financial services to its valued customers since 1994. To further enhance this relationship, MCB signed up with the partnership of Lanka Pay and JCB for the introduction of Debit Card, providing our valuable customers the facility to shop with convenience. Debit Card also provides access to customer accounts through a shared network of over 4500 ATMs Island wide.

**Virtual Banking –Smart & secure access 24/7!**

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

**Safe Deposit Lockers - Where safety is a promise!**

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

**Home Remittance – Transferring happiness to your Homeland!**

MCB Home Remittance is a simple and dependable way of sending money to your loved ones in Sri Lanka from anywhere in the world. With a wide network of worldwide remittance partners (including the partners of MCB Bank Pakistan), we ensure the fastest and safest money transfer.

**Trade Services – Trading becomes convenient & faster!**

MCB Trade Services empower individuals and businesses to reach their highest potential by streamlining and customizing processes and product portfolio. We ensure that a comprehensive range of trade products and services will enable you to do your business successfully.

**SME & Corporate Banking**

We offer diversified finance options for Small/Medium Entrepreneurs and Corporate customers to achieve success in their business. These financing options range from Overdrafts, Leasing for vehicle and machinery, Working Capital Loans, Term Loans, Trade Finance and Structured Project Financing in order to cater to the evolving needs of our Business Banking customers. A wide range of Treasury products including Forward Contracts, Repurchase Agreements, Spot Contracts and Treasury Bills are also offered under investment options.

**MCB Hajj & Umrah Remittance – Stress free & hassle free pilgrimage!**

MCB was the first bank to offer Islamic Banking services in Sri Lanka in 2006. Being the pioneer in the market, Islamic Banking Division has extended its operations with a fully-fledged portfolio of Shari'ah compliant products and services.

MCB Islamic Banking Division has been able to sign-up with Hajj Operators Association as the first bank to offer regularized remittance services to Hajj & Umrah pilgrims.

**UAE - Products and Services**

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

**MCB Current Deposit Account**

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

**365 Savings Business Gold Account**

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

**Term Deposit**

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

**Demand Finance**

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

**Overdraft**

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

### **Bills Discounting**

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

### **Post-dated Cheque Discount Facility**

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

### **Finance against Trust Receipts (FATR)**

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

### **Financing against Receivables**

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

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

### **Guarantees**

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

### **Internet Banking**

MCB Bank has implemented Oracle's Flex Cube Direct Banking which comes with enhanced securities, a user friendly interface and a host of functionalities/services. Our state of the art Internet Banking that allows clients, through a maker checker concept, the convenience of conducting Inter Bank Funds Transfer as well as Cross

Border Funds Transfer at anytime from anywhere in the world simply by logging on to [www.online.mcbae.com](http://www.online.mcbae.com)

## **Bahrain – Products and Services**

MCB-Bahrain is engaged in various activities.

### **MCB Current Account**

MCB-Bahrain's Current Account is designed to provide our customers with transactional convenience and flexibility. Accounts are opened in international currencies (USD/GBP/EUR) with low minimum balance.

### **MCB Savings Account**

MCB-Bahrain offers Saving Accounts in international currencies (USD/GBP/EUR) to customers and offers attractive interest rates on deposits while giving the flexibility to use the funds for transactional needs as well. This is an attractive option for customers with high balances who require transactional flexibility.

### **Term Deposit**

Term Deposits are available in international currencies (USD/GBP/EUR). Customers can choose a tenor based on their needs. It is an attractive option for customers who wish to take advantage of short to mid-term investment opportunities.

### **Syndicated Transactions**

MCB-Bahrain has the capability to participate in both Islamic and conventional syndicated transactions. Participation is done in various regional transactions for corporates, financial institutions and sovereign entities. Moreover, the bank is engaged in risk sharing transactions with other reputable banks for confirmation/discounting of trade instruments.

### **Loans and Advances**

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

### **Trade Finance**

MCB-Bahrain provides all types of funded & non funded trade finance facilities to its clients. This includes opening of all types of L/Cs, advising, confirmation, discounting of L/Cs, documentary collection, bill discounting and issuance of bank guarantees.

### **LC Reimbursement & Remittances**

MCB-Bahrain also acts as a reimbursement agent on behalf of MCB Bank's branches in Pakistan, Dubai and Sri Lanka to make payments to various banks/beneficiaries all across the world against their respective L/Cs / remittances.



### Correspondent Banking

MCB-Bahrain can initiate and develop business relationships with various banks within and outside Bahrain. The branch maintains its Nostro/accounts with various reputed banks in many countries.

### Treasury

MCB-Bahrain has been an active treasury which has been investing in various fixed income securities. The branch has the capability to invest in both Islamic and conventional instruments. Our portfolio, in different points in time, traded sovereign Euro Bonds, International Sukuk and Treasury bills. The branch is fully equipped to provide plain vanilla FX solutions to its trade clients. Quote for other liquidity instruments such as SWAPS, short term borrowing/placements as well as forwards can be inquired from the treasury front office.

## MCB Trade Products

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

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

- **Avalization (Import):** A product which facilitates delivery of import documents (and goods) against importer's acceptance under contracts (without opening of LC) hence offers savings associated with fees and commissions.

- **China LC Confirmation Programme:** Under this program the branches of MCB's partner bank located in Hong Kong and China add "Confirmation" to MCB LCs on "Free of Cost" basis thus increasing acceptability of MCB's Import LCs and facilitate import customers.

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

## MCB Islamic Bank Limited

### Products and Services:

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

### Deposit Products:

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

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

### Digital Banking:

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

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

### **Consumer Finance:**

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

### **SME Banking:**

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

### **MCB Islamic Bank offer following SME Banking services:**

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

### **Microfinance:**

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

### **Wealth Management:**

With increasing uncertainties, it is important to start planning for your future – whether it is preparing yourself for any emergencies, planning for your future financial stability, buying a house or simply preparing for your children's higher education or marriage.

MCB Islamic Bank not only provides you the best financial consultancy but also gives you access to highly customized Shari'ah compliant investment avenues assuring that while you go on with your life your savings grow exponentially.

### **Commercial Banking:**

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

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

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

### **Corporate Banking:**

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

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

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

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

- **Working Capital Finance**

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

- **Long-Term Finance**

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

- **Trade Services**

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

- o **Export Services**

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

- o **Import Services**

- o Letter of Credit
- o Import Financing

- o **Bank Guarantees**

**Cash Management Services:**

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

**Other Services:**

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

- MIB Remittance Service
- Cash Management
- FX Services
- PRISM Services
- Utility Bills Payment
- Lockers



# CORPORATE INFORMATION

## Board of Directors

Mian Mohammad Mansha  
Mr. S. M. Muneer  
Mr. Muhammad Tariq Rafi  
Mian Umer Mansha  
Mrs. Iqraa Hassan Mansha  
Mr. Muhammad Ali Zeb  
Mr. Mohd Suhail Amar Suresh bin Abdullah  
Mr. Yahya Saleem  
Mr. Salman Khalid Butt  
Mr. Masood Ahmed Puri  
Mr. Shahzad Hussain  
Mr. Shariffuddin bin Khalid  
Mr. Imran Maqbool

Chairman  
Vice-Chairman  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
President & CEO

## Audit Committee:

Mr. Shahzad Hussain  
Mian Umer Mansha  
Mr. Muhammad Ali Zeb  
Mr. Shariffuddin bin Khalid

Chairman  
Member  
Member  
Member

## Chief Financial Officer:

Mr. Hammad Khalid

## Company Secretary:

Mr. Fida Ali Mirza

## Auditors:

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

## Legal Advisors:

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

## Registered /Principal Office:

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

## Contact us:

UAN: + 92 42 111 000 622  
E-mail: [investor.relations@mcb.com.pk](mailto:investor.relations@mcb.com.pk)  
Visit us: [www.mcb.com.pk](http://www.mcb.com.pk)

## Registrar's and Share Registration Office(s):

## Head Office:

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

## Branch Office:

M/s. THK Associates (Pvt.) Limited  
Siddique Trade Centre,  
Office No. PL-29, PL Floor,  
72 Main Boulevard Gulberg -2,  
Lahore, Pakistan.







# Board of Directors







## Mian Mohammad Mansha

### Chairman

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

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

Mr. Mansha is also a committed philanthropist and provides regular support to numerous Pakistani charities and social causes. He has made significant contributions to the Shahzad Saleem Memorial Trust Hospital and to Children's Hospital, Lahore for the upgrade of their pediatric cardiac surgery facilities. In the past he has lent personal support to Shaukat Khanum Memorial Trust, Lahore Hospital Welfare Society, Mind Organization, Human Rights Society of Pakistan, Kidney Care Centre, The Citizens Foundation, Friends of Pakistan Institute of Cardiology Trust, Care Foundation, SOS Village, Lahore Model School Sant Nagar, Aziz Jahan Trust for the Blind and Altaf Mehmood Foundation among many others.

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

#### Other Directorships:

- MCB-Arif Habib Savings and Investments Limited
- MCB Non-Bank Credit Organization, CJS, Azerbaijan





## **S. M. Muneer**

### Vice Chairman

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

In addition, he has received the 'Sitara-e-Isaar' and the 'Sitara-e-Imtiaz' in 2006 and 2007 respectively by the President of Pakistan in recognition of his outstanding public services for the cause of humanity. His contributions and achievements go beyond the economic sphere into the education sector as well. He was awarded an Honorary PhD degree (doctorate of philosophy) in January, 2009 by the Governor of Sindh. He is former President of Federation of Pakistan Chamber of Commerce & Industry (FPCCI), Member of the Board of Governors of IoBM and Greenwich College, Karachi. He is on the Board of Shaukat Khanum Cancer Hospital, Lahore, The Kidney Centre Post Graduate Training Institute. He is Patron-in-Chief, Korangi Association of Trade and Industry (KATI), Kashif Iqbal Thalassemia Care Centre, Trust (KITCC). Mr. S. M. Muneer is the Chairman of Chiniot Anjuman Islamia running many hospitals, maternity homes, schools & colleges in Karachi, Faisalabad and Chiniot. Mr. S. M. Muneer was awarded "Life Time Achievement Award" by the President of Pakistan, in the President House in 2012, and also awarded Life Time Achievement Award

in the same year in the City of Markham (Canada) by the Mayor Mr. Frank Scarpitti in the presence of members of parliament. Recently, he has been awarded Who's Who recognition of Achievement Award in the field of Trade Politics by the National Council of Who's Who Pakistan in Karachi on December 29, 2018.

#### **Other Directorships:**

- Din Textile Mills Limited
- Din Leather (Pvt.) Limited
- Din Farm Products (Pvt.) Limited
- Din Industries Limited
- Arabian Sea Country Club



## Muhammad Tariq Rafi

### Director

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

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

#### Other Directorships:

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



## Mian Umer Mansha

### Director

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

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

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

#### Other Directorships:

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



### **Iqraa Hassan Mansha** Director

Mrs. Iqraa Hassan Mansha has more than 8 years diversified professional experience in Hotels Industry. She received her B.Sc Degree in International Politics from London School of Economics and M.Sc degree in International relations from the University of London School of Oriental and African Studies.

She is serving in the capacity of Chief Executive Officer Nishat Real Estates Development Company (Pvt.) Limited. She is also acting as Director on the Board of the following companies:

#### **Other Directorships:**

- Nishat Hotels and Properties Limited
- Nishat (Gulberg) Hotels and Properties Limited
- Nishat (Raiwind) Hotels and Properties Limited
- Emporium Properties (Pvt.) Limited



### **Muhammad Ali Zeb** Director

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

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

#### **Other Directorships:**

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





## **Yahya Saleem**

### Director

After graduating from the Lahore University of Management Sciences (LUMS), Mr. Yahya joined the family business as director of the Nishat Chunian Group with setting up a spinning mill in 1990. The company has since diversified into weaving, home textile, power generation and entertainment sectors. Today with a turnover of PKR 39.337 billion, NCL ranks amongst the top 5 textile companies in Pakistan.

The group ventured into the power business in 2007 with a 200 MW Independent Power Plant (IPP), Nishat Chunian Power Ltd. With a turnover of PKR 15.021 billion in 2019, the IPP provides electricity to the national grid. Both the companies are listed on Pakistan Stock Exchange.

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

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

In 2019, he was appointed as CEO and Director of NC Entertainment Private Limited which owns two Multiplexes, widely known as "Universal Cinemas", including largest multiplex in Pakistan.



## **Salman Khalid Butt**

### Director

Mr. Salman Butt is an accomplished international business executive and ex-banker. He is currently a Dubai, U.A.E. based Entrepreneur.

Mr. Salman Butt started his career with Citibank N.A. in 1985 and worked for 20 years as an international banker with Citibank N.A. and Samba Financial Group, holding several senior positions in Corporate and Investment Banking in Pakistan, Hong Kong, UK, Egypt and Saudi Arabia.

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

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



## **Mohd Suhail Amar Suresh**

### Director

Mr. Suhail has over 30 years of global experience in IT architecture, systems and application development, regional implementation and business development, across multiple industries; from Telecommunications to Financial services. His passion in technology drives him to effectively utilize technology as a competitive advantage for enhanced customer experience.

Mr. Suhail is currently the Group Chief Technology Officer (GCTO) for Maybank, the largest Financial Services Institution in Malaysia and 4th in ASEAN with USD 195.3 billion total assets. He formulates technology strategies and leads the execution of the digital transformation, in line with the Group's overall business aspirations.

Prior to Maybank, Mr. Suhail was the Managing Director of Malaysian Electronic Clearing Corporation Sdn Bhd (MyClear), a wholly owned subsidiary of Bank Negara Malaysia and was also the Group Managing Director of Malaysian Electronic Payment System Sdn Bhd (MEPS).

For his leadership in Maybank, Mr. Suhail was awarded the CIO Excellence Award 2016 by PIKOM, Bank Technology Leadership Achievement in Asia Pacific for outstanding technology leadership by The Asian Banker, 2017 and named as one of the top financial services CIOs in Southeast Asia by International Data Group (IDG), CIO.com 2018

Presently, Mr. Suhail is a Director on the Board of MCB Bank Limited and a member of the Board's Business Strategy & Development Committee, Risk Management & Portfolio Review Committee and Information Technology Committee. He is also a member of Board Oversight

Committee for Information Technology of Maybank Ageas Holding Berhad, a Director of 3 entities; Maybank Shared Services Sdn Bhd, MBB Labs Pvt. Ltd. and Technology Park Malaysia Corporation, Sdn. Bhd.

Mr. Suhail is a Fellow of the Malaysian Institute of Management and Associate of the Asian Institute of Chartered Bankers Association (formerly known as Institute of Bankers Malaysia- IBBM). He holds a Master in Business Administration from Charles Sturt University, Australia and is a Chartered Banker from the Asian Institute of Chartered Banker. Mr. Suhail also holds an Advanced Management Program from Harvard Business School.



**Shahzad Hussain**  
Director

After passing the final exam of England Institute of Chartered Accountants, i.e., The Institute of Chartered Accountants in England and Wales (ICAEW), Mr. Shahzad Hussain returned to Pakistan from UK, in early 1980s. In Pakistan, he became a member of the Institute of Chartered Accountants of Pakistan i.e. ICAP. Later, he was elected as a member of its Council for a term of four years and also served as Vice President (North), where he chaired the ICAP's Discipline Committee, reporting to the Council.

In 1980, after serving briefly in SNGPL, he joined A. F. Ferguson and Co., a network firm of Price Waterhouse Coopers (PwC). In early 1990's he was admitted to partnership and served the firm in Audit, Tax and consultancy. In 2003, he was made Partner In-Charge of Lahore Office, where he served until his retirement in 2015.

He has vast experience in Audit, Tax practice and in consultancy. He headed many assignments, including Asian Development Bank funded assignment for Punjab Government Resource Mobilization, where he gained considerable experience in Provincial Government organization structures and procedures in various fields.



**Masood Ahmed Puri**  
Director

Mr. Masood Ahmed Puri has been working as an executive and then as CEO and owner of different conglomerates in the field of Logistics, Shipping, Supply Chain, Restaurants and Textile within the GCC region for the last 43 years. He started his career with Vegetable Ghee Industry in Pakistan but later on switched to logistics and shipping in the year 1976. He was hired as General Manager Finance in a Logistics Company in Saudi Arabia from where he achieved significant success and managed the overall operations of the Company. One after another, he kept on developing new businesses in the same field as well as diversified into textiles and restaurants all within the GCC region. He carries immense experience and exposure in the field of Finance, Corporate Strategy, Management, Operations and most importantly on business start-ups. He has successfully established six companies and a chain of "A" class restaurants throughout the GCC during his professional life.





### **Shariffuddin bin Khalid** Director

Mr. Shariffuddin Khalid was appointed as an Independent Non-Executive Director of Maybank on June 14, 2018. He also serves as Chairman of the Audit Committee of the Board and member of the Compliance Committee of the Board.

He is a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom. He has over 30 years' experience in the banking and corporate sector. He had served in key positions in the corporate services, business development, corporate communications and human resource functions.

He was part of the pioneer management team tasked with the establishment of Pengurusan Danaharta Nasional Berhad ("Danaharta") during the 1998 Asian financial crisis. He served as General Manager, Communications and Human Resource, Danaharta, from its establishment in 1998 until 2005.

He joined Bank Negara Malaysia ("BNM") in 2008 as pioneer Director of the Malaysia International Islamic Finance Center. He has served BNM for nearly 10 years and the last position he held was Director, Strategic Communications. His portfolio under this position covered all media relations, official publications, Parliamentary responses as well as e-communications and design.

His current directorship within the Maybank Group includes Maybank (Cambodia) Plc and Maybank Islamic Bhd. Currently, he also sits on the Board of Marine & General Berhad, a public company listed on the Main Market of Bursa Malaysia, as well as its subsidiaries.



### **Imran Maqbool** President & CEO

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

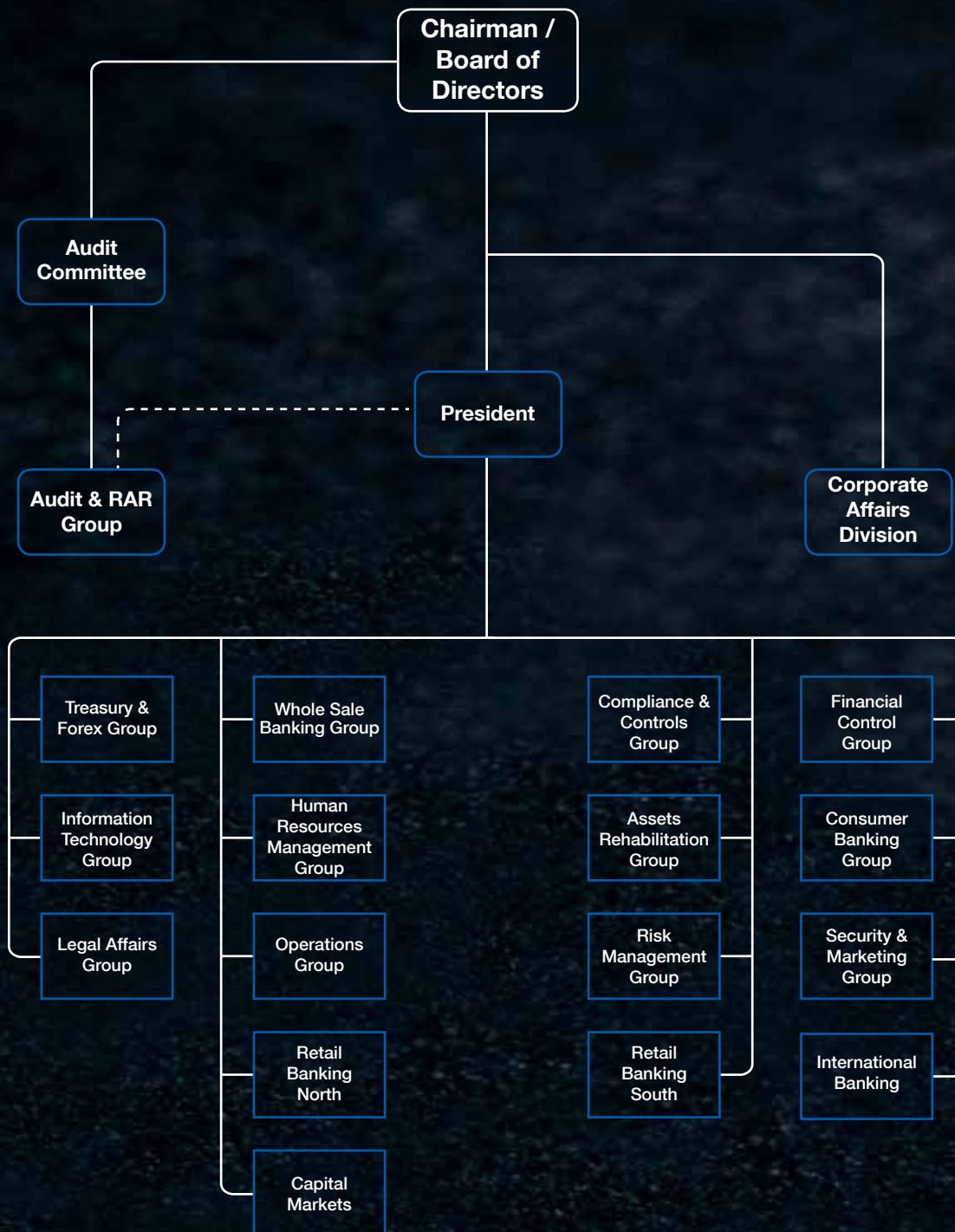
Before joining MCB Bank in 2002, Mr. Maqbool was associated with local banking operations of Bank of America and Citibank for over seventeen years, where he worked in various senior management roles in the respective banks.

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

#### **Other Directorships:**

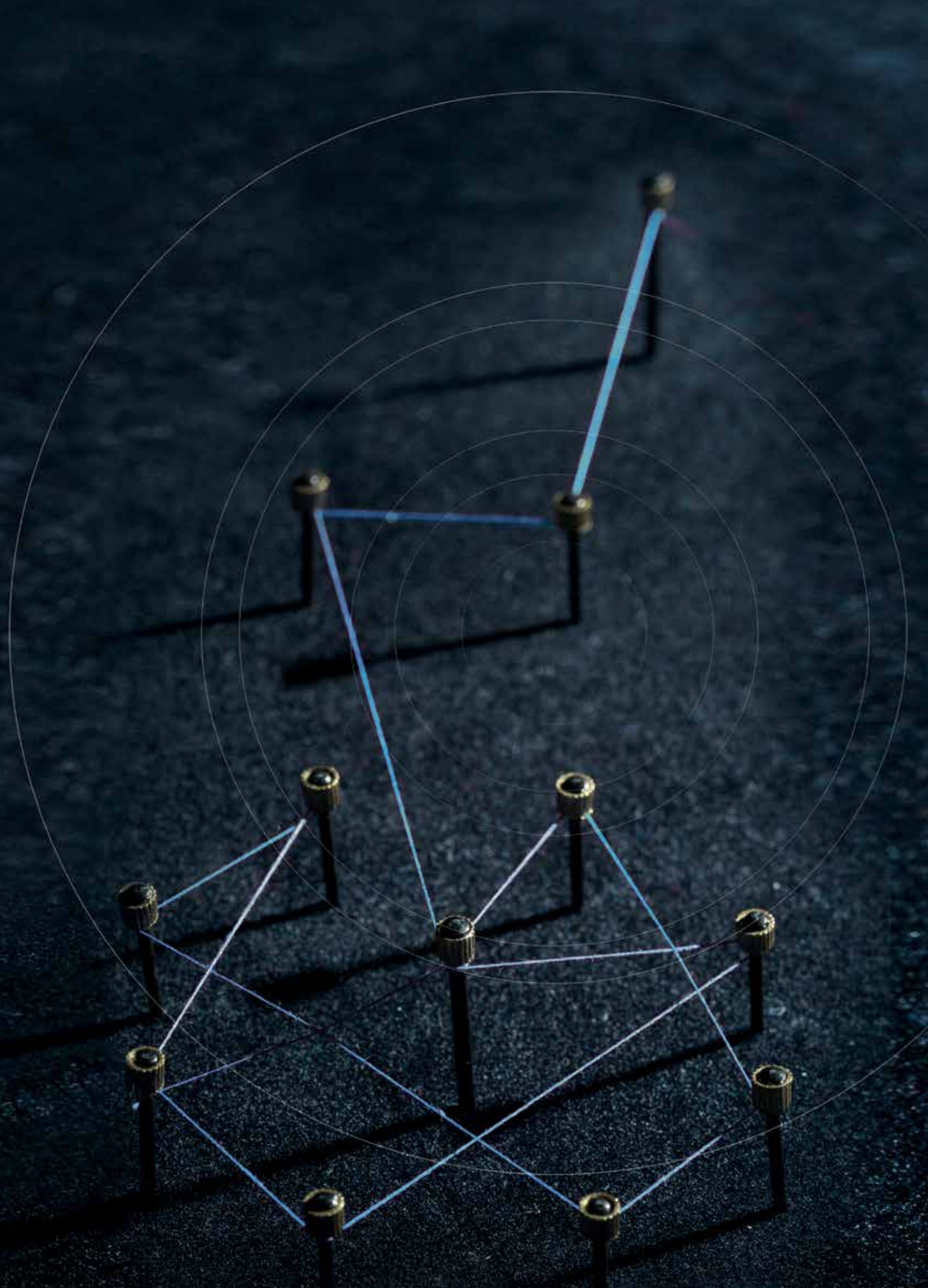
- Adamjee Insurance Company Limited
- MCB Financial Services Limited
- MCB Employees Foundation
- Adamjee Life Assurance Company Limited

# Organizational Structure



- - - - Administrative Reporting  
—— Functional Reporting







# Management Committee



**Standing (L to R)** – Salman Y. Zaidi, Muhammad Haris Hasan, Shoaib Mumtaz , Azfar Alam Nomani  
**Sitting (L to R)** - Nadeem Afzal, Hammad Khalid, Imran Maqbool



**Standing (L to R)** – Farid Ahmad, Kamran Zaffar Muggo, Mohammed Nauman Chughtai, Usman Hassan  
**Sitting (L to R)** - Syed Mudassar Hussain Naqvi, Zargham Khan Durrani, Nabeela Waheed, Hassan Nawaz Tarar



# OTHER SENIOR MANAGEMENT







**Fida Ali Mirza**  
Company Secretary



**Malik Abdul Waheed**



**Aamir Khanzada**  
Country Manager Bahrain



**Aali Shafi**  
Country General Manager Sri Lanka



**Muhammad Farooq Wasi**  
Chief Internal Auditor



**Omair Safdar**  
Head Capital Markets Division

# ENTITY CREDIT RATING

LONG TERM

**AAA**

SHORT TERM

**A1+**

# CORPORATE PROFILE OF THE BANK

MCB Bank is one of the oldest banks of Pakistan, incorporated in private sector in 1947. It was nationalized in 1974 and privatized in 1991. MCB Bank's major shareholding is owned by Nishat Group a prominent business conglomerate, having diversified interests in Textiles, Cement, Banking, Insurance, Power Generation, Hotel Business, Agriculture, Dairy, Auto Manufacturing and Paper Products. To enter in international capital markets, the Bank launched its Global Depositary Receipts (GDRs) in 2006. It was the first Pakistani Bank that got its GDRs listed on the London Stock Exchange. In 2008, the Bank entered into a strategic partnership with Maybank, Malaysia, which owns 18.78% stake in MCB through Maybank International Trust (Labuan) Berhad. In 2017, Fullerton Financial Holdings (International) of Singapore through Bugis Investments (Mauritius) Pte Ltd acquired 5.49% stake in MCB under merger scheme of NIB Bank with and into MCB Bank Limited. MCB is the first Pakistani Bank which incorporated a wholly owned Islamic Banking subsidiary, MCB Islamic Bank Limited, to meet requirements of a significant segment of society for financial solutions that conform to Shari'ah rulings and demonstrate our confidence in the potential of the Islamic Banking industry in the country.

The Bank operates a strong and vast network of over 1400 Branches and over 1350 ATMs in Pakistan and 11 branches overseas with a footprint in UAE, Bahrain and Sri Lanka. With a customer base of over 7 million, MCB leads the banking & financial services sector in Pakistan and customers across the globe have 24/7 access to MCB Bank via our World Class Internet Banking. The Bank on consolidated basis is operating the 2nd largest network of more than 1,550 branches in Pakistan. The Bank enjoys highest local credit ratings of AAA / A1+ categories for long term and short term respectively, based on PACRA notification dated June 27, 2019.

## Subsidiaries

### MCB Financial Services Limited

Holding: 100%

Profile: To act as Trustee of investment trust schemes, voluntary pension schemes, and real estate investment trust schemes, to provide custodian services and to act as transfer agent/share registrar of securities of listed and unlisted companies and mutual Company's etc.

### MCB Islamic Bank Limited

Holding: 100%

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

### MCB - Arif Habib Savings & Investments Limited

Holding: 51.33%

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

### MCB Non-Bank Credit Organization "Closed Joint Stock Company"

Holding: 99.94%

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

### Financial & Management Services Pvt. Limited

Holding: 95.90%

Profile: The Company is in dormant status and transferred to MCB from Ex. NIB under merger scheme. The Bank's investment in the company is fully provided.

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

### Adamjee Insurance Company Limited

Holding: 20%

Profile: The Company is engaged in the general insurance business.

### Euronet Pakistan (Private) Limited

Holding: 30%

Profile: To provide outsourcing services to banks and financial institutions for Automated Teller Machine (ATM) network and managed services for Point of Sales (POS) terminal networks





# Chairman's Review

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

For the process of Board evaluation, in line with regulator's guidelines and international best practices, a wide-ranging set of criteria is deployed. During 2019, the Board engaged the services of M/s Pakistan Institute of Corporate Governance ("PICG") as an external independent evaluator to conduct the performance evaluation of the Board as a whole, its Committees and individual Board Members for the year 2018. As per PICG evaluation results; the Strategic Performance Index of the Bank has been calculated as 88% securing one of the highest figure in the banking industry.

The Board has played a significant role in the strategic review of policy matters having long-term implications and in maintaining a balance between regulatory obligations and the Bank's operational requirements. As part of this effort, sub-committees are in place with each one having a defined scope of work assigned to ensure optimal performance of their functions as per requirement, mandate and terms of reference.

The Board has always focused on the preservation of the interests of Bank's shareholders. With an excellent corporate governance structure, the Board has strengthened internal control, risk management and audit functions. It has ensured that the Bank's strategy is completely aligned with the vision, mission and core values of the Bank.

Despite a challenging macroeconomic environment and a tough business climate, MCB Bank has continued to excel. It has consolidated and developed avenues for growth and efficiency. The Bank has demonstrated an impressive 25 percent increase in pre-tax profitability in 2019. The Bank has declared the highest dividend per share in Pakistan's banking industry. This is testament to the way the bank has persevered and witnessed growth and thereby rewarded the confidence in it by the esteemed investors.

Undoubtedly, this would not have been possible without the commitment and integrity of our employees. It is notable that the Bank has groomed and cultivated talent within the organization and several members of the senior management committee have ascended from the ranks through their hard work and dedication to a shared vision. We proudly acknowledge their accomplishments and their valuable contributory role in helping us achieve new heights in the banking industry.

As one of Pakistan's foremost financial institutions, MCB Bank Limited acts in a responsible and ethical manner. Given the sensitivity attached by international regulatory bodies to promoting a culture of compliance with AML & KYC requirements/procedures in the Pakistani banking sector, we are putting added emphasis and focusing on enhancing capacity with regards to oversight and monitoring.

In addition to enhanced regulatory requirements, we feel that 2020 will be another challenging year ahead but we are determined to conduct our business in a responsible and pragmatic manner. The GDP growth rate remains stubbornly low and in order to turn this trend around, the Government going forward needs to implement prudent economic and fiscal policies and take concrete measures to ensure economic stability and growth in key economic sectors.

The government must continue to build upon progress in the ease of doing business which has recently shown a marked improvement in international rankings. Privatisation of State Owned Enterprises (SOEs), reforms in power sector, upgradation of value creating capacity of youth are imperatives for the government for boosting economic prosperity. Government efforts to boost the economy can be better supported by the banking sector if they are saved from financial hemorrhage due to piling up of bad debts on account of weak and ineffective laws and processes.

Continuation of CPEC programme, will also help further address infrastructure deficit particularly in the area of railways. It will also promote development of various economic zones and investment in developing new industry. We are a major consumer market, have abundant labour and resources allied to a great strategic location. If the Government provides the right support, Pakistan could emerge as a regional manufacturing hub.

We have no doubt that the best is yet to come for MCB Bank as we welcome another decade of this millennium. With our excellent service quality, our emphasis on product innovation and value creation, the MCB team remains steadfast in its determination to thrive and flourish.

**Mian Mohammad Mansha**  
Chairman  
MCB Bank Limited





# President's Review

The journey of MCB Bank is narrated by its legacy of sustainable and steady support towards the growth of Pakistan's economy for more than 72 years. With our strong financial position, secure digital banking services, constant focus on financial inclusion and employment of highly-qualified human capital, we have been there to serve you according to your needs and changing dynamics of the industry. Your trust has been instrumental to our success and we ensure that we repay this trust with even greater returns and a strong commitment that your faith in us is well protected, secure and is being strategized into a mutually beneficial relationship.

With great success comes even greater responsibility and we realize just how important your trust and investment is for us. We grow and nurture your investment carefully through our prudent banking approach backed by a strong equity position. Being a risk averse bank, keeping prudence as our core priority, we are persistently engaged in the fight against financial crime, money laundering and other illegal acts of trade and activities leading to terrorism. While maintaining a strong risk management culture, we continue to prudently manage risk throughout the Bank. Our commitment to improve our conduct and controls is factored into every strategic and operational decision we make and is the key to our perseverance, steadfastness and success in the industry.

I'm honoured and grateful to share our story of our sterling performance during 2019 – a year in which MCB Bank continued to focus on creating value for our clients, communities and shareholders. MCB Bank's profit before tax rose to Rs. 40.10 billion reflecting a tremendous growth of 25% over 2018. It has been achieved in a difficult and challenging operating environment. The Bank's profit after tax increased to Rs. 23.98 billion (+12%) enabling a significant return on capital to our shareholders in the form of dividends, which totaled Rs. 20.15 billion, the highest in the industry by any benchmark. The assets of the Bank grew by 1.1% to Rs.1.5 trillion over the year. In comparison with 2018, net interest income grew to Rs. 59.6 billion registering a splendid growth of 30%, with Return on Assets (ROA) and Return on Equity (ROE) improving to 1.59% and 16.84%, respectively.

This incredible financial performance demonstrates how MCB Bank is building a long-term client franchise whilst delivering premium return on its equity. Our phenomenal growth also illustrates the strength of our diversified business model and our disciplined approach to controlling costs, deploying capital and managing risk through the cycle. Our efforts in retaining customer loyalty are demonstrated through our best in the industry 90.4% deposit concentration in CASA. Our capital and liquidity ratios remained at industry-leading levels and were significantly above regulatory requirements.

Globally, the rise in notorious and tech prone cyber-crime has elevated end-user fears of loss of data and money. MCB Bank makes no compromise on customer data security and the Bank keeps engaged in raising awareness about cyber-security and malicious online activities. We also enforced and ensured compliance screenings of every customer, vendor and counterpart to safeguard our business. The challenges of current macroeconomic structure; rising interest rates, intense pressure on volumes and cyber-attacks on cards and accounts did not hold us back from playing our due role in the economic development of the country.

Our strategic focus on fast paced and reliable customer service, regulatory compliance and security, helped increase customer confidence as MCB Home Remittances surged to a volume of PKR 456 billion, registering a tremendous growth of 22% over last year while trade volumes increased to PKR 920 billion with a remarkable growth of 17% over 2018.

We are determined to provide high quality products and services that are best suited to the diverse needs of our customers. In 2019, MCB Bancassurance businesses recorded new premium of Rs. 3.2 billion, an exponential growth of 29% over 2018. In addition, our focus on consumer financing resulted in a 9.7% growth in issuance of credit cards, as 16,907 new credit cards were issued during 2019.

Our technology infrastructure is propping us to superior business outcomes, improved operational efficiencies and exceptional client experiences. With a well framed infrastructure in place, we improvise and constantly upgrade innovative digital solutions in our banking products and services for enhanced user experience. Supported by our robust and efficient IT-enabled platforms, cash management volumes generated by the Bank rose to Rs. 1.88 trillion during 2019.

With a strong and vast network of over 1,400 Branches, including 11 branches overseas, over 1,350 ATMs across Pakistan and a customer base of over 7 million (8.2 million accounts), MCB continues to be one of the leading institutions in the banking & financial services sector in Pakistan. Customers across the globe have 24/7 access to MCB Bank via our World Class Internet Banking services. Resultantly, in 2019, the share of our digital channel customers who

perform their banking transactions using MCB Mobile banking, MCB Internet Banking & MCB Lite channels, increased considerably as compared to 2018. The Bank on a consolidated basis is operating the 2nd largest network of more than 1,550 branches in Pakistan.

At MCB Bank we maintain an ethical and diverse culture because we have leaders who set a clear compelling direction and committed employees who work hard for the organization. This ethical and performance based culture is ensured through a systematic hierarchy that enables two way communications and recognizes high performers. Through our extensive and well-designed training programs, we develop and turn our staff into Champions and Champions into Leaders.

Our strong financial position was reinforced by a long and short term credit rating of AAA [Triple A] and A1+ [A one plus], respectively, by PACRA. Our performance and customer focus earned us external recognition in many ways during 2019. "Finance Asia" and "The Asset Triple A Country Awards 2019" declared MCB as the Best Bank in Pakistan 2019 whereas "Asiamoney" awarded us the title of Most Outstanding Company in Pakistan. For the seventh consecutive year, the joint committee of Institute of Chartered Accountants of Pakistan & Institute of Cost and Management Accountants of Pakistan (ICAP/ICMAP) awarded the "Best Corporate Report" award in Financial Sector category to MCB Bank's Annual Report for 2018.

Our results demonstrate that we pursue the right strategies and maintain a phenomenal talent pool which translates every strategy into consistent value addition for our stakeholders. I would like to acknowledge the hard work and dedication of all staff members of MCB Bank, whose contributions have enabled the Bank to cement its place as an industry leader with outstanding results.

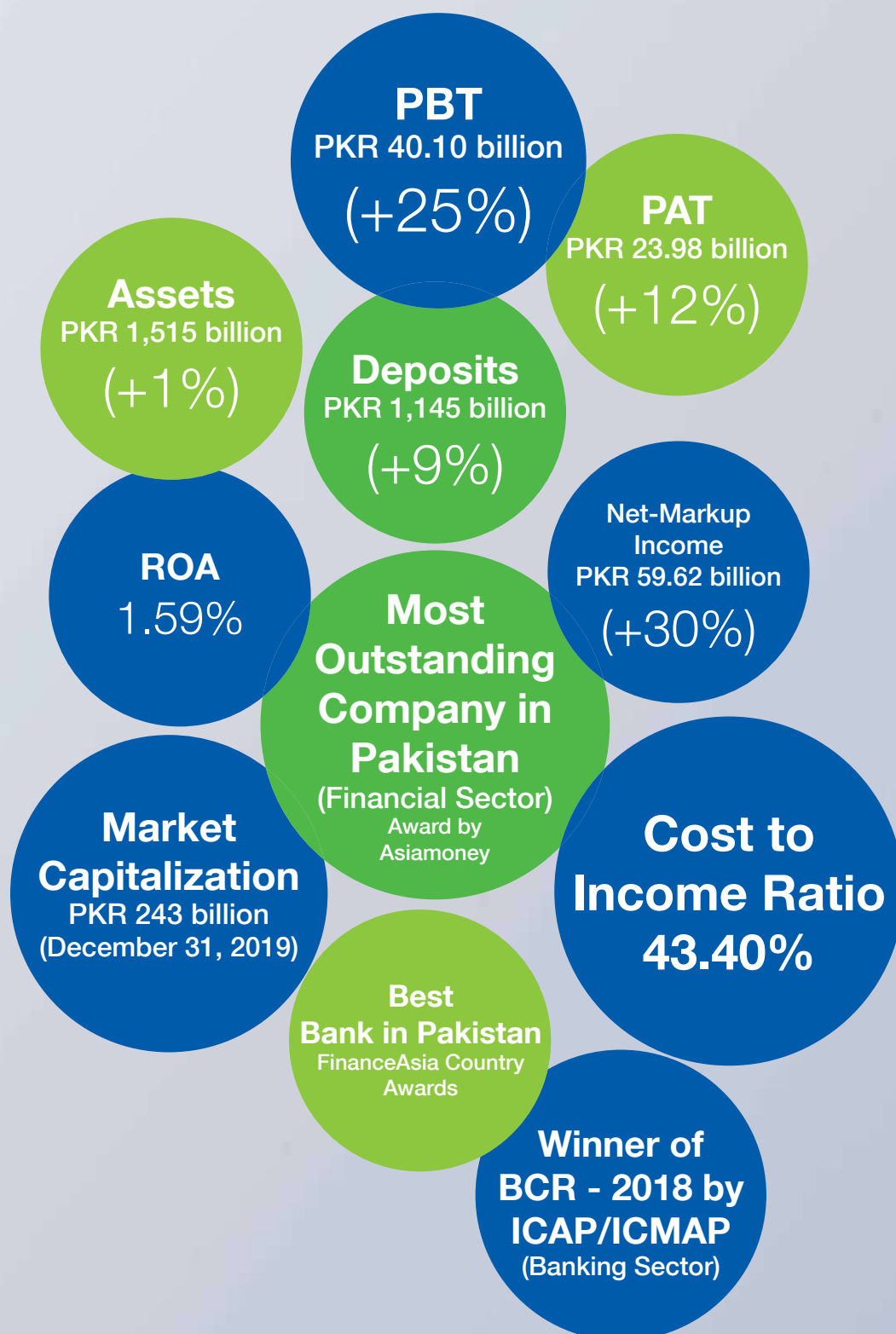
I am grateful to our shareholders who show their trust by investing in us and recognize us as a well reputed financial services provider. We remain committed to maintaining this trust in years to come with stellar financial performance and by building an even stronger foundation of compliance to ethical and regulatory standards.

MCB Bank is very fortunate to have a richly experienced and diverse Board of Directors that led by our distinguished Chairman provides independent oversight, support and guidance to the management and for that I extend my sincere appreciation to each member of our august Board.

We are a strong Bank as we abide by the law, pay our taxes, value our customers, take care of our investors and shareholders, invest in secure and advanced solutions and most importantly, truly operate as "One Bank One Team". With this unity, discipline and determination I am confident that we will continue to rise above all challenges and will register ourselves as an even stronger and reputable Bank in years to come.

**Imran Maqbool**  
President & CEO  
MCB Bank Limited

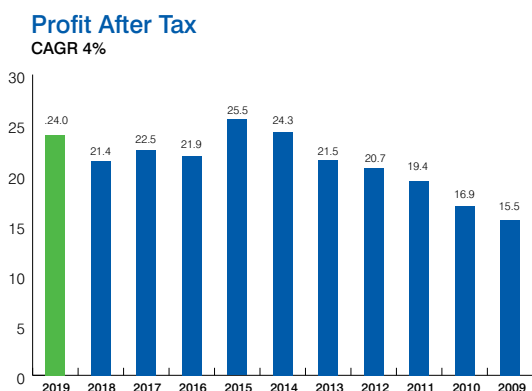
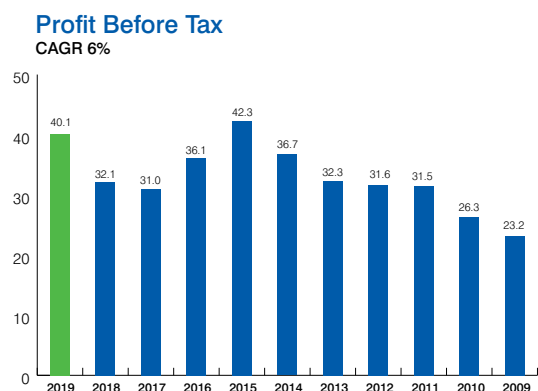
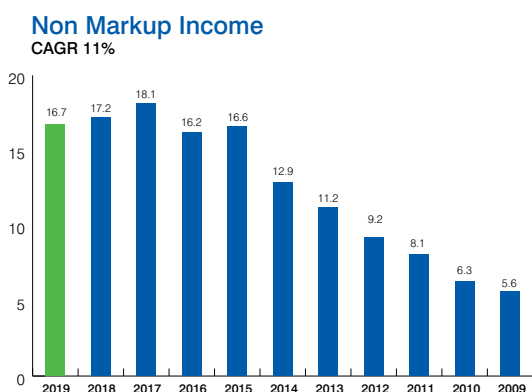
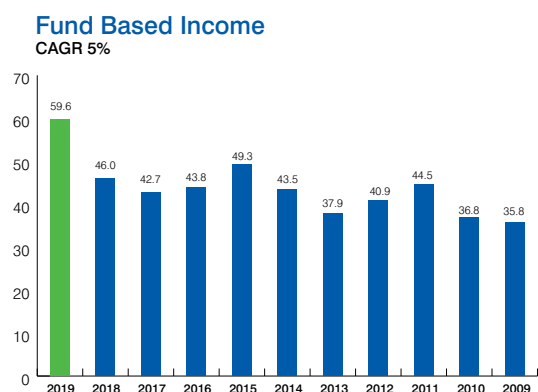
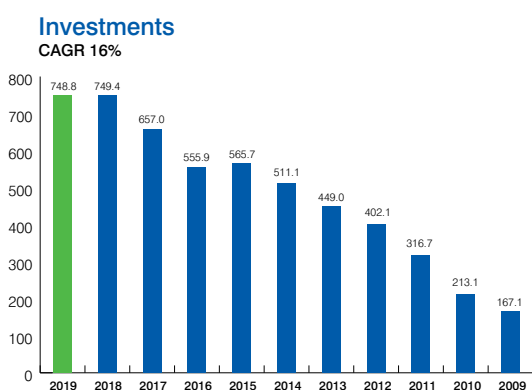
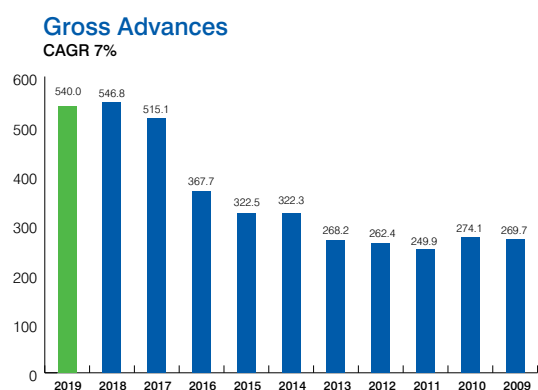
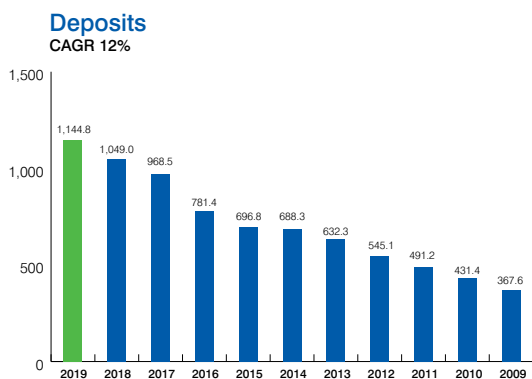
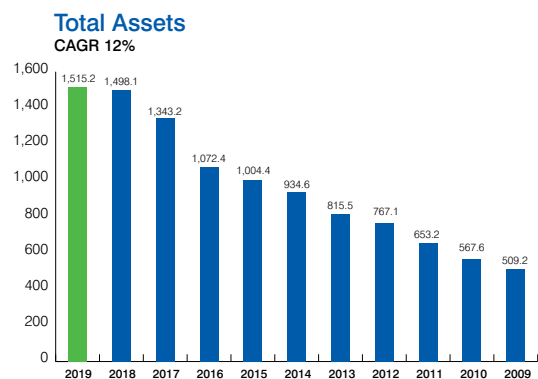
# Highlights 2019





# Financial Performance 2009 - 2019

10 Years Trend - Rupees in Billion



## Forward Looking Statement

The Annual Report-2019 of MCB Bank Limited carries forward looking statements in its different sections. Since there are uncertainties related to occurrence of the future events, those should be read in conjunction for decision making by the users of the Annual Report. Forward looking statements contain words such as 'expect', 'anticipate, believe, seek, will, may, would, presume, assure, hope, so on and so forth. A forward-looking statement naturally addresses matters that are, to certain degrees, uncertain and may not happen. In most cases, a forward-looking statement is made in respect of Bank's expected income, earnings, business growth, horizontal expansion, cost structure, capital structure, dividends etc. Such a statement is made based on some assumptions about future events which may or may not happen.

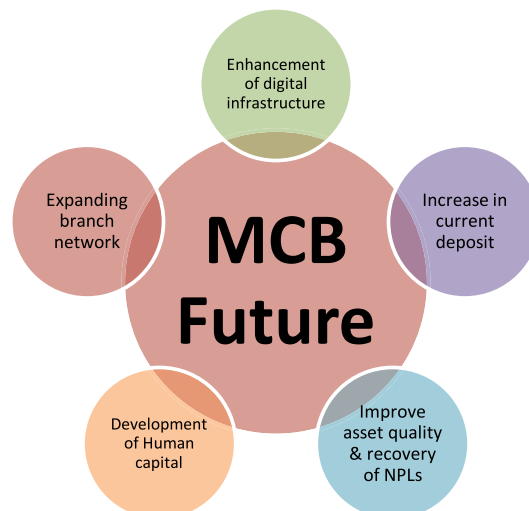
### Pakistan Economy Future Outlook

In spite of the improvement appearing on the macroeconomic front during the second half of the calendar year and the country moving towards stabilization, 2020 is expected to be challenging for Pakistan. The main issue that the country currently faces is of inflation, stemming from increase in food and regulatory prices, which needs to be curtailed to boost the market sentiment.

On the external front, Pakistan must focus on enhancing the competitiveness of its exports to bring long term improvement in its current account balance while working on import contraction. Moreover, although the pressure on foreign exchange reserves has decreased slightly, the State Bank's reserves are barely adequate to provide a three months import cover. However, if the country keeps on attracting inflows in its debt instruments under SCRA, it would prove to be positive for the economy.

On the fiscal side, the challenge for the government remains to bring in structural reforms and achieve the required growth in tax revenue without further burdening the masses.

### MCB Future Outlook



Pakistani banking sector will continue to face headwinds in 2020, on the back of rising interest rates impacting quality of assets and slowing economic growth; irrespective of these facts, the Bank is committed to deliver remarkable results to its investors in 2020. Our strategic agenda for 2020 is guided by the Bank's five year Plan which is centered on strategic pillars including customer centricity, geographical expansion, technology and cyber security and people development (among others) which are aimed at building a competitive and future fit.

We are committed in expanding our network of branches to meet our valuable customers' expectations with parallel investment on the digital infrastructure. We would continue to improve our asset quality, increasing low cost deposit base, deploying cost efficient techniques and increasing contribution from non-markup segment. We will exceedingly focus in increasing Current Account base to increment our net interest margins.

On credit side the Bank is geared up to continue with its growth strategy in 2020, with continued focus on book building, albeit with cautious approach, given overall slowdown in the economy which is expected to continue into 2020; while proactively monitoring watch listed portfolio of the bank to minimize any further infection, while ensuring that recoveries are made in line with agreements. We will also continue to focus on cross sell initiatives with corporate clients for additional business opportunities to augment fee income.

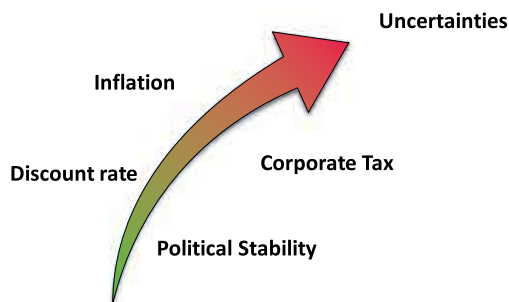
On investment side, the Bank is committed on strategic profiling of the investments based on the interest rate calls which will be a gradual shift from shorter to longer term investments.

Recovery from infected portfolio would remain one of the key targets in 2020. We would continue adding products and services to our menu and anticipate significant growth in our non-fund based income. The Bank will continue to invest in developing workforce for the 'Digital Banking Age' to align ourselves with the ever changing business dynamics.

Driving customer centricity will again be a key area of focus in next year; we will direct investments towards empowering employees to drive a pleasant customer experience across all our touch points. Also, in all our capacity and skills enhancement programmes to the employees, we will continue emphasizing the fact that, It is undoubtedly our ability to delight customers that is key to retaining our position as the most sought after bank in the industry. To sum up, employees' development and trainings would remain our foremost priority as committed and professional team is our strategic advantage. We would acutely remain conscious in retaining and attracting the best talent.

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.

## Uncertainties that could affect the Bank's Resource, Revenues and Operations



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

**Discount rate / Monetary Policy:** Based on different assessment parameters, the State Bank of Pakistan can change the monetary policy rate. Any decrease in the discount rate will result in lower net interest income and reduce the profitability of the Bank. Impact of 1% change in interest rate is around Rs. 2.1 billion on profit and loss account of the Bank.

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

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

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

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



### Status of Projects Disclosed in the Forward-Looking Statement of Previous Year:

Detail of last year projects	Status
Implementation of new ATM controller and Card Hosting system	Completed
Internal/external branding of MCB branches	Completed
Workflow Automation & Document Management Solution for Account Opening	Completed
Real time watch list screening & e-name filtering	Completed
Home Remittance Solution for Sri Lanka	Completed
Loan Originating System	In process
Issuance of Dual Interface Card	In process
Reuters Integration with Treasury system	In process
e-kyc application update	In process

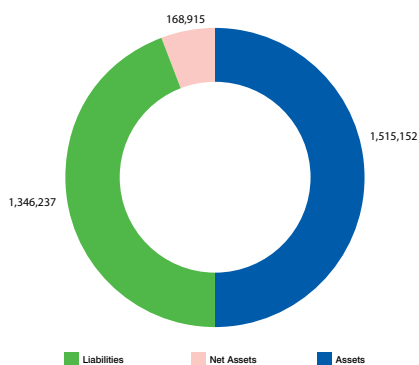
### Performance of the Bank Against Forward-Looking Disclosure of 2019 as Presented in Annual Report 2018

Forward-looking disclosure for 2019 as presented in annual report 2018	Performance of the Bank in 2019 against forward-looking disclosure
<p>Despite fragile economic conditions resulting in subdued business activity, the Bank is committed to deliver exceptional results to its shareholders in 2019. We are committed in expanding our network of branches to meet our valuable customers' expectations with parallel investment on the digital infrastructure. We would continue to improve our asset quality, increasing low cost deposit base, deploying cost efficient techniques and increasing contribution from non-markup segment. We are exceedingly focused in increasing low cost CASA base to increment our net interest margins.</p> <p>Credit appetite being a mainstream business line of the Bank, instigate us to avail all righteous opportunities that fall within the risk appetite defined by the institution. We would remain dynamic and persistent in retail banking, corporate banking, SME financing and agricultural credit. We are deepening the consumer market penetration through increased focus on consumer product lending.</p> <p>Recovery from infected portfolio would remain one of the key targets in 2019. We would continue adding products and services to our menu and anticipate significant growth in our non-fund based income. Our special emphasis is on increasing our digital banking range to align ourselves with the ever changing business dynamics. Our dedicated team of professionals would take every possible opportunity to serve our esteemed customers.</p> <p>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.</p>	<p>MCB's profit before tax grew to Rs. 40.10 billion which reflects a tremendous growth of 25% over 2018, despite the tough operating environment. The key highlights were impressive increase in net interest margins through gradual shift in the maturity profiling of investment base along with a more refined cost structure.</p> <p>The strategic profiling of the investments based on the interest rate calls resulted in a gradual shift from shorter to longer term investments, thereby capitalizing on the significant interest rate movement during the year. Net interest income rose to Rs. 59.62 billion, 30% higher than the last year on account of effective asset deployment of the low cost deposits. Analysis of the interest earning assets highlights that income on advances increased by Rs. 20.37 billion, primarily on account of increase in yield of 398bps. On the investment side, gross markup income increased by Rs. 30.76 billion, due to increased average volume by Rs. 66.61 billion and yield of 391bps. On the interest bearing liabilities side, the cost of deposits increased by 278bps over last year.</p> <p>The non-markup income block of the Bank was reported at Rs. 16.68 billion with major contributions coming in from fee commission and foreign exchange income. In 2019 the Bank booked fresh auto loan disbursement of over PKR 7 billion and was able to maintain its position as one of the top players in auto finance business. Credit card business has exhibited significant growth with closing the book at PKR 2.7 billion with an average growth of 11% over the last three years. Bancassurance business set its highest sales record since inception and ended the year with the ever-highest net sales number of PKR 3.16 billion with a growth of 29% from 2018.</p>

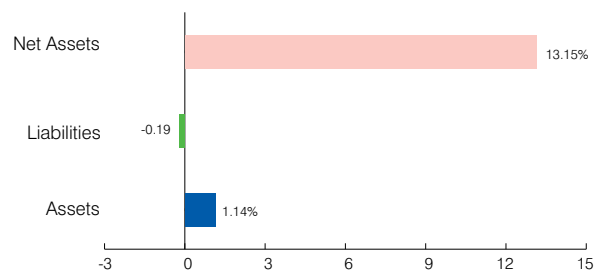
Forward-looking disclosure for 2019 as presented in annual report 2018	Performance of the Bank in 2019 against forward-looking disclosure
<p>Our employees are undoubtedly the core asset of our Bank and we acknowledge their hard work and dedication in elevating our Bank. Employees' development and trainings would remain our foremost priority as committed and professional team is our strategic advantage. We would acutely remain conscious in retaining and attracting the best talent.</p> <p>A well-outlined business strategy is essential for the success and sustainability of any business venture. Without one, organizations can lack direction, efficiency and profitability. MCB has the right strategy in place to deliver superior returns to our shareholders. We would remain aligned with our strategic objectives in order to meet our valuable stakeholders' expectations.</p>	<p>MCB Home Remittances surged to a volume of PKR 456 billion, registering a tremendous growth of 22% over last year while trade volumes increased to PKR 920 billion with a remarkable growth of 17% over 2018. Cash management volumes generated by the Bank rose to Rs. 1.88 trillion during 2019.</p> <p>Despite the inflationary surge during the year, growth in the operational network and constant investment in digital, cyber security and information technology related platforms, the operating expense growth was contained to an impressive 5%, as efficient cost management remains one of the key strengths for MCB Bank Limited.</p> <p>On the provision side, the Bank surpassed all previous records of recovery by achieving the highest ever figure of Rs.3.047 Billion and registered a growth of 7% over the last year. While the Bank continued its journey to mark historical recovery figure on the board, it settled / resolved a large number of chronic and willful defaulters where classification was more than five years old.</p> <p>On the liabilities side, the deposit base of the Bank registered a significant increase of Rs. 95.73 billion (+9%) over December 2018.</p> <p>Return on Assets and Return on Equity were reported at 1.59% and 16.84% respectively, whereas book value per share was reported at Rs. 122.54. The Bank has declared the highest dividend per share (Rs. 17 per share) in Pakistan's banking industry.</p> <p>MCB remained active throughout Pakistan, UAE and Sri Lanka through diverse network of 1,422 branches (including 12 sub-branches) and more than 1,350 ATMs.</p> <p>To enhance the knowledge and skillset of its work force, a number of trainings were held during the year. Participants from all over the country were trained through different programs including in-house, ex-house, mobile, and E-learning training programs. A segment comprising senior management was engaged through a Management Development Program as part of the Talent Management Scheme of the Bank.</p> <p>Detailed analysis covering performance and achievements of respective groups against their targets for 2018 is included in the Groups' review section of this annual report.</p>

## Graphical Presentation of Financial Statements

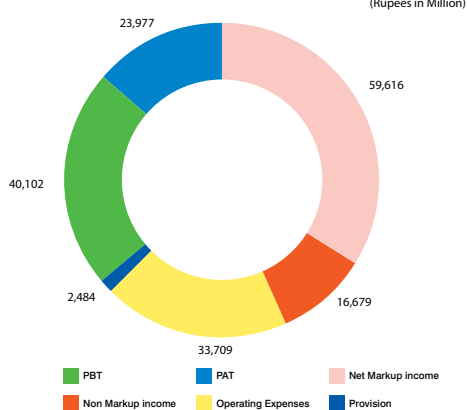
Statement of Financial Position (Rupees in Million)



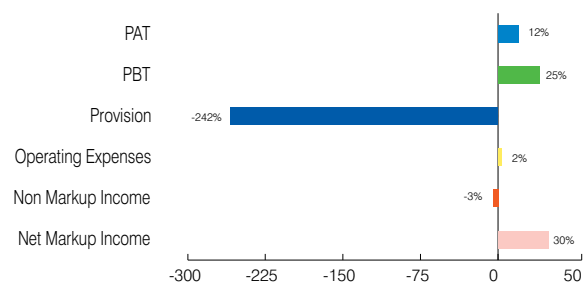
Variance from 2018



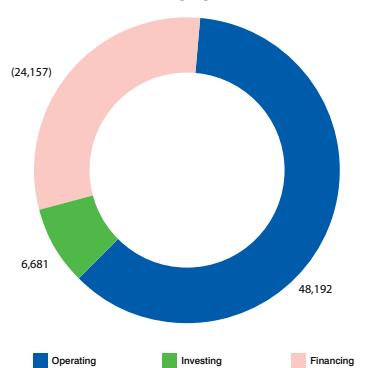
Profit & Loss Account (Rupees in Million)



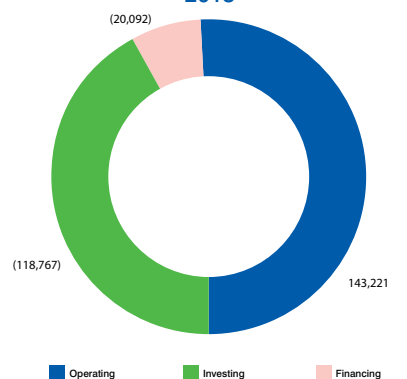
Variance from 2018



Cash Flows 2019 (Rupees in Million)



Cash Flows 2018 (Rupees in Million)





## Analyses of Financial Performance

The Bank reported an increase of Rs. 54.973 billion over last year in markup income. Income on advances increased by Rs. 20.37 billion, primarily on account of improved average advances volume of Rs. 11.36 billion coupled with increased yield of 398 bps; whereas, markup income on investments increased by Rs. 30.8 billion, due to increased in average volume of Rs. 66.612 billion and 391 bps increase in yield.

Mark-Up/Return/ Interest Earned	(Rs in million)			
	2019	2018	Variance	
			Amount	% age
Loans and advances	57,330	36,964	20,366	55%
Investments	75,481	44,719	30,762	69%
Lendings to financial institutions	4,982	1,390	3,592	258%
Balances with banks	499	246	253	103%
	138,292	83,319	54,973	66%

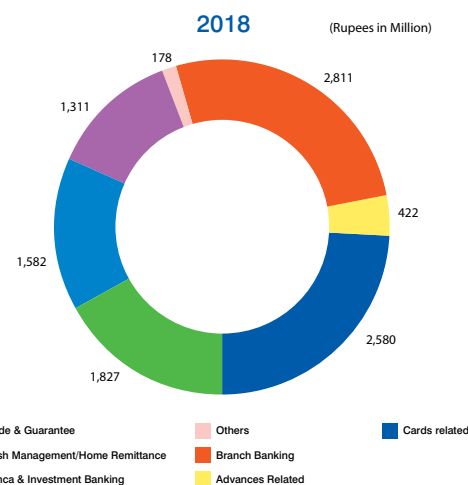
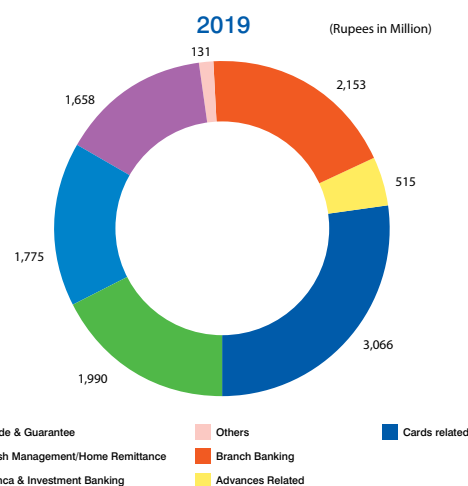
The Bank reported an increase of Rs. 41.37 billion over last year in markup expense. Mark up expense on deposits increased by Rs. 33.26 billion; whereas, markup expenses on borrowings increased by 4.72 billion. The cost of deposits increased by 278 bps over last year.

Mark-Up/Return/Interest Expensed	(Rs in million)			
	2019	2018	Variance	
			Amount	% age
Deposits	65,344	32,081	33,262	104%
Borrowings	8,977	4,253	4,724	111%
Subordinated debt	214	308	(94)	-31%
Cost of foreign currency swaps	3,009	663	2,346	354%
Unwinding cost of liability against right-of-use assets	1,132	-	1,132	100%
	78,676	37,305	41,371	111%

The non-markup income block of the Bank was reported at Rs. 16.68 billion with major contributions coming in from fee commission and foreign exchange income. One of the major revenue lines supplementing the fee growth was commission from Bancassurance, with MCB Bank Limited leading the new business generation in percentage terms. Gain on securities is decreased due to volatility in capital market.

Non Mark-Up / Interest Income	(Rs in million)			
	2019	2018	Variance	
			Amount	% age
Fee and commission income	11,288	10,731	558	5%
Dividend income	1,377	1,280	97	8%
Foreign exchange income	2,895	3,420	(526)	-15%
Income from derivatives	15	12	3	23%
Gain on securities	833	1,293	(460)	-36%
Other income	272	462	(191)	-41%
Total non-markup / interest Income	16,679	17,198	(519)	-3%

Despite the inflationary surge during the year, growth in the operational network and constant investment in digital, cyber security and information technology related platforms, the operating expense growth was contained to an impressive 5%, as efficient cost management remains one of the key strengths for MCB Bank Limited.

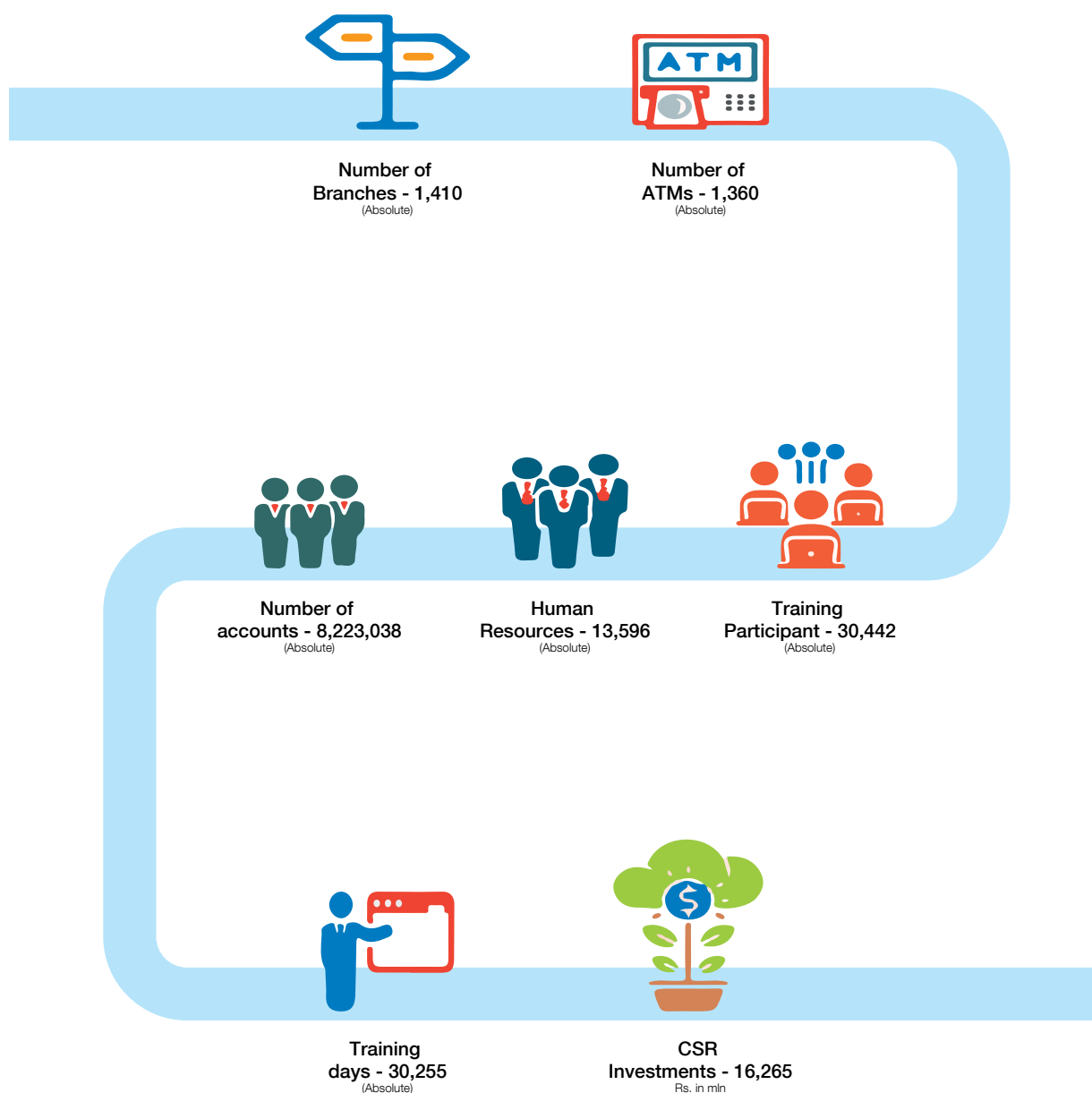


### Explanation of negative change in the performance against prior year

During the year, capital gains decreased over last year due to weak performance of Pakistan Stock exchange and lower capital gain from money market. Furthermore, the Bank has also recorded net charge of Rs. 2.8 billion on equity portfolio in 2019.

# Analyses of Non Financial Performance

## Non-Financial Highlights



## Analysis of Non-Financial Information

### Human capital

Total number of permanent employees	Investment in training (Rs. in Mln)	Total days of Training	New Recruitments	Promotions
13,596	57.230	30,255	2,235	1,978

Our employees, numbering 13,596 receive well remunerated, secure and satisfying employment with generous retirement benefits.

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

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

		2019	2018
Staff strength - permanent	Absolute	13,596	13,438
New recruitments	Absolute	2,235	2,038
Average number of employees	Absolute	13,568	12,868
Promotions	Absolute	1,978	1,767
Investment in training	Rs. in Mln	57.230	51.038
Number of training participants	Absolute	30,442	30,373
Training days	Absolute	30,255	33,245

### Manufactured Capital

Capital expenditures on physical and digital infrastructure	Branches excluding sub-branches	ATMs	Internet Banking customers	Mobile Banking customers
5,022	1,410	1,360	180,326	1,909,712

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

During the year, Bank has expanded its network by 23 branches. In 2019, customer base of the Bank expanded to 8.2 million accounts.

The banking model is in gradual transformation from traditional traditional banking to digital era. Hence, to cater to the growing segment of millennials among our customers, the Bank has been continuously investing on the digital banking platforms. We are increasing our digital touch points on a gradual pace, providing our customers transactional convenience while ensuring financial security.

		2019	2018
Capital expenditure	Rs. in Mln	5,022	4,261
Branches	Absolute	1,410	1,387
ATMs	Absolute	1,360	1,321
Internet Banking	Absolute	180,326	176,210
Mobile Banking	Absolute	1,909,712	1,363,304

### Intellectual capital

Cumulative service experience of more than 72 years	Strong Governance	One of the most valuable brand
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Intangibles associated with the Bank – culture, ethics, values, organizational knowledge, systems, procedures and brand value. These intangibles, while not reflected in the balance sheet, are indeed the real assets of the Bank. They permeate the Bank's operations at all levels – whether it is high level decision-making or day-to-day functions.

In 2019, we have focused on following points to enhance of our intellectual capital:

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

During the year, the total investment on intangible assets is Rs. 625.800 million as compared to Rs. 221.949 million in FY18.

### Social and Relationship Capital

No. of accounts	Dividends to shareholders (Rs. in Mln)	CSR funds (Rs. in Mln)
8,223,038	20,146	16,265

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

		2019	2018
No. of accounts	Absolute	8,223,038	7,854,928
Dividends to shareholders	Rs. in Mln	20,146	18,961
<b>CSR funds</b>		Rs. in Mln	
Education Allowance		38	28
Staff Capacity Building & Trainings		60	51
Employee Hajj Expense		13	8
Contribution to National Exchequer		16,125	10,704
Contribution To Staff Welfare Fund		5	5
Donation		-	1
Plantation		24	23
Total		16,265	10,820



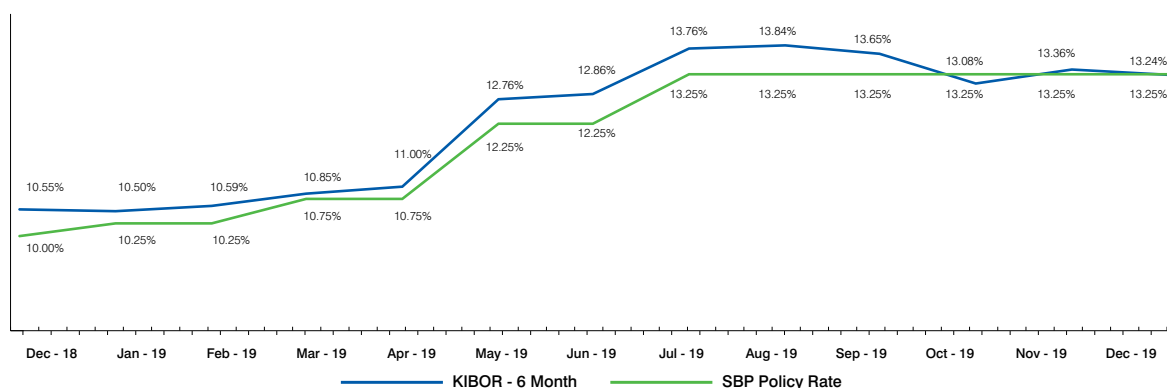
## Maturities of Assets and Liabilities

	2019	Upto 3M	3M to 1Y	1Y to 3Y	(Rs. in Million)	
					3Y to 5Y	5Y & above
<b>Assets</b>						
Cash and balances with treasury banks	132,705	132,705	–	–	–	–
Balances with other banks	12,542	12,542	–	–	–	–
Lendings to financial institutions	1,090	1,090	–	–	–	–
Investments - net	748,765	222,430	225,356	126,644	64,891	109,444
Advances - net	496,679	146,055	97,875	129,166	74,936	48,647
Fixed assets	58,271	915	3,129	5,399	5,552	43,276
Intangible assets	957	154	463	340	–	–
Deferred tax assets	1,725	430	1,295	–	–	–
Other assets - net	64,143	44,000	6,675	3,356	10,111	–
	1,516,877	560,321	334,793	264,905	155,490	201,367
<b>Liabilities</b>						
Bills payable	11,822	11,822	–	–	–	–
Borrowings	89,506	64,858	8,653	4,315	3,573	8,106
Deposits and other accounts	1,144,763	121,985	111,194	548,373	272,726	90,485
Deferred tax liabilities	7,576	(85)	66	864	2,832	3,899
Other liabilities	94,296	51,881	17,935	5,846	13,757	4,877
	1,347,963	250,461	137,848	559,398	292,888	107,367

\*Based on expected maturities

## Key Interest Bearing Assets and Liabilities

	2019			2018		
	Avg. Vol (Mln)	Effective interest rate %	Interst (Mln)	Avg. Vol (Mln)	Effective interest rate %	Interst (Mln)
<b>Interest Earning Assets</b>						
Lendings to Financial Institutions	45,660	10.91	4,982	20,204	6.88	1,390
Gross Advances (excluding NPLs)	489,960	11.70	57,330	478,600	7.72	36,964
Gross Investments (excluding equity investments)	658,232	11.47	75,481	591,619	7.56	44,719
<b>Interest Bearing Liabilities</b>						
Deposits (excl. current deposits)	693,156	9.43	65,344	623,707	5.14	32,081
Borrowings	114,512	7.84	8,977	88,332	4.81	4,253
Subordinated loan	–	–	–	3,892	7.91	308

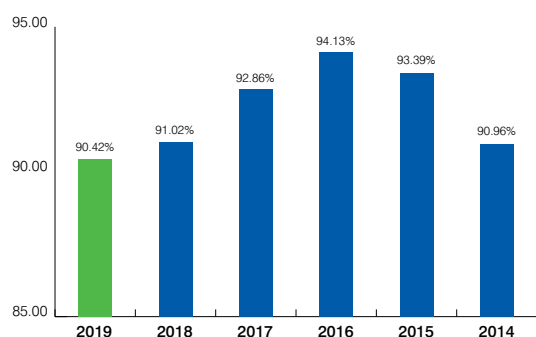


# Deposits & Advances

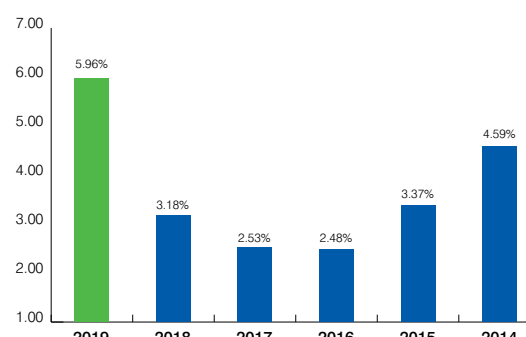
(Rs. in Billion)

	Groupwise Deposits				Groupwise Advances			
	2019	2018	Variance		2019	2018	Variance	
			Amount	%			Amount	%
Commercial & Consumer	1,034.2	969.4	64.7	6.68%	119.3	139.0	-19.7	-14.17%
Corporate	55.5	41.4	14.1	34.07%	355.2	349.6	5.6	1.60%
Overseas	55.0	38.2	16.8	43.98%	33.4	28.6	4.7	16.50%
Others	-	-	-	-	32.1	29.6	2.6	8.86%
Total	1,144.7	1,049.0	95.6	9.12%	540.0	546.8	-6.8	-1.24%

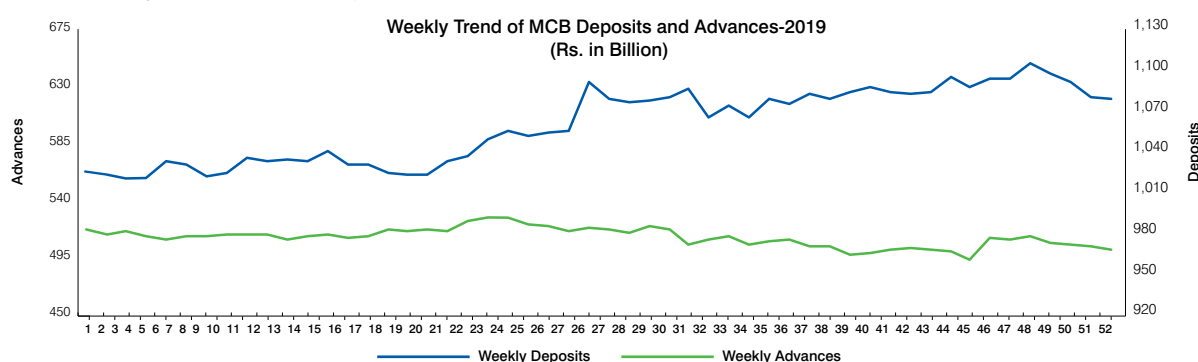
CASA Mix



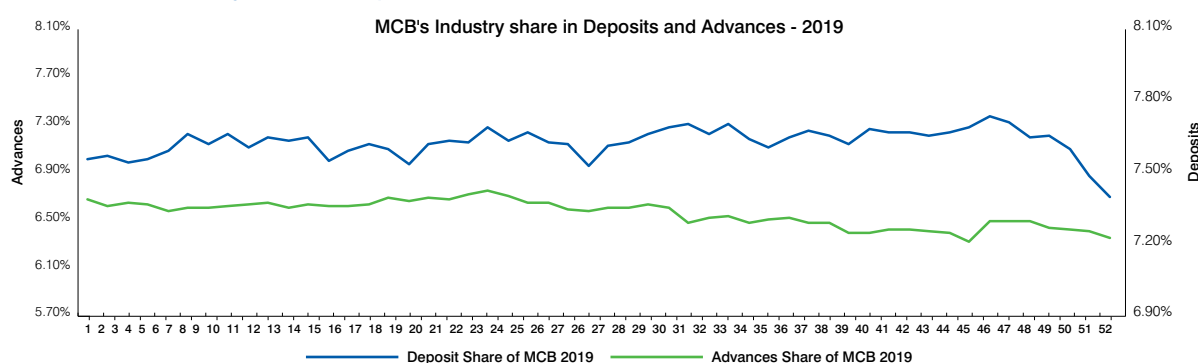
Weighted Average Cost of Deposits



Weekly Trend of MCB Deposits and Advances - 2019



MCB's Industry share in Deposits and Advances - 2019



## Non Performing Loans

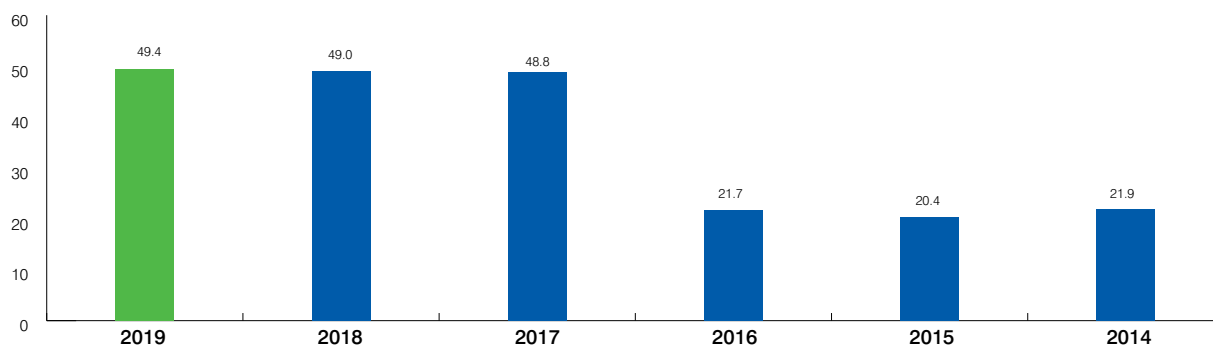
(Rs. in Million)

### Categorywise

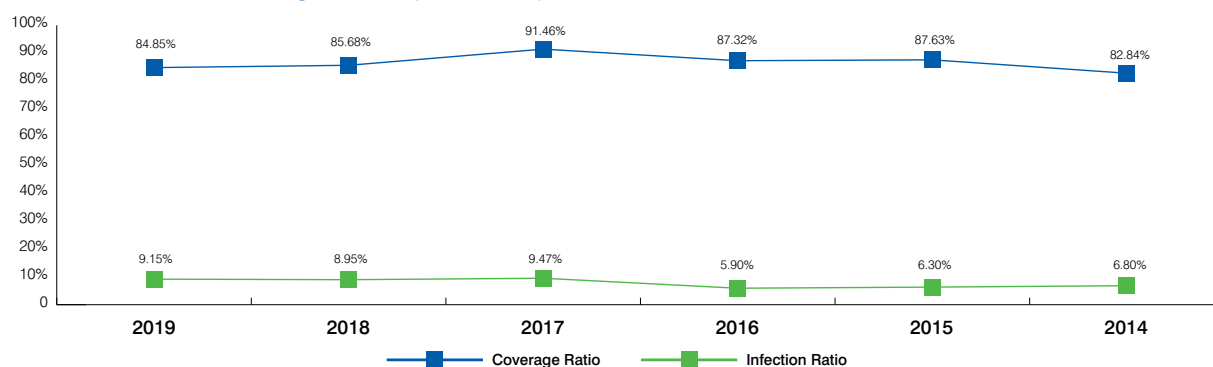
	2019		2018		Variance		2019
	NPLs	Provision	NPLs	Provision	NPLs	Provision	Coverage
OAEM	124	4	49	3	151.3%	17.7%	2.9%
Substandard	616	153	1,528	375	-59.7%	-59.2%	24.8%
Doubtful	2,702	1,351	1,742	871	55.1%	55.2%	50.0%
Loss	45,982	40,427	45,637	40,696	0.8%	-0.7%	87.9%
Total	49,424	41,934	48,956	41,945	1.0%	0.0%	84.8%

### Non Performing Loans (2014-2019)

(Rupees in Billion)



### Infection and Coverage Ratios (2014-2019)





# Investments

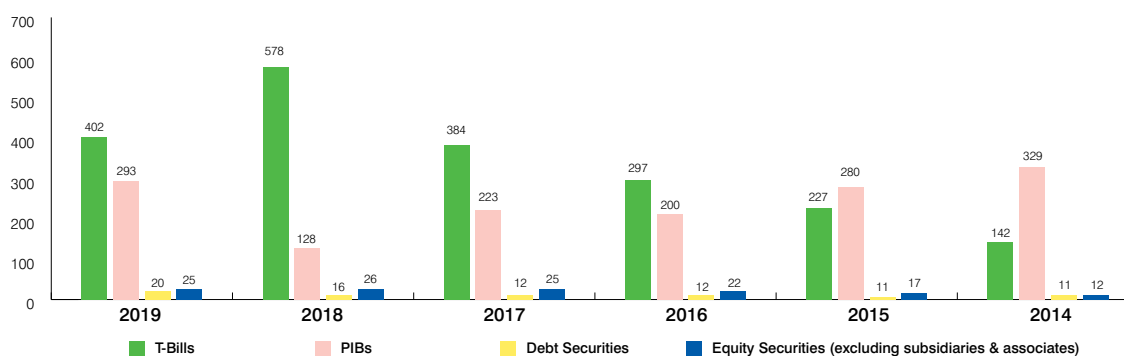
## Top 10 Listed Equity Holdings as on December 31, 2019

Company Name	Total Shares (number)	Book Value (Rs. Mln)	Market Value (Rs. Mln)
Oil & Gas Development Company Limited	10,815,535	1,787	1,539
Kot Addu Power Company	15,662,000	1,344	494
Fauji Fertilizer Company Ltd.	10,094,000	1,162	1,024
Pakistan Petroleum Limited	4,926,702	746	676
HBL Growth Fund	43,482,858	744	497
Engro Fertilizers Limited	8,936,000	718	656
Allied Bank Limited	6,264,200	676	599
Lucky Cement	847,400	659	363
Millat Tractors Limited	568,350	592	400
Rafhan Maize Products Limited	72,277	588	524

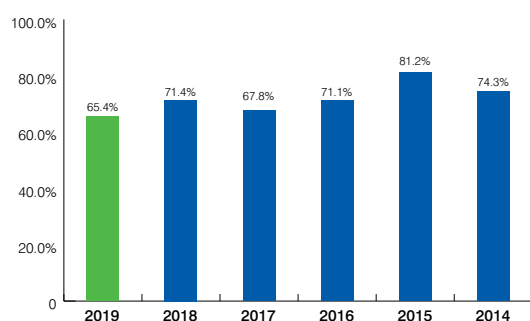
## Investment in Associates and Subsidiaries

Company Name	Holding	Total Shares (numbers)	Book Value (Rs. Mln)
<b>Associates</b>			
Adamjee Insurance Company Limited	20.00%	70,000,000	647.88
Euronet Pakistan (Pvt.) Limited	30.00%	52,521	52.52
<b>Subsidiaries</b>			
MCB - Arif Habib Savings & Investments Limited	51.33%	36,956,768	320.12
MCB Financial Services Limited	100.00%	2,750,000	27.50
MCB Islamic Bank Limited	100.00%	1,155,000,000	11,550.00
MCB Non-Bank Credit Organization "Closed Joint Stock Company"	99.94%	4,281,105	448.19
Financial and Management Services (Pvt.) Limited	95.90%	88,850	—

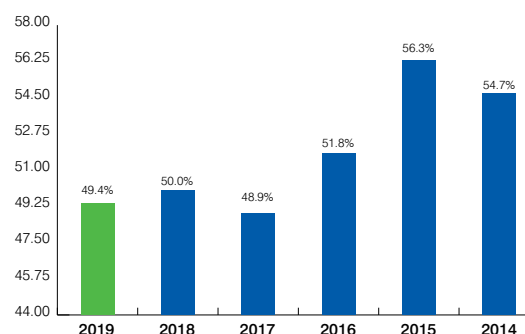
## Category of Investments (2014-2019) (Rupees in Billion)



## Investments to Deposits Ratio (2014-2019)



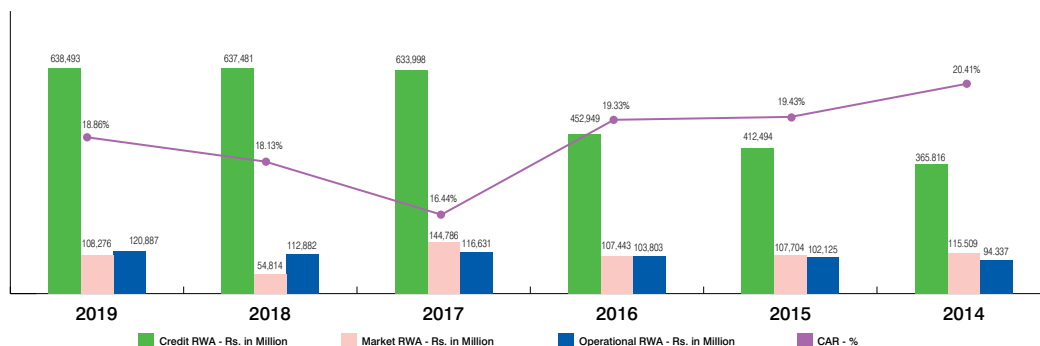
## Investments to Total Assets Ratio (2014-2019)



## Capital Structure

	2019	2018
	(Rupees in Million)	
<b>Capital Structure</b>		
<b>Tier 1 Capital</b>		
Shareholders equity /assigned capital	11,851	11,851
Share premium	23,751	23,751
Reserves	50,257	47,859
Unappropriated profits	55,777	53,532
	141,636	136,993
<b>Deductions:</b>		
Book value of intangible and advances given for intangible	958	631
Defined benefit pension fund assets - net	2,343	2,480
Other deductions	2,078	4,882
	5,379	7,993
<b>Total Tier 1 capital</b>	136,257	128,999
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments	–	2,335
General provisions subject to 1.25% of total risk weighted assets	1,424	1,267
Revaluation reserves	23,255	12,193
Foreign exchange translation reserves	2,675	1,630
	27,354	17,424
<b>Deductions:</b>		
Other deductions	–	436
<b>Total Tier 2 Capital</b>	27,354	16,988
<b>Total Regulatory Capital Base</b>	<b>163,611</b>	<b>145,987</b>
<b>Risk Weighted Assets</b>		
Credit Risk	638,493	637,481
Market Risk	108,276	54,814
Operational Risk	120,887	112,882
<b>Total RWA</b>	867,656	805,177
<b>Capital Adequacy Ratio</b>		
Total eligible regulatory capital held	163,611	145,987
Total Risk Weighted Assets	867,656	805,177
<b>Capital Adequacy Ratio</b>	<b>18.86%</b>	<b>18.13%</b>

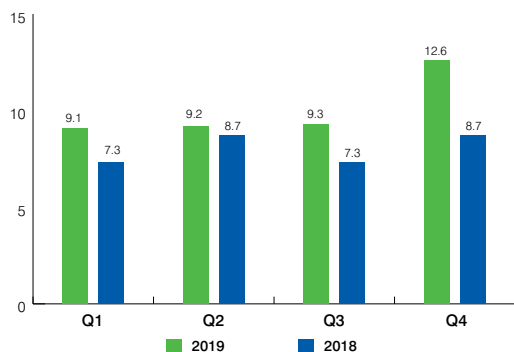
Capital Adequacy Ratio (2014-2019)



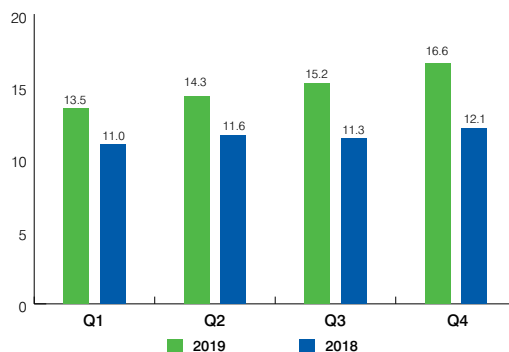
## Quarterly Performance - 2019 & 2018

	2019				2018			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
<b>(Rupees in Million)</b>								
<b>Profit &amp; Loss Account</b>								
Mark-up earned	39,842	39,317	31,751	27,382	24,393	21,211	19,501	18,214
Mark-up expensed	(23,220)	(24,123)	(17,430)	(13,903)	(12,305)	(9,903)	(7,914)	(7,182)
Net mark-up income	16,622	15,194	14,321	13,479	12,088	11,308	11,587	11,032
Non-mark-up income	5,226	3,493	4,445	3,514	5,089	3,679	4,051	4,379
Total Income	21,849	18,688	18,766	16,993	17,177	14,987	15,638	15,411
Non-mark-up expenses	(8,385)	(8,574)	(8,353)	(8,398)	(7,163)	(8,228)	(7,926)	(9,585)
Profit before provisions	13,464	10,114	10,413	8,595	10,014	6,759	7,712	5,826
Provisions & write off	867	856	1,244	(484)	1,266	(557)	(981)	(1,481)
Profit before taxation	12,596	9,257	9,169	9,079	8,748	7,315	8,693	7,306
Taxation	(4,906)	(3,646)	(3,574)	(3,999)	(1,700)	(2,768)	(3,707)	(2,529)
<b>Profit after taxation</b>	<b>7,690</b>	<b>5,612</b>	<b>5,595</b>	<b>5,080</b>	<b>7,049</b>	<b>4,548</b>	<b>4,986</b>	<b>4,777</b>
<b>Statement of Financial Position</b>								
<b>Assets</b>								
Cash and balances with treasury banks	132,705	106,039	136,930	107,291	103,175	129,587	120,975	105,032
Balances with other banks	12,542	13,882	15,521	11,889	11,879	7,292	8,244	6,773
Lendings to financial institutions	1,090	6,102	4,307	201,883	35,106	142,153	8,122	32,766
Investments	748,765	864,430	793,510	450,253	749,369	454,190	689,109	601,192
Advances	496,679	490,255	514,143	500,205	503,581	487,501	510,735	468,508
Fixed assets	58,271	47,614	47,489	41,779	40,812	40,006	40,072	39,533
Intangible assets	958	912	627	677	630	504	547	529
Other assets	64,143	52,259	60,870	51,086	53,578	49,421	43,919	39,136
	1,515,152	1,581,493	1,573,398	1,365,064	1,498,130	1,310,653	1,421,724	1,293,468
<b>Liabilities</b>								
Bills payable	11,822	9,315	10,514	10,378	15,699	12,273	12,190	12,337
Borrowings	89,506	200,398	183,982	70,235	216,019	55,837	192,480	73,494
Deposits and other accounts	1,144,763	1,145,140	1,148,631	1,066,013	1,049,038	1,032,649	1,018,740	1,005,027
Sub-ordinated loan	-	-	-	3,891	3,891	3,892	3,892	3,893
Deferred tax liabilities	5,851	2,327	820	2,203	1,532	2,138	3,097	4,063
Other liabilities	94,296	70,627	79,072	61,905	62,673	55,221	40,624	41,692
	1,346,237	1,427,807	1,423,018	1,214,626	1,348,852	1,162,010	1,271,023	1,140,506
<b>Net assets</b>	<b>168,915</b>	<b>153,686</b>	<b>150,380</b>	<b>150,438</b>	<b>149,278</b>	<b>148,643</b>	<b>150,701</b>	<b>152,962</b>
<b>Represented by:</b>								
Share capital	11,851	11,851	11,851	11,851	11,851	11,851	11,851	11,851
Reserves	77,591	76,968	76,833	74,984	74,148	72,823	72,472	71,631
Unappropriated profit	55,777	53,486	53,162	53,377	53,532	51,895	52,430	53,215
Surplus on revaluation of assets - net of tax	23,695	11,382	8,534	10,227	9,747	12,074	13,948	16,265
	168,915	153,686	150,380	150,438	149,278	148,643	150,701	152,962

Quarterly PBT (Rupees in Billion)



Quarterly NIM (Rupees in Billion)

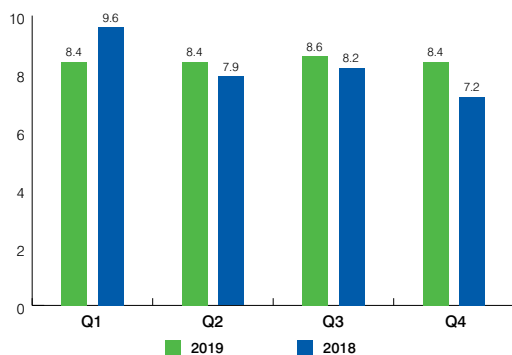




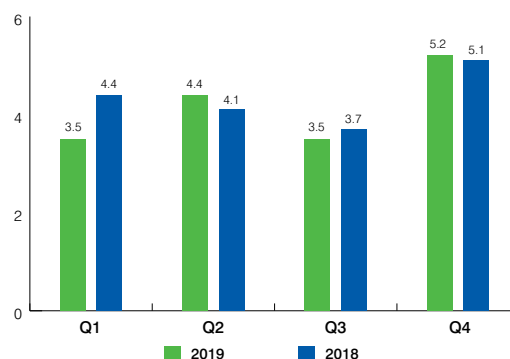
## Quarterly Performance Analysis - 2019 & 2018

Quarter	Net Interest Income	Non Interest Income	Operating Expenses	Profit before Tax
1 <sup>st</sup> Quarter	During the 1 <sup>st</sup> quarter of 2019, Net Interest income of the bank is reported to be Rs. 13.5 billion for the quarter where gross markup income was concentrated by Mark up from Investments amounting to Rs. 13.6 billion and income from advances amounting to Rs. 12.4 billion. Markup income on advances is increased by 62% on the same period last year mainly due to increase in markup rate on advances. On markup expense side Rs. 12.6 billion was incurred for mark up expense on deposits. This was higher by 103% over 1 <sup>st</sup> quarter of last year due to change in policy rate by SBP. Markup Income on Lending to Flis is also increase in 1 <sup>st</sup> quarter of 2019 as compared to 1 <sup>st</sup> quarter of 2018.	Non Mark up Income for the 1 <sup>st</sup> quarter is reported to be Rs. 3.5 billion decrease of 20% over same period last year. Decrease is mainly due to higher gains on securities recorded in 1 <sup>st</sup> quarter of 2018. Rs. 780 million gain was recorded in 2018 as compared to Rs. 11 million recorded in 2018.	Non Markup expense excluding pension cost of Rs. 8.5 billion has been increased by 12% in 1 <sup>st</sup> quarter as compare to Rs. 7.6 billion recorded in 1st quarter of 2018 due to increase in operating expense.	Profit before Tax up by 24% in 1 <sup>st</sup> quarter-2019 as compared to 1 <sup>st</sup> quarter-2018. This is mainly due to higher net interest income in 2019 and recording of one off pension cost in 1 <sup>st</sup> quarter-2018 amounting to Rs. 2.0 billion as per Supreme Court decision.
2 <sup>nd</sup> Quarter	Net Interest Income during the 2 <sup>nd</sup> quarter was reported at RS. 14.3 billion. Higher by 24% as compared to same quarter of 2018. Gross markup income has been increased by 63% whereas Mark up expense has been also increased by 120%. Increase in markup income on advances & Investments was primarily due to higher mark up rates in 2019 as compared to 2018. Increase in Markup expense was increased by 115% due to change in MDR during 2019.	Non Mark up Income for the 2 <sup>nd</sup> quarter is reported to be Rs. 4.4 billion 10 % higher than the corresponding quarter last year. This is mainly due to the recording of higher dividend and foreign exchange income amounting to Rs. 520 million and Rs. 1.2 billion (Q2 2018: 394 million and 619 million) respectively which is offset by recording of loss on securities amounting to Rs. 129 million as compare to gain of Rs. 361 million in the corresponding quarter resulting in net increase of 10%.	Slight increase of 2.7% has been observed in non markup expenses.	Profit before Tax of the 2 <sup>nd</sup> quarter is reported at Rs. 9.2 billion as compared to Rs. 8.7 for the 2nd quarter of 2018. PBT is higher by 6% mainly due to the increase in the net interest income and not interest income which is offset by the recording of higher provision on investments amounting to Rs. 1.6 billion resulting in net increase of 6% in PBT.
3 <sup>rd</sup> Quarter	Net Interest Income during the 3 <sup>rd</sup> quarter was reported at Rs. 15.2 billion as compared to Rs. 11.3 in 3 <sup>rd</sup> quarter of 2018 i.e. higher than 34 % as compare to same quarter of 2018. On gross markup income side, income on advances is higher by 52% due to increase in mark up rate. Mark up expense on Deposits is also increased by 125% due to adjustment of MDR by regulator.	Non Mark up Income is 5% lower than non mark up income reported in 3rd quarter of 2018. Mainly due to lower dividend income and FX Income in 3 <sup>rd</sup> quarter of 2019.	Non Markup Expense in 3 <sup>rd</sup> quarter-2019 has increased by 5.5 % as compared to 3 <sup>rd</sup> quarter-2018 due to increase in operating expense.	Profit before Tax has increased to Rs. 9.2 billion as compared to Rs. 7.3 billion in 3 <sup>rd</sup> quarter of 2018. The significant factors of higher profit in 3 <sup>rd</sup> quarter-2018 were increase in Net interest income which is slightly offset by the recording of provision on investment and advances amounting to Rs .656 million and of Rs. 241 million respectively resulting in net increase of 27%.
4 <sup>th</sup> Quarter	Net Interest Income during the 4 <sup>th</sup> quarter is 38% higher than the net markup income in 4 <sup>th</sup> quarter of 2018. Increase in net mark up income is due to upward revision in discount rate by SBP as compared to last quarter of 2018. Gross markup income was higher by 63% and mark up expense was higher by 89%.	Non Mark up Income has slightly been increased in 4 <sup>th</sup> quarter - 2019 as compare to corresponding quarter. Higher capital gains were observed in last quarter of 2019 as compared to last quarter of 2018. Higher capital gains were off set by lower FX income in last quarter of 2019. Total of 3 % increase has been observed in non interest income.	Non Markup Expense in 4 <sup>th</sup> quarter is slightly higher than corresponding quarter.	During the last quarter of 2019 bank has made the highest ever quarterly profit of Rs. 12.6 billion. Profit before tax is greater than the record 44% as compared to last quarter of 2018. This record increase is primarily due to the increase of net interest income.

Non Markup Expense (Rupees in Billion)



Non Markup Income (Rupees in Billion)



# Six Years' Financial Performance / Financial Ratios 2014 - 2019

		2019	2018	2017	2016	2015	2014
<b>Profit and Loss Account</b>							
Mark-up/ return earned	Rs. Mln	138,292	83,319	74,091	67,400	80,393	77,269
Mark-up/ return expensed	"	78,676	37,305	31,429	23,586	31,077	33,757
Fund based income	"	59,616	46,014	42,662	43,814	49,316	43,512
Fee, Commission, brokerage & FX income	"	14,469	14,625	11,435	9,040	10,871	10,235
Dividend and capital gains	"	2,210	2,573	6,682	7,135	5,695	2,709
Total income	"	76,295	63,212	60,780	59,989	65,882	56,456
Operating expenses	"	33,709	32,902	28,721	22,989	22,895	21,591
Operating profit before tax and provision	"	42,586	30,310	32,059	36,999	42,987	34,865
Provisions / write-offs	"	2,484	(1,753)	1,045	925	659	(1,864)
Profit before tax	"	40,102	32,064	31,014	36,075	42,329	36,729
Profit after tax	"	23,977	21,360	22,459	21,891	25,546	24,325
Cash Dividends*	"	20,146	18,961	18,673	17,808	17,808	15,582

<b>Statement of Financial Position</b>							
Authorised capital	"	15,000	15,000	15,000	15,000	15,000	15,000
Paid up capital	"	11,851	11,851	11,851	11,130	11,130	11,130
Reserves	"	77,591	74,148	70,866	53,347	51,309	48,830
Unappropriated Profit	"	55,777	53,532	53,776	53,469	50,747	46,948
Shareholder's equity	"	145,219	139,531	136,493	117,946	113,186	106,908
Surplus on revaluation of assets - net of tax	"	23,695	9,747	17,073	23,680	24,616	23,196
Net Assets	"	168,915	149,278	153,566	141,627	137,802	130,104
Total Assets	"	1,515,152	1,498,130	1,343,238	1,072,365	1,004,410	934,631
Earning Assets	"	1,294,096	1,343,378	1,175,352	911,163	872,594	818,676
Gross Advances	"	540,037	546,792	515,058	367,678	322,529	322,318
Advances - net of provisions	"	496,679	503,581	469,356	348,117	304,122	303,559
Non-Performing Loans (NPLs)	"	49,424	48,956	48,753	21,688	20,368	21,908
Investments	"	748,765	749,369	656,964	555,929	565,696	511,137
Total Liabilities	"	1,346,237	1,348,852	1,189,672	930,739	866,608	804,527
Deposits & other accounts	"	1,144,763	1,049,038	968,483	781,430	696,805	688,330
Current & Saving Deposits (CASA)	"	1,035,063	954,813	899,364	735,550	650,739	626,112
Borrowings	"	89,506	216,019	133,070	74,515	118,040	59,543
Interest bearing Liabilities	"	809,717	867,048	728,361	557,913	557,056	511,446
Contingencies and Commitments	"	851,147	584,434	448,135	307,566	320,888	226,554

<b>Profitability ratios</b>							
Profit before tax ratio	%	29.00%	38.48%	41.86%	53.52%	52.65%	47.53%
Gross Yield on Average Earning Assets	"	10.49%	6.41%	7.10%	7.56%	9.51%	10.05%
Gross Yield on Avg. Earning Assets (incl. dividend & capital gains)	"	10.65%	6.61%	7.74%	8.36%	10.18%	10.40%
Gross Spread	"	43.11%	55.23%	57.58%	65.01%	61.34%	56.31%
Non interest income to total income	"	21.86%	27.21%	29.81%	26.96%	25.14%	22.93%
Return on average equity (ROE)	"	16.84%	15.48%	17.65%	18.94%	23.21%	23.83%
Return on average assets (ROA)	"	1.59%	1.50%	1.86%	2.16%	2.63%	2.78%
Return on Capital Employed (ROCE)	"	16.84%	15.48%	17.65%	18.94%	23.21%	23.83%
Cost to income ratio	"	43.40%	49.75%	46.94%	36.80%	33.34%	36.51%
Cost to income ratio (excluding pf reversal)	"	43.99%	48.73%	47.88%	37.66%	34.52%	37.98%
Admin Exp to Profit before Tax	"	82.58%	98.07%	91.99%	61.19%	51.90%	56.12%

<b>Investment ratios\Market Ratios</b>							
Earnings per share (after tax)	Rs.	20.23	18.02	19.56	19.67	22.95	21.85
Earnings per share (before tax)	"	33.84	27.06	27.02	32.41	38.03	33.00
Breakup value per share							
- without surplus on revaluation of fixed assets & investments	"	122.54	117.74	115.18	105.97	101.69	96.05
- without surplus on revaluation of fixed assets	"	126.47	115.68	119.17	116.10	114.09	106.79
- with surplus on revaluation of fixed assets & investments	"	142.54	125.97	129.59	127.24	123.81	116.89
- with surplus on revaluation of fixed assets & investments & investment in related party at fair / market value*	"	144.89	128.41	132.90	132.90	128.63	121.05
Cash Dividend	%	170%	160%	160%	160%	160%	140%
Dividend Yield ratio (based on cash dividend)	"	8.30%	8.27%	7.54%	6.73%	7.38%	4.58%
Dividend Payout ratio	"	84.02%	88.77%	83.14%	81.35%	69.71%	64.06%
Price to book value ratio	Times	1.67	1.64	1.84	2.24	2.14	3.18
Price to earning ratio	"	10.13	10.74	10.85	12.09	9.45	13.99
Dividend cover ratio	"	1.19	1.13	1.18	1.23	1.43	1.56

\*Includes proposed final cash dividend announced subsequent to the year end.

# Six Years' Financial Performance / Financial Ratios 2014 - 2019

		2019	2018	2017	2016	2015	2014
<b>Share Information</b>							
Market value per share - Dec 31	Rs.	204.94	193.57	212.32	237.82	216.85	305.65
High - during the year	" "	216.20	236.56	267.00	244.82	338.82	311.00
Low - during the year	" "	154.04	177.16	182.21	190.20	205.34	234.51
Market Capitalisation	Rs. Mln	242,866	229,392	251,612	264,701	241,361	340,198

## Asset Quality and Liquidity ratios

Gross Advances to deposits ratio	%	47.17%	52.12%	53.18%	47.07%	46.29%	46.83%
Net Advances to deposits ratio	" "	43.39%	48.00%	48.46%	44.55%	43.65%	44.10%
Investments to deposits ratio	" "	65.41%	71.43%	67.83%	71.14%	81.18%	74.26%
Weighted Average Cost of Deposits	" "	5.96%	3.18%	2.53%	2.48%	3.37%	4.59%
CASA to total deposits	" "	90.42%	91.02%	92.86%	94.13%	93.39%	90.96%
NPLs to Gross advances ratio	" "	9.15%	8.95%	9.47%	5.90%	6.32%	6.80%
NPLs to Shareholders Equity	" "	34.03%	35.09%	35.72%	18.39%	18.00%	20.49%
Coverage Ratio (specific provision/ NPLs)	" "	84.85%	85.68%	91.46%	87.32%	87.63%	82.84%
Coverage Ratio (total provision/ NPLs)	" "	87.73%	88.26%	93.74%	90.82%	90.37%	85.62%
Earning assets to total assets ratio	" "	85.41%	89.67%	87.50%	84.98%	86.88%	87.59%
Investments to total assets ratio	" "	49.42%	50.02%	48.91%	51.84%	56.32%	54.69%
Cash & Cash Equivalents to Total Assets	" "	9.59%	7.55%	8.16%	7.31%	6.34%	5.29%
Cash to Current Liabilities	" "	5.39%	3.44%	5.07%	7.78%	5.96%	5.16%
Earning assets to interest bearing Liabilities	Times	1.60	1.55	1.61	1.63	1.57	1.60
Deposits to shareholder equity	" "	7.88	7.52	7.10	6.63	6.16	6.44
Assets to Equity	" "	10.43	10.74	9.84	9.09	8.87	8.74
Current / Quick Ratio	" "	2.29	1.91	2.01	3.05	2.44	1.51

## Risk Adequacy

Tier I Capital	Rs. Mln	136,257	128,999	129,130	111,999	107,067	104,083
Total Eligible Capital	" "	163,611	145,987	147,227	128,968	120,930	117,489
Risk Weighted Assets (RWA)	" "	867,478	805,177	895,415	667,195	622,323	575,663
Tier I to RWA	%	15.71%	16.02%	14.42%	16.79%	17.20%	18.08%
RWA to total assets	" "	57.25%	53.75%	66.66%	62.22%	61.96%	61.59%
Capital Adequacy Ratio	" "	18.86%	18.13%	16.44%	19.33%	19.43%	20.41%
Net Return on Average RWA	" "	2.87%	2.51%	2.87%	3.40%	4.26%	4.72%

## Duo Pont Analysis

Net Operating Margin	%	31.43%	33.79%	36.95%	36.49%	38.78%	43.09%
Asset Utilization	%	5.06%	4.45%	5.03%	5.78%	6.80%	6.45%
Leverage Ratio / Equity Multiplier	Times	10.58	10.29	9.49	8.99	8.81	8.57

## Industry Share

Deposits	%	7.82%	7.86%	7.83%	6.98%	7.20%	8.25%
Advances	" "	6.62%	6.93%	7.89%	6.60%	6.58%	7.23%
Market Capitalisation	" "	16.87%	17.17%	17.85%	14.86%	17.91%	21.44%

\* based on economic data released by State Bank of Pakistan

## Consolidated

Total Assets	Rs. Mln	1,612,215	1,585,210	1,389,492	1,097,281	1,020,980	941,606
Shareholders' Equity	" "	145,854	140,196	138,100	120,152	115,253	110,095
Net Assets	" "	171,347	151,323	156,543	145,960	142,177	136,269
Profit before tax	" "	40,154	30,806	30,614	36,721	42,789	37,354
Profit after tax	" "	23,947	20,415	22,048	22,174	25,035	24,774
Return on Average Assets	%	1.50%	1.37%	1.77%	2.14%	2.55%	2.81%
Return on Average Equity	" "	16.66%	14.60%	16.98%	19.18%	22.12%	23.45%
Earnings per share	Rs.	20.14	17.17	19.13	19.82	22.38	22.15
Breakup value per share	" "	144.59	127.69	132.10	131.14	127.74	122.43
Capital Adequacy Ratio	%	17.84%	17.02%	16.34%	19.68%	20.07%	20.41%

## Per Branch

Gross Advances	Rs. Mln	383.01	394.23	356.69	297.10	263.72	261.62
Deposits	" "	811.89	756.34	670.69	631.20	569.75	558.71
CASA	" "	734.09	688.40	622.83	594.14	532.08	508.21
PBT	" "	28.44	23.12	21.48	29.14	34.61	29.81



## Six Years' Non-Financial Performance 2014 - 2019

		2019	2018	2017	2016	2015	2014
No. of accounts	Absolute	8,223,038	7,854,928	7,607,277	6,549,452	6,074,103	5,648,460
No. of branches	"	1,410	1,387	1,444	1,238	1,223	1,232
No. of permanent employees	"	13,596	12,860	13,155	11,088	10,532	10,737

### Digital Banking

No. of ATMs	Absolute	1,360	1,321	1,377	1,191	1,073	937
No. of Debit cards/smart cards issued during the year	"	652,440	783,233	772,314	666,999	642,649	488,706

### Internet Banking

No. of customers	"	180,326	176,210	163,273	144,069	125,621	104,889
No. of transactions	"	479,278	481,137	509,569	450,333	358,547	250,412
Volume of transactions	Rs. Mln	18,452	14,859	12,306	7,971	6,149	3,356

### Mobile Banking

No. of customers	Absolute	1,909,712	1,363,304	1,232,258	931,965	656,485	566,846
No. of transactions - financial	"	2,074,367	2,354,765	1,689,324	1,487,899	1,377,762	1,139,634
No. of transactions - non-financial	"	6,255,699	6,081,206	3,908,141	3,390,035	3,365,913	3,097,579
Volume of transactions	Rs. Mln	50,261	48,623	24,597	15,018	14,842	12,258

### Credit Cards

No. of new issuance	Absolute	16,907	15,245	13,006	11,060	10,647	7,505
No. of customers	"	83,070	77,190	70,246	64,075	59,343	55,180
Total spend (transaction volume)	Rs. Mln	8,927	7,597	7,054	5,967	5,079	4,843

### Auto Loan

No. of Loans disbursed	Absolute	5,999	8,266	8,977	6,751	5,565	3,775
Outstanding Volume	Rs. Mln	17,929	18,134	16,416	10,811	8,256	6,062

### Home Loan

No. of Loans disbursed	Absolute	62	108	64	44	21	8
Outstanding Volume	Rs. Mln	4,110	4,116	2,909	1,887	1,710	1,508

### Personal Loan

No. of Loans disbursed	Absolute	2,435	2,766	1,313	316	231	133
Outstanding Volume	Rs. Mln	2,262	2,707	2,630	531	518	507

### Bancassurance

No. of customers	Absolute	196,633	152,145	119,474	95,434	72,553	55,411
No. of new customers	"	44,021	32,671	24,040	22,881	17,142	15,695
No. of policies	"	44,208	33,110	26,590	23,223	17,189	16,223
Bancassurance Premium	Rs. Mln	8,927	7,060	6,133	4,953	4,193	3,411
Bancassurance - New Premium	"	3,160	2,441	2,046	1,679	1,406	1,218

### Trade

Imports - volume	Rs. Mln	563,914	483,932	416,489	371,233	359,860	414,941
Exports - volume	"	356,549	302,500	220,912	162,899	170,032	171,072

### Home Remittance

Volume of home remittance	USD Mln	3,051	3,064	2,281	2,220	2,096	1,819
Volume of home remittance	Rs. Mln	455,862	374,431	240,478	232,340	213,755	184,130
Home Remittance MCB Market Share	%	13.74%	14.54%	11.64%	11.30%	10.90%	10.68%

### Cash Management

Volume of cash collection	Rs. Mln	1,884,135	1,673,812	1,500,553	1,210,303	1,024,595	963,217
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## Six Years' - Performance Commentary

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

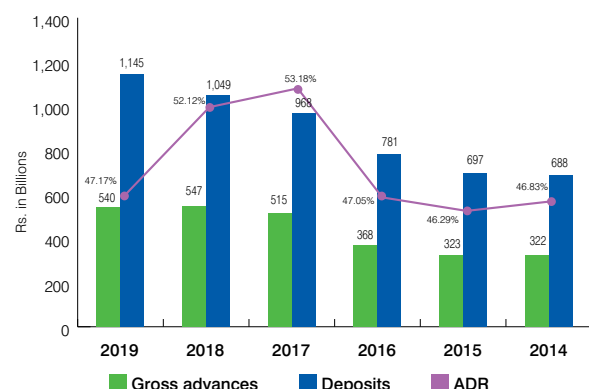
### Statement of Financial Position

#### Total Assets:

The asset base of the Bank has registered a remarkable compound annual growth rate (CAGR) of 10.88% over the last 6 years growing to Rs. 1,515 billion as at December 31, 2019. Prime contributors to the said increase have been advances and investments, with investments growing annually by approximately 8.90% while advances grew by 12.25%. The earning asset mix of the Bank has been prudently managed to ensure maximization of returns to stakeholders. In 2017, based on the strategic move, NIB Bank was merged with and into MCB Bank Limited resulting in a significant increase in assets of 25%. Furthermore in 2018, 90 branches of the Bank were transferred to a wholly owned subsidiary of the Bank i.e. MCB Islamic Bank Limited. In 2019 the Bank recorded a net growth of Rs. 17 billion (1.14%) over 2018.

#### Advances:

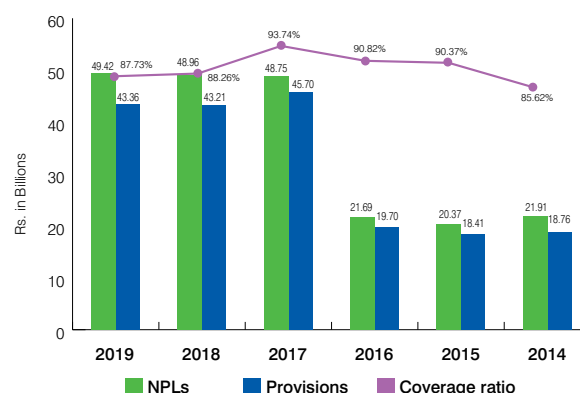
The changing macro-economic factors made the operating environment more challenging with discount rate registering a sheer increase of 750 bps in the last two years. Growing concerns on the asset quality coupled with limited credit opportunities falling within the defined risk appetite has resulted in a moderate growth in gross advances base. However, over the past three years, merger of NIB Bank and decent growth on the private sector credit appetite has reflected in the growth numbers for MCB. Gross advances have grown at a CAGR of 12.25 % over the last 6 years. ADR ratio of the Bank improved considerably over the last few years i.e 42.41% in 2013 to 47.17% in 2019.



#### Non-performing Loans:

Strengthened risk management policies coupled with refined appetite has enabled the Bank to keep a check on quality of its assets. Bank posted significant recoveries in past few years. However, in 2019 the Bank surpassed all the previous records of recovery by achieving the highest ever figure of Rs.3.047 Billion and registered a growth

of 7% over the last year. The infection ratio of the Bank was 8.68% as at December 31, 2013 which improved to 5.90% as at December 31, 2016. However, transfer of NPL stock from NIB Bank i.e. Rs. 29.650 billion has increased the infection ratio to 9.47% as at December 31, 2017. In 2019 infection ratio improved to 9.15% due to substantial recoveries. The quality of asset base has been one of the prime focus areas of the Bank and the significant recoveries posted in the last few years reflect the strategic focus of the Bank. The coverage ratio of the Bank has moved from 85.62% as at December 31, 2014 to 87.73% as at December 31, 2019. NPLs classified in "loss" category constitute more than 93.04% of the NPLs base as at December 31, 2019. This specifies the adequacy of provision held in the books of the Bank.

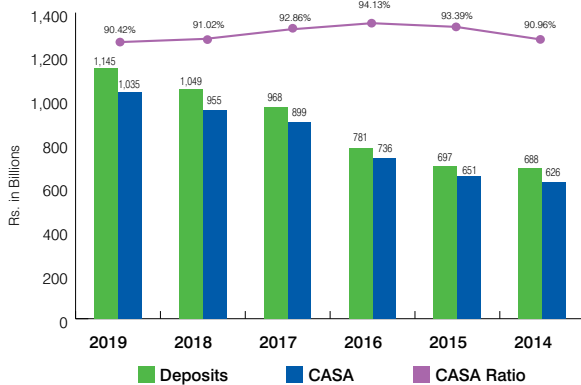


#### Investments:

During the past few years, the lack of credit opportunities resulted in banking sector money being deployed in Government Papers as Government's borrowing appetite has continued to grow. With an average annual growth rate of 8.90% over the last six years, the investment base of the Bank has grown from Rs. 511 billion as at December 31, 2014 to Rs. 748 billion as at December 31, 2019. In 2019, the strategic profiling of the investments based on the interest rate calls resulted in a gradual shift from shorter to longer term investments, thereby capitalizing on the significant interest rate movement during the year.

#### Deposits:

The deposit base of the Bank has nearly doubled over the last six years, surpassing the landmark of PKR 1 trillion, with absolute numbers increasing from Rs. 688 billion as at December 31, 2014 to Rs. 1,144 billion as at December 31, 2019. CAGR of 10.40% is maintained during the past 6 years. CASA base has registered remarkable increase in last 6 years, increasing from Rs. 626 billion as at December 31, 2014 to Rs. 1,035 billion as at December 31, 2019. This has been strategically achieved through service excellence, strategically placed touch points for the customer and transactional convenience provided through a variety of products.



### Equity and Dividends

- The paid-up capital of the Bank has grown from Rs. 11.1 billion as at December 2014 to Rs. 11.8 billion as at December 31, 2019, meeting the statutory capital requirements set by the Central Bank.
- In 2008, most affluent strategic partnership occurred in Pakistan where the largest Bank of Malaysia, Maybank Berhad, acquired 20% holding in MCB Bank Limited (Current holding 18.78%. Dilution due issue of share under merger scheme). In 2017, Fullerton Financial Holdings (International) of Singapore through Bugis Investments (Mauritius) Pte Ltd acquired 5.49% stake in MCB under merger scheme of NIB Bank with and into MCB Bank Limited.
- The equity base of the Bank is reflective of the outstanding financial results achieved through consistent performance over years. The capital base of the Bank is rated as strong which is substantiated by the reported CAR of 18.86% as at December 31, 2019 against the statutory requirement of 12.50%. The Shareholders' equity has grown significantly from Rs. 97 billion as at December 31, 2013 to Rs. 145 billion as at December 31, 2019.
- The Bank has the highest cash dividend per share in the industry with regular interim dividends and remains one of the prime stocks preferred in the Pakistani equity markets.

## Profit and Loss account

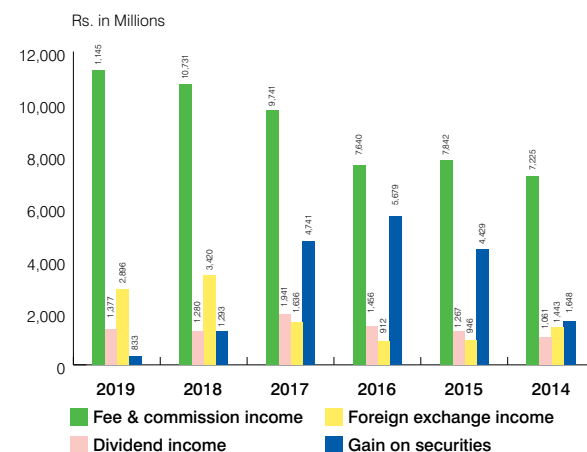
### Net Interest Margin

- The composition of markup income has seen a shift in the last six years on the back of concentration shift in the earning asset base of the Bank. The contribution from markup income earned on advances has increased from 37.34% in 2014 to 41.46% in 2019 while markup income from investments is decreased to 54.58% as compared 61.91% in 2014. Investment to total asset ratio is decreased from 55% (FY 2014) to 49% (FY 2019); whereas, advances to total asset ratio is improved by 2% from 2014 to 2019. Gross yield on average assets is also improved over the years and closed at 10.49% in 2019.

- The regulatory revisions covering minimum deposit rate introduced in the earlier years of this six years analysis has adversely affected the Bank's net interest margin. The said impact was strategically diluted by improving the CASA base over period taking it to over 90.42% as at December 31, 2019. In 2019, owing to the adoption of IFRS 16, the Bank recorded additional expense of Rs. 1.13 billion against unwinding cost of liability against right-of-use-assets. Furthermore, cost of foreign currency SWAPs was increased by Rs. 2.35 billion over 2018 due to fluctuation in exchange rate.

### Non-Markup Income

- During last six years, fee, commission income and capital gains have been the major drivers behind non-fund income growth. Fee, commission income has grown on the back of new products and services added to the menu coupled with remote banking and branchless initiatives taken by the Bank. The product development teams of the Bank have been tapping the unbanked segment of the population and offering them tailored products to meet their specific financial requirements. Different types of products have been offered in order to meet the needs of the time like credit card, mobile banking, visa debit card, MCB Lite, prepaid cards, IBFT etc.
- The fee, commission and brokerage block of the Bank has been constantly increasing over the years with major contributions coming from commission earned on card business, bancassurance business, and remittances and intercity / intra-city cash transfers.
- The equity investment base of the Bank has been providing outstanding dividend yields with dividend income proving to be one of the major contributors to non-markup income. During the past 6 years, above Rs. 27 billion has been realized by way of capital gains and dividend income.





**Provisions and write offs**

- Owing to the strengthened risk management framework, the provision charge on advances of the Bank has been on a declining trend over years. However for the last two years the Bank has recorded net charge of Rs. 4.8 billion against equity portfolio due to market volatility. The provision and write-off reversal was reported at Rs. 1.86 billion for the year 2014 followed by extensive recovery efforts and reversals in subsequent years. To explain further, the Bank also 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 2019.

**Operating expense:**

- The growth in administrative block of the bank has been nominal considering the inflationary patterns followed over the period of six years. The management has been able to introduce cost effective techniques / methods to exercise control over the administrative expenses. Centralization of various expense heads and imposition of annual capping have been few of the key initiatives undertaken in this respect. This has enabled the Bank to maintain one of the lowest cost to income ratios in the industry.

**Profit before tax and Profit after tax:**

- MCB Bank has been able to post outstanding profitability numbers over the period of last six years as substantiated by the highest EPS and remarkable return on asset ratio. CAGR over the last six years is 3.68%.

The post-tax profitability numbers were Rs. 24.32 billion for 2014 and now it stands at Rs. 23.97 billion for 2019. The aggregate profit after tax for the last six years has crossed Rs. 135 billion.

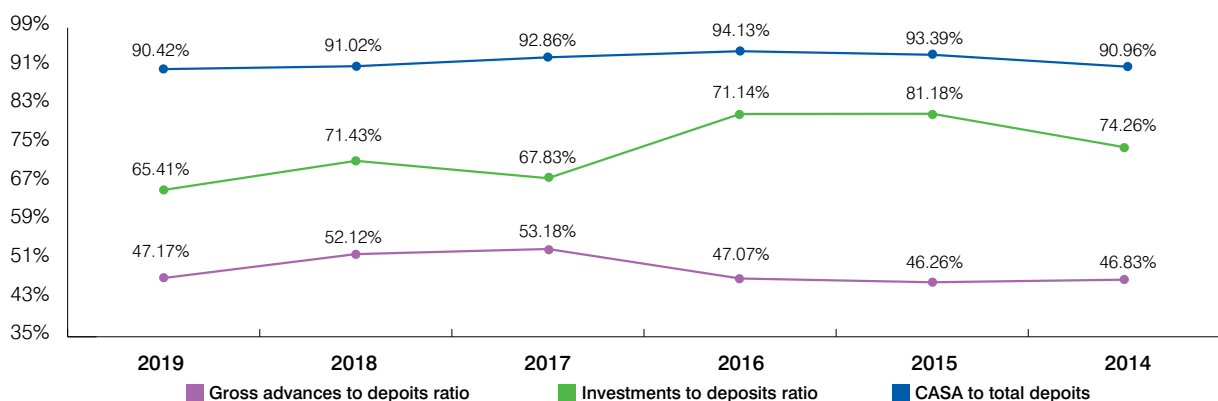
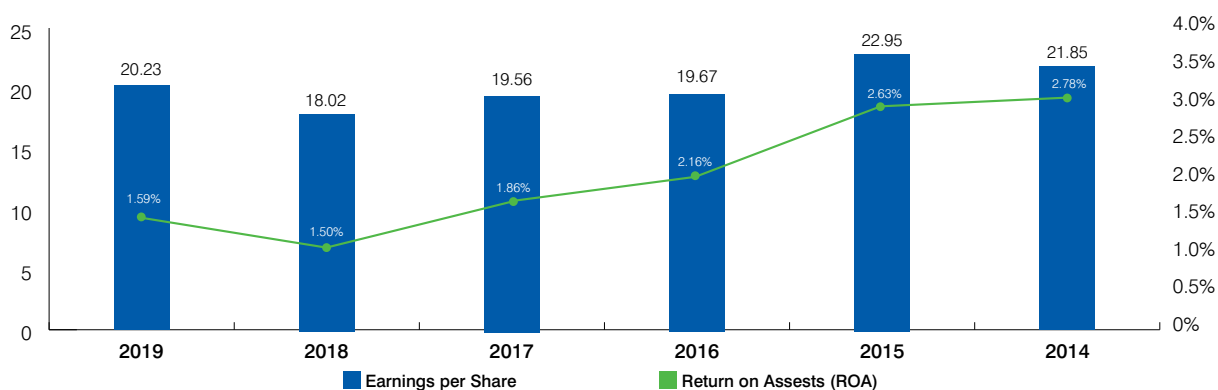
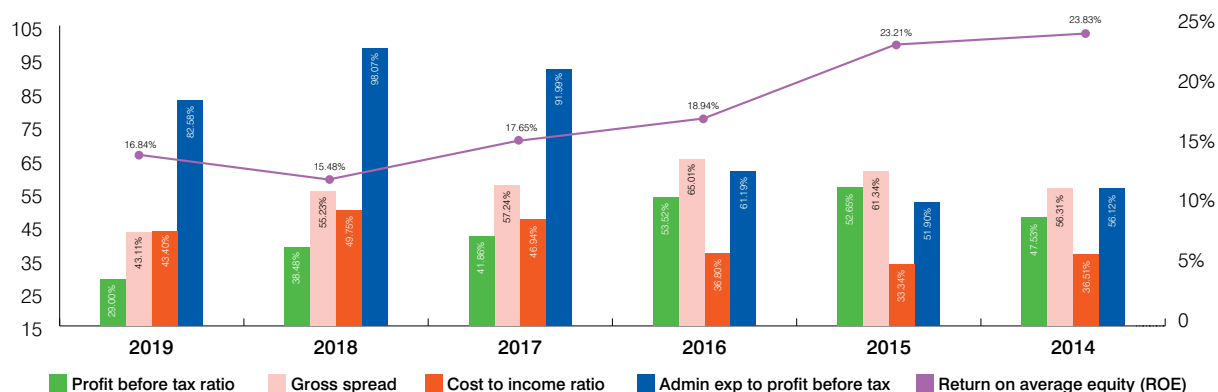
- Profitability ratios have been one of the best in the banking industry which are reflective of the effective management of the affairs and adoption of prudent strategies.

**Other statistics**

- The Bank has added almost 3 million bank accounts to its base during the past 6 years with the current statistics highlighting bank accounts over 8 million.
- With active participation in trade, MCB Bank has been able to improve trade volume in last 6 years which has increased to Rs. 564 billion for imports and Rs. 357 billion for exports.

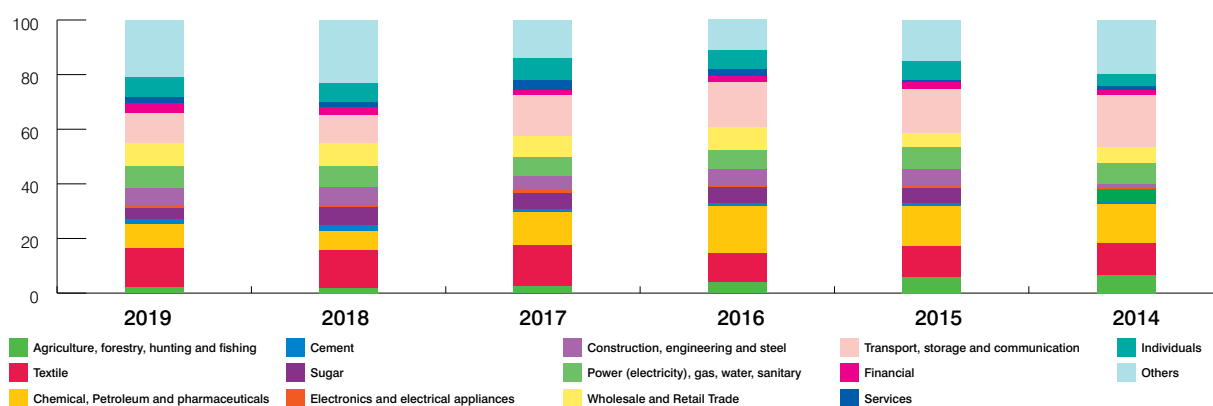
- The Bank has been able to increase its market share in the remittance business growing from Rs. 184 billion as at December 31, 2014 to the volume of Rs. 456 billion as at December 31, 2019.
- In 2008, the Bank launched Bancassurance which was a unique cross functional service to the customers of the Bank. With only 131 policies and 129 customers in 2008, MCB Bank issues 44,208 policies with new premium amount of more than Rs. 3.1 billion.
- MCB Bank launched mobile banking in 2009 with approximately 53K customers reported by the end of the 2009. As of 2019, the mobile customers have grown to 1.91 million and above with transaction volume of over Rs. 50 billion.
- During the year 2019, this is the 7th consecutive year where MCBs Annual Report has been adjudged winner for best corporate report award in financial sector category. MCB Bank has been awarded as winner by ICAP and ICMAP for Best Corporate Report Award 9 times in past 10 years.
- In 2015, MCB Annual Report has been honored to receive 1st place by South Asian Federation of Accountant (SAFA) for best presented Annual Accounts 2014. MCB was the 1st Pakistani bank to receive this accolade. In the past years, we have been awarded merit certificate and runner up awards for the same.
- In 2016, Bank was awarded Best Bank in Corporate Finance and Investment Banking by EuroMoney Awards while in 2016 bank was awarded as best bank by EuroMoney. We have also been awarded for Country Awards for Achievement in recent past years by FinanceAsia.
- In 2019, Bank was declared Most Outstanding Company in Pakistan in Financial Sector category by Asiamoney.
- China-Pakistan Economic Corridor ('CPEC') is beginning to show greater momentum with several energy and infrastructure projects in the pipeline, which will fuel growth in the medium term. Bank is continuously focusing on CPEC related infrastructure projects and bank has been able to achieve various awards on outstanding performance under CPEC arrangements. In this regard bank received award for Best Regional Bank in South Asia for BRI (Belt & Road Initiative) - Asiamoney New Silk Road Finance Awards 2017.

## Six Years' - Graphical Summary of Ratios

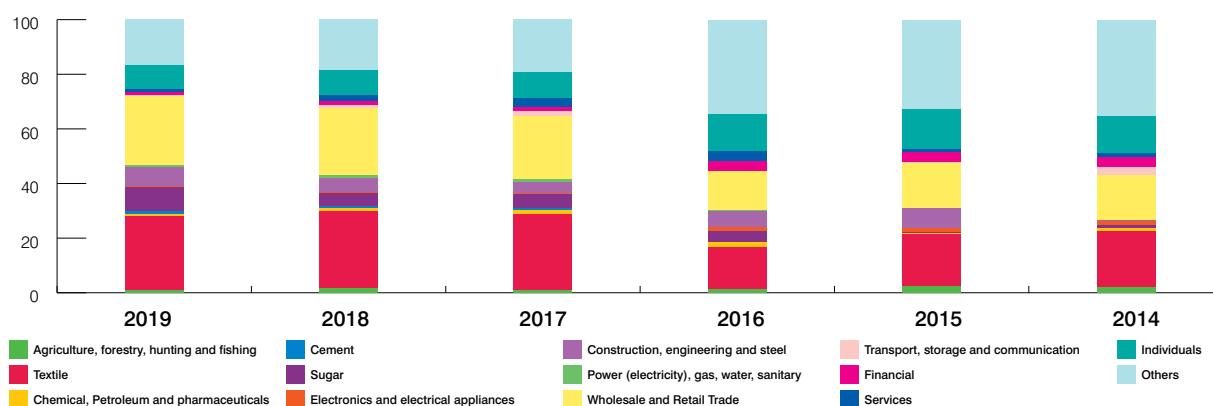


## Six Years' - Concentration of Advances, NPLs and Off Balance Sheet Items (2014-2019)

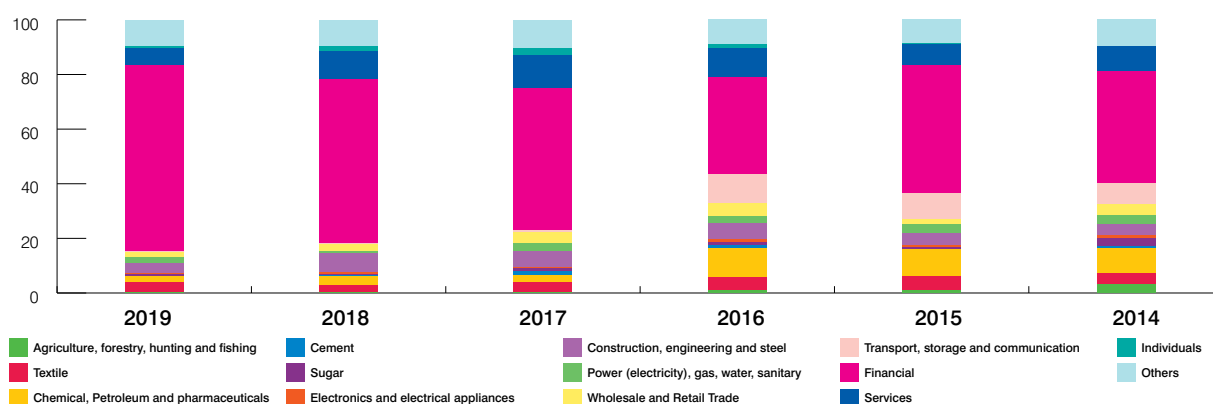
### Gross Advances



### Classified Advances



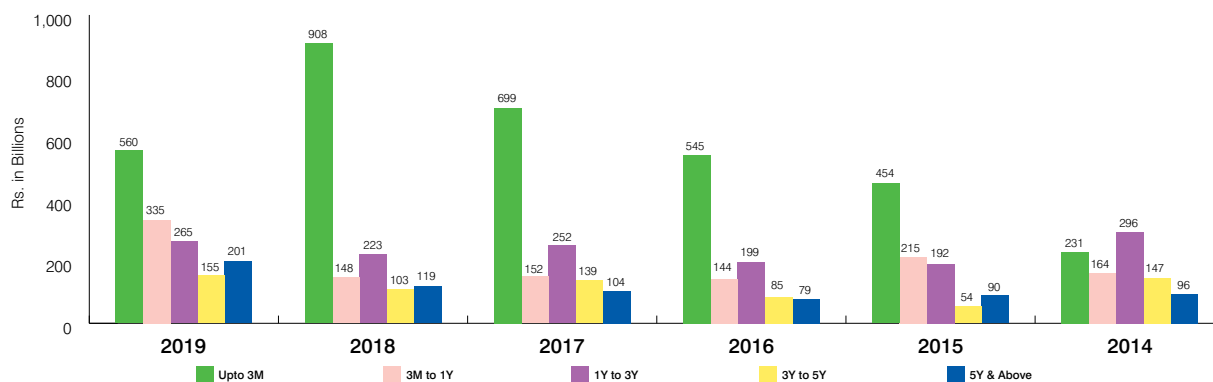
### Off Balance Sheet Item



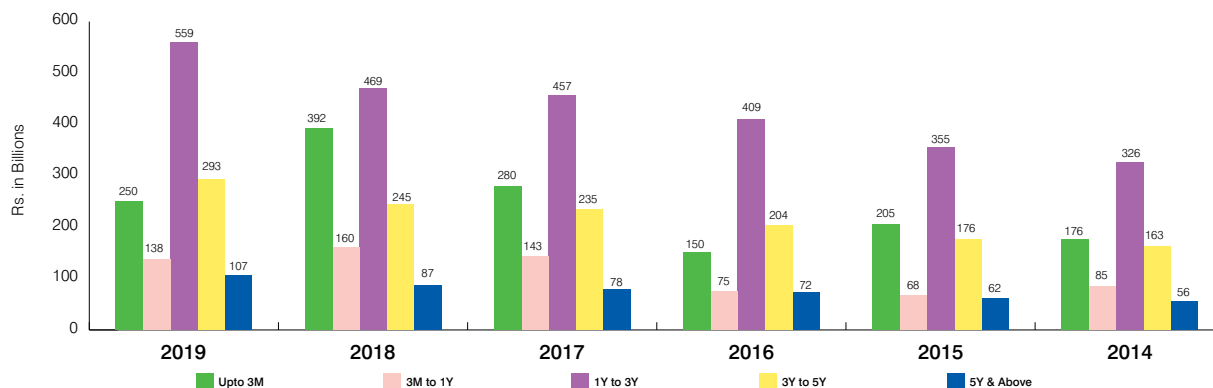


## Six Years' - Maturities of Assets & Liabilities

### Maturities of Assets



### Maturities of Liabilities



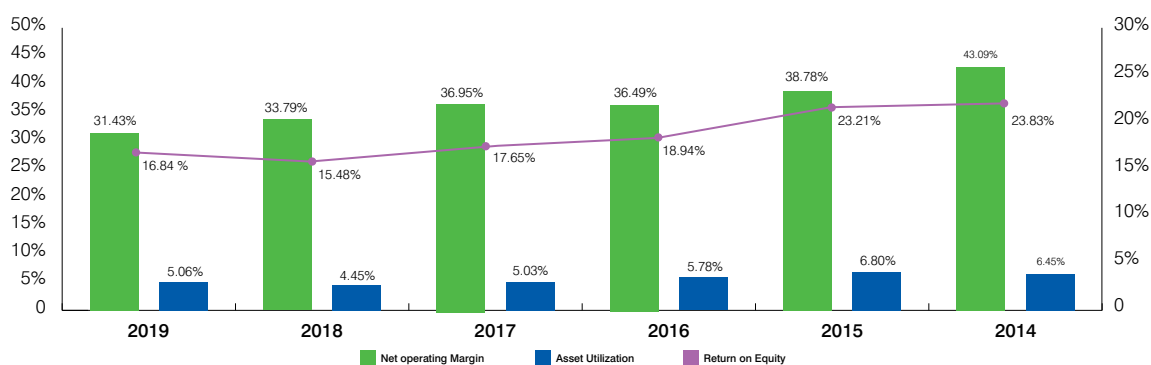
\* Based on expected maturities

## DuPont Analysis

			2019	2018	2017	2016	2015	2014
Net Operating Margin	PAT / Total Income	A	31.43%	33.79%	36.95%	36.49%	38.78%	43.09%
Asset Utilization	Total Income / Average Assets	B	5.06%	4.45%	5.03%	5.78%	6.80%	6.45%
Return on Assets		C = A x B	1.59%	1.50%	1.86%	2.11%	2.63%	2.78%
Leverage Ratio / Equity Multiplier	Average Assets / Average Equity	D	10.58	10.29	9.49	8.99	8.81	8.57
Return on Equity		C X D	16.84%	15.48%	17.65%	18.94%	23.21%	23.83%

### Following are the main DuPont analysis highlights:

- 1) Net operating margin measure in term of profit margins showing increasing trend in 2014 due to improved non-markup income, cost control measures and reversal in provisions.
- 2) 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.
- 3) Equity Multiplier showing increasing trend since 2014 due to higher profits.



## Summary of Cash Flows:

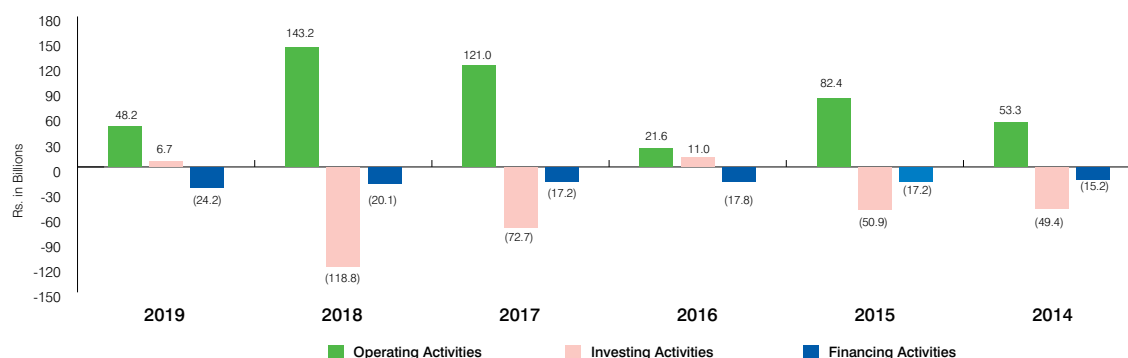
	(Rupees in million)					
	2019	2018	2017	2016	2015	2014
Cash flows from operating activities	48,192	143,221	121,010	21,593	82,440	53,343
Cash flows from / (used in) investing activities	6,681	(118,767)	(72,671)	11,043	(50,942)	(49,394)
Cash flows used in financing activities	(24,157)	(20,092)	(17,203)	(17,760)	(17,167)	(15,175)
Cash & cash equivalents at beginning of the year	113,181	109,543	78,407	63,682	49,427	60,857
Cash & cash equivalents at end of the year	143,898	113,181	109,543	78,407	63,682	49,427

### Commentary of Cash Flow Statement

Cash flows from operating activities depict cash inflows from core business of the Bank i.e. Deposit generation. In 2019, cash flow generated from operating activities was Rs. 48.2 billion which had decreased significantly when compared with Rs. 143.2 billion in 2018. In 2019, deposit growth contributed cash inflow of Rs. 95.73 billion which was mainly utilized to repay the borrowings from financial institutions. In 2019 total of Rs. 126 billion was repaid to other financial institutions. As compared to base year 2004, a slight decrease of Rs. 5 billion is observed. Calendar year 2019 remained a hall mark year in terms of operational activity as the Bank reported highest base on both key performance indicators (i.e. Deposits and Advances). For the year 2019, the increase in the asset base was primarily led by cash and balances with treasury banks. Historically, investments have been the major contributors to the increased asset base.

On the investing front, Bank portrayed a significant improvement and reported net cash inflow of Rs. 6.7 billion. During the past 6 years, highest cash outflow was observed in last year i.e. Rs. 118.8 billion due to the payment made on account of demerger of 90 branches which was Rs. 22.2 billion. In 2019, Bank invested Rs. 5 billion in operating fixed and intangible assets; whereas, investments worth of Rs. 8.9 billion were sold.

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



## Free Cash Flows:

	(Rupees in million)					
	2019	2018	2017	2016	2015	2014
Profit before taxation	40,102	32,064	31,014	36,075	42,329	36,729
Adjustment for non-cash items	6,174	264	882	1,525	1,419	(58)
Operating assets/ liabilities changes	1,916	110,893	89,114	(16,007)	38,692	16,672
Net cash generated from operating activities	48,192	143,221	121,010	21,593	82,440	53,343
Capital expenditure	(5,022)	(4,483)	(4,745)	(3,485)	(942)	(4,757)
Free cash flows	43,170	138,738	116,265	18,108	81,498	48,586

# Cash Flow Statement

## Direct Method

	2019	2018
	(Rupees in Million)	
<b>Cash flows from operating activities</b>		
Mark-up / return / interest and commission receipts	140,715	100,579
Mark-up / return / interest payments	(67,306)	(31,987)
Payments to employees, suppliers and others	(29,592)	(29,565)
	43,817	39,027
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	34,016	(30,708)
Net investments in 'held for trading' securities	(129)	(9,338)
Advances - net	7,225	(31,435)
Other assets	(3,554)	(1,713)
	37,558	(73,194)
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	(3,878)	(5,767)
Borrowings	(125,990)	82,186
Deposits and other accounts	95,726	102,473
Other liabilities	3,266	1,795
	(30,876)	180,687
	50,499	146,520
Income tax paid	(2,307)	(3,299)
<b>Net cash flows from operating activities</b>	48,192	143,221
<b>Cash flows from investing activities</b>		
Net investments in 'available for sale' securities	8,628	(93,719)
Net investments in 'held to maturity' securities	310	(1,451)
Investment in a subsidiary company	(350)	(1,200)
Dividends received	1,395	1,603
Investments in operating fixed assets	(4,396)	(4,261)
Investments in intangible assets	(626)	(222)
Sale proceeds of operating fixed assets and intangible assets disposed off	158	574
Proceeds from sale of non-banking assets acquired in satisfaction of claims	540	682
Investments in non-banking assets acquired in satisfaction of claims	(64)	–
Net cash inflow from amalgamation of a subsidiary	41	–
Net cash outflow on demerger	–	(22,214)
Proceeds from divestment in an associate	–	295
Exchange differences on translation of the net investment in foreign branches	1,046	1,146
<b>Net cash flows from / (used in) investing activities</b>	6,682	(118,767)
<b>Cash flows from financing activities</b>		
Payments of Subordinated debt	(3,891)	(2)
Dividend paid	(18,838)	(20,091)
Payment of lease liability against right-of-use-assets	(1,428)	–
<b>Net cash flows used in financing activities</b>	(24,157)	(20,093)
Effects of exchange rate changes on cash and cash equivalents	3,553	5,575
Cash and cash equivalents transferred to MIB under the scheme of demerger	–	(723)
<b>Increase in cash and cash equivalents</b>	34,270	9,213
Cash and cash equivalents at beginning of the year	109,628	103,968
<b>Cash and cash equivalents at end of the year</b>	143,898	113,181

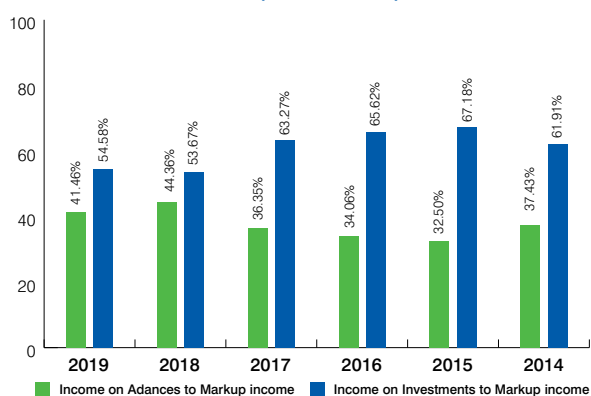
Cash flow statement in annual financial statements is required to be prepared in line with the format prescribed by State Bank of Pakistan under BPRD Circular No. 2 dated January 25, 2018, 'Revised Forms of Annual Financial Statements'.



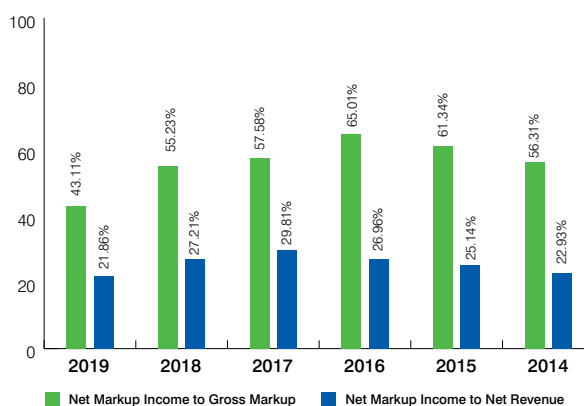
## Markup & Non Markup Income

	2019	2018	2017	2016	(Rupees in Million)	
					2015	2014
<b>Markup Income</b>						
Loans and advances	57,330	36,964	26,931	22,956	26,128	28,922
Investments	75,481	44,719	46,876	44,226	54,010	47,835
Lendings to Financial Institutions	4,982	1,390	174	122	176	481
Balance with banks	499	246	111	97	79	31
	138,292	83,319	74,091	67,400	80,393	77,269
<b>Markup Expense</b>						
Deposits	65,344	32,081	22,105	18,313	23,326	30,341
Borrowings	8,977	4,253	8,837	4,556	7,185	2,790
Subordinated loan	214	308	138	-	-	-
Unwinding cost of liability against right-of-use assets	1,132	-	-	-	-	-
Others	3,009	663	349	717	566	626
	78,676	37,305	31,429	23,586	31,077	33,757
<b>Net Markup Income</b>	<b>59,616</b>	<b>46,014</b>	<b>42,662</b>	<b>43,814</b>	<b>49,316</b>	<b>43,512</b>
<b>Non Markup Income</b>						
Fee & commission Income	11,288	10,731	9,741	7,640	7,842	7,225
Dividend Income	1,377	1,280	1,941	1,456	1,267	1,061
Foreign exchange income	2,895	3,420	1,636	912	946	1,443
Gain on securities	833	1,293	4,741	5,679	4,429	1,648
Other Income	286	474	58	488	2,083	1,566
	<b>16,679</b>	<b>17,198</b>	<b>18,118</b>	<b>16,175</b>	<b>16,566</b>	<b>12,944</b>

**Markup Income from Advances and Investments (2014-2019)**



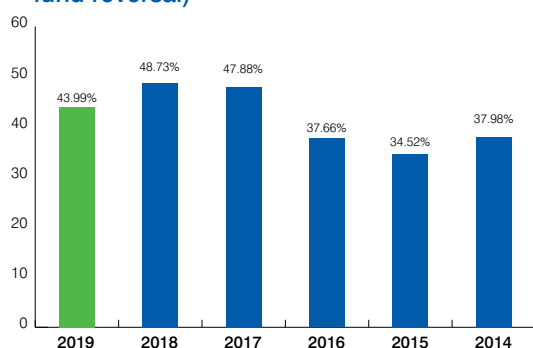
**Income Composition (2014-2019)**



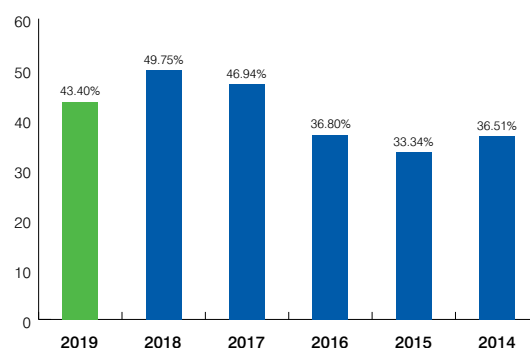
## Operating Expenses

	2019	2018	2017	2016	2015	2014
(Rupees in Million)						
<b>Total compensation expense</b>	14,585	14,053	12,301	9,111	8,962	8,834
<b>Property expense</b>						
Rent & taxes	227	1,959	1,526	1,047	1,044	943
Insurance	21	26	27	24	25	26
Utilities cost	1,203	1,095	911	739	745	747
Fuel Expense	534	514	459	368	545	680
Security (including guards)	1,382	1,603	1,392	1,178	1,034	866
Repair & maintenance (including janitorial charges)	812	945	790	660	516	416
Depreciation on right-of-use assets	1,162	-	-	-	-	-
Depreciation	504	458	383	385	390	371
	5,845	6,599	5,487	4,400	4,300	4,049
<b>Information technology expenses</b>						
Software maintenance	1,188	1,151	863	763	732	732
Hardware maintenance	299	364	349	239	239	183
Depreciation	616	721	690	644	706	585
Amortization	301	256	244	366	364	360
Network charges	601	616	621	554	631	456
Insurance	3	4	5	6	5	5
	3,009	3,112	2,772	2,572	2,677	2,320
<b>Other operating expenses</b>						
Directors' fees and allowances	57	41	39	35	35	34
Legal & professional charges	350	302	328	265	212	282
Outsourced services costs	690	1,119	1,167	818	830	686
Travelling & conveyance	321	343	293	396	236	238
NIFT clearing charges	152	146	136	126	138	139
Depreciation	797	802	656	544	475	418
Depreciation on non-banking assets	45	49	30	29	-	-
Training & development	57	51	60	51	45	35
Postage & courier charges	303	271	323	247	267	219
Communication	373	317	384	306	308	290
Stationery & printing	639	704	646	543	609	561
Marketing, advertisement & publicity	625	518	531	483	362	315
Donations	-	1	12	13	-	40
Auditors Remuneration	30	34	41	24	39	34
Cash transportation charges	799	744	631	551	545	550
Repair & maintenance	416	460	513	403	331	309
Subscription	20	24	18	27	16	18
Entertainment	232	233	235	186	174	160
Credit Card Related Expenses	1,182	738	562	415	348	298
CNIC verification charges	207	138	107	76	62	60
Insurance	1,441	821	254	236	711	509
Others	493	473	431	215	286	212
	9,232	8,327	7,397	5,991	6,028	5,408
<b>Operating expenses excluding compensation</b>	18,086	18,038	15,657	12,963	13,006	11,778
<b>Total operating expenses</b>	32,671	32,091	27,958	22,074	21,968	20,612

Cost to income ratio (excluding pension fund reversal)

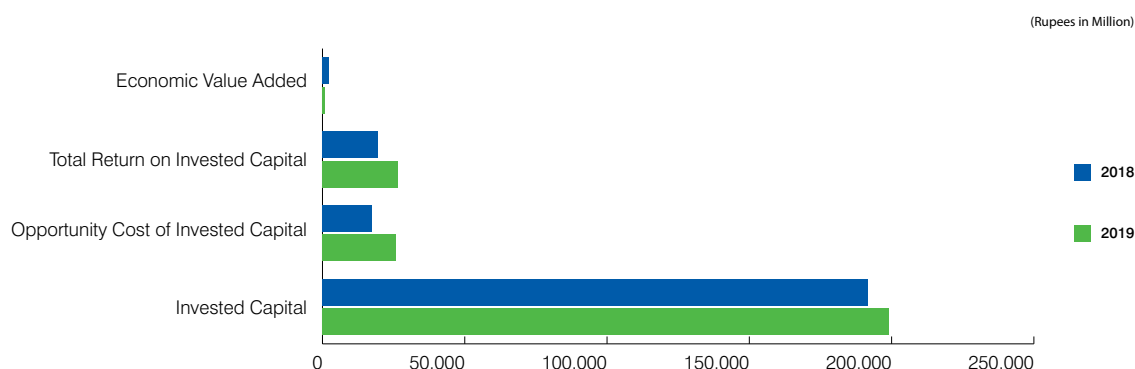


Cost to Income Ratio



## Economic Value Added Statement

	2019 (Rupees in Million)	2018
<b>Invested Capital</b>		
Average shareholders' equity	142,375	138,012
Add: Cumulative provisions against assets	56,652	53,626
	199,027	191,638
<b>Return on Invested Capital</b>		
Profit after taxation	23,977	21,360
Add: Provisions / (reversals) and write offs - net	2,484	(1,753)
Total return on invested capital	26,460	19,606
Economic cost	12.89%	9.10%
Opportunity cost of invested capital	25,655	17,439
Economic Value Added	806	2,167



### Comments:

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

## Capital Expenditure

### Capital expenditure during the year:

The total capital expenditure during 2019 was Rs. 5.02 billion for business expansion, renovation and improvement of IT infrastructure.

### Capital expenditures planned for next year:

The Bank has budgeted capital expenditure of Rs. 6.2 billion for the next year. This would primarily be invested in increasing our operational outreach, continuous improvement in our Information Technology platforms, safeguarding our existing infrastructure / relationships from growing threats on cyber security front along with normal replacements to ensure smooth operations.

# Six Years' Vertical Analysis

## Statement of Financial Position/Profit & Loss

	2019		2018		2017		2016		2015		2014	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
<b>Statement of Financial Position</b>												
<b>Assets</b>												
Cash and balances with treasury banks	132,705	9%	103,175	7%	106,072	8%	74,222	7%	60,568	6%	46,754	5%
Balances with other banks	12,542	1%	11,879	1%	4,579	0%	4,344	0%	3,611	0%	3,016	0%
Lendings to financial institutions	1,090	0%	35,106	2%	4,398	0%	2,810	0%	3,080	0%	1,418	0%
Investments	748,765	49%	749,369	50%	656,964	49%	555,929	52%	565,696	56%	511,137	55%
Advances	496,679	33%	503,581	34%	469,356	35%	348,117	32%	304,122	30%	303,559	32%
Fixed assets	58,271	4%	40,812	3%	39,170	3%	32,409	3%	29,227	3%	30,498	3%
Intangible assets	958	0%	630	0%	404	0%	343	0%	723	0%	694	0%
Other assets	64,143	4%	53,578	4%	62,295	5%	54,191	5%	37,384	4%	37,555	4%
	1,515,152	100%	1,498,130	100%	1,343,238	100%	1,072,365	100%	1,004,410	100%	934,631	100%
<b>Liabilities</b>												
Bills payable	11,822	1%	15,699	1%	22,681	2%	12,844	1%	11,889	1%	16,628	2%
Borrowings	89,506	6%	216,019	14%	133,070	10%	74,515	7%	118,040	12%	59,543	6%
Deposits	1,144,763	76%	1,049,038	70%	968,483	72%	781,430	73%	686,805	69%	688,330	74%
Sub-ordinated loan	-	0%	3,891	0%	3,893	0%	-	-	-	-	-	-
Deferred tax liabilities	5,851	0%	1,532	0%	4,625	0%	11,260	1%	11,377	1%	10,397	1%
Other liabilities	94,296	6%	62,673	4%	56,921	4%	50,690	5%	28,498	3%	29,630	3%
	1,346,237	89%	1,348,852	90%	1,189,672	89%	930,739	87%	866,608	86%	804,527	86%
<b>Net Assets</b>												
	168,915	11%	149,278	10%	153,566	11%	141,627	13%	137,802	14%	130,104	14%
<b>Represented by</b>												
Share capital	11,851	1%	11,851	1%	11,851	1%	11,130	1%	11,130	1%	11,130	1%
Reserves	77,591	5%	74,148	5%	70,866	5%	53,347	5%	51,309	5%	48,830	5%
Surplus on revaluation of assets - net of tax	23,695	2%	9,747	1%	17,073	1%	23,680	2%	24,616	2%	23,196	2%
Unappropriated profit	55,777	4%	53,532	4%	53,776	4%	53,469	5%	50,747	5%	46,948	5%
	168,915	11%	149,278	10%	153,566	11%	141,627	13%	137,802	14%	130,104	14%
<b>Profit &amp; Loss Account</b>												
Mark-up earned	138,292	89%	83,319	83%	74,091	80%	67,400	81%	80,393	83%	77,269	86%
Mark-up expensed	(78,676)	-51%	(37,305)	-37%	(31,429)	-34%	(23,586)	-28%	(31,077)	-32%	(33,757)	-37%
Net mark-up income	59,616	38%	46,014	46%	42,662	46%	43,814	52%	49,316	51%	43,512	48%
Non-mark-up income	16,679	11%	17,198	17%	18,118	20%	16,175	19%	16,566	17%	12,944	14%
Total income	76,295	49%	63,212	63%	60,780	66%	59,989	72%	65,882	68%	56,456	63%
Non-mark-up expenses	(33,709)	-22%	(32,902)	-33%	(28,721)	-31%	(22,989)	-28%	(22,895)	-24%	(21,591)	-24%
Profit before provisions	42,586	27%	30,310	30%	32,059	35%	36,999	44%	42,987	44%	34,865	39%
Provisions & write off	(2,484)	-2%	1,753	2%	(1,045)	-1%	(925)	-1%	(659)	-1%	1,864	2%
Profit before taxation	40,102	26%	32,064	32%	31,014	34%	36,075	43%	42,329	44%	36,729	41%
Taxation	(16,125)	-10%	(10,704)	-11%	(8,555)	-9%	(14,184)	-17%	(16,782)	-17%	(12,405)	-14%
<b>Profit after taxation</b>	<b>23,977</b>	<b>15%</b>	<b>21,360</b>	<b>21%</b>	<b>22,459</b>	<b>24%</b>	<b>21,891</b>	<b>26%</b>	<b>25,546</b>	<b>26%</b>	<b>24,325</b>	<b>27%</b>



## Six Years' Horizontal Analysis

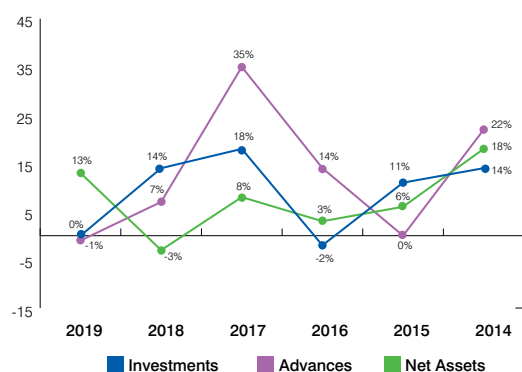
### Statement of Financial Position/ Profit & Loss

	2019	19 Vs 18	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
<b>Statement of Financial Position</b>												
<b>Assets</b>												
Cash and balances with treasury banks	132,705	29%	103,175	-3%	106,072	43%	74,222	23%	60,568	30%	46,754	-22%
Balances with other banks	12,542	6%	11,879	159%	4,579	5%	4,344	20%	3,611	20%	3,016	96%
Lendings to financial institutions	1,090	-97%	35,106	698%	4,398	57%	2,810	-9%	3,080	117%	1,418	16%
Investments	748,765	0%	749,369	14%	656,964	18%	555,929	-2%	565,696	11%	511,137	14%
Advances	496,679	-1%	503,581	7%	469,356	35%	348,117	14%	304,122	0%	303,559	22%
Operating fixed assets	58,271	43%	40,812	4%	39,170	21%	32,409	11%	29,227	-4%	30,498	9%
Intangible assets	958	52%	630	56%	404	18%	343	-53%	723	4%	694	18%
Other assets	64,143	20%	53,578	-14%	62,295	15%	54,191	45%	37,384	0%	37,555	39%
	1,515,152	1%	1,498,130	12%	1,343,238	25%	1,072,365	7%	1,004,410	7%	934,631	15%
<b>Liabilities</b>												
Bills payable	11,822	-25%	15,699	-31%	22,681	77%	12,844	8%	11,889	-29%	16,628	64%
Borrowings	89,506	-59%	216,019	62%	133,070	79%	74,515	-37%	118,040	98%	59,543	54%
Deposits	1,144,763	9%	1,049,038	8%	968,483	24%	781,430	12%	696,805	1%	688,330	9%
Sub-ordinated loan	-	-100%	3,891	0%	3,893	100%	-	-	-	-	-	-
Deferred tax liabilities	5,851	282%	1,532	-67%	4,625	-59%	11,260	-1%	11,377	9%	10,397	147%
Other liabilities	94,296	50%	62,673	10%	56,921	12%	50,690	78%	28,498	-4%	29,630	48%
	1,346,237	0%	1,348,852	13%	1,189,672	28%	930,739	7%	866,608	8%	804,527	14%
<b>Net Assets</b>												
	168,915	13%	149,278	-3%	153,566	8%	141,627	3%	137,802	6%	130,104	18%
<b>Represented by</b>												
Share capital	11,851	0%	11,851	0%	11,851	6%	11,130	0%	11,130	0%	11,130	10%
Reserves	77,591	5%	74,148	5%	70,866	33%	53,347	4%	51,309	5%	48,830	5%
Surplus on revaluation of assets - net of tax	23,695	143%	9,747	-43%	17,073	-28%	23,680	-4%	24,616	6%	23,196	79%
Unappropriated profit	55,777	4%	53,532	0%	53,776	1%	53,469	5%	50,747	8%	46,948	16%
	168,915	13%	149,278	-3%	153,566	8%	141,627	3%	137,802	6%	130,104	18%
<b>Profit &amp; Loss Account</b>												
Mark-up earned	138,292	66%	83,319	12%	74,091	10%	67,400	-16%	80,393	4%	77,269	19%
Mark-up expensed	(78,676)	111%	(37,305)	19%	(31,429)	33%	(23,586)	-24%	(31,077)	-8%	(33,757)	24%
Net mark-up income	59,616	30%	46,014	8%	42,662	-3%	43,814	-11%	49,316	13%	43,512	15%
Non-mark-up income	16,679	-3%	17,198	-5%	18,118	12%	16,175	-2%	16,566	28%	12,944	16%
Total income	76,295	21%	63,212	4%	60,780	1%	59,989	-9%	65,882	17%	56,456	15%
Non-mark-up expenses	(33,709)	2%	(32,902)	15%	(28,721)	25%	(22,989)	0%	(22,895)	6%	(21,591)	10%
Profit before provisions	42,586	40%	30,310	-5%	32,059	-13%	36,999	-14%	42,987	23%	34,865	19%
Provisions & write off	(2,484)	-242%	1,753	-268%	(1,045)	13%	(925)	40%	(659)	-135%	1,864	-35%
Profit before taxation	40,102	25%	32,064	3%	31,014	-14%	36,075	-15%	42,329	15%	36,729	14%
Taxation	(16,125)	51%	(10,704)	25%	(8,555)	-40%	(14,184)	-15%	(16,782)	35%	(12,405)	15%
<b>Profit after taxation</b>	<b>23,977</b>	<b>12%</b>	<b>21,360</b>	<b>-5%</b>	<b>22,459</b>	<b>3%</b>	<b>21,891</b>	<b>-14%</b>	<b>25,546</b>	<b>5%</b>	<b>24,325</b>	<b>13%</b>

# Commentary on Six Years' Horizontal & Vertical Analysis

## Horizontal Analyses

Asset base of the bank has increased considerably over the past 6 years and crossed many milestones i.e. PKR 1 trillion; highest increase in the asset base is observed in 2017 where assets were increased by 25%. This increase also includes assets transferred under merger of NIB Bank into MCB Bank Limited. On an annualized basis, the asset base has recorded an increase of 11% over the last six years. During the past 6 years, highest increase in investment base was reported in 2017 i.e. 18%. Highest growth in advances is observed in 2017 primarily due to portfolio transferred on account of merger of NIB Bank with and into MCB Bank Limited.



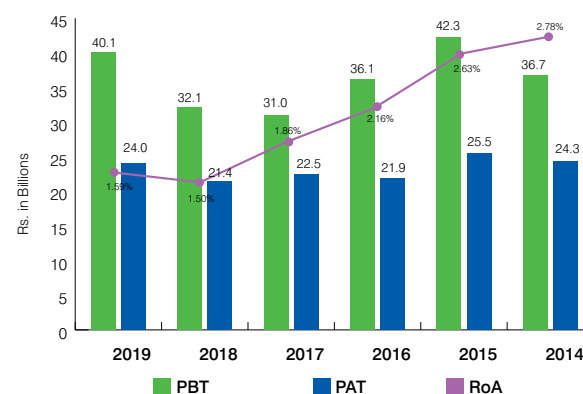
The deposit base of the Bank has increased considerably over the years growing from Rs. 632 billion to Rs. 1,144 billion in 2019 translating into a CAGR of 10.40% over past 6 years. Highest increase was reported in 2017, primarily on account of splendid growth in deposits coupled with deposits transferred under merger of NIB Bank into MCB Bank Limited. During the year 2018, MCB transferred business of its 90 branches to MCB wholly owned subsidiary i.e. MCB Islamic Bank Limited and deposits amounting to Rs. 21.9 billion have been transferred under de-merger. Despite this transfer deposits have grown by 8% during the year 2018 and 9% growth witnessed in 2019.

Equity of the bank has also posted healthy increase due to higher profitability in past 6 years, translating into 7% average growth in past 6 years.

On to Profit and Loss side, gross markup earned has posted an average increase of 13.39% over a span of six years. This is due to the increase in mark up earned on investments and loan and advances in last 6 years coupled with the doubling the interest rate in past 2 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 in MDR 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 maintaining

the CASA base of the Bank. However, the total markup expense has increased by 19.37% over the six year period under coverage.

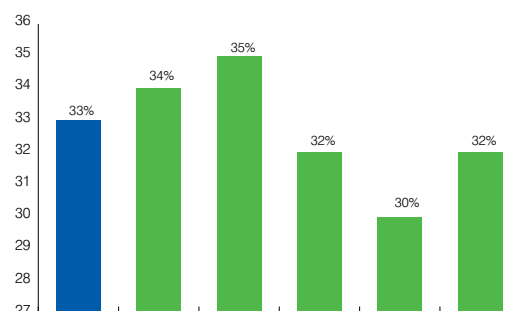
Non Markup income block has shown enormous growth in recent years and the growth rate in past six years is 6.91%, whereas non- markup expense has grown by an average of 9.42% which is justifiable on account of growing operational infrastructure and inflationary patterns. One of the key strength of the Bank has been its recovery of classified portfolio which is clearly reflected by the reduced / reverse credit charge over the last few years. Provision charge in past 3 years is primarily on account of Provision made against equity portfolio of the bank based on the volatility observed in the equity market while provision against advances have been reversed considerably over the past 6 years. MCB enjoys one of the highest spreads in the banking industry which are duly reflected in the profitability ratios of the Bank.



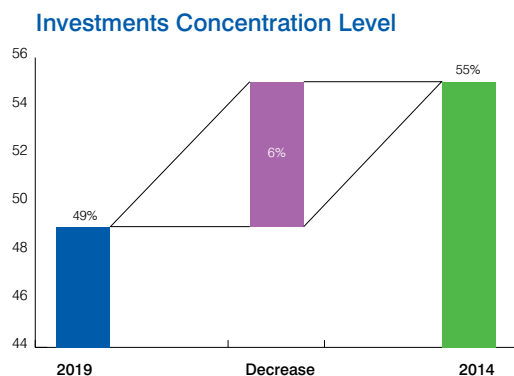
## Vertical Analyses

Vertical analysis depicts higher concentration levels of investments and advances in the asset base of the Bank. The advances base of the Bank has posted moderate growth over the last few years due to lack of credit opportunities and intense competition. The concentration level of advances in the total assets stands improved from 32% in 2014 to 33% in 2019.

### Advances Concentration Level in Assets



The IDRs of the banking industry registered a huge spike in the year 2014 - 2016 on account of higher yielding longer term bonds being offered. However, based on the call that interest rate cycle has bottomed out, a gradual shift to shorter term securities with increased focus on credit was observed in 2017 and again it has started to surge to upward trajectory during past two years. Resultantly, the concentration levels of investments have decreased from 55% in 2014 to 49% in 2019.



Corresponding to the technological, infrastructural and operational spend by the Bank, the deposit base has increased over the period of six years. Improved service quality 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. During the past 6 years, CASA base of the bank has remained above 90%, reflecting focus of the management.

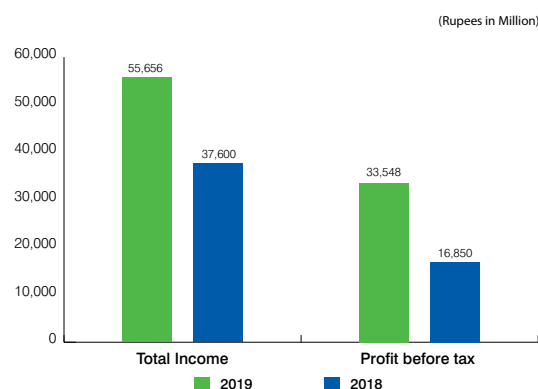
Markup income growth has been steady over the last 6 years. The contribution from markup income approximates 89% of the total revenue. Markup expense has increased over the last 6 years, based on regulatory revisions in MDR enacted over the period and growth registered in the deposit base. Concentration of Non markup income in total income has increased significantly up to 2017 due to innovative solutions offered to our customers, new products launched, and gain on sale of securities and consequently it has decreasing trend in 2018 and 2019's total income concentration due increase in discount rate. Non markup expense concentration level has decreased from 24% in 2014 to 22% in 2019 despite of increase in business which is due to various cost control initiatives.

## Segment Analysis

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

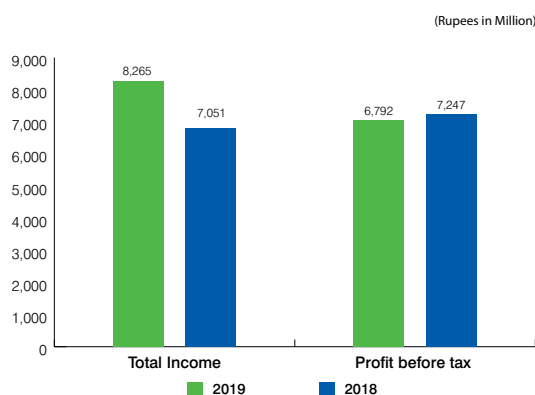
### Retail

This includes retail lending and deposits, banking services, cards and branchless banking.



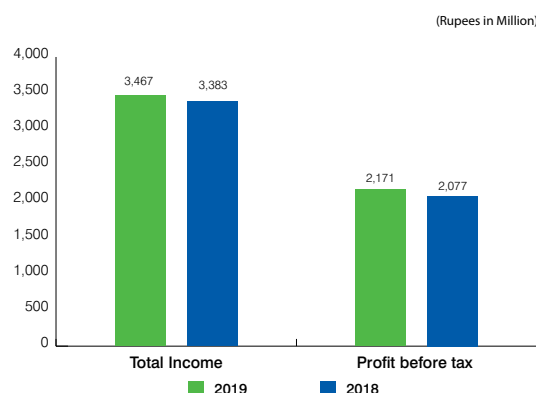
### Corporate

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities / with Bank's corporate and public sector customers.



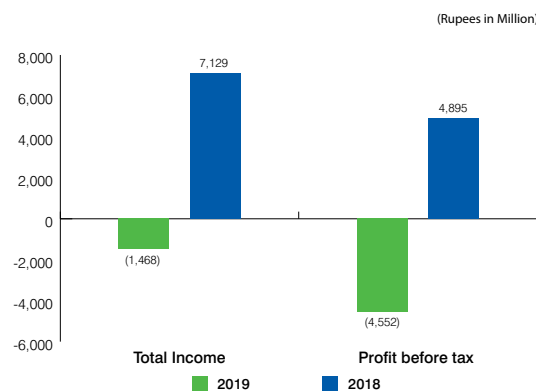
### Consumer

This segment primarily constitutes consumer financing activities with individual customers of the Bank. Product suites offered to these customers include credit cards, auto loans, housing finance and personal loans.



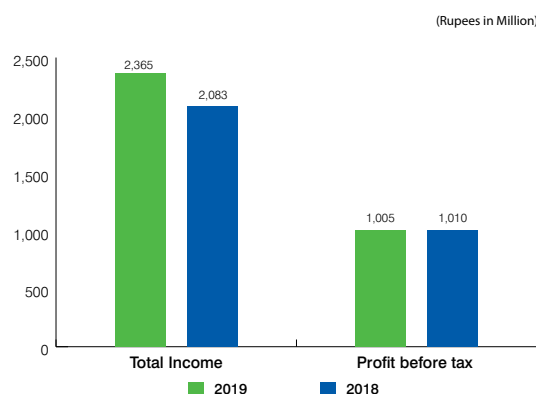
### Treasury

This includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.



### International

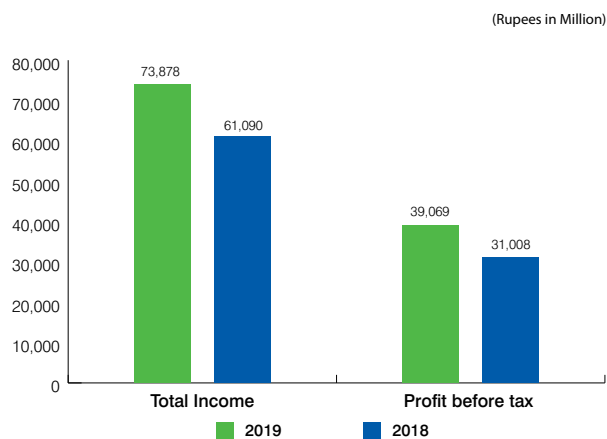
This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities by Bank's overseas operations.



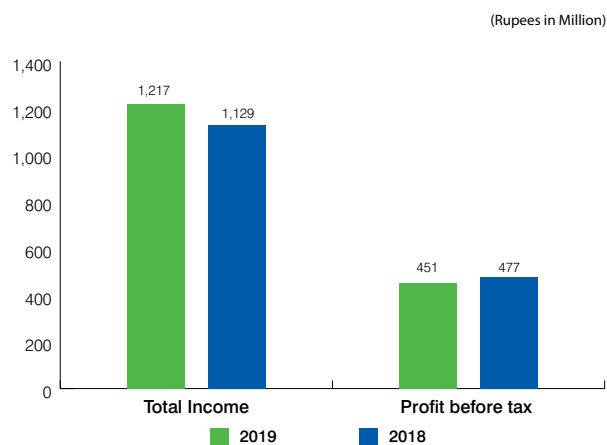


## Geographical Segment

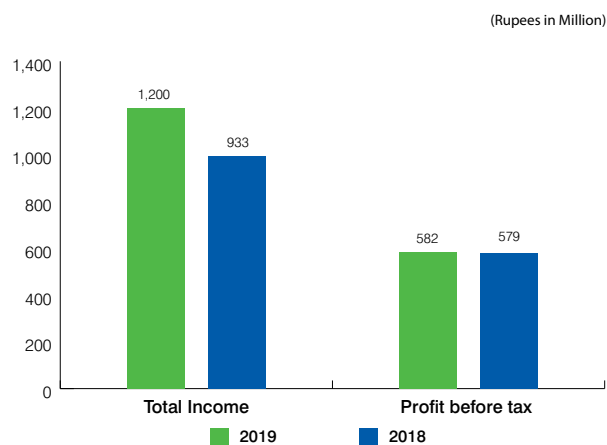
### Pakistan



### Middle East



### South Asia



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

## Statement of Charity and Donation

Statement of charity fund management by MCB Islamic Bank Limited ( Wholly owned subsidiary of MCB Bank Limited)

	2019	2018
	(Rupees in '000)	
<b>Charity Fund</b>		
Opening balance	25,402	5,513
Additions during the year		
- Received from customers against late payment	45,958	25,548
- Dividend purification amount	7,383	2,133
- Profit on charity saving account	1,539	308
	54,880	27,989
Charity paid during the year	(22,500)	(8,100)
Closing balance	57,782	25,402
<b>Charity was paid to the following institutions:</b>		
Pink Ribbon	5,000	–
Indus Hospital	2,000	–
Layton Rehmatullah Benevolent Trust	2,000	–
Sindh Institute of Urology & Transplantation (SIUT)	2,000	700
Shaukat Khanam Memorial Cancer Hospital	2,000	1,000
The Citizens Foundation	2,000	600
Arthritis Care	1,000	–
Aziz Jehan Begum Trust for the Blind	1,000	700
Family Welfare Society	1,000	600
Fatmid Foundation	1,000	700
Infaq Memorial Trust	1,000	700
Mind Organization	1,000	–
The Patient Behbood Society for AKUH	1,000	–
The Lahore Hospital Welfare Society	500	500
Care Foundation Pakistan	–	700
Chiniot Anjuman Islamia	–	600
Fast – NU Chiniot – Faisalabad Campus	–	600
Rising Sun Education & Welfare Society	–	700
	22,500	8,100

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

	2019	2018
	(Rupees in '000)	
Murshid Hospital & Health Care Centre	100	–
District Head Quarter Hospital, Gawadar	–	696
	100	696

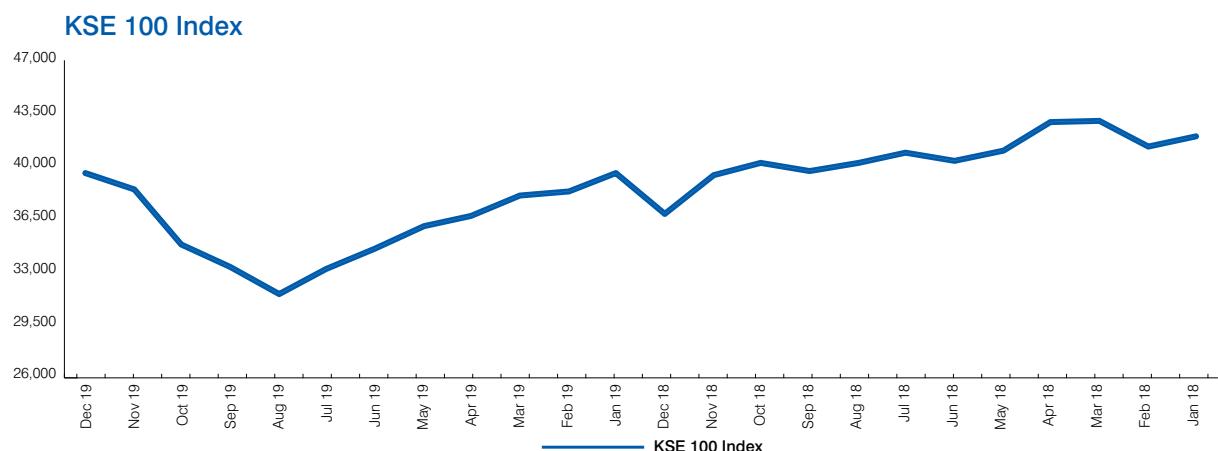
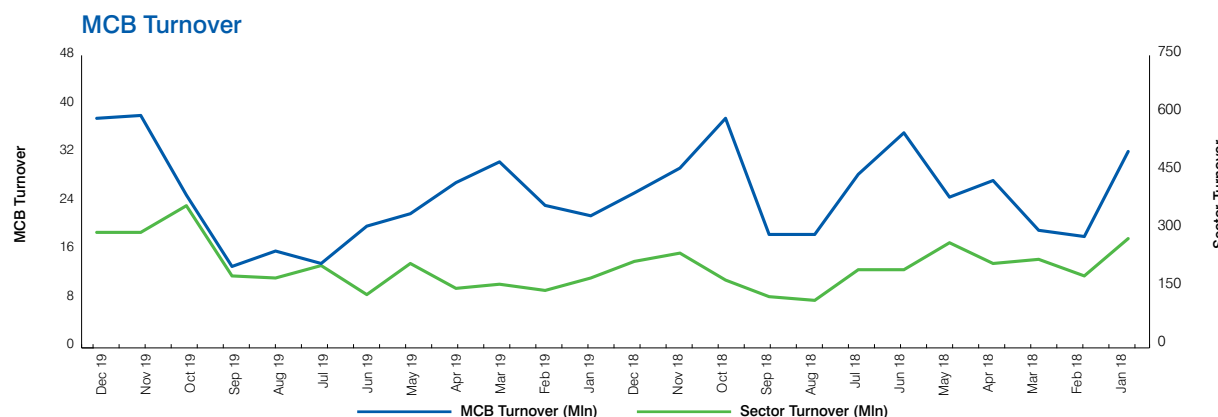
None of the directors, executives or their spouses had any interest in the donee.

## Market Statistics of MCB's Share

	Share Prices			Free Float		Market Capitalisation	
	MCB Scrip (Rs.)			Share ('000s)	%	Capital (Mln)	Value (Mln)
<b>2019</b>	<b>High</b>	<b>Low</b>	<b>Closing</b>				
<b>December 31, 2019</b>	216.20	164.12	204.94	401,261	33.86%	11,851	242,866
<b>September 30, 2019</b>	178.31	154.04	169.57	400,424	33.79%	11,851	200,951
<b>June 30, 2019</b>	195.96	168.62	174.45	388,570	32.79%	11,851	206,734
<b>March 31, 2019</b>	212.51	187.98	196.53	389,775	32.89%	11,851	232,900

<b>2018</b>							
<b>December 31, 2018</b>	206.48	177.16	193.57	390,648	32.96%	11,851	229,392
<b>September 30, 2018</b>	213.85	189.90	201.21	392,927	33.16%	11,851	238,446
<b>June 30, 2018</b>	220.31	195.47	197.77	392,332	33.11%	11,851	234,369
<b>March 31, 2018</b>	236.56	205.87	220.13	387,941	32.74%	11,851	260,867

Dividend and Bonus	2019		2018	
	Mln	%	Mln	%
<b>Final cash dividend</b>	5,925	50	4,740	40
<b>3rd interim dividend</b>	4,740	40	4,740	40
<b>2nd interim dividend</b>	4,740	40	4,740	40
<b>1st interim dividend</b>	4,740	40	4,740	40



## Share Price Sensitivity Analysis

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

### Discount rate / Monetary Policy

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

### Minimum Rate of Return on Deposits/Regulatory Risk

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

### Inflation

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

### Political Stability & Law and order situation

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

### Sensitivity Analysis of Change in Market Capitalization

Share Price as of December 31, 2019	Rs. 204.94
Market Capitalization as of December 31, 2019	Rs. 242,866 Millions
Change in Share Price by	Change in Market Capitalization
	+10% Rs. 24,827 Millions
	-10% Rs. (24,827) Millions

## Calendar of Major Events During 2019

Annual Results - 2018 approved by Board	February 20, 2019
71 <sup>st</sup> Annual General Meeting	March 29, 2019
1 <sup>st</sup> Quarter Results issued on	April 24, 2019
2 <sup>nd</sup> Quarter Results issued on	August 07, 2019
3 <sup>rd</sup> Quarter Results issued on	October 17, 2019
Extra Ordinary General Meeting	November 21, 2019

### History 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
Incorporation of MCB Islamic Banking Limited - a subsidiary company	2014
Merger of NIB Bank with and into MCB Bank Limited	2017
De-merger of 90 branches to its wholly owned subsidiary MCB Islamic Bank Limited	2018
Amalgamation MNET Services (Private) Limited with and into MCB Bank Limited	2019



## Strategic & Resource Allocation

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

### Strategic Objectives:

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

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

For strategy formulation, the Bank followed a structured approach to map itself in the industry / operating environment, conduct SWOT and finally derive a strategy to capitalize on the opportunities presented and strengths identified;



## Strategies in place:

From customer service standpoint, special focus remains on improving our service quality and service standards levels. We will integrate service standards across all the channels and outlets in the network to provide a uniform customer experience.

We will endeavor to meet expectations of our valued customer base. Another important aspect remains credit quality and our refined risk appetite. We will thereby give value to our customers across the entire spectrum retail, corporate and SME while improving our asset quality.

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

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

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

To safeguard the financial stability and the reputation of the Bank, good governance and ethical conduct are imperative. While we already have high standards in these areas, we have set our benchmarks as the best in class practices in the country. We will renew and re-energise our focus on sustainability by ensuring that we continue to maintain a judicious balance between economic, social and environmental objectives.

The end result of all the above will be the enhancement of our brand. The brand is a mirror of our image in the eyes of our customers, both legacy and millennials, and the general public. Through the strategies spelt out in our corporate plan we will forge ahead, building our brand, increasing our assets and profitability, while delivering increasing value to all our stakeholders.

## Method and Assumptions in Compiling Indicators

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

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

Market price is the measure of perception of the Bank in the market. The difference between book value and market value shows investor's confidence on script.

The Bank manages its dividend payout in line with the profitability generated during the year while ensuring sufficient capital buffers are available with the institution to meet regulatory requirements. Dividend is the amount allocated out of profit for paying cash to shareholders. The dividend payment is an indicator of how well earnings support the dividends. The Bank takes its decisions of cash or stock dividend based on market conditions, share price and governing laws and regulations.

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

## Change in Indicators and Performance Measures:

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

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

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

Key performance indicators to measure the objectives are as follows:

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

## Resource Allocation Plan:

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

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

Nature of capital	Resource allocation plan
Human capital	<ul style="list-style-type: none"> <li>• Redeploy human capital to enhance productivity through segmentation;</li> <li>• Human capital capacity enhancement and capability building by focusing on trainings, talent management and talent retention;</li> <li>• Versatile staff that can multitask easily.</li> </ul>
Manufactured capital	<ul style="list-style-type: none"> <li>• Branch layout improvement and widening of branch and ATM network;</li> <li>• Re-align the business model through segmentation to increase the customer base.</li> </ul>
Financial Capital	<ul style="list-style-type: none"> <li>• Investment on process automation and IT network improvements;</li> <li>• Invest on infrastructure including buildings and equipment;</li> <li>• Invest in good quality asset base with high yield.</li> </ul>
Natural capital	<ul style="list-style-type: none"> <li>• Introduce green building concept to branch network by introducing paperless environment and install solar energy equipment in branches;</li> <li>• Increase financing to renewable energy projects</li> </ul>
Intellectual Capital	<ul style="list-style-type: none"> <li>• Reengineering of processes to capture synergies and customer satisfaction;</li> <li>• Improvement in governance culture by utilizing over 72 years of institutionalized knowledge;</li> <li>• Introduce new products as per customer needs.</li> </ul>
Social and Relationship Capital	<ul style="list-style-type: none"> <li>• Invest in a series of initiatives that enhance collaboration and ongoing dialogue with our customers;</li> <li>• Enhance brand image through public awareness campaigns.</li> </ul>

### Strategy to overcome liquidity problem:

Bank carries a substantial portfolio of marketable securities that can be easily traded and realized in known amounts of cash in the event of liquidity stress. Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio are well over and above the regulatory requirement.

The Bank maintains strong liquidity position which is regularly monitored by the respective units. The liquidity ratios indicate the strong liquidity position of the institution. Liquidity position of the bank is discussed in risk management section.

### Significant Plans and Decisions

- Pursuant to the scheme of arrangement duly approved by the Board of Directors of Mnet Services (Private) Limited (Transferor Company) and MCB Bank Limited (Transferee Company), as required under section 284(2) of the Companies Act, 2017 for the amalgamation of Transferor Company with and into Transferee Company, the Transferor Company stands merged into Transferee Company with effect from April 30, 2019;
- During the year, the Bank has exercised the call option under the terms of issuance of TFCs after completing the required regulatory requirements. Accordingly, TFCs amounting Rs. 3.891 billion have been redeemed on June 19, 2019, being the option exercise date;
- Shareholders of the Bank in its meeting held on November 21, 2019 authorized the management of the Bank to dispose of its wholly owned subsidiary, namely MCB Financial Services Limited.

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

### Significant changes in objectives and strategies:

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



## Risk Management Framework

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

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

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

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

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

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

As a matter of principle, the Bank constantly endeavors to improve its Risk Management Framework in the light of the international best practices and regulatory guidelines. During the year Bank's Risk Management Policy Framework has been revamped to comprehensively cover the international operations in a unified manner and under single umbrella.

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

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

Credit Risk Review ensures to minimize credit risk associated at account and portfolio level. During the year 2019, the Bank continued with the policy to remain selective in disbursing its loan to low risk customers across all the industries & maintains a fairly diversified loan portfolio. Risk Review successfully managed to evaluate and approve increased number of loan requests, within required turnaround time, both for domestic and Overseas Operations. An in-house request tracking & turnaround time monitoring software ensures tracking of proposals and monitoring of turnaround-time of credit proposals routed through Risk Management Group. Bank has also implemented Loan Origination System (LOS) for end to end automation of Credit Approval process. Through this initiative Bank has been able to achieve effective management of Bank's internal Policies & Controls as well as regulatory requirements. LOS has also contributed towards Bank's transition to paperless environment under the Green Banking initiative.

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

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

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

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

In accordance with the Operational Risk Policy, framework and Operational Risk Management Regulations, a database covering losses, control breaches and near misses is being maintained using state of the art professionally developed software which has enhanced features and better work flow management. This new software will further augment bank's capacity to capture and report operational risk events and KRIs. This software is also capable of generating periodical regulatory and management reports. Major risk events are analyzed from the control breach perspective and mitigating controls are assessed on design and operating effectiveness. Updates on Operational Risk events are presented to senior management and Risk Management and Portfolio Review Committee of the Board on monthly as well as on quarterly basis.

The Bank has developed Information Technology Risk Assessment Framework which enables better management of technology risk properly. The Bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk aware culture in the staff through workshops and on-job awareness.

## Capital Structure of the Bank

The Bank remained a well-capitalized institution with a capital base well above the regulatory limits and capital requirements under BASEL frameworks. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 18.86% against the requirement of 12.50% (including capital conservation buffer of 2.50%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 15.70% against the requirement of 6%. The bank maintained the leverage ratio of 7.07% which is well above the regulatory limit of 3.0%.

## Liquidity Management and Strategy to Overcome Liquidity Position

The Asset Liability Management Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of

Global Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and stress scenarios. The underlying policies and procedures are reviewed and approved regularly at the senior management and Board of Directors Levels including Global Risk Management Policy, Global Treasury Policy, Investment Policy and Liquidity Strategy including Contingency Funding Plan.

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

Further, in line with SBP's directives, Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios. The Bank reported Liquidity Coverage Ratio (LCR) of 197.12% and Net Stable Funding Ratio (NSFR) of 140.67% against requirement of 100%.

## Sensitivity Analysis due to Foreign Currency Fluctuation

The Pak rupee depreciated by around 11.51% in 2019 against US Dollar. Foreign Exchange Risk exposes the bank to changes in the value of exposure denominated in foreign currencies due to the exchange rate fluctuation and volatility. The types of the instruments exposed to this risk are mainly investments in foreign branches, advances and deposits denominated in foreign currency, cash flows in foreign currencies arising from foreign exchange transactions, etc.

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

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

Impact of 1% change in foreign exchange rates on Profit and loss account:

2019		2018	
Banking Book	Trading Book	Banking Book	Trading Book
(Rs. 000)			
–	11,864	–	4,199

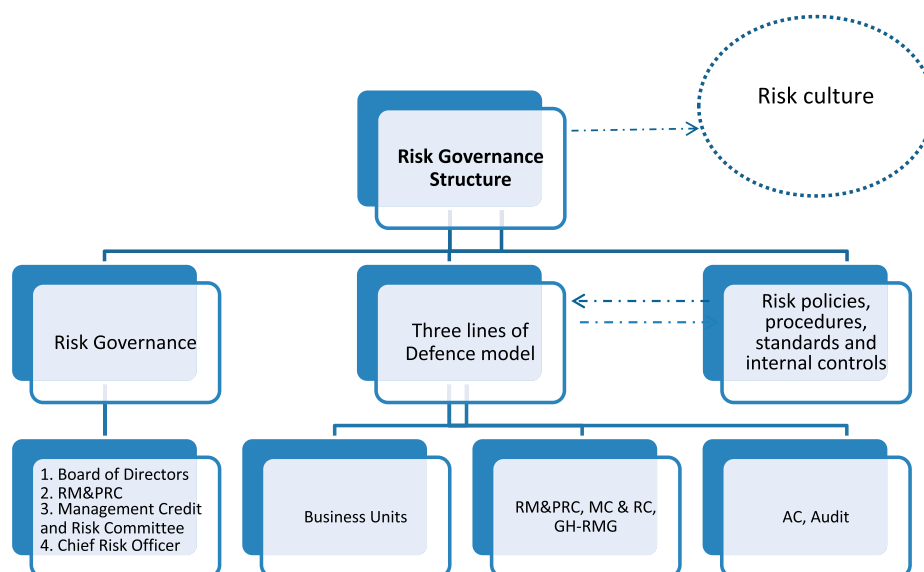
## Risk and Opportunity Report

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 evaluates the associated risk and ensures presence of operational mitigating controls. The Bank remains committed to explore every possible opportunity to translate it into revenues / returns for the stakeholders, while making sure that the related risk is adequately managed.

### Risk Governance Model

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

Graphical presentation of risk governance structure to is as follows:



### Three lines of Defence model

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



1st Line  
Business Units

Involved in day-to-day risk management  
Manage risks within Risk Appetite and ensure laws and regulations are being complied with  
Ensure systems meet risk data aggregation, risk reporting and data quality requirements set by the Second Line



2nd Line  
M&PRC, Management Credit and Risk Committee & GH-RMG

Oversee and challenge First Line risk taking activities and review First Line risk proposals  
Provide guidance and direction  
Develop risk management framework



3rd Line  
Board Audit Committee, Audit

Review 1st and 2nd lines  
Provide an independent perspective and challenge the process  
Assess the adequacy of the design of controls and their operating effectiveness



## Assessment of the principal risks facing the Bank by the Boards of Directors:

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

Bank has identified the following risks after analyzing the external and internal factors:

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

## Materiality Approach

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

## Summarized risks, opportunities and related mitigating factors are documented below:-

Risk type	Materiality Rating	Probability of Risk Occurrence	Strategy
Market Risk	High	Medium probability	<p><b>Measurement:</b> Bank is exposed to market risk through its trading and other investment activities. Metrics like VaR methodologies complemented by sensitivity measures, notional limits, loss triggers at a detailed portfolio level, and stress testing are used to capture and report the multi-dimensional aspects of market risk.</p> <p><b>Monitoring:</b> A comprehensive structure, ensuring the bank does not exceed its qualitative and quantitative tolerance for market risk, is in place.</p> <p><b>Management:</b> The bank has followed a conservative and balanced approach towards risk taking in the market risk area. The robust risk management architecture ensures that the exposures remain within the defined risk appetite.</p> <p>Furthermore, a comprehensive control structure is in place to ensure that the Bank does not exceed its qualitative and quantitative tolerance for market risk. A number of metrics like VaR methodologies complemented by sensitivity measures, notional limits, stop loss triggers at portfolio level/asset class, and stress testing are used to capture and report the multi-dimensional aspects of market risk.</p>
Capital Adequacy Risk	High	Low probability	<p><b>Measurement:</b> The Bank is a well-capitalized institution with a capital base well above the regulatory limits and Basel-III requirements.</p> <p><b>Monitoring:</b> The Bank regularly assesses the capital requirements and ensures that the minimum capital requirements specified by the State Bank are adhered to. Internal Capital Adequacy Assessment is a regular activity. Stress levels of major risks are assessed against the minimum capital requirement.</p> <p>Regular assessment of capital enables an evaluation of the amount, type and distribution of capital required to cover these risks.</p> <p><b>Management:</b> The Bank remained a well-capitalized institution with a capital base well above the regulatory limits and capital requirements under BASEL frameworks. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 18.86% against the requirement of 12.50% (including capital conservation buffer of 2.50%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 15.70% against the requirement of 6%. The bank maintained a leverage ratio of 7.07% which is well above the regulatory limit of 3.0%.</p> <p>Going-concern capital requirements are assessed on a forward-looking basis – including as part of the annual budgeting process. These assessments consider the resilience of capital adequacy and leverage ratios under a range of hypothetical future states. The assessments incorporate assumptions regarding a range of regulatory and accounting aspects such as IFRS 9, taking account of a number of factors including economic variables and impairments.</p> <p>The Bank will continue the policy of sufficient profit retention to increase its risk taking capacity and capitalize opportunities to protect the interests of stakeholders in short, medium and long term.</p>

Risk type	Materiality Rating	Probability of Risk Occurrence	Risks
Credit Risk	High	Medium probability	<p><b>Measurement:</b> Credit Risk Management function identifies, measures, manages, monitors and mitigates credit risk. Credit Risk is measured and estimated through detailed financial and non-financial analyses, internal and external credit risk ratings, and customers' behavior analysis. Stress testing of top customers in credit portfolio is also carried out regularly.</p> <p><b>Monitoring:</b> Credit Risk Management organizational structure ensures pre and post-facto management of credit risk. Credit Review function carries out pre-fact evaluation of counterparties &amp; the credit structures and hindsight reviews, the Credit Risk Control (CRC) function performs post-fact monitoring including security documentation and limits monitoring. Business side continuously keeps in touch with customers to have updated information about the clients.</p> <p><b>Management:</b> Bank has been selective in taking exposure on good quality borrowers across all industry segments. Multiple factors in bank's lending structure provide additional comfort and support in mitigating credit risk. These include quality of eligible collateral, pre-disbursement safety measures, post disbursement monitoring, etc. Bank has a fairly diversified loan portfolio. For risk categorized as sovereign/government risk, MCB's lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that ranges from different development related works to utility distribution and production.</p> <p>Credit Risk Review ensures to minimize credit risk associated at account and portfolio level. During the year, the Bank continued with the policy to remain selective in disbursing its loan to low risk customers across all the industries &amp; maintains a fairly diversified loan portfolio. Risk Review successfully managed to evaluate and approve increased number of loan requests, within required turnaround time, both for domestic and Overseas Operations. An in-house request tracking &amp; turnaround time monitoring software ensures tracking of proposals and monitoring of turnaround-time of credit proposals routed through Risk Management Group. Bank has also implemented Loan Origination System (LOS) for end to end automation of Credit Approval process. Through this initiative Bank has been able to achieve effective management of Bank's internal Policies &amp; Controls as well as regulatory requirements. LOS has also contributed towards Bank's transition to paperless environment under the Green Banking initiative.</p> <p>For risk categorized as sovereign/ government risk, the lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that range from different development related works to utility distribution and production. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.</p>

Risk type	Materiality Rating	Probability of Risk Occurrence	Risks
			<p>Through a Four Eye Principle for Credit Approval levels for corporate and retail banking, all such exposure related requests are approved with the formal consent of at least two authorized individuals including one from business side having Credit Approval Authority and other from Risk Management side having Credit Review Authority.</p> <p>The Management Credit &amp; Risk Committee is the management platform for discussion and deliberation on key risk issues in the portfolio. Regular meetings of the committee are convened to oversee the risk exposures in the portfolio of the Bank.</p> <p>In order to further enhance the credit risk analysis the Bank has in place a Probability of Default based Internal Credit Risk Rating (ICRR) system which is based on statistical modeling and validation in line with Basel principles. The ICRR is currently focused on Corporate and Commercial customer categories. Furthermore; another Internal Credit Risk Rating Model is also in place for rating of SE &amp; ME and Agri Customers. A model for Facility Risk Rating has also been implemented which would reflect expected loss rate of a credit facility.</p>
Liquidity Risk	High	Medium to Low probability	<p><b>Measurement:</b> MCB regularly performs Liquidity Risk Analysis and liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity risk assessments and stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions.</p> <p><b>Monitoring:</b> Liquidity positions are regularly monitored through established Early Warning Indicators and Liquidity Risk Analysis. Liquidity Coverage Ratio and Net Stable Funding Ratios are monitored regularly.</p> <p><b>Management:</b> MCB's Liquidity Risk Management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.</p> <p>The Bank's large and stable base of customer deposits, along with Bank's strong capital base, indicates strong liquidity position. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio are well over and above the regulatory requirement.</p> <p>The Asset Liability Management Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Global Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and stress scenarios. Underlying policies and procedures are reviewed and approved regularly at the senior management and Board of Directors Levels including Global Risk Management Policy, Global Treasury Policy, Investment Policy and Liquidity Strategy.</p> <p>Further, in line with SBP's directives, Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios viz. Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) with a considerable cushion over and above the regulatory requirement to mitigate any liquidity risk.</p>



Risk type	Materiality Rating	Probability of Risk Occurrence	Risks
Technological Risk	High	Low probability	<p><b>Monitoring &amp; Management:</b> The persistent pursuit to provide clients with simplified banking drives MCB to focus on innovative methods of technology application and solutions to compete with peer banks. We also aim to protect client information, to apply controls and compliance consistently, and to develop new controls.</p> <p>The Bank has developed Information Technology Risk Assessment Framework which enables better management of technology risk properly.</p>
Country Risk	Low	Medium to low probability	<p><b>Measurement:</b> Bank's Country Risk exposure is assessed against bank's cross border trade and treasury activities.</p> <p><b>Monitoring &amp; Management:</b> Monitoring of risk exposure is a regular activity. Country Exposure Limits both for Trade and Treasury exposures are in place, which broadly capture direct exposure on sovereigns and foreign domiciled counterparties.</p>
Operational Risk	Medium	Medium to low probability	<p><b>Measurement:</b> In accordance with the Operational Risk policy and framework, a database covering losses, control breaches, near misses &amp; KRIs is being maintained. Major risk events are analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness.</p> <p><b>Monitoring:</b> Monthly/Quarterly updates on Operational Risk events are presented to senior management, Management credit and Risk Committee and the Risk Management and Portfolio Review Committee of the Board.</p> <p><b>Management:</b> The bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk culture in the staff through workshops and on-job awareness. Banks' capacity to capture &amp; report operational risk events and KRIs is further enhanced by implementing more professionally developed Operational Risk Management Software.</p>
Regulatory Risk	Medium	Medium probability	<p><b>Measurement:</b> Management of regulatory risk entails early identification and effective management of changes in legislative and regulatory requirements that may affect the Bank.</p> <p><b>Monitoring: &amp; Management:</b> The Bank reviews key regulatory developments in order to anticipate changes and their potential impact on its performance.</p> <p>Bank endeavors to maintain healthy relationships with regulators and continued compliance with regulatory requirements.</p>
Reputation risk	Low	Low probability	<p><b>Monitoring &amp; Management:</b> Reputational risk is managed on an ongoing basis through a policy framework that details expected behavior of the business and employees. It guides us on the monitoring of employee behavior and specific client responses as well as to society in general. This includes precise and transparent reporting through our integrated annual report, annual financial statements and through other public statements. Our risk mitigation strategy includes:</p> <ul style="list-style-type: none"> <li>• a centralized policy on media;</li> <li>• an escalation process for complaints; and</li> <li>• clear relationships with stakeholders</li> </ul>

**Information about defaults in payment of any debts and reason thereof**

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

**Inadequacy in the Capital structure and plans to address such inadequacy**

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

**Opportunities:**

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

# Directors' Report

We are pleased to present, on behalf of the Board of Directors, the annual report of MCB Bank Limited (MCB) for the year ended December 31, 2019.

## Economy Review

### Global Economy:

A handful of events drove the global economy in 2019. Firstly, towards the United States, the Federal Reserve cut its policy rate thrice during the year by a cumulative 75 basis points owing to the softening of economic momentum and inflation. Taking the lead from US Federal Reserve, major emerging market central banks slashed their interest rates in an effort to shore up their economies. On the trade front, tensions between the United States and China subsided towards the end of the year as the two nations agreed to the signing of the phase one trade deal in January, 2020. The timeline and the outcome of the trade talks between the two countries will largely dictate the global trends in 2020.

Secondly, in UK, Conservative Party leader Boris Johnson introduced a new Brexit Deal after replacing Theresa May as the UK's Prime Minister. Johnson succeeded in receiving the parliamentary backing, after the general election of December 2019, to pass the legislation required to implement his Withdrawal Agreement by January 31, 2020. The latest events decreased some of the uncertainty surrounding the exit of UK from the European Union. Once the Withdrawal Bill is passed, a new race will begin to secure a trade agreement with the bloc within a year.

Thirdly, towards Europe, growth in the Euro-zone remained low while ECB continued with its monetary accommodation measures to boost inflation and demand. In particular, ECB launched a new QE program entailing 20 billion euros of net asset purchases per month to provide support to the ailing economy. All eyes are now focused on the newly appointed president of ECB, Christine Lagarde, to see where she takes the monetary policy going forward.

### Domestic Economy:

During the year 2019, Pakistan's economy struggled as the government and the central bank continued their efforts to combat the issues on the domestic and the external front. The FY19 ended with twin deficits, forcing the government to take stringent policy measures.

On the external front, the current account deficit started showing improvement from July, 2019 onwards after clocking-in at 13.83bn USD in FY19. During the first five months of FY20, imports contracted by 21%, exports rose by 4.7% while workers' remittances showed a marginal improvement. Consequently, current account

deficit declined by 73%. Pressure on the foreign exchange reserves decreased slightly towards the end of the calendar year as current account balance improved and SBP received inflows from ADB and other multilateral sources. During the year, Pakistan also succeeded in securing a bailout package worth 6bn USD from IMF which provided support to the external position.

As a result, PKR appreciated by 3.25% against the dollar during the second half of 2019 after touching a high of 164.0557 in June, 2019. For the full year, however, PKR recorded a cumulative depreciation of 11.51% against the dollar.

Headline Inflation (Base Year 2015-2016), on the other hand, soared to 9.36% on average in 2019 from 5.33% in 2018, largely owing to an increase in taxes, regulatory prices and food inflation. As a result, SBP increased its policy rate to 13.25% in 2019, recording a cumulative increase of 325 basis points during the year.

On the fiscal side, the government introduced various tax measures under the fiscal budget 2019-2020 to achieve a higher tax revenue growth in FY20. During the first quarter of FY20, tax revenue recorded a growth of 17% on a year-on-year basis while fiscal deficit of the country stood at PKR 286 billion as compared to PKR 542 billion during the same period last year.

## Profit and Appropriation

The profit before and after taxation for the year ended December 31, 2019 together with appropriations is as under:

	Rs. in Million
<b>Profit before taxation</b>	<b>40,102</b>
Taxation	16,125
<b>Profit after taxation</b>	<b>23,977</b>
Un-appropriated profit brought forward	53,532
Other comprehensive income - net of tax	(474)
Surplus realized on disposal of revalued fixed assets - net of tax	10
Surplus realized on disposal of non-banking assets - net of tax	37
Transferred in respect of incremental depreciation from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	53
	<b>53,158</b>
<b>Profit available for appropriation</b>	<b>77,135</b>
<b>Appropriations:</b>	
Statutory reserve	2,398
Final cash dividend at Rs. 4.0 per share - December 31, 2018	4,740
Interim cash dividend at Rs. 4.0 per share - March 31, 2019	4,740
Interim cash dividend at Rs. 4.0 per share - June 30, 2019	4,740
Interim cash dividend at Rs. 4.0 per share - September 30, 2019	4,740
<b>Total appropriations</b>	<b>21,358</b>
<b>Un-appropriated profit carried forward</b>	<b>55,777</b>

## Dividends

The Board of Directors declared a final cash dividend of Rs. 5.0 per share for the year ended December 31, 2019, which is in addition to Rs. 12.0 per share interim dividends already paid to shareholders, taking the dividend payout ratio to 84.02%. The effect of the recommendation is not reflected in the above appropriations.

## Performance Review

MCB's profit before tax grew to Rs. 40.10 billion which reflects a tremendous growth of 25% over 2018, despite the tough operating environment. The key highlights were impressive increase in net interest margins through gradual shift in the maturity profiling of investment base along with a more refined cost structure.

The strategic profiling of the investments based on the interest rate calls resulted in a gradual shift from shorter to longer term investments, thereby capitalizing on the significant interest rate movement during the year. Net interest income rose to Rs. 59.62 billion, 30% higher than

the last year on account of effective asset deployment of the low cost deposits. Analysis of the interest earning assets highlights that income on advances increased by Rs. 20.37 billion, primarily on account of increase in yield of 398bps. On the investment side, gross markup income increased by Rs. 30.76 billion, due to increased average volume by Rs. 66.61 billion and yield of 391bps. On the interest bearing liabilities side, the cost of deposits increased by 278bps over last year.

The non-markup income block of the Bank was reported at Rs. 16.68 billion with major contributions coming in from fee commission and foreign exchange income. One of the major revenue line supplementing the fee growth was commission from Bancassurance, with MCB Bank Limited leading the new business generation in percentage terms.

Despite the inflationary surge during the year, growth in the operational network and constant investment in digital, cyber security and information technology related platforms, the operating expense growth was contained to an impressive 5%, as efficient cost management remains one of the key strengths for MCB Bank Limited.

On the provision side, the bank reversed provision amounting to Rs. 158 million on advances; whereas, the Bank recorded net charge of Rs. 2.8 billion on equity portfolio in 2019.

On the financial position side, the total asset base of the Bank on unconsolidated basis was reported at Rs. 1.52 trillion depicting an increase of 1% over December 2018. Analysis of the asset mix highlights that net investments and advances are reported at Rs. 748.77 and Rs. 496.68 billion respectively.

The Non-performing loan base of the Bank recorded a marginal increase of Rs. 469 million and was reported at Rs. 49.42 billion. The coverage and infection ratios of the Bank were reported at 87.73% and 9.15% respectively.

On the liabilities side, the deposit base of the Bank registered a significant increase of Rs. 95.73 billion (+9%) over December 2018.

Earnings per share (EPS) for the year ended December 31, 2019 was Rs. 20.23 as compared to Rs. 18.02 for 2018. Return on Assets and Return on Equity were reported at 1.59% and 16.84% respectively, whereas book value per share was reported at Rs. 122.54.

## Risk Management Framework

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



### Credit Rating

The Bank enjoys highest local credit ratings of AAA / A1+ categories for long term and short term respectively, based on PACRA notification dated June 27, 2019.

### Statement on Internal Control

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

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

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

- The financial statements, prepared by the management of the Bank, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the change in accounting policy as described in Note 5.1 to the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained in the Annual Accounts.
- There has been no material departure from the best practices of corporate governance.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- Profit amounting to Rs. 2.4 billion has been transferred to Statutory Reserve for the year 2019.
- The System of Internal Control is sound in design and has been effectively implemented and monitored.

- Key operating and financial data of last six years is presented in the stakeholder's section of this Annual Report.
- Pattern of Shareholding, complying with the requirements prescribed by the code is annexed with this Annual Report.
- Statement of Compliance with Code of Corporate Governance is included in the Annual Report.
- Composition of the Board is given in the Statement of Compliance with the Code of Corporate Governance in the corporate governance section of this Annual Report.
- Names of the persons who, at any time during the year 2019, were directors of the Bank have been separately disclosed in the corporate governance section of this Annual Report.
- The Committees of Board of Directors along with their terms of reference/charter have been separately disclosed in the corporate governance section of this Annual Report.
- The number of Board and committees' meetings held during the year and attendance by each Director has been separately disclosed in the corporate governance section of this Annual Report.
- The Directors' Remuneration Policy as formulated by Board's Human Resource & Remuneration Committee and recommended by the Board of Directors to the Shareholders of the Bank for their approval in Annual General Meeting scheduled to be held on March 19, 2020 is disclosed in the Corporate Governance Section of this Annual Report.
- Details of directors' training programs are given in the statement of compliance with the code of corporate governance;
- Detail of remuneration of Chairman, President/CEO and non-executive directors is disclosed in note 40 of the unconsolidated financial statements.
- The principal risks and uncertainties facing the Bank have been disclosed separately in this Annual Report.

### Corporate Social Responsibility (CSR)

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

### Auditors

The retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, being eligible for the next term have offered themselves for reappointment. Upon recommendation of the Audit Committee, the Board recommends appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as the statutory auditors of the Bank for the year 2020 in the forthcoming Annual General Meeting.

### Appreciation and Acknowledgements

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

For and on behalf of the Board of Directors,



**Imran Maqbool**  
President & CEO  
MCB Bank Limited



**Mian Umer Mansha**  
Director  
MCB Bank Limited

February 04, 2020

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

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

- چیئرمین اور دیگر ڈائریکٹرز کے لیے، بورڈ کی رومریشن کمیٹی کی طرف سے تجویز کردہ اور بورڈ آف ڈائریکٹرز کی جانب سے منظور شدہ، مشاہرے کی پالیسی اس سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں واضح کیا گیا ہے۔

- ڈائریکٹرز کے ترجیحی پروگرام کی تفصیل کوڈ آف کارپوریٹ گورننس کی تعمیل کے بیان میں دی گئی ہے۔

- جرمین، پریذیڈنٹ / سی ای او اور غیر انتظامی ڈائریکٹرز کو ادائیگے گئے مشاہرہ کی علیحدہ علیحدہ تفصیل غیر مجموعی فنانس اسٹیٹمنٹس کے نوٹ نمبر 40 میں درج کی گئی ہیں۔

- بینک کو درپیش بنیادی عوامل اور غیر یقینی کی صورتحال کو اس سالانہ رپورٹ میں الگ سے بیان کیا گیا ہے

#### کارپوریٹ معاشرتی ذمہ داریاں سی ایس آر (CSR):

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

#### آڈیٹرز:

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

#### حکیم وحسین:

ایم پی بینک کے بورڈ آف ڈائریکٹرز حکومت پاکستان، اسٹیٹ بینک آف پاکستان، سیکورٹی اینڈ اینجیجمنٹ کمیشن آف پاکستان اور دیگر انتظامی اداروں کی جاری معاونت، بینک کے ہیئر ہولڈرز اور صارفین کا ان کے اعتماد اور اپنے ملازمین کا ان کے خلوص اور عزم پر شکر یاد کرتا ہے۔

#### مختار ویرائے بورڈ آف ڈائریکٹرز

میاں عمر شہا

ڈائریکٹر - ایم پی بینک لمیٹڈ

عمران مقبول

پریذیڈنٹ اور سی ای او۔

ایم سی پی بینک لمیٹڈ،

04 فروری 2020

#### کرڈٹ رینٹنگ:

بینک، پاکستان کرڈٹ رینٹنگ ایجنسی (PACRA) کے نوٹیفکیشن مورخہ 27 جون 2019 کے مطابق بالترتیب ٹریپل اے (AAA) اور (A1+) اے ون پلس کی داخلی طور پر بلند ترین طویل اور قلیل مدتی کرڈٹ رینٹنگ سے مستفید ہے۔

#### انٹرنل کنٹرول اسسٹمنٹ

منجسٹ کی جانب سے فنانس رپورٹنگ پر اندرونی انضباط (ICFR) اور مجموعی اندرونی انضباط (انٹرنل کنٹرول) سے متعلقہ بیان کی، بورڈ بخوشی توثیق کرتا ہے۔ منجسٹ کا اندرونی انضباط سے متعلق بیان سالانہ رپورٹ میں شامل ہے۔

کوڈ آف کارپوریٹ گورننس اور کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت بنیادی

بورڈ آف ڈائریکٹرز اس امر کو یقینی بنانے کے لئے پرعزم ہیں کہ سیکورٹی اینڈ اینجیجمنٹ کمیشن آف پاکستان کی جانب سے معین کردہ کارپوریٹ گورننس کے تمام معیار اور شرائط اور کمپنیز ایکٹ 2017 کے سیکشن 227 کے تمام مطلوبات کی مکمل پاسداری ہو۔ بینک نے کارپوریٹ گورننس کے بہترین معیار کو اختیار کیا ہے اور ڈائریکٹرز ہمسرت رپورٹ کرتے ہیں کہ:

- بینک کی منجسٹ کی طرف سے تیار کردہ فنانس اسٹیٹمنٹس اس کی کارکردگی، صورتحال، نقدی کے بہاؤ (کیس فلو) اور ایکویٹی میں تبدیلیوں کا واضح اظہار کرتی ہیں۔

- بینک کے اکاؤنٹس کی درست کتابتیں تیار کی گئی ہیں۔

- فنانس اسٹیٹمنٹس کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اطلاق کیا گیا ہے سوائے

اکاؤنٹنگ پالیسی کی تبدیلی کے جس کو فنانس اسٹیٹمنٹس کے نوٹ نمبر 5.1 میں بیان کیا گیا ہے۔ اکاؤنٹنگ کے تغییے موزوں اور محتاط اندازوں پر مبنی ہیں۔

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

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

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

- سال 2019 کے دوران 2.4 بلین روپے کا منافع قانونی ریزرو میں منتقل کیا گیا ہے۔

- اندرونی انضباط کا نظام مضبوط و خدوخال پر استوار کیا گیا ہے اور نہایت موثر انداز میں نافذ اور جانچا جاتا ہے۔

- چھ سال کا فنانس مواد (ڈیٹا) اور اہم کارکردگی کے عوامل کو سالانہ رپورٹ کے سلیک ہولڈرز کے سیکشن میں پیش کیا گیا ہے۔

- قانون میں مجوزہ شرائط کی تعمیل میں ہیئر ہولڈنگ (حصص کی ملکیت) کی ترتیب / نمونہ کو سالانہ رپورٹ سے منسلک کیا گیا ہے۔

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

- بورڈ کی تفصیل کوڈ آف کارپوریٹ گورننس کے تحت بنیادی اور کارپوریٹ گورننس کے سیکشن میں بیان کیا گیا ہے۔

- سال 2019 کے دوران کسی بھی وقت بینک کے ڈائریکٹرز رہنے والے اشخاص کے نام سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں الگ سے بیان کئے گئے ہیں۔

## منافع اور تحفص:

31 دسمبر 2019ء کو اختتام پذیر سال میں منافع قبل و بعد از ٹیکس اور تحفص، مندرجہ ذیل ہے:

ملین روپے

40,102

16,125

23,977

منافع قبل از ٹیکس

ٹیکس

منافع بعد از ٹیکس

53,532

(474)

10

37

53

53,158

77,135

تحفص کے لیے دستیاب منافع

تحفص:

2,398

4,740

4,740

4,740

4,740

21,358

55,777

قانونی ریزرو

حتمی کیش ڈیویڈنڈ 4.0 روپے فی حصص 31 دسمبر 2018ء

عبوری کیش ڈیویڈنڈ 4.0 روپے فی حصص 31 مارچ 2019ء

عبوری کیش ڈیویڈنڈ 4.0 روپے فی حصص 30 جون 2019ء

عبوری کیش ڈیویڈنڈ 4.0 روپے فی حصص 30 ستمبر 2019ء

کل تحفص

اختتامی غیر تحفص شدہ منافع

سال کے دوران انٹرسٹ ریٹ میں نمایاں تبدیلی کا فائدہ حاصل کرنے کیلئے سرمایہ کاری کی دانشمندانہ پروفائٹنگ کی گئی جو کہ قلیل مدت سے طویل مدت کی طرف بتدریج تبدیلی ہے۔ کم لاگت کے ڈیپازٹس کے اثاثہ جات کے موزوں انصرام سے خالص انٹرسٹ آمدنی گزشتہ سال سے 30 فیصد کے اضافہ کے ساتھ 59.62 بلین روپے تک بڑھ گئی۔ انٹرسٹ کے حامل اثاثہ جات کا جائزہ قرضہ جات کی آمدنی میں 20.37 بلین روپے تک کے اضافے کو ظاہر کرتا ہے جس کی بنیادی وجہ آمدنی میں 398 بی پی ایس کی بڑھوتی ہے۔ سرمایہ کاری کی مد میں مارک اپ آمدنی اپنے اوسط حجم میں 66.61 بلین روپے اور شرح میں 391 بی پی ایس کے اضافہ کی بدولت 30.76 بلین روپے پر جا پہنچی۔ انٹرسٹ کے حامل واجبات کے حوالہ سے ڈیپازٹس کی لاگت میں پچھلے سال کی نسبت 278 بی پی ایس کا اضافہ ہوا۔ بینک کی ٹان مارک اپ آمدنی فیس، کمیشن اور فارن اکچیف سے متعلقہ آمدنی کی بڑی شمولیت کی بناء پر 16.68 بلین روپے پر رپورٹ ہوئی۔ فیس کی آمدنی میں سب سے نمایاں حصہ بینک اشورنس کے کمیشن کا تھا جس میں ایم سی بی بینک لمیٹڈ، شرح کے اعتبار سے، نئی سمت تلاش کرنے کے حوالہ سے سب پر فوقیت رکھتا ہے۔

سال کے دوران، افراط زر میں اضافہ کے باوجود اپنے کاروباری نیٹ ورک میں وسعت اور ڈیجیٹل، سائبر سکیورٹی اور انفارمیشن ٹیکنالوجی سے متعلق شعبوں میں مسلسل سرمایہ کاری سے کاروباری اخراجات کو اپنی لاگت کے موزوں ترین انتظام کے طور محض 5 فیصد کی نمو تک محدود رکھنا ایم سی بی بینک لمیٹڈ کی اہم کامیابیوں میں سے ایک ہے۔

پروویژن کی مد میں بینک نے قرضہ جات سے متعلق اخراجات (پروویژن) میں 158 بلین روپے کی کٹوتی کی ہے جبکہ سال 2019 میں اکیویٹی پورٹ فولیو کے لیے 2.8 بلین روپے کے خالص اخراجات کا تخمینہ لگایا گیا ہے۔

مالیاتی حیثیت کے حوالہ سے؛ بینک کے کل اثاثہ جات غیر مجموعی بنیاد پر دسمبر 2018 سے 1 فیصد کے اضافہ کو ظاہر کرتے ہوئے 1.52 ٹریلین روپے پر درج ہوئے۔ اثاثہ جات کی ترکیب کا جائزہ اس امر کو واضح کرتا ہے کہ خالص سرمایہ کاری اور قرضہ جات بالترتیب 748.77 بلین روپے اور 496.68 بلین روپے پر رپورٹ ہوئے۔

بینک کے غیر فعال قرضہ جات 469 بلین روپے کے معمولی اضافہ کے ساتھ 49.42 بلین روپے پر درج کئے گئے۔ بینک کی کوریج اور انفلکشن کی شرح بالترتیب 87.73 فیصد اور 9.15 فیصد رہی۔

واجبات کی مد میں، بینک کے بنیادی ڈیپازٹس میں دسمبر 2018 کی سطح سے 9 فیصد کے اضافہ کے ساتھ 95.73 بلین روپے تک کا نمایاں اضافہ ہوا۔ مالیاتی اسٹیمنس، اس زیر تجزیہ سال کے لیے، 20.23 روپے فی حصص کی آمدنی کو ظاہر کرتے ہیں۔ اثاثہ جات کی ریٹرن اور اکیویٹی کی ریٹرن بالترتیب 1.59 فیصد اور 16.84 فیصد پر رپورٹ ہوئی جبکہ بک ویلیو فی شیئر 122.54 روپے پر درج کی گئی۔

رہنہ منجھت فریم ورک (خدشات کے مدارک کا انتظام)

رہنہ منجھت فریم ورک کو سالانہ رپورٹ میں الگ واضح کیا گیا ہے۔

ڈیویڈنڈ بورڈ آف ڈائریکٹرز نے 31 دسمبر 2019 کو اختتام پذیر سال کیلئے 5 روپے فی حصص کے حتمی کیش ڈیویڈنڈ کا اعلان کیا ہے جو کہ حصص یافتگان کو 12 روپے فی حصص کے پبلے سے ادا شدہ عبوری ڈیویڈنڈ کے علاوہ ہے اور اس طرح ڈیویڈنڈ ادا کرنے کی شرح 84.02 فیصد پر ریکارڈ ہوئی ہے۔ اس اعلان کے اثرات کو مندرجہ بالا تحفص میں شمار نہیں کیا گیا ہے۔

کارکردگی کا جائزہ:

ایم سی بی کا منافع قبل از ٹیکس مشکل کاروباری ماحول کے باوجود سال 2018 سے 25 فیصد کی شاندار ترقی کے ساتھ 40.10 بلین روپے پر درج ہوا۔ اس میں نمایاں کردار سرمایہ کاری کی میچوٹی پروفائٹنگ میں بتدریج تبدیلی اور اس کے ساتھ ساتھ ان کے مزید بہتر انتظام کے ذریعے خالص انٹرسٹ مارجنز میں قابل قدر اضافہ کا رہا۔



## ڈائریکٹرز رپورٹ:

(ADB) اور دیگر کثیر اطراف وسائل سے رقوم کی وصولی کے باعث غیر ملکی زرمبادلہ کے ذخائر پر دباؤ میں قدرے کمی واقع ہوئی ہے۔ اس سال کے دوران پاکستان آئی ایم ایف (IMF) سے 6 بلین امریکی ڈالرز کا تیل آڈٹ چیک حاصل کرنے میں بھی کامیاب رہا ہے جو بیرونی صورتحال کے لیے معاون رہا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے ہم ایف سی بی بینک لمیٹڈ کی سالانہ رپورٹ، برائے سال ختمہ 31 دسمبر 2019ء کو پیش کرتے ہوئے نہایت مسرت محسوس کرتے ہیں۔

### معاشی جائزہ

سال 2019 میں عالمی معیشت کو متحرک رکھنے والے کئی قابل ذکر واقعات رونما ہوئے۔ اول یہ کہ امریکی فیڈرل ریزرو نے معاشی رفتار اور افراط زر میں قدرے نرمی کے حصول کے لیے پالیسی ریٹ میں سال کے دوران تین مرتبہ مجموعی طور پر 75 بی پی ایس کی کٹوتی کی۔ امریکی فیڈرل ریزرو سے متاثر ہوتے ہوئے تمام اہم ابھرتی ہوئی منڈیوں کے مرکزی بینکوں نے اپنی معیشتوں میں بہتری اور تحفظ کے لیے انٹرسٹ ریٹس میں کمی کی۔ تجارتی محاذ پر امریکہ اور چین کے مابین تجارتی تناؤ میں سال کے اواخر میں کمی دیکھی گئی جب دونوں ممالک تجارتی معاہدے کے پہلے حصہ پر جنوری 2020 میں دستخط کرنے کے لیے متفق ہو گئے۔ دونوں ممالک کے درمیان تجارتی مذاکرات کے اوقات اور نتائج سال 2020 میں عالمی رجحانات پر واضح طور پر اثر انداز ہوتے ہوئے اٹکا زرخ متعین کریں گے۔

افراط زر (بنیادی سال 2016 - 2015) جو سال 2018 کی 5.33 فیصد کی شرح کی نسبت خونخوار انداز سے بڑھتا ہوا 9.36 فیصد کے اوسط اضافہ تک جا پہنچا۔ جس کی بڑی وجوہات ٹیکسوں، ریگولیٹری قیمتوں اور راشیائے خرو و نوش کی قیمتوں میں اضافہ ہے۔ جس کے نتیجے میں اسٹیٹ بینک آف پاکستان نے اپنے پالیسی ریٹ کو سال 2019 کے دوران 13.25 فیصد تک بڑھا دیا۔ اور اس طرح سال کے دوران مجموعی طور پر 325 بی پی ایس کا اضافہ کیا۔

دوم، یو کے (UK) میں کنزرویٹو (Conservative) پارٹی کے لیڈر جیمز بورس جانسن (Boris Johnson) نے تقریباً سے (Theresa May) کی جگہ پر نئے وزیر اعظم کی حیثیت سے ریگریٹ کی نئی ذیل تحارف کروائی ہے۔ دسمبر 2019 کے عام انتخابات کے بعد جانسن پارلیمنٹ کا اقتدار اور پشت پناہی حاصل کرنے میں کامیاب رہے ہیں تاکہ وہ یورپ سے اخراج کے اپنے معاہدہ پر 31 جنوری 2020ء تک عمل درآمد کے لیے ضروری قانون سازی کر سکیں۔ حالیہ اقدامات سے برطانیہ کے یورپی یونین سے انخلاء کے بارے میں موجود خدشات اور غیر یقینی کی کیفیت کو کسی حد تک کم کرنے میں مدد ملی ہے۔ انخلاء کا بل پاس ہوتے ہی، اسی سال کے دوران، UK سے تجارتی معاہدے کے لیے ایک نئی دوڑ شروع ہو جائے گی۔

مالیاتی حوالہ سے حکومت نے مالی سال 2020ء میں ٹیکس آمدنی میں اضافہ کے لیے مالی بجٹ 2019 - 2020 کے تحت ٹیکس کے کئی اقدامات متعارف کروائے ہیں۔ مالی سال 2020 کی پہلی سہ ماہی کے دوران ٹیکس آمدنی میں سال بہ سال کی بنیاد پر 17 فیصد کی نمو ریکارڈ ہوئی جبکہ ملک کا مالی خسارہ گزشتہ سال کی اسی تھامی مدت کی 542 بلین روپے کی سطح کے مقابلہ میں 286 بلین روپے پر درج کیا گیا۔

سوم - یورو-زون میں نمونوں کی برقرار رہی جبکہ ای سی بی (ECB) نے افراط زر اور طلب کے فروغ اور اپنی کمزور معیشت کو سہارا دینے کے لیے ماہانہ 20 بلین یورو کے خالص اثاثہ جات کی خریداری کے لیے ایک نیا کیو ای (QE) پروگرام لاچ کیا ہے۔ مستقبل میں مائٹری پالیسی کی سمت کے تعین کے لیے تمام ٹائمن کرٹن لیگارد، (Christine Laggard) جو کہ ای سی بی (ECB) کی نئی صدر تعینات ہوئیں ہیں، پر مرکوز ہیں۔

### داخلی معیشت

سال 2019 کے دوران حکومت اور مرکزی بینک کے داخلی اور بیرونی محاذ پر درپیش معاملات کے سلجھاؤ کے لیے اٹھائے گئے اقدامات کی وجہ سے پاکستان کی معیشت مشکلات کا شکار رہی، جبکہ مالی سال 2019 کے اختتام پر کرنٹ اکاؤنٹ کے خسارے کی وجہ حکومت نے کڑے اور سخت پالیسی اقدامات اٹھائے۔ بیرونی محاذ پر، کرنٹ اکاؤنٹ کے خسارے میں مالی سال 2019 کے دوران 13.83 بلین امریکی ڈالرز تک کے اضافے کے بعد اس میں جولائی 2019 اور بعد کے عرصہ میں کچھ بہتری کے آثار نمودار ہوئے ہیں۔ مالی سال 2020 کے پہلے پانچ ماہ کے عرصہ میں درآمدات میں 21 فیصد کمی، کمی، برآمدات میں 4.7 فیصد کا اضافہ جبکہ افرادی ترسیلات زر میں واجبی سی بہتری رونما ہوئی۔ چنانچہ کرنٹ اکاؤنٹ کے خسارہ میں 73 فیصد کی تخفیف ہوئی۔ سال کے آخر میں کرنٹ اکاؤنٹ بیلنس میں بہتری اور اسٹیٹ بینک آف پاکستان کی جانب سے اے ڈی بی

## Groups Review

### Wholesale Banking Group

The Group remained focused on all business areas during 2019. WBG businesses of corporate banking, Investment banking, Transaction banking and Financial Institutions had contributed for another profitable year, due to both markup income, as well as fee and commission income; generated from existing and new to bank customers. Net Markup Income improved due to booking new term loans, enhancement in working capital book; along with retention of credit worthy client base.

To manage the portfolio on a proactive basis, the group continued to closely monitor concentration of sectors and regions. During the year, a number of strategy papers were issued which included group limit settings for large corporates, limit review exercise and Risk Asset Acceptance Criteria (RAAC). This allowed WBG to set macro level view on sectors, Cross sell of various consumer products such as auto, home, personal loan for employees of Corporate Customers, deepening existing relationships through actively soliciting and obtaining cash management mandates for Corporate clients along with meeting customer investment requirements through Treasury products such as Treasury Bills and Pakistan Investment Bonds, determine financial benchmarks for various industries, identify transactions in pipeline, manage obligor exposures in a systematic way, ensuring growth in advances in a structured manner and maintain a low infection rate in loan book. Further financially stressed relationships were timely exited through settlement without any restructuring due to proactive monitoring of watch listed accounts.

The year under review has been fruitful for Investment Banking as it managed to close a number of transactions, despite the economic slowdown and prevailing political landscape Investment Banking remained active during the year and also successfully led and closed one of the largest telecom sector Syndicated Term Finance Facility of PKR 45 billion for Pakistan Mobile Communications Limited. Apart from this, various equity capital market, advisory and debt syndication mandates were originated and successfully closed. In addition, MCB Investment Banking also won the prestigious mandate for the privatization of House Building Finance Corporation for GoP through Privatization Commission. MCB Investment Banking received the following recognitions from international institutions:

- Best Loan Adviser in Pakistan – The Asset Triple A Country Awards 2019
- Transport Deal of the Year, Pakistan National Shipping Corporation – The Asset Triple A Infrastructure Awards 2019;
- Utility Deal of the Year – Highly Commended, K-Electric Ltd. – The Asset Triple A Infrastructure Awards 2019;

- Equity Deal of the Year – Pakistan, Matco Foods Limited – Asian Banking & Finance Corporate & Investment Banking Awards 2019;
- Mergers and Acquisitions Deal of the Year – Pakistan, AKT Sugar Mills (Pvt.) Limited – Asian Banking & Finance Corporate & Investment Banking Awards 2019;

MCB Cash Management crossed annual volume of PKR 1.8 trillion in 2019 which is the highest ever in the history of the Bank. A number of initiatives enabled the realization of this milestone including Book Building activity, successful disbursement of E-Dividends, integration with 1link with respect to FBR tax payment & Government of Punjab taxes. We also successfully launched Interactive Voice Response (IVR) to facilitate dealers & distributor's collections through Call Center. In addition to these initiatives, Transaction Banking Division did some major cross-sell initiatives in collaboration with Retail, Consumer Banking and Digital Banking.

MCB Home Remittance's brand, MCB Burqraftaar is amongst the largest remittance payout banks of Pakistan in 2019. Our contribution through MCB Burqraftaar is not only limited to the Bank's growth but we are also proud to be one of the biggest contributors towards the national interest of the country by promoting remittances through legal channels. MCB has managed to build an extensive network of partners across the globe to ensure overseas Pakistanis can send money to their loved ones back home with ease and convenience.

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

WBG team is geared up to continue with its growth strategy in 2020, with continued focus on book building, albeit with cautious approach, given overall slowdown in the economy which is expected to continue into 2020; while proactively monitoring watch listed portfolio of the bank to minimize any further infection, while ensuring that recoveries are made in line with agreements. We will also continue to focus on cross sell initiatives with corporate clients for additional business opportunities to augment fee income.

### International Banking Group

MCB Bank has footprints in International arena which includes Sri Lanka, Bahrain, and United Arab Emirates (UAE).

### Sri Lanka Operations:

MCB Bank Ltd commenced its Sri Lankan operations in 1994. Since then, the Bank has steadily grown over the years and currently holds the second largest branch network among foreign banks in the country. The Bank offers a range of financial products & services along with the expertise to serve all three segments of Corporate, SME and Retail banking. Customers also have the access through digital platforms and ATMs Island wide. Despite the challenges posed by uncertainty in the political arena and the unfortunate easter attacks, during the year under review, MCB Sri Lanka remained profitable, and managed to secure [SL] A+ (Stable) by ICRA Lanka Limited. 2019 was a milestone in MCB Sri Lanka operations, completing 25 years of its presence in the country. Sri Lanka team is geared up to continue with its growth strategy for 2020, with renewed focus on book building and service based fee enhancement via growth in CASA composition, Trade Finance, Home Remittance and Hajj & Umrah Remittance business.

### UAE Operations:

MCB Bank commenced its operations in Dubai, UAE as a wholesale banking branch in 2015. On the brink of Expo 2020, the Emirate of Dubai saw large residential and commercial projects being added to the existing supply in the real estate market, leading towards further decline in property prices.

Trade and tourism, kept its momentum, with record number of new visitors coming in to Dubai, but local retail activity seemed muted. In the banking sector, significant new regulatory measures and guidelines were introduced to systematically strengthen domestic financial markets.

The franchise's strategy of diversifying its portfolio on both the liability and asset front resulted in a dynamic portfolio with an ability to adjust as per the markets challenges. Focus on FI and trade based short term liquid assets helped in achieving not only bank's growth targets but also de-risked the portfolio. MCB UAE was able to generate superior returns, and increased productivity as compared to its peer group (with higher capital and larger workforce) without having any specific provisioning on its books.

During 2019, MCB UAE witnessed phenomenal deposits growth, surpassing targets while managing to diversify across industry its liability portfolio. The franchise was able to secure and maintain a CASA base of over 90%.

MCB UAE stood fast and firm in its commitment to expanding its outreach and in achieving its objectives while safeguarding the interest of our shareholders through prudent policy and by relying on the Bank's core strengths.

### Bahrain Operations:

MCB Bank commenced its operations in the Kingdom of Bahrain in 1995. MCB Wholesale Bank Bahrain's key focus during the year was to align its books with the dynamic responsiveness that the current markets demand. Excessive risk was deleverage, while maintaining decent balance sheet size more responsive to the risk and return framework envisioned by the Bank's management. Despite the reduction in overall book size, profitability targets were successfully realized within the new risk framework.

Focus for the franchise was on developing and implemented various policies and procedures to secure ensure compliance with the new regulations. Specialized models for Stress Testing and Liquidity Management were introduced.

MCB Bahrain also remained focused on AML/CFT and compliance areas and developed related policies, procedures and compliance program and ensured regular review of branch operations to ensure adherence to Central Bank regulations. Branch future strategy is to focus on liability and assets growth while reducing liquidity mismatches and mobilizing organic liquidity.

### Assets Rehabilitation Group

During 2019, ARG surpassed all previous records of recovery by achieving the highest ever figure of Rs.3.047 Billion and registered a growth of 7% over the last year. While Group continued its journey to mark historical recovery figure on the board, it settled / resolved a large number of chronic and willful defaulters where classification was more than five years old. On compliance side with policies/procedures, Group continued to maintain its strong Internal Control Environment given all ARG segments attained highest audit rating during the year.

These achievements become more noteworthy when we see that the same have been accumulated amidst frail economic conditions, political uncertainty, high interest rates regime and subdued real estate sector & business environment coupled with slothful court room proceedings.

Lastly, NPLs of the banking industry were recorded at an alarming level of Rs.758 Billion as of September 30, 2019. With the tightening of macroeconomic conditions, fiscal imbalances, political unrest and skewed repayment capacity of the borrowers, NPLs have been on the rise. Therefore, taking the stock of rising NPLs viz. its impact on economic growth & viability of the financial sector, we believe that remedial management function will continue playing a significant role in near future. With all these challenges, Team ARG is well positioned to live up its



passion and deliver premier results with determination & hard work to maintain MCB's leadership position in the industry.

## Consumer Banking Group

MCB Consumer Banking continues to win confidence and trust for its valued customers for financial solutions of their needs. Consumer products are designed in a way keeping in mind the convenience and hassle free financial solution to match their Lifestyle. MCB consumer banking showed a stable growth and also introduced new product variants to further enhance customer's confidence.

### Wealth Management:

Wealth Management Business has been maintaining its robust growth trend through 2019 and was the major contributor to the Consumer Banking Group's profitability. Bancassurance business set its highest sales record since inception and ended the year with the ever-highest net sales number of PKR 3.16 billion with a total growth of 29% from 2018.

2019 was a difficult year for the Investment Services business where it faced an adverse economic environment throughout the year primarily due to muted capital market performance, which led to low/negative returns for investors. With the stock market showing an improved performance during Q4 as the macroeconomic situation begins to stabilize, and interest rates continuing to be at high levels, 2020 should provide for improved environment for Investment Services. However, even though the stock market has rebounded over the past 3 months, the recovery is still fragile as the economy remains vulnerable to external and internal shocks.

### Consumer Lending:

The year 2019 witnessed an increase in CPI resulting in a reduction of buying power of the consumer and increased cost of financing, thus dampening our auto and home loan sales. Despite the same, in 2019 the Bank booked fresh auto loan disbursement of over PKR 7 Billion and was able to maintain its position as one of the top players in auto finance business. Credit card business has exhibited significant growth with closing the book at 2.7 billion with an average growth of 11% over the last three years. The overall asset quality continued to be well managed with low loss rates.

During this year, we formed alliances with some auto sector companies to provide value added services and were also able to launch a new product-MCB Unsecured Revolving Overdraft Facility. The Bank also launched two new variants of Home Loan products, Balance Transfer Facility and SBP Low cost Housing Finance.

Credit card customers can now enjoy our value added services such as Credit Card Bill Payment through Call Center and bill payment over the branch counter in the form of Cash, MCB and any other Bank cheque.

## Retail Banking Group

The year 2019 was yet another year of continuous success for Retail Banking Group. Upliftment in core revenue streams, ever increasing cross selling volumes, efficient cost management helped us improve our bottom line significantly. Through a smart mix of products, process initiatives, sales support programs, service management activities, robust governance & untiring efforts of our teams "The Best Selling Machine" has enabled RBG to celebrate another triumphant year.

The year has been very successful particularly in terms of deposit mobilisation, growth in trade business & sharp focus on prudent lending. We have achieved almost all of our major KPIs. Our Institutional Sales team and Agri Division also gained further strength in 2019. RBG being the biggest deposit and revenue contributor to the overall growth of MCB Bank, has always been instrumental in building "low-cost deposits" with CASA mix standing at over 91%. Growing fee income from cross-sell and branch operations has been instrumental in increasing profitability. Prudent month-on-month budget management starting from branch level ensured revenue maximization and controls over expenses.

One of the key achievements of Retail Banking Group (RBG) in 2019 was once again a strong performance and success during Hajj campaign. With dedicated and focused efforts across the network, MCB bank continued to facilitate huge volumes of Hajj applications by becoming a trusted companion in their religious journey. In the final tally MCB emerged as the leading bank in Hajj Applications collection in 2019.

Retailization: as part of our retailization drive in the last few years we have added relationship managers in the branches to ensure focus on relationship management, deepening of existing relationships and adding NTBs. Retailization to us has also meant cross-selling more bank products like credit / debit cards, autos, lockers, bancassurance, investment services, etc. to existing customers as well as NTBs to ensure optimization of per customer products sold and revenue generated.

"Participation From All" as a referral process is at the core of our Sales Management Process. It has taken roots and has delivered good results. Superior service is the overarching element that ensures premier customer experience and is the only differentiating factor in all initiatives. RBG's Service Management Program provides standardized framework to all units for excellent service delivery.



In implementation of branch network optimization strategy, a number of low potential branches were merged, relocated or closed, while under the network expansion plan 29 new branches were opened during the year.

**Governance:** RBG understands its responsibilities to the Regulator and other Stakeholders. Team RBG continued placing special emphasis on managing operational risks and this was reflected in significant improvement in internal audit ratings. Strict implementation of policies and procedures has been embedded for a robust compliance and control culture to maximize operational efficiency and governance. Responding to customer needs, MCB ATMs also recorded ever highest uptimes 98.7% throughout the year. One of the foremost deliverables in 2019 was compliance of “Biometric Verification” of our customers where all RBG teams have proved to be more than up to the task. During the biometric drive, the frontline team exhibited tremendous commitment and all our branches remained open on Saturdays and Sundays during Ramzan and other public holidays to complete this critical project.

**Consolidation:** Consolidation of RBG into single group will allow us to ensure implementation of uniform practices across the board on all fronts including: HR Management, Standardization of branches, regulatory compliance, deposit mobilization, trade growth, cross sell, service delivery, etc.

Team RBG is always willing to respond to the customers and colleagues, displaying mutual respect and understanding. We will continue driving “High Performance” on the back of our three essential disciplines:

- Sales Management Process
- Service Management Program
- Operational Excellence Program

Our passion and dedication needs to go further up. Our continuous challenge remains maintaining and building upon the momentum we have created & maintained throughout the past few years.

Despite adverse economic conditions, RBG will strive for consistent & sustainable business growth at the back of strong current deposit build-up. Team RBG is committed to pull off an even stronger performance in all KPIs exceeding all milestones on their way to December 2020 closing.

## Capital Market

2019 was another choppy year for the market. The market seesawed throughout the year touching a low of 28,765 and then bouncing back hitting a high of 41,768. The market concluded the year on a positive note, closing in green after three years having gained 2,739 points. The market return for the year was 9.9% (-1.6% in Dollar terms).

The index was primarily effected by FATF grey listing, harsh IMF conditions, geo-political tensions, political and economic woes. Moreover, healthy returns offered by government securities kept the investors away from the market. The rally in the market during the second half was mainly due to stabilization achieved by the economic policies of the government which led to improvement in the macro-economic indicators, inversion of yield curve, clearing of first quarterly review under the IMF program and return of the foreign investors. The Capital Markets team operating in a turbulent environment worked hard to ensure that we outperform the market while actively reducing our risk measures. We expect 2020 to be a better year for the market and Capital Markets Division as we continue to serve our bank

## Treasury and FX Group

During the year 2019, Pakistan faced many challenges on the economic and political front. MCB's Treasury & FX Group, however, efficiently navigated through this turbulence. The Group surpassed its performance targets for the year and made a significant contribution to the Bank's markup and non-markup revenues.

2019 was a year marked by high interest rate volatility with the policy rate peaking at 13.25% in Jul-2019. The yield curve, however, witnessed a steep inversion as the year progressed, clearly indicating the market's expectations of a reversal in the uptrend of interest rates. In this high interest rate environment, Treasury continued to increase the Duration of its investment portfolio. 2019 was also a year of significant USDPKR volatility. Once again, Treasury expertly managed its exposures. Hence, 2019 proved to be an outstanding year for MCB's FX Income. In addition to this, MCB's Treasury & FX Group ensured that its clients were kept up-to-date with the quickly changing market dynamics. All in all, the interbank desks (both Money-Market and FX), despite the market volatility, maintained their status as top market-makers and ensured that MCB remained the choice bank for its clients and its interbank-market counterparts

In 2019, MCB continued to play its role in increasing awareness about the use of derivatives to manage various market risks. The derivatives based hedging solutions are offered to our suitable clients based on their skillset and understanding. Our expertise in Derivatives continues to grow that allows us to offer our clients with hedging solutions that are at par with the developed financial markets.

During the year, MCB Treasury Research Desk played a vital role in facilitating the internal and external stakeholders of the bank by providing them with valuable input regarding the state of the domestic economy. Moreover, the Research Desk published Daily Economic

Snapshot, covering domestic and international data, and released bi-monthly MCB Purchasing Managers' Index (MCB PMI) to gauge the strength of the manufacturing sector in the economy. In addition, the Research Desk delivered timely projections of foreign exchange rates, interest rate, inflation and other macroeconomic variables to the bank's valued customers, making sure that they feel fully assisted.

Our clients greatly appreciated our efforts and hence, frequently engaged with the Research Desk to enhance their understanding of the trends prevailing in the economy.

## Information Technology Group

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

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

Information Technology Group (ITG) at MCB Bank is comprised of a team consisting of thorough professionals having a proven track record of project delivery and IT infrastructure management at an enterprise. The components of the organizational structure of ITG are

included with IT Enterprise Infrastructure, IT Operations, IT Software Solutions, IT Support Services, IT Service Management, IT Information Security, IT Business Technology, IT Compliance and Internal Control, IT Business Continuity, IT Project Management, IT Procurement, IT Financial Services and Digital Banking Division who are committed to servicing it's consumers both internally and externally 24/7. Recently ITG successfully streamlined existing operations across board and recorded the highest ever uptime of core banking along with affiliated applications throughout the year. Nevertheless, the availability of Data Centers and the back-end systems along with all necessary services were remarkably remained at five-nines. In addition to operational achievements by ITG, new benchmarks were achieved to comply with the highlighted recommendations by external and internal audit committees and the SBP.

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

Looking forward to 2020, IT Group is more committed towards:

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

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

## Digital Banking

Surpassing the traditional norms of growth, MCB Bank's Digital Banking Business has grown to become one of the most comprehensive, secure and flexible payment ecosystems in the country within a short span of time. MCB enjoys a leading position in the industry and is favored by both individual and corporate customers. The Year 2019 concluded with a remarkable top line reflecting substantial financial growth and increase in the overall foot print. This was aided by our focused strategy on expanding our service offering and delivery to the end user while being preemptive about the prevailing industry risks.

Year 2019 was the year of mega projects being undertaken by MCB including re-carding of the entire card base along with migration to new card management system. MCB Digital Bank was able to record the highest Debit Card POS spend recording a 31% YOY increase and numerous marketing campaigns were successfully executed across various retail friendly industries.

Our self-service channels which include both the Mobile and Internet Banking performed exceptionally well with more than 500K App downloads (iOS & Android). ATM Network also witnessed steady progression in terms of reach, reliability and transactional volume. Our network now stands at 1350+ ATMs including 150+ Offsite locations. MCB Bank is one of the largest banks in terms of ATM network reach, with the highest yearly uptime of 98%. This performance is a testament of the robust health-check measures taken by the Bank enabling the ATM channel further to accept PayPak, and UPI scheme cards.

Another essential channel completing the Digital Banking equation is the acceptance business which includes the online payment gateway solution (eGate) and the Point of Sale (POS) terminals ensuring MCB Bank's presence in the digital and physical payment franchises. MCB proudly hosts around 200+ eCommerce merchants and recorded a remarkable growth of 30% in eCommerce transactional volumes. Since 2015 MCB has been a dominating player in domestic eCommerce industry & it continues to maintain its leadership position by being an industry enabler. Merchants connected with MCB's PF (Payment Facilitator) model along with its direct merchant base comprise of more than 50% of the entire local eCommerce industry merchant base.

In parallel MCB continues to take necessary measures to strengthen our procedures, controls and educate our customers on possible cybercrimes prevention. Apart from taking these measures to implement enhanced controls over digital channels, MCB Digital Bank has once again achieved satisfactory rating "I" during Annual Management Audit 2018-19 assuring good governance. Further, 100% regulatory compliance of call center management was achieved including establishing the policy and risk dashboard for contact center. Digital banking achieved 90% overall compliance on internal, external and regulatory audits.

Overall MCB Bank undertook major projects to improve internal systems, efficiencies and strengthen product proposition, this included the re-carding of MCB payment cards with new chip & pin enabled feature, shifting of debit card portfolio to internally hosted new card management system InterBlocks and other administrative measures.

## Operations Group

Operations Group has made tremendous progress in line with the Bank's aspiration to become the leading financial services provider in all respects. The Group has further improved and standardized existing operational processes through automation and strengthened internal controls while ensuring that needs of our clients are at the center of our operational excellence framework. Operational throughput has been enhanced while ensuring strict compliance with regulatory guidelines and international best practices. Additionally, Operations Group focused on improving process and cost efficiencies through better utilization of technology, centralization of multiple processes and integration of operational units in order to bring agility and flexibility in its operations.

On the financial management side, the Group has continued its discipline on costs while facilitating income growth through technology enabled productivity improvement. Operations Group has enabled the Bank to save a healthy amount on account of rental cost due to timely completion of infrastructure projects. Efficiencies were also brought in cash management at cash houses, cash feeding branches and in-transit thus playing its part in the cost optimization drive. The Group also contributed to the income of the Bank by enabling additional fee based incomes through effective process management at Trade Service Centers and Centralized Operations.

The Group also led and supported various critical projects that contributed towards overall process efficiency and strengthened control environment. Call Centre operations have been taken under the umbrella of Operations Group to have a dedicated focus on improving operational efficiencies. In addition, centralization of restraint marking owing to regulatory instructions coupled with centralization of bank guarantees resulted in better controls and risk mitigation. The Group also provided vital operational support on the re-carding exercise for different variants of debit cards while setting a record of producing and handling highest number of cards. Moreover, some of the Bank's standard forms have been made vibrant in order to uplift bank's image.

On the automation front, full-fledged derivative management system has been implemented to assist Treasury Operations while also automating the treasury management system for Sri Lanka operations. Further, to improve the new account opening process and its validation at Central Processing Units, the process has been transformed with a robust system having integration with relevant business applications. In compliance to regulatory instructions, an in-house system based solution has also been designed with built-in operational controls for biometric verification of existing accounts.

Furthermore, various deductions of charges have been automated to facilitate branches in bringing financial discipline.

Operations Group has undertaken a large number of new construction and renovation projects including a few major landmark projects to assist Bank in its endeavor of increasing geographical footprint. A new Global Transaction Banking branch has also been opened in Lahore to cater to a large segment of specialized customers.

Operations Group has maintained its focus on people management and has conducted significant number of staff trainings on branch banking operations, data cleansing, business continuity and Green Banking. This has been done with an aim to strengthen employee development and inculcate a resilient risk management culture among our staff. Meanwhile, training of Group's own staff has also been under attention for which staff participation in trainings of vital significance has been ensured.

On environmental awareness front, significant focus has remained on promoting Green Banking practices and conservation of resources. International conservation days like World Water Day, Mother Earth Day and Environment Day were celebrated with vigor.

Operations Group is enthusiastic about 2020. Group has positioned itself for a stronger and more sustainable growth amidst challenging operating environment and stringent regulatory regime. In addition, Operations Group is committed to improve process centralization and further automate manual products and processes through all-inclusive adoption of new technological solutions. The Group looks forward to building on its purpose and further improving its dedicated focus on enhancing operational efficiency and keeping delivery cost optimal while taking proactive measures to safeguard the Bank's and customer's interest at all times.

## Business Continuity Management

Business Continuity Management (BCM) is a process that identifies risk, threats and vulnerabilities that could impact Bank's operations internally or externally. BCM provides a framework for building organizational resilience and capability for an effective response to mitigate the internal and external threats. The Bank endeavors to have sustainable and an effective enterprise wide BCM program to provide seamless services and product reach to its customers and stakeholders.

The Board of Directors of the Bank periodically reviews the effectiveness of Business Continuity Policy & Framework to ensure that clear and concise plans are maintained for

all critical areas while strong remedial actions are in place to reduce the risk of downtime against any untoward situation. Further to nurture and enhance the confidence on Bank's system and processes; Business Continuity Plans are tested on regular intervals reducing the risk of downtime and the cost of recovery from any untoward situation. This integration has given a confidence to the Bank that it can live up-to the commitment and expectations of its customers, stakeholders and regulator by ensuring continued functionality of its critical businesses and functions in any circumstances.

## Compliance and Controls Group

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

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

Highlights of 2019 include successful implementation of Name Filtering solution for batch screening and its integration with SWIFT terminal; initiation of project on updation of Transaction Monitoring System, acquisition of a new Risk Profiling System and Trade Based Money Laundering System; creation of CFT desk to assess and mitigate the Terrorism Financing/Proliferation Financing risk, creation of AML Compliance Unit and strengthening of Sanctions Screening Support Unit and Transaction Monitoring Units by induction of specialized resources. Further, CCG also ensured the Bank wide training/ awareness programs on AML CFT for bank's staff all over the country. In addition to the training sessions for the



Bank's staff, dedicated awareness sessions on Terrorism Financing were conducted for Bank's customers as well. Moreover, CCG developed a structured model to continuously assess its inherent and residual Terrorism Financing risk based on threats and vulnerabilities. This activity also enables the bank to explore opportunities and strengthen its systems and controls to mitigate the residual risk.

CCG also oversees adherence to the regulatory requirements through onsite reviews, with specific emphasis on Anti-Money Laundering (AML) / Combatting the Financing of Terrorism (CFT).

In order to remain abreast with regulatory requirements, CCG has pursued implementation of various dimensions of Compliance Risk Management (CRM) Guidelines issued by the regulator. In this perspective, CCG aims to inculcate a compliance culture in the bank wherein ongoing regulatory requirements and industry challenges can be managed effectively in all jurisdictions of MCB operations.

CCG ensures a professionally cordial working relationship with State Bank of Pakistan (SBP), Law Enforcement Agencies and other regulatory bodies in addition to coordination of SBP's Inspections.

The Fraud Risk Management Department (FRMD) is now completely consolidated on Pan Pakistan basis within FRMD. In addition to the management of Branch related fraud cases, FRMD started Preliminary Investigations of Consumer & Digital banking related frauds, hence adopting a more focused approach towards managing Fraud risk. Further, Implementation of 'Internal Eye', a tool for reviewing and monitoring of transactions associated with employee accounts, enabled FRMD to monitor funds trafficking in employees accounts more guardedly. In addition, FRMD is leading Fraud Risk Assessment Exercise Bank wide with an objective to build new controls or reinforcement of existing controls in order to counter the potential frauds and safeguard Bank's interest. Moreover, FRMD also spearheads the resolution of regulatory observations through a cross functional management committee. In compliance with the Regulatory requirements of Employee Due Diligence, FRMD has designed Know Your Employee (KYE) Program, whereby, it also conducts KYE review exercise on quarterly basis by reviewing credentials of newly hired regular employees.

Our Service Quality (SQ) function, which is also part of CCG, continues its enhanced focus and rigor around customer experience through senior management oversight and continuous internal stakeholder engagement. Bank follows a multi-pronged approach to assess the quality of service

standards for its customers. These measures include ongoing evaluation of our branch look & feel, speed of our product and service delivery and efficiency of our digital channels. The bank also seeks customer feedback on the same through its in-house Voice of Customer team. Weak areas identified through these initiatives are then worked upon to improve customer experience.

Fair treatment of customers continued to remain a priority agenda item for the bank throughout 2019. During 2019, an exclusive training module on "Fair Treatment of Customers" was introduced for frontline staff dealing with the customers in order to re-iterate the roles and responsibilities of bank's staff in this regard. This training module will be gaining further momentum during 2020.

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

### Customer Grievance Handling

Bank considers complaints as opportunities for improvement and understands the link between complaint resolution and customer loyalty. We believe that complaints are a primary measure of customer dissatisfaction; thus, they should be taken seriously and staff should be encouraged to bring complaints to the forefront so that gaps can be identified and fixed.

Service Quality (SQ) function is the custodian of customers' grievance handling and works in collaboration with all businesses / functions of the bank responsible for acknowledging, investigating, tracking, escalating and resolving customer complaints within specified turnaround times. A centralized complaint resolution team manages all customer complaints through a Complaint Management System. During 2019, access to this centralized Complaint Management System has been provided to all branches which will further strengthen our complaint capturing capability. Now, all our customer touch points have access to this system so as to ensure that all complaints, whether verbal or written, are immediately captured in the system.

Following are the Channels through which complaints are received:

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

The Bank makes its best effort to ensure that resolution of complaints is comprehensive, appropriate and quick. The customer is kept informed on the status of their complaint, starting from complaint acknowledgement till its resolution. The escalation matrix for complaint resolution observed and designed in the system is such that a complaint, if not resolved within the specified turnaround time, gets escalated to the next senior level of management and keeps on escalating further till resolved.

SQ also performs in-depth qualitative and quantitative complaints analysis followed by suggestions and recommendations in order to eliminate root causes of customer issues and drive continuous improvement.

### Audit and Risk and Review Group

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

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

Audit & RAR Group continued to perform its role effectively on both the assurance and consultative fronts during 2019. It played its role in evaluating the efficacy of Bank's control systems by enhancing visibility of the management and the Board on the risk management and control related matters of the Bank (for Bank's domestic and overseas operations). The Group also highlighted areas for improvement and worked closely with the management through regular engagement as well as consistent follow-up, monitoring and guidance towards resolution of significant issues. Staff training and development remained a focus area for the Group which helped in enabling the internal audit team in performance of its duties objectively as well as with professional due care. Moreover, quality assessment of internal audit function by external assessors (A.F. Ferguson & Co., Chartered Accountants (a member firm of the PwC network)) was also carried out during 2019 in line with the requirements laid down by the IIA's Internal Auditing Standards. Based on the assessment, the function was able to achieve general conformance with the IIA Standards.

With the zeal and commitment to play an effective role in the Bank's endeavor for continuous improvement, Audit & RAR Group will persevere for further strengthening of its resources, processes and Framework in 2020.

### Legal Affairs Group

The mission of the Legal Affairs Group is to further the strategic goals and to protect and preserve the legal, ethical and financial integrity and the reputation of MCB Bank. This is accomplished by providing strategic legal advice on contentious and non-contentious matters, thereby ensuring that businesses conduct their activities in accordance with applicable laws and bye laws consistent with the mission, vision, and values of the MCB Bank. Legal compliance is the process or procedure to ensure that an organization follows relevant laws, regulations and business rules.

Legal Affairs Group consists of two departments.

- Legal Affairs Department - Advisory
- Litigation Department

#### Legal Affairs Department - Advisory

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

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

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

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

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

During 2019, around 23,000 Opinions/Vettings were issued on collateral, security documents and allied legal issues raised by Business/Field, therefore advisory department has contributed in cost saving worth Millions of Rupees.

### Litigation Department

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

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

Following initiatives were taken by the Litigation Department during 2019:

- Retrieval/Compilation of Pan Pakistan Litigation Data/Record & Digitizing/Scanning the same.

- Since Centralization of litigation expenses in June 2014, complete record with respect to litigation expenses is being maintained & shared with respective businesses on periodical basis.
- Development of Shadow Filing System which is in data entry phase. Once the same will be fully functional, it would enable litigation department to provide real time updates of court cases.
- As many as four meetings of Litigation Review Committee (LRC) were held in the year 2019 and during the said meetings, 38 lawyers were enlisted on Bank's Approved panel.
- The performance of 328 lawyers was evaluated and discussed during LRC meetings on the basis of feedback received from the relevant businesses.
- In such meetings, Special attention was given to the cases involving Rs.10 million and above, including execution petitions pending for 3 years and more & way forward was also discussed for expeditious disposal of these execution petitions.
- As many as 1,893 (including recovery suits) were filed during 2019 and around 1,475 cases were disposed of/decreed through appointed lawyers and thereby contributed in Bank's NPLs recovery efforts.

To strengthen itself, MCB Legal Affairs Group has shown significant growth in 2019 and is committed to perform up the curve in future to help the Bank to achieve better results.

### Human Resource

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

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

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

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

## Security

Security Division effectively ensured the safety and security of the Bank's physical assets despite numerous challenges during 2019. Through their persistent coordinated efforts, our security team meticulously managed security arrangements, ensured vigilant monitoring and supervision of branches across Pakistan, which translated into smooth and unimpeded branch operations.

MCB Bank branches are equipped with modern security equipment and manned by adequately skilled security staff that ensures banking transactions by customers and bank staff at branches are conducted in a safe and secure environment.

This year again, the security response rate was commendable, especially during national and other public holidays; all robbery attempts were successfully foiled owing to the robust and efficient security systems deployed at bank branches.

As in previous years, Regional Security Officers conducted security awareness training sessions for branch staff and security guards in their respective regions. With a right combination of trained and motivated man power and technology, Security Division is geared towards ensuring the safety of Bank's customers, assets and staff in the future.

## Marketing

The Marketing Division is geared towards enhancing the positive image of the Bank through its corporate Brand Building, promotion of Bank's Product & Services on visible optimized mediums, standardization of corporate & brand communications, branch merchandizing, CSR and strong public relations.

During 2019, Marketing Division launched its new Corporate TVC, enhanced visibility through extensive Media and Out of Home (OOH) branding campaigns that played a pivotal role in increasing brand presence, awareness and generating leads. Another achievement in the year was the standardization of branch branding at 1300+ branches across the Bank's network, undertaken for the first time in the Bank's history. A special set of Branch Branding Guidelines was also developed to reinforce

standardization and consistency amongst all branding undertaken internally and externally at MCB branches. The Division also revamped the MCB Bank corporate website, upgrading the technological infrastructure at the back-end and enhancing the front end to provide users with a visually vibrant and easy-to-use interface.

Going forward, Marketing Division will continue to focus on enhancing Brand visibility through a combination of available channels, thereby reinforcing brand presence and enhancing the Bank's image.

## MCB Islamic Bank Limited

MCB Islamic Bank Limited (the "Bank") is the wholly owned subsidiary of MCB Bank Limited and commenced its operations in 2015 with a nation-wide network of branches. The aim of MCB Islamic Bank Limited is to be the first choice Shari'ah compliant financial services provider for the customers and to carry out business purely in accordance with Shari'ah principles with full conviction and devotion.

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

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

Different services and products offered by the bank are available to customers through a branch network of 185 branches backed by 187 On-Site and Off-Site network of ATMs. The Bank offers EMV enabled Debit Cards, IOS and Android based native Mobile and Internet Banking services. Moreover, the Bank has also developed its suite of Cash Management services, including Payment upon Identification (PUI), Cash & Instrument Collection, Cash in Transit Services (CIT), Corporate Internet Banking by acquiring Oracle Banking Digital Experience (OBDX) and also working on development of product suit for Employee Banking under Cash Management umbrella.

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



## Corporate Governance

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

### Board Composition

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

Category	Name
Independent Directors	Mr. Yahya Saleem Mr. Salman Khalid Butt Mr. Shahzad Hussain Mr. Masood Ahmed Puri
Non-Executive Directors	Mian Mohammad Mansha Mr. S. M. Muneer Mr. Muhammad Tariq Rafi Mian Umer Mansha Mr. Mohd Suhail Amar Suresh bin Abdullah Mr. Muhammad Ali Zeb Mr. Shariffuddin bin Khalid
Executive Director (President & CEO)	Mr. Imran Maqbool
Female Director (Non-Executive)	Mrs. Iqraa Hassan Mansha

#### Independent Directors and their Independence:

The Board has four (04) Independent Directors who meet the criteria of independence under the Companies Act, 2017 and the directives issued by the State Bank of Pakistan (“SBP”).

#### Representation of Female Directors on Board:

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

#### Non-Executive Directors:

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

#### Casual Vacancies on to Board of Directors:

During the year 2019, the Board of Directors of the Bank appointed two (02) Independent Directors and one (01) Non-Executive Director, as detailed below:

Name of Director Appointed	In place of	Date of Appointment
Mr. Shahzad Hussain	Mr. Samir Iqbal Saigol	May 31, 2019
Mr. Masood Ahmed Puri	Mr. Haroun Rashid	May 31, 2019
Mr. Shariffuddin bin Khalid	Mr. Nor Hizam Bin Hashim	July 23, 2019

The Board appreciated the services extended by the outgoing directors as members of the Board of MCB and its various Committees during their tenure.

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

President & CEO, the Executive Director is serving in four (04) companies as non-executive director.

#### Detail of Board Meetings held outside Pakistan:

During the year 2019, all the Board of Directors meetings were held in Pakistan.

## Process of Appointment and Nomination of directors:

As per the provisions of the law, the directors are elected by the shareholders of the Bank, whereas, the casual vacancies on the Board are filled by the directors. Every director has to qualify the assessment criteria of 'Fit and Proper Test' as framed by the State Bank of Pakistan. While appointing a director, it is ensured that the Board is comprised of directors who have diversified experience, suitable knowledge, appropriate skill set/expertise and competency considered relevant in the context of the Bank's operations and to make the Board an effective decision making body. It is also ensured that the Board has an appropriate mix of directors including female member(s), diversity, size and well-structured to add value and to provide objective advice and have no material conflicts of interest.

Independent Directors play an active role to enhance the overall effectiveness of the Board. While appointing them, the applicable provisions of the laws, rules and regulations are meticulously complied with. Independent Directors are selected to demonstrate the transparency and fairness in their role and also to provide an objective and independent judgment in the best interest of the Bank.

## Directors' Participation/Attendance in Board and Committee Meetings Held During 2019

Sr. No.	Name of Director	Board's Committees																	
		Board of Directors		AC		BS&DC		RM&PRC		HR&RC		CR&MC		PP&CA		ITC		WO&WC	
		Member	Attended1	Member	Attended1	Member	Attended1	Member	Attended1	Member	Attended1	Member	Attended1	Member	Attended1	Member	Attended1	Member	Attended1
Total Meetings Held		5		5		4		4		4		4		4		4		0	
1	Mian Mohammad Mansha	◆	5	—	—	◆	0	—	—	◆	4	—	—	◆	1	—	—	—	—
2	Mr. S. M. Muneer	◆	2	—	—	◆	1	—	—	—	—	◆	1	◆	0	—	—	—	—
3	Mr. Muhammad Tariq Rafi	◆	5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	◆	—
4	Mian Ulmer Mansha	◆	3	◆	5	◆	4	◆	3	—	—	—	—	◆	4	◆	4	◆	—
5	Mrs. Iqraa Hassan Mansha	◆	3	—	—	—	—	—	—	◆	0	—	—	◆	0	—	—	—	—
6	Mr. Muhammad Ali Zeb	◆	4	◆	4	—	—	◆	3	◆	4	◆	4	◆	3	—	—	◆	—
7	Mr. Mohd Suhail Amar Suresh	◆	4	—	—	◆	3	◆	3	—	—	—	—	—	—	◆	3	—	—
8	Mr. Nor Hizam Bin Hashim	◆	2	◆	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Mr. Yahya Saleem	◆	4	◆	0	—	—	—	—	◆	2	—	—	—	—	◆	2	—	—
10	Mr. Salman Khalid Butt	◆	5	—	—	◆	4	◆	3	—	—	◆	3	—	—	◆	4	—	—
11	Mr. Shahzad Hussain	◆	3	◆	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Mr. Masood Ahmed Puri	◆	3	—	—	◆	2	—	—	—	—	—	—	—	—	—	—	—	—
13	Mr. Shariffuddin Bin Khalid	◆	3	◆	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Mr. Imran Maqbool (President & CEO)	◆	5	—	—	◆	4	◆	4	—	—	◆	4	◆	4	◆	4	—	—

Chairman ◆ Member ◆

Sr. No.	Name of Director	Notes
1		Meetings of a particular forum attended by the concerned director during his/her tenure.
2	Mr. S. M. Muneer/ Mr. Muhammad Ali Zeb	Mr. Muhammad Ali Zeb replaced Mr. S. M. Muneer as member of the Board's Committee on Physical Planning & Contingency Arrangements w. e. f. May 31, 2019.
3	Mr. Shahzad Hussain/ Mr. Yahya Saleem	Mr. Shahzad Hussain joined the Board and replaced Mr. Yahya Saleem as Chairman of the Board's Audit Committee w.e.f May 31, 2019.
4	Mr. Masood Ahmed Puri	Joined the Board and became member of the Board's Business Strategy & Development Committee w.e.f May 31, 2019.
5	Mr. Shariffuddin Bin Khalid/ Mr. Nor Hizam Bin Hashim	Mr. Shariffuddin Bin Khalid replaced Mr. Nor Hizam Bin Hashim as Board member and member of the Board's Audit Committee w.e.f July 23, 2019.
6	Mian Mohammad Mansha	Member of the Board's Committee on Physical Planning & Contingency Arrangements and Business Strategy & Development Committee w.e.f November 09, 2019 and December 20, 2019, respectively.
7	Mr. S. M. Muneer	SBP has been requested to condone the requirement of Para 8 of Section B of Prudential Regulations G-1

## Disclosure on Board of Directors

Sr. No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director	Member of Board Committees*	Number of other Board Memberships along with Name of Companies	
					Number	Name of Companies
1	Mian Mohammad Mansha	Apr-91	Non-Executive Director	- HR&RC - BS&DC - PP&CA	2	MCB-Arif Habib Savings and Investments Limited MCB Non-Bank Credit Organization, CJSC, Azerbaijan (Formerly: MCB Leasing CJSC, Azerbaijan)
2	Mr. S. M. Muneer	Apr-91	Non-Executive Director	- BS&DC - CR&MC	5	Din Textile Mills Limited Din Leather (Pvt.) Limited Din Farm Products (Pvt.) Limited Arabian Sea Country Club Din Industries Limited
3	Mr. Muhammad Tariq Rafi	Apr-91	Non-Executive Director	-	5	Siddiqsons Limited Siddiqsons Tin Plate Limited Central Depository Co. of Pakistan Limited Triple Tree Associates Siddiqsons Energy Limited
4	Mian Umer Mansha	11-Nov-97	Non-Executive Director	- AC - BS&DC - RM&PRC - PP&CA - ITC - WO&WC	11	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 (Un-listed) Nishat Dairy (Pvt.) Limited Nishat Agriculture Farming (Pvt.) Limited Hyundai Nishat Motor (Pvt.) Limited Nishat Agrotech Farms (Pvt) Limited Nishat Sutas Dairy Limited
5	Mrs. Iqraa Hassan Mansha	03-May-16	Non-Executive Director	- HR&RC - PP&CA	5	Nishat Hotels & Properties Limited (Un-listed) Nishat (Gulberg) Hotels and Properties Limited (Un-listed) Nishat (Raiwind) Hotels and Properties Limited (Un-listed) Nishat Real Estate Development Company (Private) Limited Emporium Properties (Pvt) Limited
6	Mr. Muhammad Ali Zeb	27-Mar-09	Non-Executive Director	- AC - RM&PRC - HR&RC - CR&MC - PP&CA - WO&WC	4	Adamjee Insurance Company Limited Adamjee Life Assurance Company Limited Nishat Chunian Ltd. Nishat Sutas Dairy Limited
7	Mr. Mohd Suhail Amar Suresh bin Abdullah	24-Feb-14	Non-Executive Director	- RM&PRC - BS&DC - ITC	3	Maybank Shared Services Sdn Bhd (a wholly owned subsidiary of Maybank) MBB Labs Pvt Ltd (a subsidiary of Maybank Shared Services) Technology Park Malaysia Corporation Sdn Bhd (TPM)
8	Mr. Yahya Saleem	27-Mar-18	Independent Director	- HR&RC - ITC	3	Saleem Memorial Trust Hospital NC Entertainment Private Limited NC Trading USA

Sr. No.	Name of Directors	Date of Joining/ Leaving the Board	Status of Director	Member of Board Committees*	Number of other Board Memberships along with Name of Companies	
					Number	Name of Companies
9	Mr. Salman Khalid Butt	10-Nov-18	Independent Director	- BS&DC - RM&PRC - CR&MC - ITC	4	Saleem Memorial Trust Hospital
						New Heights Management Ltd, a BVI Company
						New Heights Concepts Ltd, a BVI Company
						Next Commercial FZ LLC, a Ras El Khaimah (Rakez), U.A.E. Company
10	Mr. Shahzad Hussain	31-May-19	Independent Director	- AC	3	NAMAL Education Foundation
						Imran Khan Foundation
						Punjab Health Care Commission
11	Mr. Masood Ahmed Puri	31-May-19	Independent Director	- BS&DC	3	Transarab Trading Services (KSA)
						Jedex Logistics Pvt. Ltd (Pakistan)
						Jedex Transport Company LLC (UAE)
12	Mr. Shariffuddin Bin Khalid	23-Jul-19	Non-Executive Director	- AC	8	Malayan Banking Berhad
						Maybank (Cambodia) Plc (A subsidiary of Maybank)
						Maybank Islamic Berhad
						Marine & General Berhad
						M&G Marine Logistics Holdings Sdn. Bhd., (A subsidiary of Marine & General Berhad)
						M&G Tankers Sdn. Bhd., (A subsidiary of Marine & General Berhad)
						Jasa Marin (Labuan) Plc (A subsidiary of Marine & General Berhad)
						M&G Ship Management (L) Pte Limited (A subsidiary of Marine & General Berhad)
13	Mr. Nor Hizam Bin Hashim	6-Sep-2016/ 23-Jul-19	Non-Executive Director	- AC	3	Maybank Islamic Berhad
						Malayan Banking Berhad
						Badan Pengawas Pemegang Saham Minoriti Berhad, Malaysia
14	Mr. Imran Maqbool President & CEO	21-Dec-12	Executive Director	- BS&DC - RM&PRC - CR&MC - ITC - PP&CA	4	Adamjee Insurance Company Limited
						Adamjee Life Assurance Company Limited
						MCB Financial Services Limited
						MCB Employees Foundation

<b>AC:</b>	Audit Committee
<b>BS&amp;DC:</b>	Business Strategy & Development Committee
<b>RM&amp;PRC:</b>	Risk Management & Portfolio Review Committee
<b>HR&amp;RC:</b>	Human Resource & Remuneration Committee

<b>ITC:</b>	Information Technology Committee
<b>PP&amp;CA:</b>	Committee on Physical Planning & Contingency Arrangements
<b>CR&amp;MC:</b>	Compliance Review & Monitoring Committee
<b>WO&amp;WC:</b>	Write-Off & Waiver Committee



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

• Mian Mohammad Mansha	• Mr. Salman Khalid Butt
• Mr. S. M. Muneer	• Mr. Shahzad Hussain
• Mr. Muhammad Tariq Rafi	• Mr. Masood Ahmed Puri
• Mian Umer Mansha	• Mr. Shariffuddin bin Khalid
• Mrs. Iqraa Hassan Mansha	• Mr. Nor Hizam bin Hashim
• Mr. Muhammad Ali Zeb	• Mr. Haroun Rashid*
• Mr. Mohd Suhail Amar Suresh bin Abdullah	• Mr. Samir Iqbal Saigol
• Mr. Yahya Saleem.	

\*Mr. Haroun Rashid and Mr. Samir Iqbal Saigol were elected as directors of the Bank in its Annual General Meeting held on March 27, 2018, however, State Bank of Pakistan did not clear their Fit and Proper Test as independent directors.

## Board Committees

**The Board has formed eight (8) sub-committees as given below:**

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

### Audit Committee

**Meetings held: 5**

**Composition:**

1. Mr. Shahzad Hussain - (Chairman, Independent Director)
2. Mian Umer Mansha - (Non-Executive Director)
3. Mr. Muhammad Ali Zeb - (Non-Executive Director)
4. Mr. Shariffuddin Bin Khalid - (Non-Executive Director)

### Terms of Reference

**The main Terms of Reference/ roles & responsibilities of the Committee are:**

1. Determination of appropriate measures to safeguard the Bank's assets;
2. Reviewing annual and interim financial statements of the Bank, prior to their approval by the Board of Directors, focusing on:

- Major judgmental areas;
- Significant adjustments resulting from the audit;
- The going concern assumption;
- Any changes in accounting policies and practices;
- Compliance with applicable accounting standards;
- Compliance with listing regulations, other Statutory and regulatory requirements; and
- All related party transactions.

3. Reviewing preliminary announcements of results prior to external communication and publication;
4. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
5. Reviewing Management Letter issued by external auditors and management's response thereto;
6. Ensuring coordination of internal auditors with external auditors of the Bank and SBP inspection team(s);
7. Making recommendations to the Board of Directors for the appointment of external auditors, their removal, audit fees, provision of any service permissible to be rendered to the Bank by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof;
8. Reviewing and recommending of the Internal Audit Framework i.e. internal audit function's policies and manuals (also covering extent and nature of assignments/ engagements that can be provided to the management by internal audit function in its 'Advisory / Consulting' role) to the Board for approval.
9. Reviewing, internal audit strategy, reporting framework and procedures developed by Chief Internal Auditor and ensuring its fullest support to the internal audit function and internal auditors enabling them in performing their mandated activities independently and in objective manner;
10. Reviewing and approving scope and extent of internal audit as well as risk based annual audit plan. Furthermore, reviewing the implementation status of the approved audit plan on a quarterly basis.
11. Ensuring that the internal audit function has adequate resources (financial, human, operational, physical and technological), its staff is adequately trained and the function is appropriately placed within the Bank with

- access to Bank's people, information, processes, properties, records and systems.
12. Ensuring independence of internal audit function, independence & objectivity of internal auditors, optimal utilization of audit resources, effectiveness of the internal audit function in Bank's overall governance and internal control framework and constructive engagement of internal audit function with senior management and auditee units etc.;
  13. Reviewing and recommending budget / resource requirement of Audit & RAR Group to the Board for approval. Further, reviewing, on a quarterly basis, the utilization of Audit & RAR Group's assigned budget and if required, recommending provision of additional resource(s) to enable the Group in performance of its activities;
  14. Formulating 'Key Performance Indicators' (KPIs) for the Chief Internal Auditor and evaluate his/her performance against set KPIs on an annual basis;
  15. Approving appointment/ re-hiring/ renewal of contract and removal of Chief Internal Auditor along with his/her compensation package/remuneration (including performance based bonus, increments, cash rewards etc.), allied benefits (both financial/ non-financial), promotion/demotion and other terms of employment to the Board through Board's Human Resources & Remuneration Committee. However, recommendation of Board's Human Resources & Remuneration Committee may be sought by the Audit Committee/ Board regarding compensation package of Chief Internal Auditor, keeping in view the institution-wide remuneration policy, formulated in terms of BPRD Circular No. 01 of 2017;
  16. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
  17. Reviewing summaries of quarterly report on frauds/ forgeries/ dacoities;
  18. Reviewing, on quarterly basis, summary of significant violations/observations, internal control deficiencies, organizational and personal material conflicts of interest etc. to have deep insights into state of internal controls and to set specific, time bound action points/indicators to monitor improvements. Further reviewing the management action plan to ensure that audit observations/ recommendations receive proper and timely attention by senior management;
  19. Analyzing and identifying (for necessary action(s)), on a regular basis, 'root cause(s)' of control breaches of critical nature that keep on occurring in at-least two audit periods despite implementation of audit recommendations;
  20. Obtaining Chief Internal Auditor's independent annual assessment/opinion on the state of Bank's internal controls based on the audits conducted over the period;
  21. 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;
  22. Reviewing the Bank's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
  23. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer ("CEO") and to consider remittance of any matter to the external auditors or to any other external body.
  24. Determination of compliance with relevant statutory requirements;
  25. Establishing, maintaining and promoting regular communication with senior management regarding deficiencies in internal controls; review actions taken by management to address identified deficiencies and ascertaining new developments to achieve a uniform organization-wide commitment/ buy-in for implementation of strong and effective internal controls;
  26. Reviewing effectiveness of Whistle Blowing procedures for receiving (through internal or external sources) complaints/ concerns regarding business ethics/conduct practices, governance & risk management practices, controls over financial reporting, auditing practices etc. Ensuring that such complaints/ concerns are treated confidentially and that the reporting employee(s) are protected and not penalized in any manner whatsoever. Ensuring that employees remain aware of existence of such procedures including mechanism for utilizing them and are encouraged to be a 'whistleblower';
  27. Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
  28. Reviewing, on a periodic basis, the Internal Controls over Financial Reporting (ICFR) system for its effective implementation and its continuous up gradation.
  29. Monitoring compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and identification of significant violations thereof;
  30. Consideration of any other issue or matter as may be assigned by the Board of Directors.

## Business Strategy & Development Committee

**Meetings held: 4**

### Composition:

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

### Terms of Reference

**The main Terms of Reference of the Committee are to:**

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

## Human Resource & Remuneration Committee

**Meetings held: 4**

### Composition:

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

## Terms of Reference

**The main Terms of Reference of the Committee shall be to ensure that:**

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

The findings of review and rectification measures shall be presented to the Board for approval.

2. The latest entry-level procedures are put in place for recruitment of entrants.
3. The existing training facilities for the new entrants as well as for up-gradation of skill level of all employees are reviewed and revised, if required.
4. Proper classification & reclassification of employees' pay scales, job description and methods of their periodical review are put in place.
5. The Bank-wide remuneration policy takes into account all cadres of employees along with the pay-gap between the highest paid and the lowest paid employees, across various levels as well as across the Bank. The pay-gap shall be based on the total compensation awarded to the employees and should be maintained at reasonable levels without allowing concentration of the benefits of Bank's performance only to top level or certain class or group of employees. The pay structure for all employees should be fair, competitive and encourage performance and motivation.
6. That the remuneration policy of the Bank provides for reasonable levels of compensation for contractual employees of Bank and commensurate with their assignments.
7. That a separate structure of remuneration for Material Risk Controllers ("MRC") and Material Risk Takers ("MRTs") is developed as per remuneration policy. The MRTs should be identified as functions and designations rather than as individuals. The MRTs should have appropriate level of authority and control.
8. An objective criterion for work appraisal/performance is developed and linked with the annual merit increase.

9. A review is undertaken of the organizational structure to bring it in line with business strategy & development plan and approve an organizational set up or any revision in the existing set up taking into account the recommendations of the President & CEO.
10. An in-house human resource expertise is developed to undertake market analysis of above policies with a view to developing MCB policies.
11. If so required, the Committee can seek independent external advice/expert opinion for accomplishment of devising an effective and prudent remuneration framework.
12. Effective management information system is developed to monitor the implementation of policies as approved by the Board.
13. Recommendation to the Board for consideration and approval of a policy framework for determining remuneration of directors (both executive and non-executive directors) and members of Senior Management. The definition of senior management will be determined by the Board which shall normally include the first layer of management below the Chief Executive Officer.
14. Selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO, COO, CFO, Company Secretary and Head of Internal Audit and recommendation to the Board.
15. The structure of compensation package of Executive Directors, CEO, Key Executives and any other employee or group of employees Bank-wide is recommended to the Board for its own approval or approval of the shareholders, according to legal and regulatory requirements.
16. The consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO.
17. In devising the Remuneration setting policy and mechanism, the Committee can also seek internal inputs from any other Committee of the Board or directly from any department or official of the Bank.

#### **Risk Management & Portfolio Review Committee**

**Meetings held: 4**

##### **Composition:**

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

#### **Terms of Reference**

**The main Terms of Reference of the Committee are to:**

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

#### **Committee on Physical Planning & Contingency Arrangements**

**Meetings held: 4**

##### **Composition:**

1. Mian Umer Mansha - (Chairman, Non-Executive Director)
2. Mian Mohammad Mansha - (Non-Executive Director)
3. Mrs. Iqraa Hassan Mansha - (Non-Executive Director)
4. Mr. Muhammad Ali Zeb - (Non-Executive Director)
5. President & CEO - (Executive Director)

#### **Terms of Reference**

**The main Terms of Reference of the Committee are:**

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



## Information Technology Committee

**Meetings held: 4**

### Composition:

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

### Terms of Reference

#### The main Terms of Reference of the Committee are:

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

## Compliance Review and Monitoring Committee

**Meetings held: 4**

### Composition:

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

## Terms of Reference

#### The main Terms of Reference of the Committee are:

1. To review six monthly reports, prepared by the Compliance & Controls Group and routed through the President, on overall compliance risk management in the Bank (local as well as overseas operations) including the actions taken on the recommendations and observations of SBP in its Annual/ Thematic Inspection Reports;
2. To evaluate the effectiveness of the Bank's overall management of compliance risk, at least annually; keeping in view the regulatory observations in on-site examinations, regulatory enforcement actions, internal assessments/feedback from internal audit, compliance reviews, as well as interactions with the Chief Compliance Officer ("CCO");
3. To carry on liaison between the Board and the management and make recommendations to the Board, if necessary, for taking decisions on expedient and appropriate disposal of compliance issues raised through Compliance Committee of Management ("CCM") and SBP's inspection reports and other AML/CFT related identified issues;
4. To oversee the effectiveness of Service Quality function of the Bank and to review the Bank's performance against committed service deliverables.
5. To review/recommend Compliance Risk Strategy/ Policy, Compliance Program and allied policies and oversee its implementation across the Bank in letter and spirit;
6. To recommend appointment of CCO on the advice of the President and ensure that position of CCO does not remain vacant for more than 60 days. Furthermore, to approve any disciplinary action or termination of the CCO;
7. To ensure that CCO has appropriate stature, authority, resources (physical, financial and human), support to fulfill his duties, independence and capacity to offer his objective opinions and advise to senior management and Board on matters of compliance risks;
8. To ensure that Compliance Function ("CCG") has subject experts on various critical areas such as risk management, credit operations, product compliance, customer service, international trade, outsourcing, corporate governance, financial disclosures, business continuity, information technology, general banking operations, AML/CFT etc. to provide guidance to business areas as and when required.
9. To ensure that CCG being the second line of defence, assists line managers/departments in designing and implementing adequate controls to manage risks of non-compliance and monitors and assesses bank-

wide compliance risk and reports risk profile to Board and Compliance Committee of Management.

10. To engage with the CCO on half yearly basis, for his feedback on issues faced by the CCG in the implementation of board approved compliance program;
11. To review the minutes of CCM meetings to ascertain its effectiveness in managing compliance risk;
12. To review the progress in implementing remedial actions taken with respect to instances of non-compliance or control weakness as identified by Compliance Function through its regular compliance reviews and / or various other sources;
13. To review the compliance risk relevant agenda items as required under SBP regulations/ instructions of overseas jurisdictions, AML/CFT perspective and SBP inspection reports' observations as per their respective timelines/ frequencies (quarterly, semi-annually or annually);
14. To satisfy itself of receiving the accurate as well as comprehensive information required to perform its compliance risk oversight responsibilities, including seeking assurances from Senior Management that the compliance risk controls have been implemented and are working effectively;
15. Any other issue that is deemed necessary and required by the regulations.

#### **Write-Off & Waiver Committee**

**Meetings held: None**

##### **Composition:**

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

##### **Terms of Reference**

**The terms of reference of the Committee are:**

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

## **Management Committees**

#### **Management Committee**

1. Mr. Imran Maqbool - Chairman
2. Mr. Hammad Khalid
3. Mr. Kamran Zaffar Muggo
4. Mr. Farid Ahmad
5. Mr. Usman Hassan
6. Mr. Mohammed Nauman Chughtai

7. Mr. Syed Mudassar Hussain Naqvi
8. Mr. Zargham Khan Durrani
9. Mr. Azfar Alam Nomani
10. Ms. Nabeela Waheed
11. Mr. Hassan Nawaz Tarar
12. Mr. Nadeem Afzal
13. Mr. Salman Y Zaidi
14. Mr. Shoaib Mumtaz
15. Mr. Haris Hasan – Acting member

#### **Assets & Liabilities Committee**

1. Mr. Imran Maqbool - Chairman
2. Mr. Hammad Khalid
3. Mr. Mohammed Nauman Chughtai
4. Ms. Nabeela Waheed
5. Mr. Salman Y Zaidi
6. Mr. Kamran Zaffar Muggo
7. Mr. Zargham Khan Durrani
8. Mr. Azfar Alam Nomani
9. Mr. Nadeem Afzal
10. Mr. Shoaib Mumtaz

#### **Investment Committee**

1. Mr. Imran Maqbool - Chairman
2. Mr. Omair Safdar
3. Mr. Salman Y Zaidi
4. Mr. Hammad Khalid
5. Ms. Nabeela Waheed
6. Mr. Mohammed Nauman Chughtai

#### **Management Credit & Risk Committee**

1. Mr. Imran Maqbool - Chairman
2. Ms. Nabeela Waheed
3. Mr. Rizwan Chughtai – Acting member

#### **Disciplinary Action Committee**

1. Mr. Usman Hassan - Chairman
2. Mr. Kamran Zaffar Muggo
3. Mr. Farid Ahmad
4. Mr. Haris Hasan - Acting member
5. Mr. Hassan Nawaz Tarar

#### **Purchase & Expense Committee**

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

#### **Write Off Committee**

1. Mr. Imran Maqbool - Chairman
2. Mr. Hammad Khalid
3. Mr. Mohammed Nauman Chughtai
4. Mr. Zargham Khan Durrani
5. Mr. Azfar Alam Nomani

6. Mr. Nadeem Afzal
7. Mr. Omair Safdar
8. Ms. Nabeela Waheed

#### **Issue Tracking & Monitoring**

1. Mr. Farid Ahmad - Chairman
2. Mr. Kamran Zaffar Muggo
3. Ms. Nabeela Waheed

#### **Information Technology Steering Committee**

1. Mr. Imran Maqbool - Chairman
2. Mr. Hammad Khalid
3. Mr. Mohammed Nauman Chughtai
4. Mr. Kamran Zaffar Muggo
5. Mr. Zargham Khan Durrani
6. Mr. Azfar Alam Nomani
7. Ms. Nabeela Waheed

#### **Litigation Review Committee**

1. Mr. Syed Mudassar Hussain Naqvi - Chairman
2. Mr. Haris Hasan - Acting member
3. Mr. Zargham Khan Durrani
4. Mr. Azfar Alam Nomani
5. Mr. Usman Hassan
6. Mr. Mansoor Qadir
7. Mr. Amir Nawab

#### **Management Sub-Committee for Resolution of Long Outstanding Audit Issues**

1. Mr. Kamran Zaffar Muggo - Chairman
2. Mr. Hammad Khalid
3. Mr. Azfar Alam Nomani
4. Mr. Zargham Khan Durrani

#### **Management Sub-Committee on AML/CFT**

1. Mr. Farid Ahmad - Chairman
2. Mr. Kamran Zaffar Muggo
3. Mr. Azfar Alam Nomani
4. Mr. Zargham Khan Durrani
5. Mr. Mohammed Nauman Chughtai
6. Ms. Nabeela Waheed
7. Mr. Shoaib Mumtaz

#### **Overseas Monitoring Committee**

1. Mr. Hammad Khalid - Chairman
2. Ms. Nabeela Waheed
3. Mr. Farid Ahmad
4. Mr. Kamran Zaffar Muggo
5. Mr. Shoaib Mumtaz

#### **Compliance Committee of Management**

1. Mr. Imran Maqbool - Chairman
2. Mr. Farid Ahmad
3. Mr. Kamran Zaffar Muggo
4. Mr. Usman Hassan

5. Ms. Nabeela Waheed
6. Mr. Syed Mudassar Naqvi
7. Mr. Zargham Khan Durrani
8. Mr. Azfar Alam Nomani
9. Mr. Mohammed Nauman Chughtai
10. Mr. Shoaib Mumtaz
11. Mr. Nadeem Afzal

#### **Cyber Security Committee**

1. Ms. Nabeela Waheed - Chairman
2. Mr. Nadeem Afzal
3. Mr. Farid Ahmad
4. Mr. Mohammed Nauman Chughtai
5. Mr. Kamran Zaffar Muggo
6. Mr. Shoaib Mumtaz
7. Mr. Zargham Khan Durrani
8. Mr. Azfar Alam Nomani

#### **Outsourcing Relationship Review Committee**

1. Mr. Kamran Zaffar Muggo - Chairman
2. Ms. Nabeela Waheed
3. Mr. Farid Ahmad

### **Performance Evaluation of the Board of Directors, its Committees and Individual Directors:**

MCB Board conducted the performance evaluation of the Board as a whole, its Committees and Individual Directors through an external independent evaluator in line with the 'Guidelines on Performance Evaluation of the Board of Directors' ("SBP Guidelines") issued by the State Bank of Pakistan ("SBP") vide its BPRD Circular No. 11, dated August 22, 2016. SBP Guidelines requires that after two years of in house evaluation, the third year evaluation is required to be done by an external independent evaluator.

In 2019, the Board engaged the services of M/s Pakistan Institute of Corporate Governance ("PICG") as an external independent evaluator to conduct the performance evaluation of the Board as a whole, its Committees and individual Board Members for the year 2018.

PICG Report on performance evaluation of the Board, its Committees and Individual Directors for the year 2018 narrates that the MCB Board evaluation was carried out in accordance with the SBP Guidelines and the main objective was to help identify areas for improvement to ensure that Bank's strategy was implemented as effectively as possible.

As per PICG evaluation results; the Strategic Performance Index of the Bank has been calculated as 88% securing one of the highest figure in the banking industry. The Strategic Performance Index was a leadership assessment measuring organizational success across the Bank broadly covering the following categories:

Category	Category
1. Strategic Planning	7. Board Committees
2. Board Composition	8. Board Procedures
3. Control Environment	9. Board & CEO Compensation
4. Board and CEO Effectiveness	10. Independent Directors
5. Chairman	11. Board Information
6. CEO	12. Board Interaction

MCB Board has put a formal and an effective mechanism for annual performance evaluation of the Board since 2014 as per the requirements of the Code of Corporate Governance. Under SBP Guidelines, the Board has also conducted the performance evaluation of overall Board, its Committees and Individual Directors for the year 2016 and 2017.

#### Criteria for Annual Performance Evaluation of the Board

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

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

- Is the board effective in adherence to the code of conduct?

#### Criteria for Annual Performance Evaluation of the Board Committees:

The rationale for the formation of Board Committees is to enhance the efficiency and to share the work load of the Board. The performance of the Committees may be evaluated on the basis of the Terms of Reference ("TORs") of the respective committees. Under SBP Guidelines, the performance of the Board's Committees is based on below criteria:

- Are the size, structure and skill set of committees appropriate?
- Does each committee have adequate and appropriate written TORs?
- Are the committees effectively discharging their functions and duties as per TORs?
- Is the frequency of committee meetings adequate?
- Are the committee meetings organized properly with appropriate procedures?
- Are the committee meetings conducted in a manner that encourages open communication and meaningful participation of its members?
- How effectively and proactively committees have followed up with their areas of concern?
- Are the suggestions and recommendations of committees effective?

#### Annual Performance Evaluation of the Chairman, Individual and Independent Directors:

As per the requirements and criteria given by the SBP Guidelines, the performance evaluation of the Chairman of the Board is performed by the Independent Directors. The performance of Individual Directors may be conducted by the Chairman; however, Independent Directors are evaluated by all other Directors of the Bank excluding the Director being evaluated.

#### Annual Performance Evaluation of the President & CEO of the Bank:

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

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



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

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

## Performance Evaluation through External Independent Evaluator:

SBP under BPRD Circular No. 11 of 2016 dated August 22, 2016 required that Board evaluation should be undertaken by an external independent evaluator at least once in every three years. The performance evaluation of the Board, its Committees and Individual Directors has been conducted through an external independent evaluator in 2019.

## Directors' Remuneration:

MCB Board, in line with the SBP directions issued through its BPRD Circular No. 03 of 2019, dated August 17, 2019 has determined the scale of remuneration including additional remuneration to be paid to the Non-Executive Directors including Independent Directors and the Chairman for attending Board Meetings and its Committees meetings of the Bank. The scale of remuneration including additional remuneration which is required to be approved by the Shareholders of the Bank is within the prescribed limits of the SBP Circular.

## Directors' Remuneration Policy:

The Directors' Remuneration Policy (the "Remuneration Policy") has been formulated by Board's Human Resource & Remuneration Committee as per the requirements of SBP BPRD Circular No. 03 of 2019, dated August 17, 2019 and recommended by the Board of Directors to the Shareholders of the Bank for their approval in Annual General Meeting scheduled to be held on March 19, 2020. The Remuneration Policy has been prepared in accordance with the provisions of the Prudential Regulations for Corporate and Commercial Banks, issued by the State Bank of Pakistan, the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Companies Act, 2017 and other applicable laws, rules and regulations as amended from time to time.

The Remuneration Policy aims to set out the requirements and methodology for the determination of the scale of the remuneration to be paid, from time to time, to the Chairman and other Directors for attending the Board and its Committees meetings. It ensures that the Board Members are fairly rewarded with regard to their respective responsibilities undertaken, and also to attract and retain high-caliber, experienced directors by offering appropriate remuneration levels commensurate with their expertise, skill and experience. The Remuneration Policy has been formulated with clear mandate and charter, keeping in view the ownership structure, governance mechanism, risk profile, scope of operations and performance of the Bank.

## Payment of Directors' Remuneration:

The detail of remuneration paid to Executive and Non-Executive Directors during the year 2019 has been disclosed in Note No. 40 of the Unconsolidated Financial Statements of the Bank for the year ended December 31, 2019.

## Remuneration from Nomination on the Board of Other Companies:

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

## Directors' Orientation:

The Board Members are regularly provided with update on new applicable laws, rules and regulations including amendments thereto to apprise them with their powers, duties and responsibilities. At the time of induction of any new director, he/she is given orientation about the operations of the Bank by the Management to acquaint

them with Bank's operations in order to enable them to effectively govern the affairs of the Bank on behalf of shareholders. The directors are also provided with the detailed written material in the shape of extracts from relevant laws, rules & regulations on powers, duties & responsibilities of the Board of Directors.

During the year 2019, the Bank has also arranged Directors' Orientation Workshops for Board Members through M/s Pakistan Institute of Corporate Governance ("PICG"). The senior faculty members from PICG provided a detailed update on Regulatory Corporate Governance Framework covering relevant provisions of the following laws, rules and regulations:

- The Companies Act, 2017;
- The Banking Companies Ordinance, 1962;
- Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan;
- Prudential Regulations for Consumer Financing issued by the State Bank of Pakistan; and
- Listed Companies (Code of Corporate Governance) Regulations, 2019.

### Directors' Training Program:

All the Board Members except one either have minimum education and experience required for exemption from Directors Training Program ("DTP") or have already completed such training requirements, as narrated in the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") and Prudential Regulations issued by the SBP.

MCB Board is fully adhered to the directors training arrangements under the Regulations. Further, the Bank is also well ahead to the prescribed deadlines of DTP requirements as given by the regulator.

Till December 31, 2019, the following directors have attended Directors Training Program from SECP approved institutions:

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

In addition, the following directors have foreign certification:

1. Mr. Mohd Suhail Amar Suresh
2. Mr. Shariffuddin Bin Khalid

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

1. Mr. Muhammad Tariq Rafi
2. Mian Umer Mansha
3. Mr. Salman Khalid Butt
4. Mr. Shahzad Hussain

### Board's Function and Decision Making:

MCB Board plays an effective role and provides entrepreneurial leadership and direction for the Management of the Bank within a framework of prudent and effective controls. It promotes collective vision of the Bank purpose, its culture, its values and also demonstrates ethical leadership. The collective wisdom of the Board is translated into its decisions which form the basis for Management to achieve its targets. The primary role of the Board of Directors of the Bank is to enhance shareholder value.

MCB Board is concerned with strategic matters and overseeing the business of the Bank in light of emerging risks and opportunities, on a regular basis and also involved in establishing and reviewing the strategies, yearly targets and financial objectives of the Bank. All the strategic decisions of the Bank have been taken by the Board.

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

During the year 2019, the Board of Directors deliberated/ approved the following Significant Issues/ Matters:

- Annual Budget for the year 2020;
- Bank's Policies including periodic reviews and amendments thereto;
- Periodical review of Terms of Reference ("TORs") of Board's Committees;
- Financial Results of MCB Bank and consolidated Financial Results with its subsidiaries on quarterly, half-yearly and annual basis together with Directors' Report, Auditors' Report and Chairman's Review Report;
- Declaration of Interim and Final Cash Dividends;
- Related Party Transactions as recommended by Board's Audit Committee;
- Management Letter (s) issued by the External Auditors of the Bank and its compliance status;
- Update on Biometric Verification Project;
- Institutional Risk Assessment Framework ("IRAF") Questionnaire;
- Significant activities and achievements of Board's Committees;
- Complaints Received under Whistle Blowing Program and Action taken thereon;
- Matters recommended by Board's Committees;
- Appointment/Engagement of External Auditors of the Bank as well as for Bank's Overseas Operations;
- Exception to Board's approved policies along with MIS;
- Exception from Current and Linkage Ratio Policy Framework;

- SBP Inspection Reports along with Time-Bound Action Plan thereon;
- Equity Investment in PCRCL and MCB Islamic Bank Limited;
- Amalgamation of MNET Services (Private) Limited with and into MCB Bank Limited;
- Performance Evaluation of the Board as a whole, its Committees and Directors;
- Matters pertaining to subsidiaries;
- Regulations and Standards by Central Bank of the UAE;
- Quarterly and Annual Reports on Fraud & Forgery Cases;
- Fraud Risk Assessment;
- Consumer Lending Business and Wealth Management Business;
- Write-offs/Waivers approved at Different Authority Levels and recoveries thereto;
- Status and implications of all material law suits filed by and against the Bank;
- Annual Branch Expansion Plan of the Bank; and
- Update on Laws, Rules and Regulations.

### **Matters Delegated to the Management:**

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

### **Governance Practices Exceeding Legal Requirements:**

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

- The Board has formed its eight sub-Committees as against legal requirement of four.

- The Bank has only one Executive Director (President & CEO) though permitted two executive directors by SBP and four (one third of the Board as executive directors) under Listed Companies (Code of Corporate Governance) Regulations – 2019.
- The Bank reports additional information in the Annual Report for stakeholders which is not required by any laws.

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

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

#### **Roles and Responsibilities of the Chairman:**

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

#### **The Chairman shall ensure that:**

- The composition of the Board is in accordance with legal and regulatory requirements;
- The Board as a whole is functioning effectively in accordance with applicable laws, regulations and rules to inculcate sound business principles and prudent commercial practices;
- The Board receives appropriate, accurate, timely and unbiased information, in particular, about the Bank’s affairs and performance to enable the Board to take sound and effective decisions;
- The meetings of the Board and the Shareholders of the Bank are convened in compliance with legal and regulatory requirements; and proceedings of such meetings are accurately and fairly recorded. The agenda of the meetings take full account of applicable laws & regulations and the requirements of Bank’s business;
- All Board Members are encouraged to participate and raise issues and concerns in the Board discussions, whilst promoting highest standards of Corporate Governance;
- The Board is concentrating on relevant issues and conflicts (if any) are effectively resolved;

- The Board sets the tone and values of the Bank; promotes a culture of openness and constructive debate and effective decision making;
- The Board is periodically updated on its statutory and fiduciary duties, as required in relevant laws, regulations and rules, enabling the Directors to perform their roles & responsibilities properly and prudently in the best interest of the Bank;
- Good relationship is maintained with Board Members, the Management and the Shareholders; so that obligations to the Shareholders and other stakeholders are understood and met; and
- Shareholders' and other stakeholders' interest is promoted in the decisions taken by the Board.

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

#### **Roles and Responsibilities of the President & CEO:**

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

#### **The President & CEO of the Bank shall:**

- Set the appropriate performance standards to achieve financial/business targets set by the Board;
- Ensure that Bank's resources and budgets are aligned with the implementation of its strategic plan;
- Ensure assessment, monitoring and effective management of the significant risks to the Bank;
- Ensure that Bank maintains high standards of corporate citizenship and social responsibility wherever it operates;
- Establish an effective organizational structure having appropriate resources/systems within the Bank, to ensure Management's focus on key functions;
- Timely and effectively execute strategies set by the Board;
- Manage the affairs of the Bank in accordance with strategies and long term objectives approved by the Board;
- Ensure effective communication with the Board, Shareholders, Employees, regulatory authorities and other stakeholders and serve as an effective representative of the Bank while communicating with all the stakeholders;

- Ensure through effective leadership, team building and motivation that the maximum possible performance is achieved by the Bank and ensure that the affairs of the Bank are being managed in accordance with highest ethical standards, sound business principles and prudent commercial practices;
- Exercise the overall control, discretion, administration and supervision for the sound and efficient management and conduct of the business of the Bank;
- Monitor short term goals and ensure that the operating groups/divisions develop their own plans for the future, which need to be quantified as far as possible with benchmarks established;
- Conduct a periodic performance review of the Senior Management team so that major initiatives such as expansion strategies, acquisitions and capital investments should be finalized and adopted through major marketing and development exercises;
- Provide the Board with the relevant information it needs to carry out its fiduciary responsibilities and to supervise the Senior Management;
- Liaise between the Board and the staff, and communicate on a regular basis with both to promote understanding, cohesiveness and coordination for development of policies and their implementation;
- Ensure the compliance of applicable laws, rules and regulations;
- Ensure establishment of an effective information mechanism whereby internal and/or external significant/material items affecting Bank's affairs are identified and shared with relevant stakeholders on timely basis; and
- Maintain follow up on regulators' observations and other lawful instructions and issues raised by external and/or internal auditors and to ensure their strict adherence/compliance in Bank's operations.

### **Code of Conduct & Ethical Standards for Directors:**

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

### **Directors' Profile:**

Directors' profile has been incorporated in the "Board of Directors" section.

### **Accessibility of Annual Report-2019:**

Annual Report-2019 and other information of the Bank are accessible on Bank's Website: [www.mcb.com.pk](http://www.mcb.com.pk)



## Security Clearance of Foreign Directors

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

## Diversity

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

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

The Bank embraces and encourages employees' with a mix of age, physical disability, family ethnicity, language, political affiliation, religion, sexual orientation, socio-economic status and other characteristics that make its employees unique.

## Related Parties and approved Policy for Related Party Transactions

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

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

Every director (including spouse, children, step children and parents) of the Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the board. No director of the Bank shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank, if he/she is in any way, whether directly or indirectly, concerned

or interested in the contract or arrangement, nor shall his/her presence count for the purpose of forming a quorum at the time of any such discussion or vote.

During the year, the Bank has entered into transactions and contracts with the related parties i.e. subsidiary and associate companies, post-employment benefit plans for the Bank's employees, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under HR policy of the Bank. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

The Bank has made detailed disclosures about related party transactions in its financial statements annexed with this annual report.

During the year, no contract or arrangement entered with related parties other than in the ordinary course of business on an arm's length basis.

## Managing Conflict of Interest:

### Overview:

A conflict of interest arises when a director has an interest, pecuniary or otherwise, which can be regarded as a conflict of interest between his duty to perform his functions and such interest which could impair his ability to consider and decide any question impartially or create bias in his decision.

The Board Members owe certain fiduciary duties, including the duties of loyalty, diligence, and confidentiality to the Bank which require that a director must act in good faith in order to promote the objectives of the Bank in the best interests of the Bank and its shareholders, employees and community as a whole. Every director of the Bank has responsibility to disclose potential or actual conflicts of interest with respect to his/her duties as soon as they arise or he/she becomes aware of them. All the Board Members took reasonable steps to avoid being in an actual, apparent or potential conflict of interest. The Board recognizes the responsibility to adhere to the defined policies of the Bank and avoid perceived conflicts of interest that may arise during the course of business.

The Bank has also developed "Code of Conduct & Ethical Standards for Directors" as per requirements of Code of

Corporate Governance which is signed by every Director of the Bank and all of the Board Members are compliant with the provisions stipulated thereto.

#### **Disclosure of Interest by Director:**

Every director (including spouse, children, step children and parents) of the Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the board. No director of the Bank shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank, if he/she is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his/her presence count for the purpose of forming a quorum at the time of any such discussion or vote.

Where any director of the Bank including his/her spouse, minor children and private limited company in which such director is a shareholder sells, buys or transacts, whether directly or indirectly, in shares of the Bank shall immediately notify, in writing, to the Company Secretary of such transaction. Such director shall also deliver a written record of the price, number of shares, form of share certificates, i.e., whether physical or electronic within the Central Depository System, and nature of transaction to the Company Secretary within two days of effecting the transaction. Further, if any director makes any gain while trading in the securities of the Bank within the period less than six months shall report the same to SECP along with amount of such gain within the stipulated time. No director shall, directly or indirectly, deal in the shares of the Bank, in any manner, during the closed period as determined by the Board of Directors.

#### **Disclosure of Interest by Officers:**

No other Officer of the Bank who is in any way, directly or indirectly, concerned or interested in any proposed contract or arrangement with the Bank shall, unless he discloses the nature and extent of his/her interest in the transaction and obtains the prior approval of the Board of Directors, enter into any such contract or arrangement.

#### **Exposure in Companies where Directors are Interested:**

The Bank may take exposure in the companies in which directors (including their spouses, parents, and children) hold key management positions, or are interested as partner, director or guarantor, or shareholders holding 5% or more of the share capital of that concern, with the approval of the majority of the directors excluding the director concerned. The financing facilities shall be extended at market terms and conditions and be dealt with on arm's length basis.

The Bank shall not enter into leasing, renting and sale/purchase of any kind with their directors, officers, employees or such persons who either individually or in concert with family members beneficially own 5% or more of the equity of the Bank.

The Bank shall not take unsecured exposure on, or take exposure against the guarantee of any of its directors, any of the family members of any of directors and any firm or private company in which our directors are interested as director, proprietor and partner or public company in which such persons are substantially interested.

#### **Conflicts of Interest Register:**

The Bank maintains a register of all contracts, arrangements or appointments in which directors are interested.

#### **Insider Trading:**

Directors being the insiders are prohibited by the law to indulge in insider trading. They shall not deal directly or indirectly in the securities of the Bank whether on their own account or their relative's account, if they are in possession of any unpublished price sensitive/inside information, which if published or known, is likely to materially affect the price of Bank's securities. Directors are usually considered to have such information, shall not communicate directly or indirectly the said information to others who might exploit such information while trading in the securities of the Bank.

As per the regulatory requirements relating to Insiders' trading, the Bank is maintaining the register of Insiders who have access to unpublished price sensitive/inside information and the said Register regularly updated by the authorized personnel of the Senior Management of the Bank.

Whenever, the Bank or a person acting on its behalf, discloses any inside information to any third party in the normal exercise of employment, profession or duty; a complete and effective public disclosure of that information is made simultaneously unless such person owes a duty of confidentiality. Further, Bank has approved policy on Prohibition of Insider Trading which is effectively implemented throughout the Bank.

#### **Investor Grievances**

MCB Bank ensures safeguarding the interests of its stakeholders by effective communication at regular intervals through multiple mediums. However, the Bank acknowledges that there may be instances where the stakeholders may have unaddressed concerns which if unresolved may become a grievance. To timely address any untoward incident, the Bank has a well-functioning

grievance mechanism that provides a transparent and credible process resulting in outcomes that are seen as impartial, effective, and durable. Through this initiative the Bank is able to reduce investment risks, provide an effective avenue to express and resolve concerns, thereby substantiating positive relationship.

The Bank ensures quality services with uncompromising focus on investors' concerns and transparency in execution thereby extending respect to the trust placed.

A centralized function namely the Shares department in the Corporate Affairs Division manages any such investor grievances. Investors can lodge complaints by contacting the shares registrar, or write a letter or send an email to the share department of the Bank. A designated e-mail address, (investor.relations@mcb.com.pk) has been created to timely address the same and is readily available through our website and annual reports. The Bank ensures resolution of any grievances within statutory timelines.

## Human resource management policies and succession planning

Human Resource Policies" have been approved by the Board of Directors of the Bank on the recommendation of Human Resource and Remuneration Committee of Board in order to provide clear and definitive directions on human resource (HR) related matters.

MCB being an equal opportunity employer is committed to create a congenial and efficient work environment in which the employees are assured a non-discriminatory, transparent, harassment free and respectful atmosphere regardless of their cast, creed, religion and gender. The Bank talent-acquisition policies provide unbiased criteria for hiring people through lateral and batch hiring, from any background as long as they qualify for the professional criteria required by the Bank. The culture at MCB Bank also depicts a healthy, team based and cooperative environment. We value the unique talents and perspectives of our employees and strive to create a respectful workplace

The Bank is committed towards employee development practices which enable all its employees to reach their optimum potential, thereby creating a high performance organization. This belief is supported by the Bank's comprehensive approach towards performance management, career development and management training. The Bank affirms its belief in motivating its work force through positive reinforcement and opportunities in each of these key areas regarding employee development.

The Bank has a transparent KPI based performance assessment and reward mechanism that allows front-

office employees to track their performance with their goal achievement throughout the year.

Succession Planning Policy provides guidelines to develop and retain the talent pool of employees in order to ensure the continuity of leadership for all critical position in the Bank. Succession Planning is a continuous process that involves identification, assessment and development of talent, which in turn ensures that the Bank's management is able to keep up with the changing business environment. The Bank reviews and update succession plan periodically.

### The Bank has complete set of policies covering below areas:

- Talent Acquisition and Induction Policy
- Learning and Development Policy
- Succession Planning and Policy
- Compensation and Benefits Policy
- Staff Financing Policy
- Leaves Policy
- Education Assistance Policy
- Travel Policy
- Performance Management Policy
- Work environment Policy
- Organizational Structural Policy
- Transfer and rotation Policy
- Separation policy
- Policy for Protection of Women against Harassment
- Disciplinary Action Policy
- Grievance Resolution Policy

## Salient feature of Staff Compensation/ Remuneration Policy

The Remuneration Policy of Bank is designed to promote a culture of sound compensation aligned with risk and responsibilities in a transparent manner for acquisition of talent, retention of employees and achievement of stakeholders expectations. MCB's remuneration policy applies to all staff. The policy covers identification of Material Risk Taker (MRT) and Material Risk Controllers (MRC), performance assessment through balanced scorecards, compensation structure and deferral mechanism.

The responsibility for approving the remuneration policy rests with the Board of Directors. The Board has constituted Human Resource & Remuneration Committee (HR&RC) for recommending to the Board, the structure of the remuneration policy, including the remuneration setting mechanisms, structures, composition of remuneration,

and other related matters. HR & RC may take the support of Bank's functions (e.g. Finance, Risk, Audit, Compliance, and HR). At management level, HRMG leads the overall remuneration policy of MCB.

All compensation provided to MCB staff can be divided into fixed remuneration or variable remuneration. Fixed remuneration is that part of the compensation which remains unaffected by the performance of the Bank or individual employee. Fixed component of remuneration consists of basic salary and allowances that are part of the total compensation package of the employee. Variable remuneration is the part of total compensation package of an employee which is linked with some predetermined measures of performance. Variable compensation is linked with the individual's performance and comprises of performance bonus, commissions, incentives and allowances.

The Bank has identified functions and designations as MRTs/MRCs. These include, President/CEO, direct reportee to the President/CEO (members of management committee), Country heads of overseas branches, direct reportee to the members of senior management managing critical functions as determined by HR&RC and all other material Business units,

Balanced scorecards are defined for all MRTs & MRCs for carrying out an objective and transparent performance assessment. The variable compensation for the MRTs and MRCs is linked to the performance result derived from the scorecard. The performance assessment for MRTs and MRCs is performed via the structured balanced scorecard mechanism that is in place to ensure that objective risk and return measures are duly taken into account for determining the bonuses and awards for MRTs and MRCs. The bonuses and awards for MRTs are determined based on the performance of the individual, their respective department and the overall Bank.

MRCs in the Bank have suitable autonomy and authority to perform their tasks independently, without influence from the functions they are assigned to oversee and review. KPIs in the scorecards of MRCs are independent of the KPIs of the business functions that they oversee. This ensures that achievement of financial targets of the business functions are not considered for the performance assessment of the MRCs.

For MCB employees classified as MRTs and MRCs, at least 25% of their variable remuneration shall be deferred. Minimum deferral period is three years with no vesting prior to year 1. Deferred variable remuneration shall be paid proportionately over the three years, even if the person is no more employee of the Bank (subject to the malus provisions).

## Policy for Sustainability and Corporate Social Responsibility (CSR)

Policy Sustainability and Corporate Social Responsibility (CSR) is detailed in Sustainability and Corporate Social Responsibility Section of this report.

Responsibilities of Management and the Board of Directors toward the preparation and presentation of the financial statements

The Management is aware of its responsibility for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of directors is responsible for overseeing the Bank's financial reporting process.

## Record Management Policy:

Record management is a methodological approach to control the maintenance and disposition of organization's record. Record management ensures that valuable record evidencing an organization's activities that have legal, financial, administrative or historical value are protected and accessible while expired record is systematically destroyed. Thus MCB Bank has put in place comprehensive processes, controls and guidelines on handling, protection, retention, retrieval, and disposition of recorded business information generated daily which are of ongoing importance to MCB's overall service capability and regulatory compliance. In its endeavor to comply these guidelines / processes, bank has already achieved major milestones.

## Social and Environmental Responsibility

MCB Bank Limited undertakes its responsibility to be recognized as an organization that is aware of both its social and environmental obligation. The Bank continuously strives to inculcate the same by creating awareness amongst stakeholders, streamlining its operational processes and reinforcing the same through various policies. The key areas that the Bank focuses upon are to provide a safe and healthy workplace, protect the environment and conserve energy through use of appropriate technology and management practices.



### Some of the salient features of the Bank policy are as follows:

- Compliance with local, national and international laws and regulations as well as the spirit thereof and conduct of business operations with honesty and integrity
- Promote and engage in social welfare activities that help strengthen communities and contribute to the enrichment of society
- Provide innovative, safe and outstanding high quality banking products and services exceeding the expectations of customers
- Significant investment to develop technological based 'Alternative Delivery Channels' for maximum 'Financial inclusion'
- Sustainable development through building and maintaining sound relationships with our stakeholders through open and fair communication
- Communication and dialogue with employees, to build and share the value of "Mutual Trust and Mutual Responsibility" and work together for the success of our all stakeholders
- Respect for people by honoring the culture, customs, history and laws of Pakistan. Constantly search for safer, cleaner and superior practices that satisfy the evolving needs of the society
- Minimize the environmental impact of business operations, by working to reduce the wastage of all resources
- Develop, establish and promote practices enabling the environment and economy to coexist harmoniously and build close and cooperative relationships with individuals and organizations involved in environmental preservation

### Business Continuity Plan

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

### Stakeholders' engagement

Stakeholders' engagement and the steps taken to solicit and understand the views of the shareholders is detailed in stakeholders' engagement section of this report.

### Unreserved Compliance of International Financial Reporting Standards (IFRS)

The management of the Bank strongly believes in adherence to unreserved compliance with all the applicable International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) for true and fair presentation of financial statements.

Financial statements for the year have been prepared in accordance with the accounting and reporting standards issued by IASB as are applicable in Pakistan. IFRS adoption status is detailed in note 3 of the unconsolidated financial statements.

### Whistle Blowing Program

#### Overview

MCB Bank is committed to continually operate at the highest standards of conduct in our business. We are the trustees of public funds and it is our core value to serve our community with integrity. We endeavor to earn and uphold the trust of all our customers and stakeholders by serving and dealing with them lawfully, ethically and professionally.

#### Purpose

This program provides a channel to Bank's staff and outside parties such as shareholders, vendors, customers etc. for raising concerns/complaints about irregularities, impropriety, financial malpractices, frauds & forgeries, personnel harassment and improper conduct or wrongdoing without any fear of reprisal or adverse consequences. The objective of the program is to address/resolve these concerns/complaints to prevent and/or detect improper activities for safeguarding the interest and reputation of the Bank and its stakeholders.

#### Scope

The program covers deliberate, voluntary disclosure of individual or organizational impropriety by a person who has or had privileged access to data, information or event about an actual, suspected or anticipated wrongdoing within or by an organization that is within its ability to control.

#### Protection of Whistle Blowers

MCB Bank is committed to the protection of genuine complainants against action(s) taken in reprisal for the making of protected disclosures. Confidentiality of the complainant's identity, the nature of the report and the identity of the suspected person is strictly maintained.

The Bank does not tolerate harassment or victimization and takes action, which could involve disciplinary proceedings, to protect complainants when they raise a concern in good faith.

#### **Incentives for Whistle Blowing**

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

#### **Whistle Blowing Mechanism**

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

- Hotline
- E-mail
- Fax
- Website
- Regular Mail

Concerns and complaints are investigated and findings are shared with the senior management for their necessary action. Information related to investigations is also shared with the Audit Committee and Board of Directors.

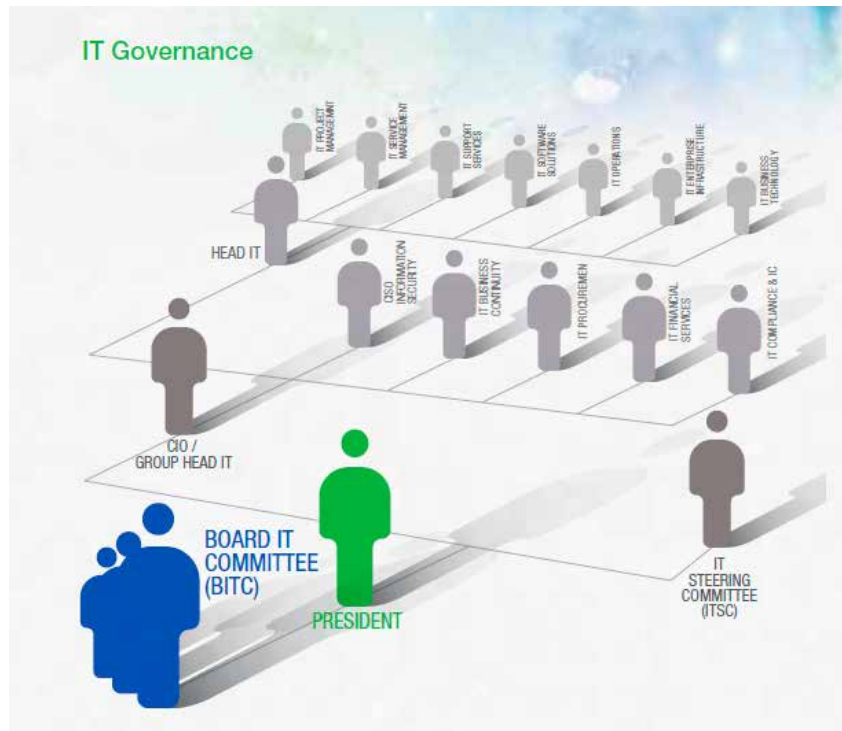
#### **Number of instances reported to Audit Committee**

Number of whistle blowing incidents (wrongdoings) along with update on investigations/resolution reported to the Audit Committee and Board of Directors during the year 2019 was 19.

### **Significant changes from prior years**

- During the year, three group heads (Key Management Personnel) resigned from their positions and Board approved the replacement accordingly.
- During the year, land and buildings of the Bank were revalued as at December 31, 2019 by independent valuers (K.G. Traders (Pvt) Limited, Tristar International Consultant (Pvt) Limited & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. Incremental surplus recognised during the year against revaluation of land and buildings amounts to Rs. 7.291 billion.

## IT Governance



IT Governance is an integral part of enterprise governance and consists of the leadership and organizational structures and processes that ensure that the organization's IT sustains and extends the organization's strategies and objectives. IT Governance systematically engages the Board members, executive management and underlying staff. The framework establishes a discipline used by the organization to measure transparent accountability of decisions, and ensures the traceability of decisions to assigned responsibilities. Well-structured IT Governance would assist in creating efficiencies, enhance conformity to internationally accepted best practices, improve overall IT performance and also enable better control and security.

Information Technology Group is headed by CIO who in turn reports functionally and administratively to the President/CEO. The Office of the CIO provides the leadership for the development and delivery of world-class technology services. The position is directly responsible for;

- a. Directing the operations of Information and technology Services for efficient and smooth delivery of technology services;
- b. Integrating IT Strategy with Bank's Strategy;
- c. Encouraging technical innovation and the development of a robust and dependable technology infrastructure;
- d. Strengthening the IT Governance;
- e. Providing guidance, oversight, and strategic thinking on information technology;
- f. Setting the overall direction for IT Group to introduce and implement innovative technology solutions;
- g. Ensuring the availability of Bank's mission critical services are up running and active DR invocation mechanism at the time of disaster.

Information Technology Group (ITG) has been taken care by teams of committed professionals, providing innovative and efficient solutions to achieve and nurture strategic objectives and goals of Business as well as other support groups under the guidance of Board IT Committee (BITC) and management IT Steering Committee (ITSC).

**Group is further be strengthened by following functions:**

- a. IT Enterprise Infrastructure
- b. IT Operations
- c. IT Software Solutions
- d. IT Service Management
- e. IT Support Services
- f. IT Information Security
- g. IT Business Technology
- h. IT Project Management
- i. IT Financial Services
- j. IT Procurement
- k. IT Compliances & Internal Control
- l. IT Business Continuity

## INTERNAL GOVERNANCE

The Bank's Management IT Steering Committee (ITSC) & Board IT Committee (BITC) are the governing bodies that review, monitor, prioritize and approve major IT projects.

Key Objectives of these committees are:

- To provide a forum for discussions, review and advice on Technology needs, Investments, Issues & Progress;
- Prioritize, approve and monitor investments (projects & resource allocation), financial objectives and performance in order to review whether IT and Business strategies aligned with each other;
- Assessment of IT capability and adequacy of the IT infrastructure & Guidance on strategic goals and direction to see if enterprise achieving the optimum use of the IT resources;
- To review adoption of best practices, standardization and interoperability internally and externally;
- To provide resolution of cross-function or intercompany critical issues;
- Consideration of risk exposures and monitoring of risk management;
- To review the communication path between the board/executive and middle management.

### Information Security:

MCB management has centralized the authority, direction, management, and monitoring of Information Security activities for the entire organization in the Information Technology Group (ITG) under the umbrella of Information Security (IS) Team within the Group. This function is responsible for establishing, elaborating, and maintaining IT system's security compliance, define security controls in the following listed sections of Information Security Policy, processes, and documentation (SOPs, manuals, etc.) commensurate with Information Security Policy, departmental framework, and the changing threat landscape. Information Security function also helps to ensure bank wide compliance with Information Security Policy, handling incidents of security breach, and recommending corrective action.

### Project Governance:

Effective project governance needs to be in place to ensure the Project is adequately supported and guided towards achieving its intended outcomes, and to ensure key decisions are made with appropriate governance oversight. IT-PMO (Project Management Office) is a central point of contact at Information Technology Group to facilitate ITG's other verticals and Other Groups for endeavoring successful deliveries of major and critical "IT Projects". The function is mainly responsible for:

- Establishing a connect between Technology and Business to understand business needs and to translate into technology solutions;
- Providing an Interface of the IT Group for other business groups to discuss their initiatives/projects for end-state solutions;
- End to end Project management of technology solution specifically and providing support for all other business initiatives in general, from technology perspective only;
- Project governance, support processes and methodologies for successful delivery of projects and customer requirements;

### IT Compliance:

An effective oversight to achieve compliance against regulatory instructions / guidelines is necessarily required so to fill the gaps, if any. The function is mainly responsible for;

- To conduct Risk Control Self Assessments (RCSA) for all entities in the IT Group (ITG) per approved framework in the Bank;
- To facilitate the auditing process as conducted by the Internal Audit, External Audit and Regulatory Inspection by the State Bank of Pakistan (SBP);
- To coordinate among the teams within and with the reviewing functions to fix the highlighted issues and to comply with the given recommendations accordingly;
- Maintain an internal MIS on the compliance status for tracking and reporting to ensure adequate monitoring at appropriate levels.



## Adoption and Statement of Adherence with the International Integrated Reporting Framework

In the course of its operations a commercial organisation receives various inputs and converts them into value for itself and its stakeholders. This value creation can be over different time frames; short, medium and long. An integrated report describes this value creation process concisely including the business model, strategies, governance, processes, risks and opportunities.

Since MCB is one of the largest Commercial Bank and plays a vital role in the economy of the country. It also makes its presence felt at the grassroots level with its sprawling network of branches and its wide customer base. Therefore, it has an impact far beyond the bottom line. Being the Bank with one of the largest customer base it is imperative; therefore, that the Bank reassures its stakeholders that it is safeguarding the public interest.

Adoption of International Integrated Reporting Framework depends on the individual circumstances of an entity. The Bank has adopted the Integrated Reporting Framework to give an overview of Bank's philosophy to explain connection between its financial and non-financial information, which would enhance the user's understanding as to how the Bank is working to improve its performance keeping in view the stakeholder's interests. The business strategy information is linked directly to business activities and non-financial information, and provides explanations accordingly. Integrated framework is still considered to be a practice in its early stages. We will continue to improve the information produced to make it even easier to understand, while taking into account the opinion of stakeholders reading this report.

The Bank has included following content elements for the users of this report:

- Organizational overview and external environment
- Strategy and resource allocation
- Risks and opportunities
- Governance
- Performance and position
- Outlook
- Stakeholder's relationship and engagement
- Sustainability and corporate social responsibility
- Excellence in corporate reporting

The Bank's Annual Report 2019 covers the 12-month period from January 01, 2019 to December 31, 2019 and is consistent with our usual annual reporting cycle for financial and integrated reporting. The most recent previous report was dated December 31, 2018.

## Profile of Shari'ah Advisor Board

Profile – MIB Shari'ah Board Members



### **Prof. Mufti Munib-Ur-Rehman**

**Chairman Shari'ah Board**

Prof. Mufti Munib-ur-Rehman, working with MCB Islamic Bank since September 2015, is a renowned Shari'ah scholar with a vast 47 years' teaching and 32 years' Fatawas issuance experience. He remained the member of Shari'ah Advisory Board of Securities and Exchange Commission of Pakistan (SECP) for three terms and the member of the Council of Islamic Ideology Pakistan (CIIP), he is rendering voluntary services for the country since 2001 as Chairman Central Moon Sighting Committee Pakistan. He served as Director of Islamic Studies, Hong Kong in 1985. He is the president of Tanzeem-ul-Madaris Ahle Sunnat Pakistan & Secretary General of Ittihad-e-Tanzeemat-e-Madaris Pakistan. He participated in international seminars in Saudi Arabia, UK, Norway, USA, Canada, Kazakhstan, Turkey and other Countries.

He remained member of the Board of Studies of University of Karachi, Federal Urdu University & Board of Intermediate Karachi. He remained member of the syndicate of University of Karachi & PMAS Arid University, Rawalpindi. He is the member of National Curriculum Pakistan & National Education Task Force. He was Shari'ah Adviser of Federal Shariat Court Pakistan. The 11 Volumes of his Fatwas has already published and has vast acceptability amongst Ulama. He is the Principle & Managing Trustee of Jamia Naeemia Karachi. He is Chairman Shari'ah Advisory Committee of Dawood Family Takaful Ltd and remained Chairman Shari'ah Board of Burj Bank Ltd for more than a decade.



### **Mufti Syed Sabir Hussain**

**Resident Shari'ah Board Member/ Head-Shari'ah Compliance Department**

Mufti Syed Sabir Hussain, working with MCB Islamic Bank Ltd. since September 2015, is a prominent Shari'ah Scholar and experienced Islamic Banker with 20 years of teaching, 13 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhassus-Fil-Fiqh, M.A Islamic Studies, M.Phil. in Islamic Banking & Finance and M.S (I.T) degrees. He is enrolled in Phd. on Islamic Banking and Finance from International Islamic University, Islamabad (IIUI).

He is ex-member of Shari'ah Advisory Board of SECP, Member of the Committee on Accounting and Auditing Standards of ICAP and invitee participant of Shari'ah Advisory Committee of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he was member of review committee for Urdu translation of AAOIFI Shari'ah standards. He is author of 25 books on Islamic economics & banking and other social issues; He is also delivering lectures in different Dar-ul-Ulooms and Universities.



### **Mufti Nadeem Iqbal**

**Shari'ah Board Member**

Mufti Nadeem Iqbal is the Shari'ah Board Member. He is senior teacher and Mufti at Dar-ul-Uloom Amjadia, Karachi and currently heading Dar-ul-Ifta. He has 28 years' experience of teaching Islamic Jurisprudence and 16 years' experience of issuing Fatawa (Shari'ah Opinions). He has 14 years' experience in Islamic Banking. He holds Master's Degree in Islamic Studies from University of Karachi, Takhusus-Fil-Fiqh from Dar-ul-Uloom Amjadia, Karachi, Fazil Dars-e-Nizami, and Fazil Shahada-tul-Almia. He gave his services as Resident Shari'ah Board Member/ Shari'ah Advisor at Soneri Bank's Islamic Banking Division for thirteen years. He is visiting faculty member at Sheikh Zayed Islamic Centre, University of Karachi and Hamdard University, Karachi. He is writer of several books including Islamic Jurisprudence.

## Report of Shari'ah Board

(For the Year ended December 31, 2019)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ وَالصَّلَاةُ وَالسَّلَامُ عَلَى خَاتَمِ الْأَنْبِيَاءِ وَالْمُرْسَلِينَ وَعَلَى آلِهِ وَصَحْبِهِ أَجْمَعِينَ أَمَّا بَعْدُ

The Shari'ah Board of MCB Islamic Bank Ltd. (MIB) was established in September, 2015. Currently Shari'ah Board comprises of respected Professor Mufti Munib-ur-Rehman as Chairman Shari'ah Board, Mufti Syed Sabir Hussain as Resident Shari'ah Board Member (RSBM) and Mufti Nadeem Iqbal as Member Shari'ah Board. There was availability of all Shari'ah Board Members throughout the year many meetings were held through conference calls & video conferencing. In the year 2019 formal Shari'ah Board meetings were held on the following dates:

First Shari'ah Board Meeting	–	March 29, 2019
Second Shari'ah Board Meeting	–	June 18, 2019
Third Shari'ah Board Meeting	–	September 26, 2019
Fourth Shari'ah Board Meeting	–	December 19, 2019

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of MIB are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of MIB. In the year 2019 Shari'ah Board's meetings with Board of Directors were held on the following dates:

First Shari'ah Board – Board of Directors Meeting	–	April 23, 2019
Second Shari'ah Board – Board of Directors Meeting	–	December 19, 2019

2. To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of MIB carried out reviews of each type of transactions, products, process flows/modus operandi and concepts under the supervision of RSBM/Head Shari'ah Compliance. In this regard, all 100 branches have been inspected for Shari'ah compliance, as per Shari'ah Compliance Program. In the year 2019 the focus was on new 90 branches. Further, as far as Shari'ah compliance review of Groups/Divisions/Departments is concerned, it has been ensured to comply with Shari'ah Compliance Program. In order to enhance the Islamic banking knowledge and expertise regarding functions of different Groups/Divisions/Departments; Shari'ah trainings were made mandatory for all staff of the Bank with the coordination of Learning & Development Department (L&D) of HRG to comply with regulatory instructions.
3. Four (4) Instructions & Guidelines & Two (2) Fatawas were already issued by the Shari'ah Board of the MIB are still remained same without any changes. In the year 2019 a new Fatwa was issued by the Shari'ah Board of the MIB regarding Istisna transaction & an Instruction & Guideline was issued regarding compliance of the Shari'ah Governance Framework. All Fatawas and Instructions & Guidelines issued by Shari'ah Board of the MIB are being implemented in the MIB in true letter and spirit.
4. SCD with the coordination of management and under the supervision of RSBM/Head Shari'ah Compliance has reviewed following product documents:

### Liability Products & Other Documents

MIB Na'mat Premium Plus Term Deposit, MIB Asaan remittance saving account & MIB Asaan remittance current account, MIB Deposit Product Manual, Liability Products Handbook, Profit & Loss to Customers Based Customer Group Level Deposits Aggregation, Services & Charges Differentiation for Priority Banking Customers - Interim Process & Changes in some MIB Liability Products.

### Letter of Documentary Credit

LC under Wakalah (Application & Agreements), Note for Approval-LC under Wakalah (Amendment in 'Trade Finance Manual for Imports'), Musawamah Financing (Purchase) Document, Application & Agreements for Issuance of Letter of Documentary Credit- Based on Murabaha/Musawamah.

### Agency & Guarantee

Security Documents (Agreements of Pledge and Personal Guarantee), Agency Agreement for Physical Delivery.

### Consumer Finance

Consumer Car Financing Product Program Amendment-Appraisal value of used car finance cases "Diminishing

Musharakah Housing Finance – Revised Shari’ah Process Flows & Customer-End Documents, Customer Request for Deferral of Rental & Revised Payment Schedule Formats for Consumer Car Finance (Ijarah & Diminishing Musharakah) and Diminishing Musharakah Housing Finance, Consumer Car Finance Product Program (Renewal 2019), Diminishing Musharakah Housing Finance Product Program (Renewal-2019).

### **Murabaha & Murabaha Microfinance**

Murabaha Product Manual V-2.0 & 2.01, Finished Goods Murabaha Agreements & Standard Process Flow, Revised Order Form and Revised Bank’s Instructions-Murabaha, Murabaha Microfinance Facility Agreements, Agency Agreements and Process Flows, Murabaha Microfinance Product Program (Renewal – 2019), "Murabaha Microfinance End-to-End Process Manual (Renewal – 2019) and its allied formats.

### **Musawamah**

Musawamah Financing (Purchase) Product Structure & Process Flow and Salient Features, Legal Agreements for Musawamah Financing (Purchase) Product, Revised Bank’s Instructions-Musawamah.

### **Sukuk, Takaful & Bai Muajjal**

Shari’ah Structure of Pakistan Energy Sukuk, Pakistan Energy Sukuk-All Legal Agreements & Documents, Shari’ah Structure of Pakistan Energy Sukuk – II, Pakistan Energy Sukuk II – Legal Agreements & Documents, Amendment in Master Istisna Agreements (Clause 11.01), Takaful Agreement between AICL-WTO and MIB for Housing Finance, Bai Muajjal Legal Agreements.

### **Urdu Translation**

Urdu Version of Murabaha Microfinance Application Form, English and Urdu Versions of Murabaha Microfinance Facility Advising Letter, Customer Undertaking on Payment of Installments for Murabaha Microfinance –Urdu and English Version. Translation of Product Key Fact Sheets for Bullet and EMI based Financing under Murabaha Microfinance.

### **Diminishing Musharakah**

Diminishing Musharakah Housing Finance Product Program Amendment Length of Occupation Criteria, Amendment in Diminishing Musharakah Housing Finance Product Program-KIBOR Benchmark, Amendment in Diminishing Musharakah Housing Finance Product Program-Post Dated Cheques, Amendment in Musharakah Running Finance (MRF) Product Manual V3.0.

### **Miscellaneous Schemes & Other Documents**

Islamic Finance Facility for Storage of Agriculture Produce, Islamic Re-Finance Scheme for Working Capital Financing of SME & Low and Medium Enterprises, Islamic Re-Finance Facility for Modernization of SMEs, Islamic Finance Facility for Renewable Energy, Promotion of SME Finance-Content Material, Sale Agreement with Islamic Banks.

5. SCD has also facilitated Islamic Banking training sessions for the front and back offices staff of MIB. Further, L&D-HRG has taken initiative to establish an effective and comprehensive Islamic Banking training mechanism in compliance with IBD Circular No. 02 of 2018, Dated: Jun 29, 2018, “Enhanced Training & Capacity Building Measures for Islamic Banking Institutions (IBIs)” issued by Islamic Banking Department, State Bank of Pakistan, for MIB front and back offices staff at all levels. Internal trainers were also part of Shari’ah related training initiatives during the year.
6. Shari’ah Board praises and encourages the continuous, comprehensive & profound efforts of MIB Management regarding implementation of all instructions and guidelines issued by Shari’ah Board.

### **Recommendations:**

Based on the observations made through Shari’ah review reports and Shari’ah Compliance checks, it is recommended that:

- i. To encourage small depositors towards Islamic banking, Deposit products should be designed specifically for small/micro depositors, it will not only boost banks’ deposits but will also be helpful for increasing percentage of population dealing with Islamic banking channel which is also one of the objective of IBD-SBP. Therefore, it is recommended to introduce deposit products for depositors with low savings is indispensable.
- ii. In future, there shall be more Shari’ah Trainings in compliance with regulatory requirements.



- iii. There should be more focus on Shari'ah trainings of Consumer finance & Microfinance.
- iv. It is emphasized to encourage the Islamic Microfinance due to its requirement in the country instead of investment in Sukuk etc. Through Islamic Microfinance, Islamic Banking Industry can penetrate to grass route level to facilitate micro level traders.
- v. To comply the regulatory requirement, it is strongly recommended to avoid the manual calculation & distribution of profit in Pool Management System.
- vi. Usage of Islamic Banking terminologies must be ensured during MIB's Treasury, Trade and Operational activities, further compliance of Islamic banking principles must be ensured in all activities of MIB.
- vii. As from November 2019, to comply the instruction of IBD-SBP, SCD is not reviewing the transaction at funding and financing stages and the responsibility of the relevant groups now has increased in this regard, therefore, it is recommended to ensure the compliance of Shari'ah Board's approved Modus Operandi/Process Flow in true letter and spirit to avoid charitization of recognized profit.

## Conclusion:

Shari'ah Board has reviewed & advised corrective measures on the External & Internal Shari'ah Audit and Shari'ah Compliance Inspection reports and is of the view that:

- i. MIB has complied with Shari'ah rules and principles in the light of Fatawa, Instructions and Guidelines issued by Shari'ah Board.
- ii. MIB has complied with SBP Inspection report in true letter and spirit.
- iii. MIB has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
- iv. MIB has a comprehensive mechanism in place to ensure Shari'ah Compliance in their overall operations.
- v. During the course of Shari'ah compliance, it was realized that the addition in the amount of Charity during the year was PKR 54.88 million from different heads which was instructed to transfer to the Charity account. The bank has disbursed the Charity amount to Shari'ah approved charitable organizations as per MIB's charity policy and SBP's guidelines. Details of Charity account are available in the note # 18.1. During the year, non-Shari'ah compliant income was reported through an SCD report in the last Shari'ah Board meeting of 2019, in which Shari'ah Board advised to Charitize the profit of two transactions of Microfinance.
- vi. MIB has complied with the SBP instructions on profit and loss distribution and pool management.
- vii. While the Bank is actively pursuing training of its human resources about various aspects of Islamic Banking & Finance through training sessions/seminars, however further improvement is required to enhance the level of awareness of Islamic Banking & Finance of the staff, management and the BOD through enhanced training mechanism for each level. The management and the BOD have made sincere efforts and appreciate the importance of Shari'ah compliance in overall operations of MIB.
- viii. The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.

Shari'ah Board would like to take this opportunity to offer praise to Almighty ALLAH and seek his guidance and Tauwfeeq, and to express its wishes for further progress, development and prosperity of Islamic Banking, Alhamdulillah under the sincere efforts of senior management, and Islamic Banking industry in Pakistan as a whole.

وَاللّٰهُ سُبْحَانَهُ وَتَعَالٰى اَعْلَمُ



**Mufti Syed Sabir Hussain**  
Resident Shari'ah Board Member

*Munib ur Rehman*

**Professor Mufti Munib-ur-Rehman**  
Chairman Shari'ah Board

*Mufti Nadeem Iqbal*

**Mufti Nadeem Iqbal**  
Member Shari'ah Board

**Date of Report: January 24, 2020.**

خلاصہ کلام:

- شریہ بورڈ نے بیرونی اور اندرونی شریعہ آڈٹ اور شریعہ کمپلائنس کی رپورٹس کو دیکھنے کے بعد اسلامی اقدامات کے لئے ہدایات دیں، لہذا شریعہ بورڈ کے مطابق:
- الف۔ ایم آئی بی نے شریعہ بورڈ کے جاری کردہ فتاویٰ جات اور ہدایات و لائحہ عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔
- ب۔ ایم آئی بی نے حقیقی معنوں میں اصل روح کو مد نظر رکھتے ہوئے ایس بی پی انسپکشن رپورٹ پر عملدرآمد کیا ہے۔
- ج۔ ایم آئی بی، اسٹیٹ بینک آف پاکستان کے احکامات، قواعد و ہدایات اور لائحہ عمل (جو اسٹیٹ بینک آف پاکستان کے شریعہ بورڈ کے احکام کے مطابق ہیں) سے ہم آہنگ ہے۔
- د۔ شریعہ کمپلائنس کو یقینی بنانے کے لئے ایم آئی بی کے پاس ایک جامع طریقہ کار موجود ہے۔
- ہ۔ مالی معاملات کے شریعہ کمپلائنس کے دوران یہ معلوم ہوا کہ ایم آئی بی نے مختلف مدت سے 54.88 ملین کی غیر شرعی آمدنی حاصل کی، جسے چیرٹی اکاؤنٹ میں ڈال دیا گیا ہے۔ علاوہ ازیں بینک نے ایم آئی بی کی چیرٹی پالیسی اور اسٹیٹ بینک آف پاکستان کے اصولوں کے مطابق شریعہ بورڈ سے منظور شدہ مختلف خیراتی اداروں کو چیرٹی اکاؤنٹ سے رقم ادا کی۔ چیرٹی کی تفصیلات کے لئے دیکھئے نوٹ # 18.1۔ سال ۲۰۱۹ء میں شریعہ بورڈ کے آخری ریکی اجلاس میں شریعہ کمپلائنس ڈیپارٹمنٹ کی ایک مائیکرو فنانس کی رپورٹ میں غیر شرعی منافع پر مطلع کیا گیا، جس پر شریعہ بورڈ نے مائیکرو فنانس کی ان دو ٹرانزیکشنز کے منافع کو چیرٹی کرنے کا حکم دیا ہے۔
- و۔ ایم آئی بی کے نفع و نقصان کی تقسیم اور پول کی انتظام کاری اسٹیٹ بینک آف پاکستان کی ہدایات کے عین مطابق ہے۔
- ز۔ اگرچہ بینک فعال طریقے سے اپنے افراد کا کو اسلامی بینکاری اور مالیاتی نظام کے بارے میں تربیت دے رہا ہے، تاہم افراد کا، انتظامیہ اور بورڈ آف ڈائریکٹرز میں آگہی پیدا کرنے کی غرض سے اسلامی بینکاری کی تربیت میں مزید اضافے کی ضرورت ہے۔ انتظامیہ اور بورڈ آف ڈائریکٹرز نے اخلاص پینی کوشش کی ہیں اور انہوں نے ایم آئی بی میں شریعہ کمپلائنس کی اہمیت کو تسلیم کیا ہے۔
- ح۔ شریعہ بورڈ کو اپنی ذمہ داریوں سے عہدہ برآں ہونے کے لئے خاطر خواہ وسائل فراہم کئے گئے ہیں۔
- شریہ بورڈ اللہ تعالیٰ کی بارگاہ میں اُس کی تعریف پیش کرنے اور اُس سے ہدایت اور توفیق اور سنٹر منتظمین اور اسلامی بینکاری انڈسٹری کی مخلصانہ کوششوں سے ان شاء اللہ اسلامی بینکاری نظام کی مزید پیشرفت، ترقی اور خوشحالی کا مستحق ہے۔

وَاللّٰهُ سُبْحَانَهُ وَتَعَالٰی اَعْلَمُ

پروفیسر مفتی منیب الرحمن  
چیرمین شریعہ بورڈ

مفتی سید صابر حسین  
ریزیڈنٹ شریعہ بورڈ ممبہر

مفتی عدیم اقبال  
شریہ بورڈ ممبہر

تاریخ اجراء: ۲۳ جنوری ۲۰۲۰ء

مراہجہ اور مراہجہ مانگیر و فائنانس:

مراہجہ پراڈکٹ مینوئل 2.0 اور 2.01، تیاراشیا، کے مراہجہ کا معاہدہ اور طریقہ کار، نظر ثانی شدہ مراہجہ کا ڈرافٹ اور چیک کی ہدایات، مراہجہ مانگیر و فائنانس فیصلہ سازی کا معاہدہ، وکالت کا معاہدہ اور طریقہ کار، مراہجہ مانگیر و فائنانس کی پراڈکٹ کے پروگرام ۲۰۱۹ء پر نظر ثانی، مراہجہ مانگیر و فائنانس کی پراڈکٹ کے مینوئل اور اس سے ملحقہ دستاویزات ۲۰۱۹ء پر نظر ثانی۔

مساومہ:

مساومہ فائنانسنگ (برائے خریداری) کی پراڈکٹ کی تشکیل، طریقہ کار اور نمایاں خصوصیات، مساومہ فائنانسنگ (برائے خریداری) کی پراڈکٹ کے قانونی معاہدات، نظر ثانی شدہ چیک کی ہدایات۔  
شکوہ، شکاف اور بیع موہل:

پاکستان انرجی سکوک کی شریعت کی بنیاد پر تشکیل، پاکستان انرجی سکوک کے تمام قانونی معاہدات اور دستاویزات، پاکستان انرجی سکوک - II کی شریعت کی بنیاد پر تشکیل، پاکستان انرجی سکوک - II کے تمام قانونی معاہدات اور دستاویزات، ترمیم ماسٹر معاہدہ اصحنا (شق نمبر 11.01)، ایم آئی بی اور WTO-AICL کا مکافل کا معاہدہ برائے ہاؤس فائنانس، بیع موہل کے قانونی معاہدات۔

اُردو ترجمہ:

مراہجہ مانگیر و فائنانس درخواست نامہ، مراہجہ مانگیر و فائنانس فیصلہ سازی ایڈوانسنگ لیٹر، مراہجہ مانگیر و فائنانس کے صارف کی طرف سے قسطوں کی ادائیگی کا وعدہ، مراہجہ مانگیر و فائنانس کی پراڈکٹ کے کلیدی حقائق کی فہرست برائے یکیشٹ ادائیگی اور ای ایم آئی۔

مشارکہ متناقصہ:

مشارکہ متناقصہ کے ہاؤس فائنانس پراڈکٹ پروگرام میں ترمیم (پیشہ کے اعتبار سے)، مشارکہ متناقصہ کے ہاؤس فائنانس پراڈکٹ پروگرام میں ترمیم (KIBOR کے معیار کے اعتبار سے)، مشارکہ متناقصہ کے ہاؤس فائنانس پراڈکٹ پروگرام میں ترمیم (اگلی تاریخوں کے چیکس کے اعتبار سے)، ترمیم مشارکہ جاری فائنانس پراڈکٹ مینوئل 3.0۔

مختلف اسکیمیں و دیگر دستاویزات:

اسلامک فائنانس فیصلہ سازی برائے ذخیرہ زرعی پیداوار، اسلامک ریٹائرنس اسکیم ورکنگ کمیٹی فائنانسنگ برائے چھوٹے اور درمیانے درجے کے اداروں کی اسلامک ریٹائرنس اسکیم برائے چھوٹے اور درمیانے درجے کے کاروبار (SMEs) کو جدید بنانے کے لئے، اسلامک فائنانس فیصلہ سازی برائے ریٹائرنس اسکیم ورکنگ کمیٹی، SME فائنانس کی فروغ کے مشمولات، اسلامک بینکس کے ساتھ خریداری کا معاہدہ۔

۵ شریعہ کمپلائنس اور شریعہ ٹریننگ ڈیپارٹمنٹ نے چیک کے فرنٹ آفس اور بیک آفس اسٹاف کے لئے اسلامی بینکاری کی ٹریننگ کے کئی پروگرام منعقد کئے ہیں۔ مزید برآں اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی جانب سے جاری کردہ سرکلر (نمبر ۲/۲۰۱۸ تا تاریخ ۲۹ جون ۲۰۱۸ء) پر عملدرآمد کو یقینی بنانے کے لئے اقدامات کئے گئے۔ لہذا ایک پراثر اور جامع پروگرام HRG-L&D کی طرف سے ترتیب دیا گیا، جس کے تحت چیک کے ہر درجہ کے فرنٹ آفس اور بیک آفس اسٹاف کو اسلامی بینکاری کی ٹریننگ دی گئی۔ شریعہ ٹریننگ پروگرامز کے لئے چیک کے ملازمین کی خدمات حاصل کی گئیں۔

۶ شریعہ بورڈ اپنی جاری کردہ ہدایات و لائحہ عمل پر عملدرآمد کے اعتبار سے چیک کے منتظمین کی مسلسل اور جامع کوششوں کی تعریف اور بہت افزائی کرتا ہے۔  
سفارشات:

شریعہ بورڈ شریعتی اعتبار سے کئے گئے جائزوں کی جانچ پڑتال کے بعد درج ذیل سفارشات پیش کرتا ہے:

الف۔ مانگیر ویول کے صارفین کو اسلامک بینکنگ کی طرف راغب کرنے کے لئے، ڈیپازٹ پراڈکٹس بنانے کی سفارش کرتا ہے۔ یہ چیک کے ڈیپازٹ میں اضافے کے ساتھ ساتھ اسلامک بینکنگ سے فائدہ حاصل کرنے والے افراد کی تعداد میں بھی اضافے کا باعث ہوگا، جو کہ اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کے مقاصد میں ایک اہم مقصد بھی ہے۔ اس لئے ان پراڈکٹس کو بنانا ناگزیر ہے۔

ب۔ مستقبل میں اسٹاف کے لئے مزید شریعہ ٹریننگ پروگرام منعقد کئے جائیں، جو اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی ہدایات کے مطابق ہوں۔

ج۔ مستقبل میں زیادہ توجہ کنزیومر فائنانس اور مانگیر و فائنانس کی شریعہ ٹریننگ پر دی جائے۔

د۔ شریعہ بورڈ اس پر زور دیتا ہے کہ مانگیر و فائنانس کو اس کی ضرورت کی بنیاد پر، سکوک میں سرمایہ کے مقابلے میں زیادہ فروغ دیا جائے۔ اسلامک مانگیر و فائنانس کے ذریعے اسلامی بینکاری کی صنعت مانگیر ویول کے تاجروں کی سہولت کے لئے چلی سگ جاسکتی ہے۔

ه۔ شریعہ بورڈ ریگولیٹری ہدایات کی تعمیل کے لئے پُر زور سفارش کرتا ہے کہ پول منجمنٹ سسٹم میں وقتی حساب کتاب اور منافع کی تقسیم سے ہر صورت میں بچا جائے۔

و۔ ایم آئی بی کے ٹریڈری، ٹریڈ اور آپریشنل سرگرمیوں کے دوران اسلامی بینکاری کی اصطلاحات کے استعمال کو یقینی بنایا جائے اور ایم آئی بی کی تمام سرگرمیوں کے دوران اسلامی بینکاری اصولوں کی تعمیل کو یقینی بنایا جائے۔

ز۔ نومبر ۲۰۱۹ء میں، اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈیپارٹمنٹ کی ہدایات کی تعمیل کے ضمن میں شریعہ کمپلائنس ڈیپارٹمنٹ فنڈنگ اور فائنانسنگ کے مراحل پر ٹرانزیکشن کی جانچ پڑتال نہیں کر رہا اور اب اس سلسلے میں متعلقہ گروپس کی ذمہ داری میں اضافہ ہوا ہے، لہذا شریعہ بورڈ کے ٹرانزیکشن کے منظور کردہ طریقہ کار کی تعمیل کو اصل روح کے ساتھ یقینی بنایا جائے، تاکہ کمائے ہوئے منافع کو چیر بیٹھنے سے بچایا جاسکے۔

## شریہ بورڈ رپورٹ

(مالی سال اختتام پزیر ۳۱ دسمبر ۲۰۱۹ء)

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

الْحَمْدُ لِلّٰهِ رَبِّ الْعَالَمِیْنَ وَالصَّلٰوةُ وَالسَّلَامُ عَلٰی خَاتَمِ الْاَنْبِیَاءِ وَالْمُرْسَلِیْنَ وَعَلٰی اٰلِهِ وَصَحْبِهِ اَجْمَعِیْنَ اَمَّا بَعْدُ

ایم ای بی اسلامک بینک (ایم آئی بی) کا شریعہ بورڈ ستمبر ۲۰۱۵ء کو تشکیل پایا، موجودہ شریعہ بورڈ پروفیسر مفتی حبیب الرحمن، چیئرمین شریعہ بورڈ، مفتی سید صابر حسین، ریزولٹ شریعہ بورڈ ممبر اور مفتی ندیم اقبال، ممبر شریعہ بورڈ پر مشتمل ہے۔ ۲۰۱۹ء میں پورا سال شریعہ بورڈ کی خدمات ادارے کو حاصل رہیں، بینک کے معاملات کے حوالے سے شریعہ بورڈ نے ٹیلی فون اور ویڈیو کانفرنس کا ٹرکے ذریعے بھی کئی غیر رسمی ملاقاتیں کیں، ۲۰۱۹ء میں شریعہ بورڈ کے رسمی اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

☆	شریہ بورڈ کا پہلا اجلاس،	۲۹ مارچ ۲۰۱۹ء
☆	شریہ بورڈ کا دوسرا اجلاس،	۱۸ جون ۲۰۱۹ء
☆	شریہ بورڈ کا تیسرا اجلاس،	۲۶ ستمبر ۲۰۱۹ء
☆	شریہ بورڈ کا چوتھا اجلاس،	۱۹ دسمبر ۲۰۱۹ء

۱ بورڈ آف ڈائریکٹرز اور ایگزیکٹوینٹین اس امر کے ذمہ دار ہیں کہ ایم آئی بی کے جملہ معاملات شریعت کے اصولوں کے عین مطابق ہوں، لہذا ہم (شریہ بورڈ) ایم آئی بی کے شریعہ کمپلائنس کی مجموعی صورت حال کے بارے میں ایک رپورٹ جمع کرانے کے ذمہ دار ہیں۔ ۲۰۱۹ء میں شریعہ بورڈ کا بورڈ آف ڈائریکٹرز کیساتھ رسمی اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

☆	شریہ بورڈ - بورڈ آف ڈائریکٹرز کا پہلا اجلاس،	۲۳ اپریل ۲۰۱۹ء
☆	شریہ بورڈ - بورڈ آف ڈائریکٹرز کا دوسرا اجلاس،	۱۹ دسمبر ۲۰۱۹ء

۲ رپورٹ میں ظاہر کردہ امور کے مطابق اپنی رائے دیتے ہوئے عرض یہ ہے کہ ایم آئی بی کے شریعہ کمپلائنس ڈیپارٹمنٹ نے ریزولٹ شریعہ بورڈ ممبر/ہیڈ شریعہ کمپلائنس ڈیپارٹمنٹ کی زیر نگرانی تمام قسم کے مالی معاملات، پروڈکٹس، معاملات کے مراحل اور نظریات کا جائزہ لیا ہے۔ اس حوالے سے شریعہ کمپلائنس پروگرام کے تحت ایم آئی بی کی تمام 100 برانچوں کا شرعی اعتبار سے جائزہ لیا گیا ہے۔ جبکہ اس سال نئی ۹۰ برانچز کا شرعی اعتبار سے جائزہ تحقیقی بنیادوں پر لیا گیا، نیز گروپس/ڈویژنز/ڈیپارٹمنٹس کے شرعی اعتبار سے جائزہ کے لئے شریعہ کمپلائنس پروگرام کی قبیل کی گئی۔ اسلامی بینکاری کے بارے میں تمام گروپس/ڈویژنز/ڈیپارٹمنٹس کی ان کے کام کی نوعیت کے اعتبار سے معلومات اور مہارت کو بڑھانے کی غرض سے باعوم اسلامی بینکاری اور بالخصوص پروڈکٹس کی تربیت ہیومن ریسورس ڈیپارٹمنٹ کے تعاون سے تمام اسٹاف کے لئے لازم قرار دی گئی ہے تاکہ ریگولیٹری ہدایات کی ترجیحی بنیادوں پر قبیل ہو سکے۔

۳ ایم آئی بی کے شریعہ بورڈ کی جاری کردہ چار ہدایات والا تحذیر اور دفعہ جات بغیر کسی تبدیلی کے ابھی بھی موجود ہیں۔ اس سال ۲۰۱۹ء میں ایم آئی بی کے شریعہ بورڈ نے احکامات کے لیکن دین کے حوالے سے نیا فتویٰ اور شریعہ گورننس فریم ورک کی قبیل کی غرض سے ہدایات والا تحذیر جاری کئے۔ ایم آئی بی میں ان پر عملدرآمد کو ان کی اصل روح کے مطابق یقینی بنایا گیا۔

۴ بینک کے منتظمین کے تعاون سے شریعہ کمپلائنس ڈیپارٹمنٹ نے ریزولٹ شریعہ بورڈ ممبر/ہیڈ شریعہ کمپلائنس ڈیپارٹمنٹ کی زیر نگرانی ان تمام پروڈکٹ کی دستاویزات کا جائزہ لیا: لائسنسنگ پروڈکٹس دو دیگر دستاویزات:

ایم آئی بی نوٹ پر پیئمنٹس ٹریسنگ سسٹم، ایم آئی بی آسان ریسیٹس سسٹم، ایم آئی بی آسان ریسیٹس کرنٹ اکاؤنٹ، ایم آئی بی ڈیپازٹ پروڈکٹ مینول، لائسنسنگ پروڈکٹس مینڈیک، صارف کے نفع نقصان کو گروپ کی بنیاد پر جمع کرنا، بینک کے ترجیح یافتہ صارفین کی خدمات کے چار جز میں فرق اور پہلے سے منظور شدہ چند لائسنسنگ پروڈکٹس میں تبدیلی۔

لیفٹ آف ڈاکومنٹری کریڈٹ:

لیفٹ آف کریڈٹ وکالی بنیاد پر (درخواست نامہ اور معاہدات)، نوٹ برائے لیفٹ آف کریڈٹ وکالی بنیاد پر (ٹریڈ فنانس کے درآمدات کے میڈیکل میں ترمیم)، ماسوائے فنانسنگ (خریداری کی دستاویزات) مراعات اور ماسوائے بنیاد پر لیفٹ آف کریڈٹ جاری کرنے کا درخواست نامہ اور معاہدات۔

وکالت اور ضمانت:

حق تلفی دستاویزات کا معاہدہ (رہن اور ذاتی ضمانت کے معاہدات)، اشیاء کی فراہمی کی وکالت کا معاہدہ۔

کنزیرمر فنانس:

کنزیرمر فنانس کی پروڈکٹ کے پروگرام میں ترمیم استعمال شدہ کار کی صورت میں، مشارکت متاقدہ کی بنیاد پر ہاؤس فنانسنگ کا طریقہ کار اور صارف کے لئے دستاویزات، کنزیرمر کار فنانس صارف کی جانب سے کرایے میں یا خیر کار درخواست نامہ اور نظر ثانی شدہ ادائیگی کا نظام الاوقات (اجارہ اور مشارکت متاقدہ)، مشارکت متاقدہ ہاؤس فنانسنگ، کنزیرمر کار فنانس کی پروڈکٹ کے پروگرام ۲۰۱۹ء پر نظر ثانی، مشارکت متاقدہ ہاؤس فنانسنگ پروگرام ۲۰۱۹ء پر نظر ثانی۔



## Sustainability & Corporate Social Responsibility

As one of the largest Banks in Pakistan, MCB Bank, has a great legacy of service and innovation spanning over 72 years. The Bank always strives to adopt best practices and cultivating a culture of discipline and values which preserve the interests of all relevant stakeholders.

Through the promotion and deployment of projects and services that work in a socially responsible way, MCB Bank stresses upon the importance of environmental sustainability and the social well-being of its employees and society as a whole.

### Our policy

MCB Bank undertakes CSR initiatives with a vision to contribute towards harmonious and sustainable development of communities. Following will be the framework and broad parameters for CSR activities by the Bank to:

1. Comply with applicable laws and regulations as well as the spirit thereof and conducts business operations with honesty and integrity.
2. Promote and engage in social welfare activities that help strengthen communities and contribute towards the uplift of society.
3. Support and promote Financial Inclusion.
4. Endeavor to build and maintain sound relationships with customers and other stakeholders through open and fair communication in order to contribute towards sustainable image building.
5. Honor the culture, customs, history and laws as the Bank constantly searches for safer, cleaner and superior practices that satisfy the evolving needs of the society.
6. Strive to develop, establish and promote practices enabling the environment and economy to coexist harmoniously whilst encouraging minimum wastage of resources.



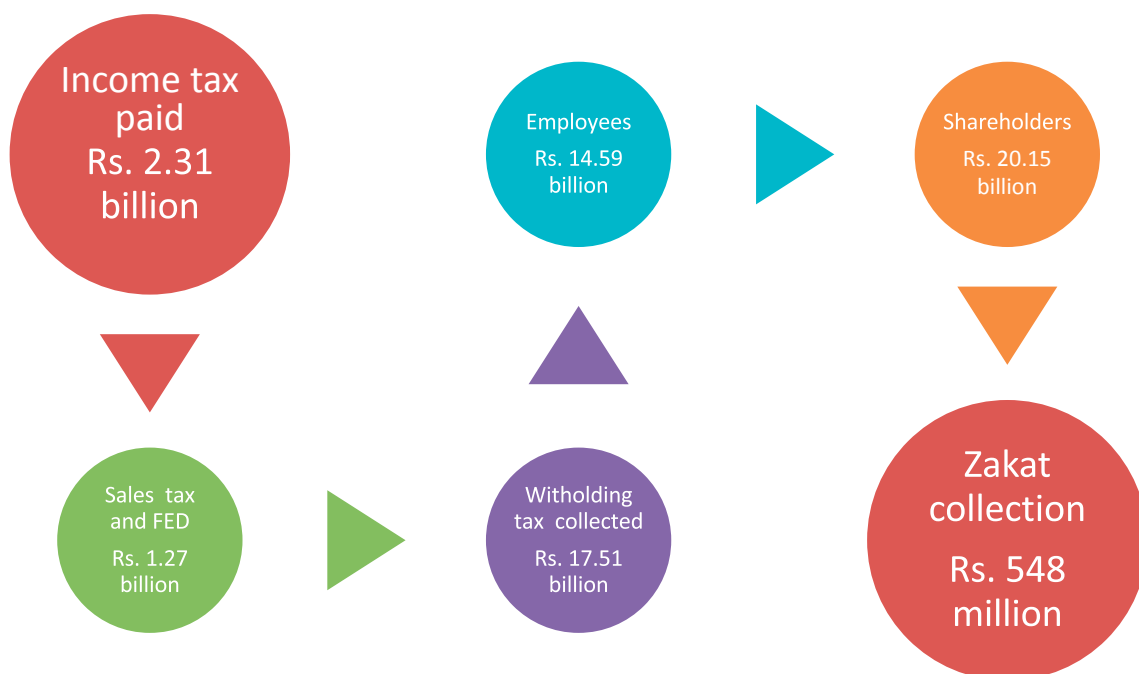
### Our approach to sustainability

The Bank has focused on several key principles as an institution. It is committed towards fostering a better work place and cleaner environment through its varied initiatives. By committing to a culture of excellence, good governance, transparency and integrity, it ensures that all activities are conducted in a manner that is ethically responsible and beneficial for all stakeholders. MCB Bank has a well-defined Code of Ethics and Conduct policy that serves as a guideline for the behavior and ethics of employees.



### Contributing to sustainable economic growth:

MCB Bank uses its core business of banking to promote sustainable development in all the markets it operates.



### **Contribution to Economy & National Exchequer:**

MCB Bank has the highest market capitalization in the banking industry. In 2019 the Bank paid approx. PKR 2.31 billion on account of income taxes to Government Treasury and collected over PKR 17.51 billion for the National Exchequer as withholding tax agent under different provisions of Income Tax Ordinance 2001. In addition to that Bank has also paid PKR 1.27 billion in respect of sales tax and FED.

The contribution by the Bank to the national economy by way of value addition was PKR 58.91 billion, out of which around PKR 14.59 Billion were distributed to employees and PKR 18.96 billion to shareholders.

Zakat is an essential component in delivering assistance to those most in need. The Bank bolstered the zakat collection efforts of prominent public welfare organisations such as Shaukat Khanum and Edhi Welfare Organisation through its communication mediums such as MCB Mobile Banking, MCB Internet Banking and ATM Screens. MCB Bank also contributed to the national exchequer in Zakat Deductions to the sum of PKR 548 million.

The Bank is making significant contribution to the development and growth of the country.

An analysis of the Bank's value creation and allocation of value among key stakeholder groups is represented in Statement of Value Added.

### **Key financial highlights:**

Key financial figures and related ratios are discussed in financial performance section.

### **Being a responsible organization:**

The Bank's duty is to promote the right values and behaviors, investing in people, managing its environmental impact and supporting the fight against anticorruption measures.

A number of steps have been taken by the Bank during the year:

- Occupational Safety and Health
- Business Ethics and Anti-Corruption Measures
- Service Council
- Customer Experience Management
- Turnaround Time (TAT) Monitoring
- Consumer Protection Measures

### **Occupational Health and Safety**

For any progressive and productive organization, sound health, safety and congenial work environment are considered as core elements; therefore MCB Bank takes pride in providing an enabling environment to its employees to promote both the health and creativity of its staff while providing a sound basis for outstanding results. Since there is a strong focus on the safety and wellbeing of Bank employees and its customers, all iconic buildings, including branches of the Bank, are equipped with modern Fire Safety, Surveillance and Security equipment (as applicable). Moreover, trained security personnel also ensure physical safety and security of all employees, customers, building and equipment. The Bank has developed a comprehensive "Health, Safety & Environment Policy" which is periodically reviewed and updated by the Bank Management and implemented across the board.

MCB is cognizant of the fact that to achieve any objective, staff is the prime enabler, therefore Building Admin, Floor Coordinators and other support staff in multistoried/ multipurpose buildings ensures the provision of safe, healthy and conducive work environment to Bank staff. Additionally, staff evacuation drills are periodically conducted under the supervision of Security Department which helps staff in practicing how to respond in different emergency situations. First Aid Kits are properly maintained at all major buildings and branches of the Bank.

The dangers of smoking are well-known. In adults, second-hand smoke can cause serious ailments, including cardiovascular and respiratory diseases, coronary heart disease and lung cancer. Keeping in mind the dangers of smoking for both smokers and non-smokers alike, the senior management of MCB Bank has declared all Bank buildings as No Smoking Zones. Staff members are allowed to smoke at a safe distance of at least 20 feet away from any MCB premises.

For the safety of Bank staff and their family, pictorial safety messages on topics such as Dengue prevention measures, Safe Driving / Riding in the Rain tips, precautionary measures in case of SMOG / FOG, Heat Wave precautions, Earthquake safety tips, Fire Safety actions, etc. are also frequently disseminated through internal mediums.

A healthy body nurtures a healthy mind, so all permanent employees of the Bank are provided with medical coverage under a comprehensive staff group life and medical insurance policy. MCB Bank has always been keen in taking initiatives such as on-site health checkups, arranging seminars on health & safety and emergency preparedness within its staff to safeguard life and assets of the Bank.

### **Business Ethics and Anti-Corruption Measures**

The Bank actively identifies and addresses possible risk factors through the implementation of policies and procedures designed to reduce the possibility of such incidents.

In this regard, it has fielded, alongside its Human Resource Policies and Procedures, a comprehensive “Code of Conduct and Business Ethics” which is disseminated to staff for information and sign off. This document is also freely available to all staff on MCB Intranet Portal.

The Bank continues to maintain a strong compliance culture across the board. MCB Employees are expected to perform all tasks with diligence and honesty at all times. The Code of Conduct of the Bank has comprehensively defined the values and minimum standards for ethical business conduct. We ensure that all our interactions with clients, competitors, business partners, government and regulatory authorities, shareholders, or with one another following a vigorous ethical standard. Our foremost efforts are to ensure that the conduct of the employees is impeccable. This is done with the help of guidelines that ensures compliance with all applicable laws and regulations.

MCB Bank strives to ensure that it provides a friendly and harassment free environment for all employees. The Policy for protection of women harassment has been revisited and is circulated Bank wide every year. Zero tolerance for any form of harassment or discrimination is also covered in the Bank’s existing code of conduct.

The Disciplinary Action Committee (DAC) takes vigorous action to address any violation of policies & procedures, acts of fraud & forgery, breach of discipline and code of conduct, ethics & business practices, law of land and statutory regulations by an employee.

To maintain the harmonious and efficient work environment in which the employees are assured a non-discriminatory, transparent, harassment free and respectful atmosphere regardless of their cast, religion and gender, HRMG has issued a clear and non-discriminatory code of conduct, violation of which may lead to disciplinary action.

## **Consumer Grievances Handling Mechanism:**

### **Service Council:**

Service Council is a monthly forum, chaired by the President, which brings together key stakeholders from across the bank with a view to place service on the forefront through thought leadership, collaborative discussions and creation of a clear service roadmap.

### **Customer Experience Management:**

Feedback is solicited from customers for all contact points via surveys and remedial actions are taken for identified areas. The end goal of these measures is to be the most preferred bank in Pakistan.

### **Turnaround Time (TAT) Monitoring:**

Monitoring and evaluation of service indicators is part of the belief in increasing and retaining one’s customer base. In order to maintain a strong hold on processes within the Bank, the Service Quality Division has devised several controllable measures at par with prevailing market practices. Against each measure, a tolerance level along with a timeline is set. Similar to Branch Banking, indicators for Consumer Assets, Credit Cards, Bancassurance, Call Centre, Mobile Banking, Internet Banking and ATM Uptime are monitored on a monthly basis.

### **Consumer Protection Measures**

The Bank is committed to provide quality products and services to its customers. It maintains a privacy statement for the usage of its products i.e. Credit Cards, ATM pins etc.

To ensure a culture of ‘Quality Customer Service’ the Bank has a dedicated Service Quality Division with the objective of strengthening the Bank’s service culture. Regular training sessions are conducted in all Circles, Call Centers and other front-end staff offices regarding ‘Service Excellence’ & ‘Customer Satisfaction’.



## Customer Grievance Handling

The Bank considers complaints as opportunities for improvement and understands the link between complaint resolution and customer loyalty. We believe that complaints are a primary measure of customer dissatisfaction. Thus, they should be taken seriously and staff is encouraged to bring complaints to the forefront so that gaps can be identified and addressed expediently and effectively.

Service Quality (SQ) function is the custodian of customer grievance handling and works in collaboration with all businesses/functions of the Bank responsible for acknowledging, investigating, tracking, escalating and resolving customer complaints within specified turnaround times. A centralized complaint resolution team is used to manage all customer complaints through a Complaint Management System. During 2019, access to this centralized Complaint Management System has been provided to all branches which will further enhance our complaint capturing capability. At this stage, all our customer touch points are now connected to this system so as to ensure that all complaints, whether in verbal or written form, are immediately captured in the system.

### Current channels for complaints:

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

### Management Committee (MANCOM)

The Bank makes its best effort to ensure that resolution of complaints is comprehensive, appropriate and quick. The customer is kept informed on the status of their complaint, starting from complaint acknowledgement till its resolution. An escalation matrix for complaint resolution observed and designed in the system is such that a complaint, if not resolved within the specified turnaround time, gets escalated to the next senior level of management and keeps on escalating onto a higher, appropriate level till the underlying issue is resolved.

SQ also performs in-depth qualitative and quantitative complaints analysis, followed by suggestions and recommendations in order to eliminate root causes of customer issues and drive continuous improvement.

During 2019, a total of 112,359 complaints were logged in the system out of which 112,270 complaints were resolved during the year (resolution rate 99.92%). There was a 3% decrease in total logged complaints in 2019 as compared to the previous year. Total complaints logged during 2018 were 116,136.

Statement of Complaints	Numbers	Percentage
Total Complaints Received	112,359	-
Closed	112,270	99.92%
Open	89	0.08%
Average time taken for resolution		8 Working Days

Total Login Details:	Total	Contribution
Complaints	112,359	90%
Request/Queries/Reversals	13,005	10%
Total	125,364	100%

## Investing in communities:

The organization seeks to promote sustainable economic and social development in communities.

### Key highlights of investment in communities

Employees	Environment	Social welfare
<ul style="list-style-type: none"> <li>• Education Allowance - Rs. 38 million</li> <li>• Staff Capacity Building &amp; Trainings- Rs. 60 million</li> <li>• Employee Hajj - Rs. 13 million</li> <li>• Staff welfare - Rs. 5 million</li> <li>• Employee education - Rs. 38 million</li> </ul>	<ul style="list-style-type: none"> <li>• Plantation investment - Rs. 23 million</li> <li>• Solar energy-10 Branches 3 ATMs</li> <li>• Introduction of multiple energy conservative practices</li> <li>• Introduction of new waste heat management system</li> <li>• Promotion of paperless culture and recycling of dry waste</li> </ul>	<ul style="list-style-type: none"> <li>• Our Key Partners in Social Investment               <ul style="list-style-type: none"> <li>■ Edhi Welfare Organization</li> <li>■ Shaukat Khanum Memorial Cancer Hospital</li> <li>■ Indus Hospital</li> <li>■ Pink Ribbon</li> <li>■ Sindh Institute of Urology and Transplantation</li> <li>■ Prime Minister and Chief Justice of Pakistan Fund for Diamer Bhasha and Mohmand Dam</li> </ul> </li> <li>• Women empowerment female staff strength reached 15.80%</li> </ul>

### Following areas were addressed by the Bank in 2019:

- Outreach to the Healthcare Sector
- Education
- Sports
- Contribution to the Public Good
- Equal Opportunity for All Employees
- Energy Conservation and Eco-Friendly Measures
- Environmental Protection Measures
- Women Empowerment
- Green banking activities and initiatives

### Outreach to the Healthcare Sector

The Bank places great importance to support initiatives that bolster the health care sector of Pakistan. During 2019, it strongly supported blood donation drives conducted by Shaukat Khanum Memorial Cancer Hospital and Indus Hospital where employees at major locations enthusiastically participated in the collection drive.

The deep association that MCB Bank has with major health initiatives deepened during the year. Comprehensive marketing collateral was also deployed to raise awareness of breast cancer in collaboration with Pink Ribbon, as part of the relationship the two organizations enjoy. The awareness campaign also supported Pink Ribbon in the NGO's efforts to raise funds for Pakistan's first ever Breast Cancer Hospital. MCB also helped generate awareness about Sindh Institute of Urology and Transplantation (SIUT), Edhi Welfare Organization and Shaukat Khanum Memorial Cancer Hospital through the Bank's internal and external communication platforms.

As part of its effort, the Bank stimulated donation channels through platforms such as MCB Mobile Banking, MCB Internet Banking and the MCB Bank corporate website. MCB Bank also supported activities for the youth, such as by supporting the Convocation of Quetta Institute of Medical Sciences and providing support to Murshid Hospital and Health Care Centre (MH&HCC), a non-profit organization serving underprivileged individuals since 1987 in Karachi.

### Education

The importance of education cannot be stressed enough and MCB Bank considers it part of its national duty to support the uplift of the education sector in Pakistan. In support of New Town Housing Project in District Gwadar, scholarship funding was provided to students pursuing medical education in Pakistan. Furthermore, the Thardeep Rural Development Programme (TRDP) was also provided support for its educational facilities in Tharparkar, Sindh.

MCB Bank also contributed to events held by Rehman Medical Institute (Peshawar) and Quetta Institute of Medical Sciences for their Open Golf Tournament and Spring Festival & Sports Week Event, respectively.

### Sports

The Bank recognizes the important role played by sports in the well-being and health of the Nation. In this regard, it has taken the lead in sponsoring events in this area.

MCB Bank keenly invests in causes related to the Banking Sector by sponsoring the activities of the Bankers Club in Karachi and Quetta, by participating in different State Bank Governor Cricket Cup Interbank Tournaments and the first QBC T-10 Inter-Bank Cricket Tournament. MCB Bank was also happy to contribute to the International Men's & Women's Squash Tournament conducted by the Pakistan Squash Federation in December 2019.

### **Contribution to the Public Good**

MCB Bank is always poised to support any endeavor that creates sustainable preservation of the interests of public. This was done through different initiatives throughout the year. The aim of these projects was to have a positive social impact on the many communities MCB works with in so many varied ways.

As part of its civic responsibility, the Bank was pleased to support the Pakistan Club in its Award Recognition Ceremony. The Bank is cognizant of the importance played by agriculture both in the economy and society. It participated in the Livestock, Fisheries & Agri-Business Expo 2019 held in Swat, KPK and the Farmer Literacy Program.

Water scarcity is an issue of growing magnitude that people of Pakistan are facing and may continue to face in the coming years unless effective remedial steps are undertaken. MCB Bank is proud to serve as a platform to bolster donations channeled towards the Prime Minister and Chief Justice of Pakistan Fund for Diamer Bhasha and Mohmand Dam. The Bank has used extensive communication mediums such as its corporate website, ATM network and internal email communications to highlight the importance of and generate donations for this worthy cause.

### **Equal Opportunity for All Employees**

The Bank provides equal employment opportunities without any discrimination and selects and appoints staff with appropriate qualifications/skills through a methodical merit based non-discriminatory selection process.

The Bank capped off the year with permanent staff strength of 13,480 and 116 Contract Employees. The Bank takes the role of female staff within the larger context of both society and the Bank itself very seriously. The ratio of female staff members stood at 15.80% at the end of the year. The Bank hires employees without any discrimination and places physically challenged persons at an appropriate position/place of posting.

To maintain a harmonious and efficient work environment in which the employees are assured a non-discriminatory, transparent, harassment free and respectful atmosphere regardless of their caste, religion and gender, HRMG has issued a clear and non-discriminatory code of conduct, violation of which may lead to disciplinary action.

The Bank also actively addresses the welfare of the staff through different measures. Hajj on Bank's account is provided to officers & non-management employees of the Bank through balloting conducted every year. Total amount paid during the year was Rs. 13 million; whereas, the balloting is made on a provincial basis. Total amount of Rs. 60 million is invested against staff capacity building and trainings. Staff Welfare Fund in 2019 was Rs. 5 million. Education allowance provided to employees was Rs. 38 million.

### **Energy Conservation and Eco-Friendly Measures**

In line with its duty to the nation, MCB Bank accords great importance to the need for energy conservation. The Bank's management decision-making process focuses on the long-term impact of business planning and is conducted in close harmony with policy focus and vision of the government.

The Bank believes in the need to lead by example. MCB policies are geared towards reducing our environmental footprint and promote the use of energy smartly and economically to cut down on operational expenses. MCB Bank has taken up as a project, the switching over of its bank branches to solar power and in that direction has initially migrated 10 commercial branches to solar solutions. These branches are monitored 24x7 for any issue and rectification.

In the line with the above, MCB Bank has also taken up solar energy as a project for ATM functionality under phases; initially, 3 branch ATMs in Lahore have been switched to solar power.

The Bank believes that the shift to solar power will be essential in the coming years. It aims to provide best-in-class solutions that enable a responsible use of scarce human, natural and financial resources as part of a gradual, incremental process.

As part of its policy to introduce energy saving practices which effectively address business requirements, MCB Bank has planned to switch over from normal lighting sources i.e bulbs/tubes in all major MCB buildings to efficient LED lights which save energy.

Harnessing technological solutions effectively, a BMS operational system has been installed at MCB Principal Office building to maintain centralized and better control over various energy sources. A recent initiative, the first of its kind, was introduced at MCB Centre in Lahore where waste heat is used for cogeneration.

Waste heat of gas engine 3516-C (1555 KW) installed at MCB Tower Karachi Building is also utilized in the boiler and the hot water that is subsequently produced is used in the chiller. Approximately 100 to 150 tonnes of extra cooling is generated through this process. The Bank encourages staff to follow best practices to save energy.

### **Environmental Protection Measures**

MCB Bank is working on environmental protection in multifaceted ways. The Bank believes in preserving the welfare of staff as well as the community at large. The bank management is quite focused in its efforts to promote a paperless culture that is linked towards a clean working environment. Dry waste (paper, cardboard, soft drink bottles) which weighs about 1 to 2 tonnes per month from two principal MCB Bank buildings in Lahore is removed from buildings for ethical recycling by Amal, a reputed civil society organization. This helps it to achieve resource optimization in pursuit of the goal of zero waste in its corporate offices.

MCB Bank almost eliminated 3 to 4 tonnes in 'dry waste' during the last quarter of 2019. This trash was prevented from going to landfills and helped reduce the burden on environment of 1,600 kilograms of CO<sub>2</sub> emissions. In 2020, MCB is looking to achieve the target of reducing 10,000 kilograms of CO<sub>2</sub> by recycling all the dry waste generated from MCB corporate offices in Lahore.

In the next step this year, we aim to complete the loop by promoting the reuse of recycled items such as paper and other materials and generate synergy in our systems through technology-based monitoring of resource usage and waste generation.

Plantation within the commercial business branches is encouraged under the supervision of senior management. For example, in the past, the Bank took on a landscaping project of over two kilometers near Airport road, Lahore with extensive plantation of seasonal plants in Lahore Cantonment Area.

With management's emphasis on a clean working environment, the services of the best available janitorial companies are availed. Additionally, periodical emails are circulated to maintain a high standard of cleanliness inside/outside office buildings premises. For each respective building, administrators and floor coordinators periodically are on hand to maintain high quality hygiene standards.

As part of our migration to a paperless environment, the Bank has procured a Loan Origination System (LOS) which is being implemented in all business segments of the Bank in phases. The LOS will automate the end to end credit approval process replacing the paper-based processing and approval of Credit Proposals of customers, thereby leading to considerable reduction in usage of paper by the Bank Staff.

### **Women's Empowerment**

The Bank's product portfolio has also been deployed to foster this goal by actively promoting the MCB Ladies Account Portfolio to great success. Moreover, free Health Insurance Coverage by Adamjee Insurance Company Limited to all customers complying with the eligibility criteria was also provided accordingly.

### **Green banking activities and initiatives**

Activities and initiatives taken by the Bank under SBP IH&SMEFD Circular # 08 dated October 09, 2017 are discussed in green banking initiative section.



# GREEN BANKING

"Green Banking" is a term used where operations of the banks are integrated to ensure environmental sustainability with special focus on the environmental / ecological factors and targeting conservation of natural resources. It aims to create awareness and promotion of environment friendly practices and reduction of overall carbon footprint from both its financing and in-house operations.

MCB Bank is implementing Green Banking Guidelines issued by State Bank of Pakistan in letter and spirit to safeguard against environmental vulnerabilities, and play its due role in transforming country towards a low carbon and climate resilient economy.



## Green Banking Office

Green Banking Office (GBO) has been established in order to implement green banking through inculcating environmental consciousness as part of organizational culture.

To implement Green Banking Guidelines, Green Banking Policy and Standard Operating Procedure (SOP) have been developed and approved by the Board of Directors (BOD's), the President & CEO respectively.



## Green Products / Services

MCB Bank endeavors to integrate the sustainability into products / services provided by the Bank. Such Products involve the environment friendly features including Renewable energy, Modern Drip / Sprinkler irrigation techniques etc. All MCB Fun Club account holders have the option of planting a tree in their name and watch it grow on Google Earth.

Similarly an array of Digital Banking services has been introduced by the Bank which helps to reduce the dependence on paper. These services include eco-friendly digital initiatives like Internet Banking, Mobile Banking, SMSs and E-statements etc.



## Environmental Risk Management System

Environmental Due Diligence (EnvDD) has been made part of the Bank's overall assessment of a borrower, prior to allowing credit exposure whereby the customer is also evaluated on Environmental Risk Rating Model in order to assess the environmental impact of business operations of the customer.



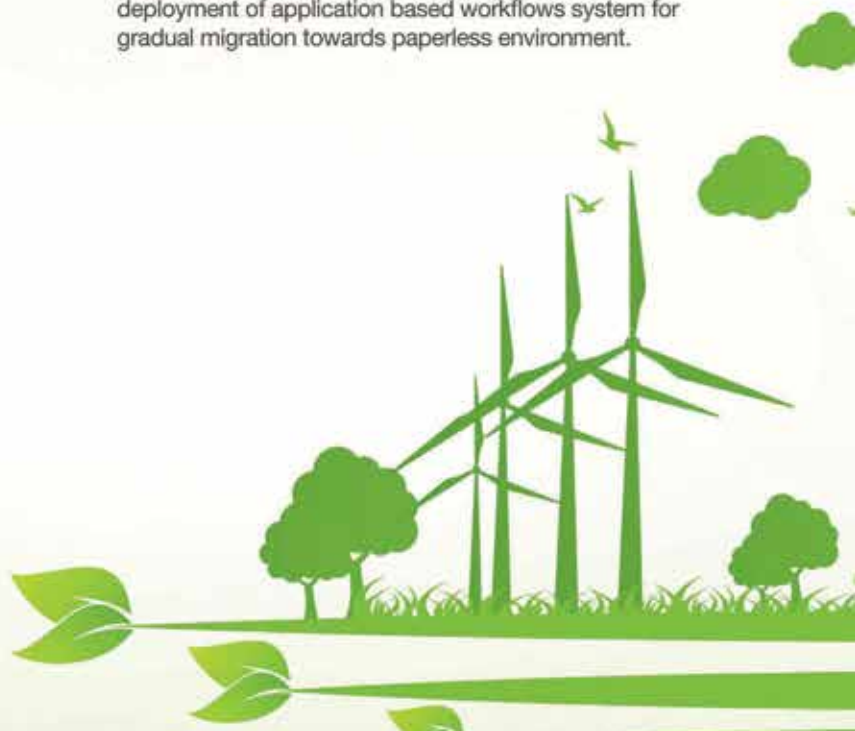
## Paperless Operations

MCB Bank is opting ways and mechanisms to eliminate / reduce the consumption of paper in everyday operations. Few initiatives undertaken for eliminating / reducing the paper consumption includes but not limited to suspension of paper based internal circulars dissemination, introduction of web based dispute claim filing utility for all Alternate Delivery Channels and deployment of application based workflows system for gradual migration towards paperless environment.



## Renewable Energy Initiative

MCB Bank has installed solar power systems in few Branches / ATMs to avoid Greenhouse gas (GHG) emissions. These solar Installations augmented the clean energy in energy mix and ultimately avoided approximately 11 tons of Carbon dioxide (CO<sub>2</sub>) emissions as of December, 2019 to the environment.





### Green Office Initiative

MCB Bank has selected one of its iconic building in Lahore for obtaining Green Office Certification. This initiative will enhance the environmental awareness among employees in day to day operations through implementation of building specific Environmental Management Plan (EMP) and eventually reduction of carbon footprint of the Bank.



### Dry Waste Management

MCB Bank has initiated the recycling of dry waste generated from its iconic buildings in an environment friendly manner. Through this initiative the waste material is recycled via proper recycling facilities in order to reuse it as raw material for other industry.



### Green Awareness Campaign

Green Awareness Campaign regarding Environment related annual days of 2019 such as World Water Day, Mother Earth Day and World Environment Day has been commenced to alert the employees and customers about the significance of environment. The commemoration includes electronic dissemination of artworks to All MCB employees through Emails, Desktop Screens and Standee displays. Moreover, special E-templates on ATMs were displayed for the awareness of the customers as well. Employee's perception has been developed on "Own Impact Reduction Measures" through electronic dissemination of specially designed artworks regarding usage of Electricity, Water, Paper, and Fuel etc. at a regular frequency to instill the practice of resource conservation in their daily life.



### Reduction of Business Travel

MCB Bank has significantly reduced the business related travel through effective use of video conferencing / tele presence technology. These virtual meetings saves time, money and other associated resources including the lesser carbon footprint as compare to travel based meetings.



### Employees Capacity Building

Regular class room trainings are conducted for capacity building of Bank's staff to sensitize the employees regarding environmental implications and adoption of Green culture. Furthermore, Bank also provides training to employees through E-learning portal which conserves plenty of resources including Paper, Printing, Electricity, Fuel etc. and ultimately lesser carbon emission to environment as compared to class room based trainings.





## Stakeholder Relationship & Engagement

The development of sustained stakeholder relationships is paramount to the performance of any institution. From short term assessments to long-term strategic relationship building, 'Stakeholders' Engagement' lies at the core of our business practices to promote improved risk management, compliance with regulatory and lender requirements in addition to overall growth of the Bank.

In achieving and entrenching its integrated approach to sustainability, MCB Bank takes a highly collaborative approach towards ensuring maximum interaction with, and input by all its stakeholders.

At MCB, stakeholder engagement involves far more than merely communicating with its various stakeholder groups. The Bank regards its stakeholders as partners and makes every effort to use all possible mediums to ensure that they are abreast with disclosures, aware of forums to provide valuable input and feedback that can help the Bank to grow, strengthen relations and meet expectations to serve better.

The following tables provide an overview of stakeholder engagements at MCB Bank

Stakeholders	Stakeholder worthiness and reasons of engagement	Engagement frequency	Mode of consultation / interaction
Institutional Investors / Shareholders / Analysts	<ul style="list-style-type: none"> <li>To deliver relevant and timeous information to existing and potential shareholders</li> <li>To keep shareholders posted to ensure that our shares are traded at a fair value</li> <li>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</li> </ul>	<p>Quarterly, semi-annually and annually</p> <p>When the need arises</p>	<ul style="list-style-type: none"> <li>Quarter, semi-annual and annual financial statements</li> <li>Annual General Meeting</li> <li>Participation in local and international road shows</li> <li>Press releases / Media announcements</li> <li>Communications and answering investor / analyst questions</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Integral to deliver strategic objectives</li> <li>Our most important and valued ambassador</li> <li>To ensure that we remain an employer of choice by providing a safe, positive and inspiring working environment</li> <li>To understand and respond the needs and concerns of our staff members</li> <li>To educate our staff regarding strategic direction and to communicate the pertinent information relating to bank activities</li> <li>Continuously encouraging employees and working towards creating a healthy, ethical and supportive work environment</li> </ul>	<p>Annual</p> <p>When the need arises</p>	<p>Investing in a wide range of training programs for every member of the human capital to ensure personal and professional development.</p> <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"> <li>Regular electronic and printed newsletters</li> <li>Compliance letters</li> <li>Annual conference</li> <li>Strategy sessions</li> <li>Grievance reporting procedure</li> <li>One Bank, One Team sessions with senior management</li> </ul>

## Stakeholder Engagement Process and Frequency

Stakeholders	Stakeholder worthiness and reasons of engagement	Engagement frequency	Mode of consultation / interaction
Customers	<ul style="list-style-type: none"> <li>To win and maintain customers by developing and providing products and services to improve the brand.</li> <li>To understand the growing financial services needs of our customers.</li> <li>To provide better solution and advice to our customers' financial requirements</li> <li>To ensure accuracy of our customers respective information.</li> <li>Integral to achieve strategic objectives</li> </ul>	<p>Regular interaction of customers through branch staff</p> <p>Dependent on customers' specific requirements</p>	<ul style="list-style-type: none"> <li>Spreading the geographical boundaries through opening more branches across the country.</li> <li>Continuously innovating in product suite and operational process to meet customer requirements in the most efficient manner.</li> <li>Interaction through our branches, relationship managers, call centers, social media, surveys and various advertising activities</li> </ul>
Suppliers/Service Providers	<ul style="list-style-type: none"> <li>Adhere to proper procurement regulations while maintaining a good business relationships with the service providers</li> </ul>	Routine basis/ When the need arises	<ul style="list-style-type: none"> <li>Rigorously following internal procurement policy and upgrading the policy regularly to ensure strong control and fair treatment of suppliers.</li> </ul>
Regulator	<ul style="list-style-type: none"> <li>To maintain open, honest and transparent relationships with regulator</li> <li>To ensure meticulous compliance with legal and regulatory requirements</li> <li>Develop legislation and policies that impact the environment in which we operate</li> </ul>	<p>Daily, weekly, quarterly</p> <p>When the need arises</p>	<ul style="list-style-type: none"> <li>Active engagement with regulator improves level of compliance these engagements include meetings with representative of regulator and written communications on need basis</li> <li>One-on-one Meetings</li> <li>Submission of applicable statutory returns</li> <li>Responding / enquiring various queries / information</li> </ul>
Communities	<ul style="list-style-type: none"> <li>To have best collaboration with our community for delivering our social responsibilities</li> <li>To obtain input from communities regarding key focus areas</li> <li>To create awareness of our integrated sustainability commitments and initiatives</li> <li>Conducting business without causing disruptions in the society</li> </ul>	When the need arises	<p>The Bank actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the bank contributes to various social and charitable causes including towards health, education and social sectors.</p> <p>The bank is consistent in support for community development projects and interaction with a wide range of non-profit organizations.</p> <p>Enhancing financial access to marginalized population and most importantly, adding value to the society by being a good and transparent corporate citizen.</p>



## Stakeholder Engagement Process and Frequency

Stakeholders	Stakeholder worthiness and reasons of engagement	Engagement frequency	Mode of consultation / interaction
Government	<ul style="list-style-type: none"> <li>To build strong and constructive relationship with government, both as a partner in the development of our country and as a current / potential client</li> <li>To contribute in legislative development for evolution in our activities and operations</li> <li>To endorse our commitments for public sector business development</li> </ul>	When the need arises or on request by either side	<ul style="list-style-type: none"> <li>Understanding and ensuring all legal and regulatory requirements are complied with</li> <li>Engaging with the government to address matters impacting business</li> </ul>
Media	<ul style="list-style-type: none"> <li>To acknowledge the role of media as a channel to communicate with relevant stakeholders and public at large</li> </ul>	When the need arises	<ul style="list-style-type: none"> <li>Advertisements through print, electronic, social media, website, interviews and capacity building seminars</li> </ul>

## Investor Relation Section on Corporate Website

The management of the Bank provides equal and fair treatment to all investors/shareholders through transparent investor relations, increased awareness, effective communication, and prompt resolution of investors' / shareholders' complaints.

The Bank disseminates information to its investors and shareholders through a mix of information exchange platforms, including its corporate website, maintained in both English and Urdu Languages under the applicable regulatory framework. The website is updated regularly to provide detailed and latest Bank information including but not limited to financial highlights, investor information, dividend and other requisite information besides the link to SECP's investor education portal, the 'Jamapunji'. The "Investor Relations" section is also maintained on MCB website [www.mcb.com.pk](http://www.mcb.com.pk) to promote investor relations and facilitate access to the Bank for grievance / other query registration.

## Steps to Encourage Minority Shareholders Participation in AGM

Apart from being an event for decision making on important matters, General Meeting also provides a forum for two-way engagement with the shareholders, particularly the minority shareholders. Therefore, the Bank takes the following measures to ensure meaningful participation of minority shareholders in General meetings:

- Notice of General meetings is sent to every member of the Bank at least 21 days before the meeting. The notice is also published in newspapers (both English & Urdu) having nationwide circulation. Moreover, the notice is also circulated from the forum of Pakistan Stock Exchange.
- The Bank timely updates its website with respect to all notices of general meetings.
- Annual Report of the Bank is sent to each member of the Bank before Annual General Meeting (AGM)
- During AGM, a detailed briefing on the Bank's performance and future plans is given to the shareholders in both Urdu and English
- The shareholders are encouraged to raise queries and give suggestions relating to the Bank's operations.

## Summary of Analyst Briefing

Analyst briefings are interactive sessions between the management of the Bank and the investor community whereby the Bank takes the opportunity to apprise the local and foreign investors about the business environment and economic indicators of the country, explain its financial performance, competitive environment in which the Bank operates, investment decisions, challenges faced as well as business outlook.

The idea behind the Bank's investor engagement through these briefings is to give the right perspective of the business affairs of the Bank to the investors (both existing and potential) which help them in making their investment decisions.

The Bank conducts quarterly analyst briefings in order to share details pertaining to results announced and to respond to any queries of analysts relating to results and future prospects.

Other than the quarterly analysts briefing, business analysts are provided with information and briefings as and when they require without compromising the confidentiality. Face to face discussions have also been arranged with foreign analysts as and when required. The briefing further envisages our transparent and continuously evolving stakeholders' engagement approach.

Briefing is being held as teleconferencing and during the year four analysts briefing were held on following dates;

Results	Date
Annual Results 2018	March 12, 2019
1st Quarter Results 2019	May 2, 2019
2nd Quarter Results 2019	August 21, 2019
3rd Quarter Results 2019	October 30, 2019

In addition to the above mentioned regular teleconferencing sessions, during the year Bank also held Corporate Analyst Briefing Session which was held on December 10, 2019 in Lahore Stock Exchange Auditorium. Session was attended by senior management of MCB Bank Limited and various analysts and investors. CFO of the bank presented a detailed analysis of Bank's performance along with future outlook; session was followed by Q & A session.

## Issues Raised in the Last Annual General Meeting (AGM)

The 71<sup>st</sup> Annual General Meeting of the shareholders of Your Bank was held on MARCH 29, 2019 at 11:00 am, Nishat Hotel, Emporium Mall, Lahore. Mian Mohammad Mansha, Chairman of Board of Directors, chaired the meeting. The meeting was attended by Board members of the Bank including the Chief Executive Officer along with the Chief Financial Officer and the Company Secretary.

During question/answer session, shareholders appreciated the overall growth in the Bank's financial performance for year ended December 31, 2018. One of the shareholders inquired about the impact on profitability of increase in discount rate as announced by the State Bank of Pakistan ("SBP"); to which CFO stated that Bank's Net interest income would increase owing to increase in interest rate. Further, he mentioned that rate on deposit was increased in subsequent month of policy rate announcement; whereas, investments and advances would be re-priced on maturity or next re-pricing date whichever is applicable.

While responding to different queries of the shareholders, the President of the Bank stated that at the bottom line, the Bank posted healthy financial results. He further explained that the Bank remained a well-capitalized institution with a capital base well above the regulatory limits and Basel capital requirements. He also mentioned that the Bank had the highest cash dividend per share in the industry and also remained one of the prime stocks traded in the Pakistani equity markets reflected by the highest market capitalization in the financial institution category as at December 31, 2018.

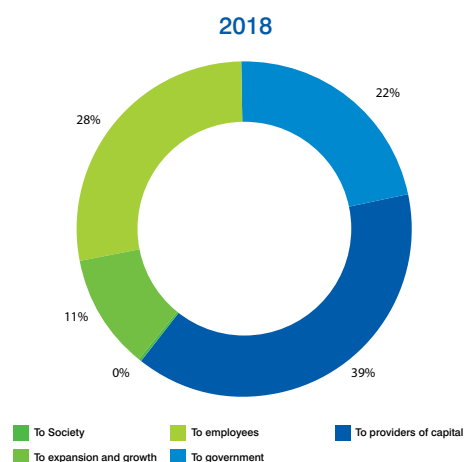
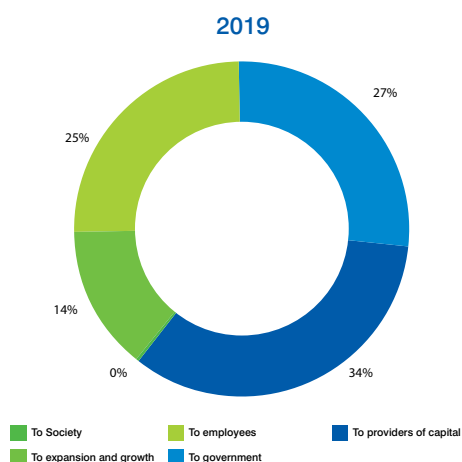
Secretary also explained to the shareholders that the Securities and Exchange Commission of Pakistan ("SECP") had made it mandatory for listed companies to mention, in the case of Individuals, Computerized National Identity Card ("CNIC"), National Identity Card for Overseas Pakistanis ("NICOP") or Passport number and in the case of Corporate Entity, National Tax Number ("NTN") of the shareholders or their authorized persons, on dividend warrants.

Following businesses were also discussed during the AGM:

- Appointment of External Auditors for FY 2020
- Approval of Final Cash Dividend-2018
- Increase in Remuneration for attending Board and its Committee Meetings

## Statement of Value Added

	2019 PKR (Mln)	%	2018 PKR (Mln)	%
<b>Value Added</b>				
Net interest income	59,616		46,014	
Non interest income	16,679		17,198	
Operating expenses excluding staff costs, depreciation, amortization and WWF	(14,897)		(15,921)	
Provision against advances, investments & others	(2,484)		1,753	
<b>Value added available for distribution</b>	<b>58,914</b>		<b>49,044</b>	
<b>Distribution of value added:</b>				
<b>To employees</b>				
Remuneration, provident fund and other benefits	14,585	24.76%	14,053	28.65%
<b>To government</b>				
Income tax	16,125	27.37%	10,704	21.83%
<b>To Shareholders</b>				
Cash dividends to shareholders	20,146	34.20%	18,961	38.66%
<b>To Society</b>				
Donations	–	0.00%	1	0.00%
<b>Retained within the business</b>				
Depreciation, Amortization, Retained profit and reserves	8,058	13.68%	5,325	10.86%
	<b>58,914</b>	<b>100%</b>	<b>49,044</b>	<b>100%</b>





## Code of Conduct

- The Code of Conduct spells out the behaviour expected from employees of MCB Bank Limited (MCB), reflecting fairness, transparency and accountability. The Code of Conduct gives a quick reference check for acceptable business practices.
- However, the Code of Conduct does not replace defined and comprehensive HR Policies of MCB Bank Limited.
- MCB Bank is committed to conduct its business in accordance with the applicable laws, rules and regulations as defined by the State Bank of Pakistan by adhering to high standards of business ethics which reflect our corporate values.
- Adherence to the Code of conduct is mandatory for all employees of MCB Bank Ltd-Pakistan.

In line with code of conduct the employees of the bank shall

### Abidance of Laws / Rules

- Conform to and abide by the Bank rules and policies, wherever we operate and obey all lawful orders and directives which may from time to time be given by any person or persons under whose jurisdiction, superintendence or control, the persona will, for the time being, be placed. To undertake at all times compliance with and observation of all applicable laws, regulations and Bank policies, wherever the Bank operates.

### Integrity

- Conduct the highest standards of ethics, professional integrity and dignity in all dealings with the public, customers, investors, employees, and government officials, State Bank of Pakistan and fellow Bankers and non-engagement in acts discreditable to the Bank, profession and nation
- In case of awareness of any breaches of laws and regulations, frauds and other criminal activities or other similar serious incidents that might affect the interests of the Bank, the same shall be informed to the senior management immediately, including any issue, which may pose a reputational risk.
- Not use this policy to raise grievances or act in bad faith against colleagues.

### Professionalism

- Serve the Bank honestly and faithfully and strictly serve the Bank affairs and the affairs of its constituents, use utmost endeavor to promote the interest and goodwill of the Bank and show courtesy and attention

in all transactions/ correspondence with officers of Government, State Bank of Pakistan, other Banks & Financial Institutions, other establishments dealing with the Bank, the Bank constituents and the public.

- In case the employment is terminated for any reason, all rights to property and information generated or obtained as part of employment relationship will remain the exclusive property of MCB.
- Comply with the laws and regulations on money laundering and fraud prevention and immediate reporting of all suspicions of money laundering as per the guidelines provided in CDD & AML/ CFT Handbook and Anti-fraud Framework Policy for the Management and the staff.
- Not to engage in any act of violation of CDD & AML / CFT Handbook's guidelines given by the State Bank of Pakistan and be extremely vigilant in protecting MCB Bank from being misused by anyone to launder money by violating these guidelines.
- Ensure that all customer complaints are resolved quickly, fairly and recorded appropriately.

### Conflict of Interest

- Avoid all such circumstances in which there is personal conflict of interest, or may appear to be in conflict, with the interest of the Bank or its customers.
- In case of potential conflict of interest, the same should be declared immediately to senior management, action is taken to resolve and manage it in open manner and resolving the conflict of interest on their own would be avoided.
- Report to the Company Secretary within three (3) days about any sale and purchase of MCB shares (own or spouse) in case the annual basic salary exceeds Rs. 500,000/-.
- Not buy, sell or take position in any manner regarding MCB Bank shares during Closed Period, as announced by Company Secretary.

### Relatives and close friends

- Avoid conflict of interest arising, where an employee makes or participates in a decision which affects another person with whom one has a personal relationship (such as a relative, parent, spouse, cousin, close friend or personal associate). In cases where a conflict may arise, employees must advise their immediate line manager. Wherever possible, employees should disqualify themselves from dealing with those persons in such situations.

## Code of Conduct

### Political Participation

- Not obtain membership of any political party, or take part in, subscribing in aid of, or assist in any way, any political movement in or outside of Pakistan or relating to the affairs of Pakistan.
- Not express views detrimental to the ideology, sovereignty or integrity of Pakistan.
- Not canvass or otherwise interfere or use influence in connection with or take part in any election as a candidate to a legislative/local body or issue an address to the electorate whether in Pakistan or elsewhere. However, the right to vote can be exercised.
- Not bring or attempt to bring political or other pressure/ influence directly or indirectly to bear on the authorities/ superior officers or indulge in derogatory pamphleteering, contribute, or write letters to the newspapers, anonymously or in own name contribute or appear in media, with an intent to induce the authority/ superior officers to act in a manner inconsistent with rules, in respect of any matter relating to appointment, promotion, transfer, punishment, retirement or for any other conditions of service of employment.

### Financial Interest

- Not indulge in any of the following activities without prior permission of competent authority (GH - HRM for VP & below and President for SVP & Above):
- Borrow money from or in any way place myself under pecuniary obligation to a broker or moneylender or anyone, including but not limited to any firm, company or person having dealings with the Bank.
- Buy or sell stock, shares or securities of any description without funds to meet the full cost in the case of purchase or scripts for delivery in the case of sale. However, a bona-fide investment of own funds in such stocks, shares and securities as wished can be made.
- Lend money in private capacity to a constituent of the Bank or have personal dealings with a constituent in the purchase or sale of bills of exchange, Government paper or any other securities.
- Act as agent for an insurance company otherwise than as agent for or on behalf of the Bank.
- Be connected with the formation or management of a joint stock company or hold office of a director.
- Engage in any other commercial business or pursuit, either on own account or as agent for another or others.

- Engage in any outside employment or office whether stipendiary or honorary during my employment with MCB Bank.
- Undertake part-time work for a private or public body or private person, or accept fee thereof.
- Any kind of trading advice concerning the securities of MCB Bank or to third parties even when such director, officer or employee does not possess material nonpublic information about MCB Bank.
- In reviewing or approving a loan application from a corporation wherein holding office as director, partner or guarantor.

### Gift, Favors Etc.

- Not use the employment status to seek personal gain from those doing business or seeking to do business with MCB, nor accept such gain if offered.
- Not accept any gift, favors, entertainment or other benefit the size or frequency of which exceeds normal business contacts from clients, stakeholders, colleagues of the Bank or from persons likely to have dealings with the Bank including candidates for employment in the Bank.
- Reporting in writing to immediate supervisor within three working days in case any sizeable gift / favor is received from any third parties.

### Confidentiality

- Maintain the privacy and confidentiality (during the course of employment and after its termination for whatever reason), of all the information acquired during the course of professional activities and refrain from disclosing the same unless otherwise required by statutory authorities / law. Inside information about Bank's customers/affairs including customer data, product manuals, confidential financial and business information of the Bank etc., shall not be used for own gain or for that of others either directly or indirectly.
- Not trade in relevant investments or indulge in giving tips to another person or dealing on behalf of relatives, friends or any other third parties, whilst in possession of non-public price sensitive information.
- Not disclose to a customer or customers or to any irrelevant quarter(s) that a suspicious transaction or related information is being reported for investigation unless any law enforcement agency requires any lawful information. (Only authorized representatives can pass on information to Law enforcing agencies after obtaining clearance on information content from relevant GH / BH(for RBG) and LAG representative).

# Code of Conduct

## Data Security

- Only access or update the system and data according to the authority given by the Bank. Any unauthorized access or updation will hold the person liable for a penal action by the Bank in accordance with HR policies.
- Not compromise access to system by communicating identification and /or passwords to others.
- Ensure that material non-public information is secure. Not discuss such information in public places where it can be overheard, such as elevators, restaurants, taxis and airplanes.

## Communication / Contact with Media

- Be truthful in all advertisings and promotional efforts and to publish only accurate information about the Bank operations under valid authority as prescribed in the Bank policy.
- Not give any kind of confidential information or interview on behalf of the Bank or in my official capacity in the print/electronic media or road / talk shows or participate or act in television/stage plays or in any media or cinema without having permission from the Head of Corporate Communication & GH - HRM.

## Speak Up

- To inform line management & HR of any perceived wrong doing / malpractice at any level, as an obligation to report it under the Bank whistle blowing program / policy.

## Business / Work Ethics

- Respect fellow colleagues and work as a team. To be, at all times, courteous and not to let any personal differences affect work.

## Customer Centricity

- Treat every customer of the Bank with respect and courtesy.
- Be responsive to customer complaints, and to feedback on products and services.
- Provide relevant, complete and clear information to customers to the best of one's knowledge.
- Sell products or services to customers that are within the legitimate scope of one's job.
- Remain update with the latest products of the Bank, and provide all relevant information to the customers.

## Personal Responsibility

- Safeguard as a personal responsibility, both the tangible and intangible assets of MCB and its customer(s) that are under personal control and not to use Bank assets for personal benefits except where permitted by MCB.
- Not use any Bank facilities including a car or telephone to promote trade union activities, or carry weapons into Bank premises unless so authorized by the management, or to carry on trade union activities during office hours, or in banking premises, or subject Bank officials to physical harassment or abuse.

## Punctuality

- Ensure attendance and punctuality as per HR policies, departmental requirements & job standards and for any absence during working hours obtain written permission of the immediate supervisor.

## Dress Code

- Maintain a standard of personal hygiene / neatness and follow MCB Bank dress code policy in true spirit to promote a professional work environment during office hours.

## International Travel

- Be culturally sensitive to the socio-cultural norms of the host country.
- Represent Country and organization by conforming to high standards of personal and professional ethics at all times.

## Work Environment

- Cooperate in maintaining a healthy and productive work environment and not get engaged in the selling, manufacturing and distributing using any illegal substance or being under the influence of illegal drugs or alcohol while on the job.
- Ensure strict adherence to all policies of the Bank, as announced by the management from time to time and contribute utmost effort in maintaining a conducive work environment.

## Usage of Communication Tools

- Ensure strict adherence to the use of internet, emails and telephone provided by the Bank for official use only.
- Never use the Bank system to transmit or receive electronic images or text containing ethnic slurs, social epithets or anything that might be construed as harassing, offensive or insulting to others.

## Code of Conduct

- Never utilize Bank system to disseminate any material detrimental to the ideology, sovereignty or integrity of Pakistan.
- Never indulge and /or utilize the Bank system for supporting any terrorist activity within and / or outside Pakistan.

### Reporting and Accountability

- Maintain all books, data, information and records with scrupulous integrity, reflecting in an accurate and timely manner and to ensure that all business transactions are reported and documented correctly according to the business practices. Ensure facts are not misinterpreted / misused /tampered pertaining to:
- Issuing an incorrect account statement / any other information for any customer or fellow employees / management.
- Placing a fake claim for reimbursement of any expenses (including medical insurance).
- Unrecorded or recorded funds / assets or any other Bank's documents.
- Posting of false, artificial or misleading entries in the books or record of the Bank.
- Intimate line management and HRM of any changes in the personal circumstances relating to service tenure and other related benefits, provided by the Bank.

### Zero Tolerance for Favoritism or Discrimination

- Ensure adherence to the guidelines of MCB Bank's non-discrimination on the basis of gender which limits the individual's right of recruitment, future training, promotion and any other related benefits.
- Not be a part of any undue favor / discriminatory advantage to any colleague / subordinate staff.

### Personal Space

- No right to intrude on the personal space / close proximity of any staff particularly females.

### Female Staff/Employee Privacy

- Recognize that female staff have more privacy and sensitivity needs in keeping with our cultural norms. Therefore, behaviour towards them must reflect that sensitivity, respect and consideration.

### Harassment Against Women

- Any type of harassment is not acceptable at MCB Bank. Harassment occurs when someone's actions or words, based on gender, race, sexuality, caste, creed, and color are unwelcome, violate another person's dignity and creates a hostile environment. (Reference to HR Policy Manual section 6, 6.2.5, Protection against harassment of women at the workplace Act, 2010)
- Accordingly, not engage in harassment in any form. It may include objectionable epithets, threatened or actual physical harm and intimidating conduct directed against the individual that negatively affects the performance and well-being of an individual.

### Sexual Harassment

- Keeping in mind the Bank's policy with reference to the Protection against harassment of Women at the Workplace Act, 2010, adherence to all guidelines given by the Bank.

### Communication

- Not send sexually explicit or offensive communications and respect the privacy of fellow employee especially female employees. Following factors should be adhered to in order to maintain effective communication and ethical standards:
  1. Not send any electronic mail that is abusive or threatens the safety of an Individual(s).
  2. Always use a professional tone in all official communications.
  3. Be careful when using sarcasm and humor

### Workplace bullying

Refrain from any form of Workplace bullying:

- Shouting or swearing at an employee or otherwise verbally abusing him / her.
- Singling out an employee for excessive criticism/public humiliation.
- Excluding an employee from company activities and undermining his / her work contributions.
- Language or actions that embarrass or humiliate an employee.
- Inappropriate practical jokes, especially if they are targeted.

### Insider Trading

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



## Statement on Internal Controls

The internal control structure of MCB Bank Limited (Bank) comprises the Board of Directors, Senior Management, Risk Management Group, Financial Control Group, Operations Group, Compliance & Controls Group, Audit & Risk Assets Review (Audit & RAR) Group, Internal Control Units (ICUs) within all Groups and the controls & self-assessment procedures implemented at other functions within the Bank. The Bank's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures under the policies approved by the Board. The management is also responsible for evaluating effectiveness of the Bank's internal control system that covers material matters through identification of control objectives as well as review of significant policies and procedures.

Bank's internal control system has been designed to identify and mitigate the risk of failure to achieve overall business objectives of the Bank. Internal controls and policies are designed to provide reasonable assurance regarding the effectiveness and efficiency of the Bank's operations, reliability of financial information and compliance with applicable laws & regulations. However, it needs to be stated that systems are designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Bank has adopted the Integrated Framework on Internal Controls issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and has completed all the stages as set out in the roadmap provided by the State Bank of Pakistan (SBP) through the Guidelines on Internal Controls. Bank's assessment included documenting, evaluating and testing of the design and operating effectiveness of its Internal Controls over Financial Reporting (ICFR). Bank has developed a management testing and reporting framework for monitoring ongoing operating effectiveness of key controls.

Concerted efforts are made by every Group to improve the control environment at grass root level by regularly reviewing and streamlining procedures to prevent and rectify control lapses as well as imparting training for improvement at various levels. Compliance & Controls Group (CCG), through its specialized teams and centralized automated solutions, also oversees adherence to the regulatory requirements, with specific emphasis on Anti-Money Laundering (AML) / Combatting the Financing of Terrorism (CFT). In addition, CCG also leads the Management's Committee on AML/CFT for oversight of AML/CFT compliance with respect to relevant laws, regulations, policies and procedures.

The scope of Audit & RAR Group, independent from the management, inter alia includes, review and assessment of the adequacy and effectiveness of the control activities across the Bank as well as evaluation of compliance with the Bank's prescribed policies and procedures. All significant / material findings of the internal audit activities

are reported to the Board's Audit Committee. The Audit Committee actively monitors implementation of internal controls to ensure that identified risks are mitigated to safeguard interest of the Bank.

All significant and material findings of the internal and external auditors as well as observations of the regulators are addressed on priority by the management and their status is reported periodically to the Board's Audit Committee and the Board's Compliance Review & Monitoring Committee respectively, which ensures that the management takes appropriate corrective actions and put in place a system to minimize repetition for strengthening of the control environment.

A separate Issues Tracking & Monitoring (ITAM) structure with membership comprising of senior management is also in place. Periodic meetings of management sub-committees formed for this purpose are held with the goal to expedite the resolution/compliance of issues identified by the Regulators, Statutory Auditors as well as Audit & RAR Group. The Management Committee chaired by the Bank's President / Chief Executive Officer monitors the performance of sub-committees on annual basis.

In accordance with SBP's directives and as stated earlier, the Bank has completed all stages of ICFR roadmap and a Long Form Report (LFR) on the assessment of Bank's ICFR for the year 2018 issued by the statutory auditors has been submitted to SBP in compliance with its directives stated in OSED Circular No. 1 of 2014 dated February 07, 2014. None of the deficiencies identified had a material impact on Financial Reporting.

Based upon the results derived through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Bank's existing internal control system is adequate and has been effectively implemented and monitored. The management will continue enhancing its coverage and compliance with the SBP Guidelines on Internal Controls and further strengthening its control environment on an ongoing basis.

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



**Farid Ahmad**  
Chief Compliance Officer



**Kamran Zaffar Muggo**  
Group Head Operations



**Hammad Khalid**  
Chief Financial officer



**Muhammad Farooq Wasi**  
Chief Internal Auditor

# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

## MCB Bank Limited

For the year ended December 31, 2019

MCB Bank Limited ("MCB" or the "Bank") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") in the following manner:

- The total number of Directors including President & CEO are 13 as per the following:

- Male: 12
- Female: 01

- The composition of the Board is as follows:

Category	Name
<b>Independent Directors</b>	Mr. Yahya Saleem Mr. Salman Khalid Butt Mr. Shahzad Hussain Mr. Masood Ahmed Puri
<b>Non-Executive Directors</b>	Mian Mohammad Mansha Mr. S. M. Muneer Mr. Muhammad Tariq Rafi Mian Umer Mansha Mr. Mohd Suhail Amar Suresh bin Abdullah Mr. Muhammad Ali Zeb Mr. Shariffuddin bin Khalid
<b>Executive Director (President &amp; CEO)</b>	Mr. Imran Maqbool
<b>Female Director (Non-Executive)</b>	Mrs. Iqraa Hassan Mansha

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank;
- The Bank has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures;
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of significant policies along with their dates of approval or updating is maintained by the Bank;
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the "Act") and the Regulations;
- The meetings of the Board were presided over by the Chairman and, in his absence, by the Vice Chairman or a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations;
- All the Board Members except one either have minimum education and experience as required under Regulation 19 for exemption from Directors Training Program, or have already completed Directors Training Program pursuant to the requirements of the Regulations;
- During the year, there was no any such appointment of the Chief Financial Officer ("CFO"), the Company Secretary and the Head of Internal Audit;
- The CFO and the President & Chief Executive Officer ("CEO") duly endorsed the financial statements before approval of the Board;

12. The Board has formed its eight (8) Committees. The names and composition of Committees along with the details of Committee(s) Members have been given in the Section on Corporate Governance;
13. The Terms of Reference ("TORs") of the aforesaid Committees have been formed, documented and advised to the respective Committee for compliance;
14. The frequency of the Committee meetings has been given in the Section on Corporate Governance;
15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the Bank;
16. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan ("ICAP") and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the President & CEO, CFO, Head of Internal Audit, Company Secretary or Director of the Bank;
17. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

**For and on behalf of the Board of Directors**



**Imran Maqbool**  
President & CEO  
MCB Bank Limited

**February 04, 2020**  
Lahore



**Mian Mohammad Mansha**  
Chairman

# Independent Auditor's Review Report

To the members of MCB Bank Limited

## Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") prepared by the Board of Directors of MCB Bank Limited ("the Bank") for the year ended December 31, 2019, in accordance with the requirement of regulation 36(2) of the Regulations.


The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2019.

**Date: February 14, 2020**  
**Lahore**



**KPMG Taseer Hadi & Co.**  
Chartered Accountants



# Report of the Audit Committee

## Composition of Audit Committee

The Audit Committee comprises four (4) non-executive directors including one Independent Director also being Chairman of the Audit Committee. Further, two qualified chartered accountants with diversified professional experience in various sectors are members 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 entities operating in both banking and non-banking sectors.

## Role of Audit Committee to discharge its responsibilities towards financial statements and committee's overall approach to risk management:

- In line with the requirements of Listed Companies (Code of Corporate Governance) Regulations – 2019 and Guidelines for Internal Audit Function issued by the State Bank of Pakistan, the Chief Internal Auditor functionally reports to the Board's Audit Committee and administratively to Bank's President / CEO. The Committee ensures staffing of the internal audit function with personnel of sufficient internal audit knowledge and experience, as well as equipping of the function with necessary resources and authority to execute their responsibilities independently and objectively.
- The Committee approves and oversees the risk assessment, annual audit plan and related enablers/budget along with resource requirements of Audit & Risk Assets Review (Audit & RAR) Group.
- All significant and material findings of the internal audit activities are reported to the Audit Committee. The Audit Committee actively monitors implementation of internal controls to ensure that identified risks are mitigated to safeguard the interest of the Bank.
- Audit Committee actively engages in the review of the Bank's quarterly, half yearly and annual financial statements as well as oversight of internal audit activities in accordance with the requirements of Listed Companies (Code of Corporate Governance) Regulations – 2019 and the Charter of the Board Audit Committee, duly approved by the Board of Directors.
- The Committee understands its responsibility to ensure that the significant issues in relation to financial statements are addressed properly. Furthermore, Audit & RAR group also reviews the Bank's quarterly, half yearly and annual financial statements and discuss the significant matters with management.
- The Committee ensures the independence of external auditors, effectiveness of external audit process and appointment / re-appointment of external auditors by performing the following:
  - o Review the terms of engagement and ensure that external auditors are independent to the Bank in terms of local regulatory requirements.
  - o Ensure that external auditors have resources and professional qualification to conduct the audit.
  - o The Auditors have been allowed direct access to the Audit Committee.
  - o Discuss external auditors' feedback on the Bank's critical accounting estimates and judgements.
  - o Discuss the significant control issues and significant audit matters identified by external auditors.

## Audit Committee held five (5) meetings, during the year 2019, and following matters (including significant matters) were discussed:

- Reviewed the quarterly, half yearly and annual financial statements of the Bank, and recommended them for approval of the Board of Directors. The Committee concluded that the annual report was fair, balanced and understandable and also provided the necessary information for shareholders to assess the Bank's position and performance, business model and strategy.
- Reviewed the disclosure of related party transactions prior to their approval by the Board of Directors (BOD).
- 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 and other functions of the Bank along with management actions thereon.
- Review of analysis related to significant frauds and forgery incidents in the Bank, with specific focus on nature and reasons along with Management action(s) thereof. Review of annual fraud risk assessment along with action plan for strengthening of internal controls.
- Review, approval and oversight of Risk Assessment, Annual Audit Plan and related enablers/budget along with resource requirements of Audit & Risk Assets Review (Audit & RAR) Group.
- Review of status of trainings imparted to internal audit staff, along with status of activities under Quality Assurance & Improvement Program of Internal Audit.
- Review of resolution status of complaints lodged under the Bank's Whistle Blowing Program.
- Review of gap analysis and action plan with respect to Guidelines for Internal Audit Function issued by the State Bank of Pakistan.

- Review of performance of Chief Internal Auditor against its Key Performance Indicators (KPIs). Review and approval of KPIs of Chief Internal Auditor for next year.
- Review & approval of Audit Group's increments, bonuses, promotions and performance appraisal of Chief Internal Auditor.
- Review of progress on Audit Group's Strategic Initiatives and Milestones. Review and recommendation to the Board of Internal Audit Strategy (2020 – 2022).
- Being eligible for reappointment as Auditors of the Bank, the committee had recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as external auditors (5th term) of the Bank for the year ending December 31, 2020 as it is one of the big four audit firm and has thorough knowledge of the Bank's business and industry. The Audit Committee ensures compliance with relevant regulations in regard to tenure of external auditors and provisions of non-audit services by external auditors to ensure independence and objectivity of external auditors.
- In addition to the above, the Committee also reviewed and recommended the following to the Board for approval:
  - Global Internal Audit Policy (versions 1.0 & 2.0);
  - Internal Audit Policy (versions 9.0 & 10)
  - Internal Audit Policy for Wholesale Banking Operations – UAE (versions 5.0 & 6.0);
  - Whistle Blowing Program (version 7.0);
  - Internal Audit Manual (version 7.0); and
  - Statement on Internal Control Systems prior to endorsement by the Board.

### Committee performance evaluation

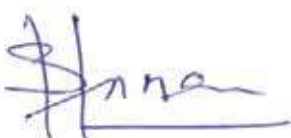
Performance of the Audit Committee is annually reviewed by the Board of Directors and Board appreciated the Committee's role in thoroughly reviewing the financial statements and Bank's internal audit function and other financial matters of critical importance. Further, during 2019, M/s Pakistan Institute of Corporate Governance ("PICG") evaluated performance of Audit Committee and found to be properly fulfilling its roles.

### Internal Control Framework and role of Internal audit

The Bank's internal control structure comprises the Board of Directors, Senior Management, Risk Management Group, Compliance & Controls Group, Financial Control Group, the controls and self-assessment procedures implemented at other functions within the Bank; and Audit & Risk Assets Review (RAR) Group. The Management is responsible for establishing and maintaining a system of adequate and effective internal controls and procedures for implementing strategy and policies, as approved by the Board of Directors. The Bank has adopted integrated framework on Internal Controls issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and has completed all the stages, as set out in the roadmap provided by the State Bank of Pakistan (SBP) through the Guidelines on Internal Controls.

Audit & RAR Group has performed its role effectively on both assurance and consultative fronts. The Group played pivotal role in evaluating the efficacy of Bank's control systems and contributing towards their ongoing effectiveness by enhancing visibility of the Board and the management on the risk management and internal control matters of the Bank. All significant and material findings of the internal audit activities are reported to the Audit Committee of the Board of Directors. The Audit Committee actively monitors implementation of internal controls to ensure that identified risks are mitigated to safeguard the interest of the Bank.

The Audit Committee will continue to provide guidance to the Audit & RAR Group and the Management for further strengthening of Bank's risk management practices and internal control environment.



**Shahzad Hussain**  
Chairman Audit Committee  
MCB Bank Limited  
Lahore

## Notes

[illegible]

# Unconsolidated Financial Statements

MCB Bank Limited



# Independent Auditor's Report

To the members of MCB Bank Limited

## Report on the Audit of the Unconsolidated Financial Statements

### Opinion

We have audited the annexed unconsolidated financial statements of MCB Bank Limited ("the Bank"), which comprise the unconsolidated statement of financial position as at December 31, 2019 and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows for the year then ended, along with unaudited certified returns received from the branches except for 50 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current year. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<b>Provision against advances</b>	
	<p>Refer to note 10 and the accounting policies in notes 4.2 (b) and 5.4 to the unconsolidated financial statements.</p> <p>The Bank's advances to the customers represent 32.78% of its total assets as at 31 December 2019 and are stated at Rs. 496.67 billion which is net of provision of Rs. 43.35 billion at the year end.</p> <p>The provision against advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and compliance with the Prudential Regulations (PRs) issued by the State Bank of Pakistan.</p>	<p>Our audit procedures in respect of provision against loans and advances included the following:</p> <ul style="list-style-type: none"> <li>Assessing the design and operating effectiveness of manual and automated controls over classification and provisioning of advances including: <ul style="list-style-type: none"> <li>The accuracy of data input into the system used for disbursement and recovery of credit facilities;</li> <li>Controls over correct classification of non-performing advances on time based criteria;</li> <li>Controls over accurate computation and recording of provisions; and</li> <li>Controls over the governance and approval process related to provision.</li> </ul> </li> </ul>

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>• Testing, on a sample basis, credit exposures identified by the management as displaying indicators of impairment, assessed the number of days overdue and assessed appropriateness of amount reported for provision in accordance with the PRs;</li> <li>• Testing, on a sample basis, credit exposure where the management has not identified as displaying indicators of impairment challenged the management's assessment by reviewing the historical performances, account movement, financial ratios and reports on security maintained and formed our own view whether any impairment indicators are present;</li> <li>• For consumer and SME advances, analyzed the days past due report for calculation of provision required in accordance with PRs; and</li> <li>• Checking, on a sample basis, accuracy of specific provision against non-performing advances and of general provision against consumer and SME advances by recomputing the provision made in accordance with the criteria prescribed under the PRs.</li> </ul>
<b>2</b>	<b>Valuation of Investments</b>	
	<p>Refer to note 9 and the accounting policies in notes 4.2 (c) and 5.2 to the unconsolidated financial statements.</p> <p>As at 31 December 2019, the Bank has investments classified as "Available-for-sale", "Held for trading" and "Held to maturity", amounting to Rs. 735.72 billion which in aggregate represent 48.56 % of the total assets of the Bank.</p> <p>Investments are carried at cost or fair value in the accordance with the Bank's accounting policy relating to their recognition. Provision against investments is based on impairment policy of the Bank which includes both objective and subjective factors.</p> <p>We identified the valuation of investments including determination of impairment allowance on investments classified as 'Available-for-sale' and "Held to maturity" as a key audit matter because of their significance in relation to the total assets of the Bank and judgment involved in assessing impairment allowance.</p>	<p>Our procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design and tested the operating effectiveness of the relevant controls in place relating to valuation of investments;</li> <li>• Checking, on a sample basis, the valuation of investments to supporting documents, externally quoted market prices and break-up values; and</li> <li>• Evaluating the management's assessment of available for sale and held to maturity investments for any additional impairment in accordance with the Bank's accounting policies and performed an independent assessment of the assumptions.</li> </ul>

### **Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Bank's Annual Report but does not include the unconsolidated financial statements and our auditors' report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements:**


Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account;
- investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is M. Rehan Chughtai.

Lahore  
Date: February 14, 2020

  
KPMG Taseer Hadi & Co.  
Chartered Accountants



# Unconsolidated Statement of Financial Position

As at December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>ASSETS</b>			
Cash and balances with treasury banks	6	132,704,797	103,174,597
Balances with other banks	7	12,542,239	11,878,975
Lendings to financial institutions	8	1,090,058	35,106,241
Investments	9	748,764,502	749,368,738
Advances	10	496,678,874	503,581,323
Fixed assets	11	58,271,245	40,811,956
Intangible assets	12	957,552	630,141
Deferred tax assets		—	—
Other assets	13	64,142,748	53,578,090
		1,515,152,015	1,498,130,061
<b>LIABILITIES</b>			
Bills payable	15	11,821,698	15,699,280
Borrowings	16	89,505,892	216,018,886
Deposits and other accounts	17	1,144,763,259	1,049,037,615
Liabilities against assets subject to finance lease		—	—
Subordinated debt	18	—	3,891,019
Deferred tax liabilities	19	5,850,645	1,532,177
Other liabilities	20	94,295,738	62,673,355
		1,346,237,232	1,348,852,332
<b>NET ASSETS</b>			
		168,914,783	149,277,729
<b>REPRESENTED BY</b>			
Share capital	21	11,850,600	11,850,600
Reserves	22	77,591,253	74,147,981
Surplus on revaluation of assets	23	23,695,441	9,747,104
Unappropriated profit		55,777,489	53,532,044
		168,914,783	149,277,729

## CONTINGENCIES AND COMMITMENTS

24

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



**Imran Maqbool**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Salman Khalid Butt**  
Director



**Masood Ahmed Puri**  
Director

## Unconsolidated Profit and Loss Account

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
Mark-up / return / interest earned	26	138,291,896	83,318,994
Mark-up / return / interest expensed	27	78,675,682	37,304,844
Net mark-up / interest income		59,616,214	46,014,150
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	28	11,288,050	10,730,504
Dividend income		1,377,173	1,280,143
Foreign exchange income		2,894,735	3,420,342
Income from derivatives		14,616	11,845
Gain on securities	29	832,846	1,293,131
Other income	30	271,533	462,161
Total non-markup / interest Income		16,678,953	17,198,126
Total Income		76,295,167	63,212,276
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	31	32,670,918	32,090,793
Workers welfare fund		802,046	641,272
Other charges	32	236,357	169,849
Total non-markup / interest expenses		33,709,321	32,901,914
Profit before provisions		42,585,846	30,310,362
Provisions / (reversals) and write offs - net	33	2,483,534	(1,753,256)
Extra ordinary / unusual items		—	—
<b>PROFIT BEFORE TAXATION</b>		40,102,312	32,063,618
Taxation	34	16,125,473	10,704,040
<b>PROFIT AFTER TAXATION</b>		23,976,839	21,359,578
<b>Rupees</b>			
<b>Basic and diluted earnings per share</b>	35	20.23	18.02


The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.

  
Imran Maqbool

President/Chief Executive

  
Hammad Khalid  
Chief Financial Officer

  
Mian Umer Mansha  
Director

  
Salman Khalid Butt  
Director

  
Masood Ahmed Puri  
Director

# Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
Profit after taxation for the year	23,976,839	21,359,578
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	1,045,588	1,145,550
Movement in surplus/ (deficit) on revaluation of investments - net of tax	6,975,891	(7,346,264)
	8,021,479	(6,200,714)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	(474,421)	(659,286)
Movement in surplus on revaluation of operating fixed assets - net of tax	6,908,341	—
Movement in surplus on revaluation of non-banking assets - net of tax	165,776	172,774
	6,599,696	(486,512)
<b>Total comprehensive income</b>	<b>38,598,014</b>	<b>14,672,352</b>

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



**Imran Maqbool**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Salman Khalid Butt**  
Director



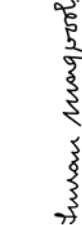
**Masood Ahmed Puri**  
Director

# Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Share capital	Capital reserve			Statutory reserve	Revenue	Suplus/(deficit) on revaluation of		Unappropriated profit	Total
		Share premium	Non-distributable reserve	Exchange translation reserve			Investment	Fixed / non-banking assets		
(Rupees in '000)										
Balance as at December 31, 2017	11,850,600	23,751,114	908,317	483,993	27,123,049	18,600,000	4,588,120	12,485,087	53,776,057	153,566,337
<b>Total comprehensive income for the year ended December 31, 2018</b>										
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	-	21,359,578	21,359,578
Other comprehensive income - net of tax	-	-	-	1,145,550	-	-	(7,346,264)	172,774	(659,286)	(6,687,226)
Transfer to statutory reserve	-	-	-	1,145,550	-	-	(7,346,264)	172,774	20,700,292	14,672,352
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	2,135,958	-	-	-	(2,135,958)	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	(53,532)	53,532	-
<b>Transactions with owners, recorded directly in equity</b>										
Final cash dividend at Rs. 4.0 per share - December 31, 2017	-	-	-	-	-	-	-	-	(99,081)	99,081
Interim cash dividend at Rs. 4.0 per share - March 31, 2018	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - June 30, 2018	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - September 30, 2018	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2018	11,850,600	23,751,114	908,317	1,629,543	29,259,007	18,600,000	(2,758,144)	12,505,248	53,532,044	149,277,729
<b>Total comprehensive income for the year ended December 31, 2019</b>										
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	-	23,976,839	23,976,839
Other comprehensive income - net of tax	-	-	-	1,045,588	-	-	6,975,891	7,074,117	(474,421)	14,621,175
Transfer to statutory reserve	-	-	-	1,045,588	-	-	6,975,891	7,074,117	23,502,418	38,598,014
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	2,397,684	-	-	-	(2,397,684)	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	(53,248)	53,248	-
Surplus realized on disposal of non-banking assets - net of tax	-	-	-	-	-	-	-	(10,560)	10,560	-
<b>Transactions with owners, recorded directly in equity</b>										
Final cash dividend at Rs. 4.0 per share - December 31, 2018	-	-	-	-	-	-	-	-	37,863	-
Interim cash dividend at Rs. 4.0 per share - March 31, 2019	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - June 30, 2019	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - September 30, 2019	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Balance as at December 31, 2019	11,850,600	23,751,114	908,317	2,675,131	31,656,691	18,600,000	4,217,747	19,477,694	55,777,489	169,914,783

For details of dividend declaration and appropriations, please refer note 46 to these unconsolidated financial statements.  
For details of reserves, please refer note 22 to these unconsolidated financial statements.  
The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.

  
**Imran Maqbool**  
President/Chief Executive

  
**Hamad Khalid**  
Chief Financial Officer

  
**Mian Umer Mansha**  
Director

  
**Salman Khalid Butt**  
Director

  
**Masood Ahmed Puri**  
Director



# Unconsolidated Cash Flow Statement

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		40,102,312	32,063,618
Less: Dividend income		(1,377,173)	(1,280,143)
		38,725,139	30,783,475
Adjustments:			
Depreciation on fixed assets	11.2	1,916,646	1,980,606
Depreciation on right of use assets	31	1,161,795	–
Depreciation on non-banking assets acquired in satisfaction of claims	31	45,456	49,155
Amortization	12	301,022	255,629
Provisions / (reversals) and write offs - net	33	2,483,534	(1,753,256)
Workers welfare fund		802,046	641,272
Gain on sale of non-banking assets acquired in satisfaction of claims	30	(111,948)	(82,410)
(Reversal) / charge for defined benefit plan	31.1	(101,509)	943,661
Gain on sale of fixed assets	30	(90,158)	(245,655)
Unrealized loss on revaluation of investments classified as held for trading	29	4,176	2,473
Interest expensed on lease liability against right-of-use assets		1,132,099	–
Loss on amalgamation of a subsidiary		7,512	–
Gain on sale of shares in an associate		–	(247,677)
		7,550,671	1,543,798
		46,275,810	32,327,273
<b>Decrease / (increase) in operating assets</b>			
Lendings to financial institutions		34,016,183	(30,708,127)
Held-for-trading securities		(128,778)	(9,337,983)
Advances		7,224,925	(31,435,283)
Others assets (excluding advance taxation)		(16,297,896)	204,829
		24,814,434	(71,276,564)
<b>(Decrease) / increase in operating liabilities</b>			
Bills Payable		(3,877,582)	(5,767,177)
Borrowings from financial institutions		(125,990,277)	82,185,800
Deposits		95,725,644	102,473,306
Other liabilities (excluding current taxation)		13,859,980	6,921,268
		(20,282,235)	185,813,197
Defined benefits paid		(309,074)	(343,743)
Income tax paid		(2,306,594)	(3,299,463)
Net cash flow from operating activities		48,192,341	143,220,700
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		8,627,647	(93,718,703)
Net investments in held-to-maturity securities		309,822	(1,450,938)
Investment in a subsidiary		(350,000)	(1,200,000)
Dividends received		1,394,813	1,602,884
Investments in fixed assets		(4,395,890)	(4,261,454)
Investments in Intangible assets		(625,800)	(221,949)
Proceeds from sale of fixed assets		158,186	573,958
Proceeds from sale of non-banking assets acquired in satisfaction of claims		540,000	682,410
Investments in non-banking assets acquired in satisfaction of claims		(64,445)	–
Net cash inflow from amalgamation of a subsidiary		40,968	–
Net cash outflow on demerger		–	(22,214,180)
Proceeds from divestment in an associate		–	295,448
Effect of translation of net investment in foreign branches		1,045,588	1,145,550
Net cash flow generated from / (used in) investing activities		6,680,889	(118,766,974)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payments of Subordinated debt		(3,891,019)	(1,559)
Dividend paid		(18,838,387)	(20,090,805)
Payment of lease liability against right-of-use-assets		(1,427,643)	–
Net cash flow used in financing activities		(24,157,049)	(20,092,364)
Effects of exchange rate changes on cash and cash equivalents		3,553,077	5,575,328
Cash and cash equivalents transferred to MIB under the scheme of demerger		–	(722,679)
<b>Increase in cash and cash equivalents</b>		34,269,258	9,214,011
Cash and cash equivalents at beginning of the year		109,628,331	103,967,397
<b>Cash and cash equivalents at end of the year</b>	36	143,897,589	113,181,408

The annexed notes 1 to 48 and annexures I to II form an integral part of these unconsolidated financial statements.



**Imran Maqbool**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Salman Khalid Butt**  
Director



**Masood Ahmed Puri**  
Director

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 1. STATUS AND NATURE OF BUSINESS

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on the Pakistan stock exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,399 branches (2018: 1,376 branches) within Pakistan and 11 branches (2018: 11 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

## 2. BASIS OF PRESENTATION

**2.1** These unconsolidated financial statements represent separate financial statements of MCB Bank Limited. The consolidated financial statements of the Group are being issued separately.

**2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.

**2.3** The unconsolidated financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand.

## 3. STATEMENT OF COMPLIANCE

**3.1** These unconsolidated financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards IFRS issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017; and
- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP).

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

The State Bank of Pakistan has deferred the applicability of International Financial Reporting Standard 9, 'Financial Instruments' through BPRD Circular No. 04 of 2019 dated October 23, 2019 and International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS10 Consolidated Financial Statements was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O 56(I)/2016 dated January 28, 2016, that the requirements of consolidation under section 237 of the repealed Companies Ordinance 1984 (Section 228 of Companies Act 2017) and

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

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

The Bank has adopted "IFRS 15 Revenue from Contracts with Customers" and "IFRS 16 Leases" effective 01 January 2019. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Bank has adopted IFRS 15 from 01 January 2019. The timing or amount of income from contracts with customers was not impacted by the adoption of IFRS 15, accordingly, the adoption of this standard has no material impact in these unconsolidated financial statements. The impact of adoption of IFRS 16 on the Bank's unconsolidated financial statements is disclosed in note 5.1.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or not to have any significant impact on the Bank's unconsolidated financial statements.

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

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2020:

	Effective date (annual periods beginning on or after)
IFRS 3, Business Combinations - (Amendments)	January 1, 2020
IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, as per BPRD Circular No. 04 of 2019 dated October 23, 2019 of SBP, effective date of IFRS 9 implementation is January 01, 2021.

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated financial statements.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 4. BASIS OF MEASUREMENT

- 4.1** These unconsolidated financial statements have been prepared under the historical cost convention except that certain classes of fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.

### 4.2 Critical accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

#### a) Classification of investments

In classifying investments, the Bank follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments other than those in subsidiaries and associates which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

#### b) Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in note 10.4.4.

#### c) Impairment of 'available for sale' equity investments

The Bank determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational/financial cash flows.

#### d) Taxation

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

#### e) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## f) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

## g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 38 of these unconsolidated financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

## h) Lease term

The Bank applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year except for the changes explained in notes 5.1.

### 5.1 Change in accounting policy

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases- Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, using modified retrospective approach.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities are now measured as the present value of the remaining lease payments, discounted using the weighted average rate of 13.53% as of January 1, 2019. The associated right-of use assets are measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The right-of- use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

The change in accounting policy affected the following items in the statement of financial position as on January 01, 2019:

- Right-of-Use (RoU) assets recognized as Fixed assets – increased by Rs 8,426.460 million which includes prepayments of Rs. 218.079 million; previously, included in advances, deposits, advance rent and other prepayments as at December 31, 2018.
- Lease liabilities recognized as Other liabilities – increased by Rs 8,208.381 million. Interest on lease liability represents unwinding of lease liability amounting to Rs. 1,132.099 million.

The impact on profit and loss account for the year ended December 31, 2019 is a decrease in profit after tax by Rs. 549.090 million and earning per share by Rs. 0.46.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

### 5.2 Investments

The Bank classifies its investments as follows:

#### a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

#### b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

#### c) Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment. Transaction costs on investments held for trading are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is taken to surplus / deficit on revaluation of investments through statement of comprehensive income in equity till disposal at which time it is recorded in profit and loss account. Surplus / deficit arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account, currently.

Unquoted equity securities (excluding investments in subsidiaries and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. Investments classified as 'held to maturity' are carried at amortized cost less accumulated impairment losses, if any.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

Associates are all entities over which the Bank has significant influence but not control. Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. Investments in subsidiaries and investments in associates are carried at cost less accumulated impairment losses, if any.

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. Impairment of 'available for sale' equity investments is discussed in 4.2(c). Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

## 5.3 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in these unconsolidated financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in these unconsolidated financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

## 5.4 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Advances are written off when there is no realistic prospect of recovery.

Leases where the 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 Fixed assets and depreciation

Fixed assets other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Buildings are carried at revalued amount less any accumulated depreciation and subsequent impairment losses, if any. Land is carried at revalued amount less any subsequent impairment losses, if any. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

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

Depreciation on all fixed assets (excluding land) is charged using the straight line method in accordance with the rates specified in note 11.2 to these unconsolidated financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Land and buildings are revalued by independent, professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. An increase arising on revaluation is credited to the surplus on revaluation of fixed assets account. A

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

decrease arising on revaluation of fixed assets is adjusted against the surplus of that asset or, if no surplus exists, is charged to the profit and loss account as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the profit and loss account up to the extent of the original impairment.

Surplus on revaluation of fixed assets (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred 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.

## 5.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

## 5.7 Staff retirement benefits

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:



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

- an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
- an approved pension fund, and
- contributory benevolent fund.

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.

d) For executives and officers who joined the Bank on or after January 01, 2000, the Bank operates an approved contributory provident fund.

e) Post retirement medical benefits to entitled employees.

Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the Projected Unit Credit Method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in other Comprehensive Income in the period of occurrence.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognises past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs; and
- (ii) 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. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss account in the period of occurrence.

## 5.8 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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 5.9 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

## 5.10 Foreign currencies

### 5.10.1 Foreign currency transactions

Transactions in foreign currencies other than the results of foreign operations discussed in note 5.10.2 are translated to Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities.

### 5.10.2 Foreign operations

The assets and liabilities of foreign branches are translated to Rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

### 5.10.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the 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 unconsolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

## 5.11 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers.

## 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.
- 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.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 5.13 Assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation and impairment loss. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non banking assets' account through statement of comprehensive income in equity and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to profit and loss account and not capitalised.

## 5.14 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn Nostro balances) in current and deposit accounts.

## 5.15 Financial instruments

### 5.15.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

### 5.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

### 5.15.3 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in these unconsolidated financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

## 5.16 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

## 5.17 Segment reporting

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

### 5.17.1 Business segments

#### Retail banking

This includes retail lending and deposits, banking services, cards and branchless banking.

#### Corporate banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities / with Bank's corporate and public sector customers.

#### Consumer Banking

This segment primarily constitutes consumer financing activities with individual customers of the Bank. Product suite offered to these customers include credit cards, auto loans, housing finance and personal loans.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## Treasury

This includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

## International Banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities by Bank's overseas operations.

## Others

This includes the head office related activities and other functions which cannot be classified in any of the above segments.

### 5.17.2 Geographical segments

The Bank operates in three geographic regions being:

- Pakistan
- South Asia
- Middle East

### 5.18 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 Business combination

Business combinations other than under common control transaction are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognized directly in the profit and loss account as directed by the SBP.

### 5.20 Earnings per share

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

### 5.21 Subordinated debt

Sub-ordinated loans are initially recorded at the amount of proceeds received and subsequently measured at amortised cost. Markup accrued on these loans is charged to profit and loss account over the period at effective interest rate.



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		18,738,087	16,462,132
Foreign currencies		2,201,941	2,529,716
		20,940,028	18,991,848
With State Bank of Pakistan in			
Local currency current account	6.1	56,533,231	40,305,992
Foreign currency current account	6.2	277,126	279,023
Foreign currency deposit account	6.3	14,023,401	12,621,991
		70,833,758	53,207,006
With other central banks in			
Foreign currency current account	6.4	16,220,148	5,197,681
With National Bank of Pakistan in			
Local currency current account		24,390,028	25,657,815
Prize bonds		320,835	120,247
		132,704,797	103,174,597

**6.1** This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

**6.2** This represents US Dollar settlement account maintained with SBP.

**6.3** This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. This includes balance of Rs. 10,517.551 million (2018: Rs. 9,446.493 million) which carries interest rate of 0.70% (2018: 1.35%) per annum as declared by SBP.

**6.4** Foreign currency current account with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2019 (Rupees in '000)	2018
<b>7. BALANCES WITH OTHER BANKS</b>			
Outside Pakistan			
In current account		8,396,527	9,232,223
In deposit account	7.1	4,145,712	2,646,752
		12,542,239	11,878,975
		12,542,239	11,878,975

**7.1** Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 2.60% to 8.30% (2018: 2.90% to 3.90%) per annum.

	Note	2019 (Rupees in '000)	2018
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lendings	8.1	880,853	2,069,329
Repurchase agreement lendings (Reverse Repo)	8.2	209,205	33,036,912
		1,090,058	35,106,241

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

**8.1** Call money lending carries mark-up rate of 9% (2018: 2.4% to 9.0%) per annum and is due to mature in January 2020.

**8.2** Repurchase agreement lendings carries mark-up rate of 7% (2018: 8% to 10.35%) per annum and is due to mature in January 2020.

		2019	2018
		(Rupees in '000)	
<b>8.3</b>	<b>Particulars of lending</b>		
	In local currency	880,853	33,603,697
	In foreign currencies	209,205	1,502,544
		<b>1,090,058</b>	<b>35,106,241</b>

2019			2018		
Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
(Rupees in '000)					
<b>8.4</b>	<b>Securities held as collateral against lendings to financial institutions</b>				
	Market Treasury Bills	–	–	–	–
	Total	–	–	–	–

## 9. INVESTMENTS

### 9.1 Investments by type:

		2019				2018			
		Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus (deficit)	Carrying value
		(Rupees in '000)							
	<b>Held-for-trading securities</b>								
	Federal Government Securities	9,479,849	–	(4,128)	9,475,721	9,348,153	–	(2,599)	9,345,554
	Shares	13,158	–	(48)	13,110	18,549	–	126	18,675
		9,493,007	–	(4,176)	9,488,831	9,366,702	–	(2,473)	9,364,229
	<b>Available-for-sale securities</b>								
	Federal Government Securities	666,128,289	–	4,981,349	671,109,638	674,920,983	–	(3,990,667)	670,930,316
	Shares and units	24,938,090	(10,148,760)	1,497,556	16,286,886	26,098,138	(7,371,946)	(236,174)	18,490,018
	Non Government Debt Securities	1,309,773	–	(3,359)	1,306,414	1,096,296	–	36	1,096,332
	Foreign Securities	3,657,020	–	13,295	3,670,315	2,545,151	–	(16,492)	2,528,659
		696,033,172	(10,148,760)	6,488,841	692,373,253	704,660,568	(7,371,946)	(4,243,297)	693,045,325
	<b>Held-to-maturity securities</b>								
	Federal Government Securities	16,207,249	(2,211)	–	16,205,038	20,699,709	(1,675)	–	20,698,034
	Provincial Government Securities	118	(118)	–	–	118	(118)	–	–
	Non Government Debt Securities	9,867,925	(533,788)	–	9,334,137	8,196,110	(490,924)	–	7,705,186
	Foreign Securities	8,320,599	(3,569)	–	8,317,030	5,809,776	–	–	5,809,776
		34,395,891	(539,686)	–	33,856,205	34,705,713	(492,717)	–	34,212,996
	<b>Associates</b>	9.14	700,401	–	700,401	700,401	–	–	700,401
	<b>Subsidiaries</b>	9.14	12,346,537	(725)	12,345,812	12,046,512	(725)	–	12,045,787
	<b>Total Investments</b>								
		752,969,008	(10,689,171)	6,484,665	748,764,502	761,479,896	(7,865,388)	(4,245,770)	749,368,738

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

		2019				2018			
Note		Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus (deficit)	Carrying value
(Rupees in '000)									
9.2	Investments by segments:								
	Federal Government Securities:								
	Market Treasury Bills	397,866,023	-	(413,415)	397,452,608	575,683,207	-	(290,163)	575,393,044
	Pakistan Investment Bonds	292,723,081	-	5,376,303	298,099,384	127,913,919	-	(3,703,103)	124,210,816
	Sukuks bonds	195,929	-	14,333	210,262	140,601	-	-	140,601
	Euro Bonds	1,030,354	(2,211)	-	1,028,143	1,231,118	(1,675)	-	1,229,443
		691,815,387	(2,211)	4,977,221	696,790,397	704,968,845	(1,675)	(3,993,266)	700,973,904
	Provincial Government Securities	118	(118)	-	-	118	(118)	-	-
	Shares:								
	Listed Companies	23,398,083	(9,982,844)	1,497,508	14,912,747	24,552,022	(7,210,806)	(236,048)	17,105,168
	Unlisted Companies	1,553,165	(165,916)	-	1,387,249	1,564,665	(161,140)	-	1,403,525
		24,951,248	(10,148,760)	1,497,508	16,299,996	26,116,687	(7,371,946)	(236,048)	18,508,693
	Non Government Debt Securities								
	Listed	4,946,646	(16,269)	(3,359)	4,927,018	3,538,999	(16,269)	-	3,522,730
	Unlisted	6,231,052	(517,519)	-	5,713,533	5,753,407	(474,655)	36	5,278,788
		11,177,698	(533,788)	(3,359)	10,640,551	9,292,406	(490,924)	36	8,801,518
	Foreign Securities								
	Government securities	11,517,802	(2,828)	13,295	11,528,269	7,870,174	-	(16,492)	7,853,682
	Non Government Debt securities	452,567	(741)	-	451,826	478,548	-	-	478,548
	Unlisted equity securities	7,250	-	-	7,250	6,205	-	-	6,205
		11,977,619	(3,569)	13,295	11,987,345	8,354,927	-	(16,492)	8,338,435
	Associates								
	- Adamjee Insurance Company Limited	647,880	-	-	647,880	647,880	-	-	647,880
	- Euronet Pakistan (Private) Limited	52,521	-	-	52,521	52,521	-	-	52,521
		700,401	-	-	700,401	700,401	-	-	700,401
	Subsidiaries								
	MNET Services (Private) Limited	-	-	-	-	49,975	-	-	49,975
	MCB Islamic Bank Limited	11,550,000	-	-	11,550,000	11,200,000	-	-	11,200,000
	MCB Arif Habib Savings & Investments Limited	320,123	-	-	320,123	320,123	-	-	320,123
	Financial Management Services (Pvt) Limited	725	(725)	-	-	725	(725)	-	-
	MCB Non-Bank Credit Organization " Closed Joint Stock Company" (formerly MCB Leasing CJSC, Azerbaijan)	448,189	-	-	448,189	448,189	-	-	448,189
	MCB Financial Services Limited	27,500	-	-	27,500	27,500	-	-	27,500
		12,346,537	(725)	-	12,345,812	12,046,512	(725)	-	12,045,787
	Total Investments	752,969,008	(10,689,171)	6,484,665	748,764,502	761,479,896	(7,865,388)	(4,245,770)	749,368,738

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
<b>9.2.1 Investments given as collateral</b>		
- Market Treasury Bills	22,820,226	155,324,815
- Pakistan Investment Bonds	5,316,208	10,489,134
	<b>28,136,434</b>	<b>165,813,949</b>
<b>9.3 Provision for diminution in value of investments</b>		
<b>9.3.1 Opening balance</b>	7,865,388	5,985,708
Exchange adjustments	251	286
Charge / (reversals)		
Charge for the year	3,275,539	2,790,754
Reversals for the year	(29,964)	(4,620)
Reversal on disposals	(422,043)	(835,803)
	<b>2,823,532</b>	<b>1,950,331</b>
Amounts written off	—	(70,937)
Closing balance	<b>10,689,171</b>	<b>7,865,388</b>

## 9.3.2 Particulars of provision against debt securities Category of classification

	2019		2018	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
<b>Domestic</b>				
Doubtful	145,656	72,828	—	—
Loss	461,078	461,078	491,042	491,042
	<b>606,734</b>	<b>533,906</b>	<b>491,042</b>	<b>491,042</b>

**9.3.3** In addition to the above, overseas branches hold a general provision of Rs 5.780 million (December 31, 2018: Rs 1.675 million) in accordance with the requirements of IFRS 9.

## 9.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows;

	2019	2018
	Cost	
	(Rupees in '000)	
<b>Federal Government Securities - Government guaranteed</b>		
Market Treasury Bills	386,882,153	566,335,054
Pakistan Investment Bonds	278,739,813	108,585,929
Euro Bonds	506,323	—
	<b>666,128,289</b>	<b>674,920,983</b>



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	Cost	
	(Rupees in '000)	
<b>Listed Companies and mutual funds</b>		
Automobile Assembler	1,230,989	1,230,989
Automobile Part and Accessories	413,930	413,930
Cable and Electrical Goods	523,036	535,265
Cement	2,100,969	2,081,418
Chemical	75,680	5,132
Close End Mutual Fund	1,186,851	1,186,851
Commercial Banks	2,014,437	2,058,099
Engineering	1,818,843	1,797,442
Fertilizer	2,876,608	3,119,461
Food and Personal Care Products	1,199,266	1,230,825
Insurance	599,364	587,629
Investment Banks / Companies	41,784	41,784
NIT Units	5,253	5,253
Oil & Gas Exploration Companies	2,533,285	1,733,239
Oil & Gas Marketing Companies	434,633	1,127,898
Open End Mutual Fund	312,349	1,361,195
Paper and Board	391,951	391,951
Pharmaceutical	1,068,443	1,068,443
Power Generation and Distribution	2,516,198	2,516,198
Refinery	887,318	887,318
Technology and Communication	706,796	706,211
Textile	446,942	446,942
	<b>23,384,925</b>	<b>24,533,473</b>

	2019		2018	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
<b>Unlisted Companies</b>				
Central Depository Company Limited	184,426	687,011	184,426	619,651
First Capital Investment (Pvt) Limited	2,500	3,334	2,500	3,334
First Women Bank Limited	63,300	201,807	63,300	201,807
ISE Towers Reit Management company Limited	30,346	87,958	30,346	86,235
National Investment Trust Limited	1,027,651	1,665,882	1,027,651	1,945,933
National Institutional Facilitation Technologies	1,527	69,766	1,527	59,076
Pak Agro Storage And Service Corporation	2,500	605,006	2,500	605,006
1 Link (Pvt) Limited	50,000	147,332	50,000	131,847
Pak Asian Fund Limited	–	–	11,500	18,323
Arabian Sea Country Club	5,000	–	5,000	–
SME Bank Limited	10,106	–	10,106	–
Al-Ameen Textile Mills Limited	197	–	197	–
Custodian Management Services	1,000	–	1,000	–
Galaxy Textile Mills Limited	30,178	–	30,178	–
Pakistan Textile City (Pvt) Limited	50,000	–	50,000	–
Ayaz Textile Mills Limited	2,253	–	2,253	–
Musarrat Textile Mills Limited	36,045	–	36,045	–
Sadiqabad Textile Mills Limited	26,361	–	26,361	–
Al-Arabia Sugar Mills Limited - Preference shares	4,775	–	4,775	–
Pak Elektron Limited - Preference shares	25,000	25,000	25,000	25,000
	<b>1,553,165</b>	<b>3,493,096</b>	<b>1,564,665</b>	<b>3,696,212</b>

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	Cost	
	(Rupees in '000)	
<b>Non Government Debt Securities</b>		
<b>Listed</b>		
- AA+, AA, AA-	957,840	657,840
<b>Unlisted</b>		
- AA+, AA, AA-	250,000	336,523
- A+, A, A-	101,933	101,933
	351,933	438,456

	2019		2018	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
<b>Foreign Securities</b>				
<b>Government Securities</b>				
- Bahrain	—	—	140,078	B2
- Sri Lanka	3,649,770	B2	2,398,868	B2
	3,649,770		2,538,946	

	2019	2018
	Cost	
	(Rupees in '000)	
<b>Unlisted</b>		
Lanka Clear (Private) Limited	854	760
Credit Information Bureau of Sri Lanka	26	22
Lanka Financial Services Bureau Limited	1,707	760
Society for Worldwide Inter Fund Transfer (SWIFT)	4,663	4,663
	7,250	6,205
<b>9.5 Particulars relating to Held to Maturity securities are as follows:</b>		
<b>Federal Government Securities - Government guaranteed</b>		
Pakistan Investment Bonds	13,842,253	19,327,990
Market Treasury Bills	1,645,036	—
Sukuks bonds	195,928	140,601
Euro Bonds	524,032	1,231,118
	16,207,249	20,699,709
<b>Provincial Government Securities</b>	118	118

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	<b>Cost</b>	
	<b>(Rupees in '000)</b>	
<b>Non Government Debt Securities</b>		
<b>Listed</b>		
- AAA	1,796,970	–
- AA+, AA, AA-	2,125,716	3,923,839
- BBB+, BBB, BBB-	–	50,051
- Unrated	66,120	16,269
	<b>3,988,806</b>	<b>3,990,159</b>
<b>Unlisted</b>		
- AA+, AA, AA-	4,848,863	3,099,684
- A+, A, A-	439,910	481,613
- Unrated	590,346	624,654
	<b>5,879,119</b>	<b>4,205,951</b>

	2019		2018	
	Cost	Rating	Cost	Rating
	<b>(Rupees in '000)</b>			
<b>Foreign Securities</b>				
<b>Government Securities</b>				
- Sri Lanka	1,544,542	B2	1,172,721	B2
- United Arab Emirates	6,323,490	Aa2	4,158,507	Aa2
	<b>7,868,032</b>		<b>5,331,228</b>	

	2019	2018
	<b>Cost</b>	
	<b>(Rupees in '000)</b>	
<b>Non Government Debt Securities</b>		
<b>Listed</b>		
- A+, A, A-	153,702	136,729
<b>Unlisted</b>		
- AAA	298,865	265,860
- A+, A, A-	–	75,959
	<b>298,865</b>	<b>341,819</b>

**9.5.1** The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 33,464.168 million (December 31, 2018: Rs. 32,921.417 million).

**9.6** "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan.

**9.7** Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (2018: Rs. 67.9 million) earmarked by the SBP against TT discounting facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2018: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account and Pakistan Investment

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

Bonds amounting to Rs.100 million (2018: Rs. 50 million ) have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) on account of removal of irrevocable undertaking as alternate option for collateral against participant's exposure in stock market.

- 9.8** Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs.647.880 million (2018: Rs. 647.880 million) as at December 31, 2019. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2019 amounted to Rs.2,946.300 million (2018: Rs. 2,941.400 million).
- 9.9** During the year, the Bank injected additional equity of Rs 350 million in MCB Islamic Bank Limited through subscription of rights shares.
- 9.10** This investment is fully provided for. The company is dormant and has no asset and liability.
- 9.11** Pursuant to the scheme of arrangement duly approved by the Board of Directors of Mnet Services (Private) Limited (Transferor Company) and MCB Bank Limited (Transferee Company), as required under section 284(2) of the Companies Act, 2017 for the amalgamation of Transferor Company with and into Transferee Company, the Transferor Company stands merged into Transferee Company with effect from April 30, 2019.
- 9.12** The Bank is in the process of disposal of its wholly owned subsidiary "MCB Financial Services Limited" subject to all regulatory and shareholders approvals.
- 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.

**9.14 Summarized financial information of associates and subsidiaries**

	Country of incorporation	% of interest held	Revenue	Profit / (loss) after tax	Assets	Liabilities
	(Rupees in '000)					
<b>2019</b>						
<b>Associates</b>						
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2019)	Pakistan	30%	557,579	25,769	648,477	435,306
Adamjee Insurance Company Limited (unaudited based on September 30, 2019)	Pakistan	20%	19,551,861	1,108,984	82,967,479	63,892,816
<b>Subsidiaries</b>						
MCB Islamic Bank Limited (audited based on December 31, 2019)	Pakistan	100.00%	9,848,819	(243,612)	105,017,261	94,550,460
MCB Arif Habib Savings & Investments Limited (audited based on June 30, 2019)	Pakistan	51.33%	715,079	24,235	2,044,323	582,097
MCB Non-Bank Credit Organization "Closed Joint Stock Company" (formerly MCB Leasing CJSC, Azerbaijan) (audited based on December 31, 2019)	Azerbaijan	99.94%	155,085	55,014	943,878	576,914
MCB Financial Services Limited (audited based on December 31, 2019)	Pakistan	100.00%	41,537	11,442	96,910	3,956



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Country of incorporation	% of interest held	Revenue	Profit / (loss) after tax	Assets	Liabilities
(Rupees in '000)						
<b>2018</b>						
<b>Associates</b>						
Euronet Pakistan (Private) Limited (audited based on December 31, 2018)	Pakistan	30%	368,852	(44,052)	467,293	279,891
Adamjee Insurance Company Limited (unaudited based on September 30, 2018)	Pakistan	20%	18,872,622	1,505,199	79,330,901	28,609,789
<b>Subsidiaries</b>						
MNET Services (Private) Limited (audited based on December 31, 2018)	Pakistan	100.00%	13,085	(3,214)	58,822	13,255
MCB Islamic Bank Limited (audited based on December 31, 2018)	Pakistan	100.00%	4,208,875	(1,095,982)	94,894,435	84,824,921
MCB Arif Habib Savings & Investments Limited (audited based on June 30, 2018)	Pakistan	51.33%	716,540	124,193	2,248,728	681,192
MCB Non-Bank Credit Organization "Closed Joint Stock Company" (formerly MCB Leasing CJSC, Azerbaijan) (audited based on December 31, 2018)	Azerbaijan	99.94%	117,835	36,440	700,447	422,137
MCB Financial Services Limited (audited based on December 31, 2018)	Pakistan	100.00%	44,473	9,157	86,004	4,492

## 10. ADVANCES

Note	Performing		Non Performing		Total	
	2019	2018	2019	2018	2019	2018
(Rupees in '000)						
Loans, cash credits, running finances, etc.	471,126,199	479,948,340	48,759,157	47,976,277	519,885,356	527,924,617
Bills discounted and purchased	19,486,758	17,887,661	665,102	979,271	20,151,860	18,866,932
Advances - gross	490,612,957	497,836,001	49,424,259	48,955,548	540,037,216	546,791,549
Provision against advances						
- Specific	-	-	(41,934,421)	(41,943,509)	(41,934,421)	(41,943,509)
- General	(1,423,921)	(1,266,717)	-	-	(1,423,921)	(1,266,717)
	(1,423,921)	(1,266,717)	(41,934,421)	(41,943,509)	(43,358,342)	(43,210,226)
Advances - net of provision	489,189,036	496,569,284	7,489,838	7,012,039	496,678,874	503,581,323

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

### 10.1 Includes net investment in finance lease as disclosed below:

	2019				2018			
	Not later than one year	Later than one and less than five years	Over five year	Total	Not later than one year	Later than one and less than five years	Over five year	Total
	(Rupees in '000)							
Lease rentals receivable	56,237	1,972,680	2,365,197	4,394,114	104,622	2,046,561	2,721,816	4,872,999
Residual value	14,769	35,544	10,368	60,681	15,000	25,867	5,397	46,264
Minimum lease payments	71,006	2,008,224	2,375,565	4,454,795	119,622	2,072,428	2,727,213	4,919,263
Financial charges for future periods	(3,376)	(247,521)	(517,870)	(768,767)	(10,382)	(199,795)	(496,750)	(706,927)
Present value of minimum lease payments	67,630	1,760,703	1,857,695	3,686,028	109,240	1,872,633	2,230,463	4,212,336

	2019	2018
	(Rupees in '000)	
<b>10.2 Particulars of advances (Gross)</b>		
In local currency	481,408,603	502,170,129
In foreign currencies	58,628,613	44,621,420
	540,037,216	546,791,549

**10.3** Advances include Rs. 49,424.259 million (2018: Rs. 48,955.548 million) which have been placed under the non-performing status as detailed below:

	Note	2019		2018	
		Non performing loans	Provision	Non performing loans	Provision
		(Rupees in '000)			
<b>Category of Classification</b>					
<b>Domestic</b>					
Other Assets Especially					
Mentioned	10.3.1	123,678	3,529	49,212	2,591
Substandard		584,129	145,075	1,141,738	284,313
Doubtful		2,690,841	1,345,421	1,734,078	866,961
Loss		37,835,619	37,087,269	38,336,086	37,706,005
		41,234,267	38,581,294	41,261,114	38,859,870
<b>Overseas</b>					
Not past due but impaired		—	—	62,287	62,287
Overdue by:					
Upto 90 days		10,688	7,400	624,403	433,424
91 to 180 days		118,182	95,452	140,323	35,205
181 to 365 days		141,231	137,601	7,473	3,736
> 365 days		7,919,891	3,112,674	6,859,948	2,548,987
		8,189,992	3,353,127	7,694,434	3,083,639
<b>Total</b>		49,424,259	41,934,421	48,955,548	41,943,509

**10.3.1** This represents non-performing portfolio of agricultural and small enterprise financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural and Small Enterprise Financing issued by the State Bank of Pakistan.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 10.4 Particulars of provision against advances

Note	2019			2018		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	41,943,509	1,266,717	43,210,226	44,586,915	1,115,091	45,702,006
Exchange adjustments	302,297	21,237	323,534	513,168	18,341	531,509
Charge for the year	3,356,159	155,449	3,511,608	1,613,562	133,330	1,746,892
Reversals	(3,649,742)	(19,482)	(3,669,224)	(4,618,549)	(45)	(4,618,594)
	(293,583)	135,967	(157,616)	(3,004,987)	133,285	(2,871,702)
Amounts written off	(17,802)	–	(17,802)	(151,587)	–	(151,587)
Closing balance	41,934,421	1,423,921	43,358,342	41,943,509	1,266,717	43,210,226

### 10.4.1 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	38,581,294	1,087,464	39,668,758	38,859,870	1,087,110	39,946,980
In foreign currencies	3,353,127	336,457	3,689,584	3,083,639	179,607	3,263,246
	41,934,421	1,423,921	43,358,342	41,943,509	1,266,717	43,210,226

**10.4.2** State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No.1 of 2011 dated October 21, 2011 has allowed benefit of forced sale value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for five years from the date of classification. However, management has not taken the FSV benefit in calculation of specific provision.

**10.4.3** This includes reversal of provisions and reduction of non-performing loans amounting to Rs. NIL (2018: Rs. 307 million) as a result of settlement on debt asset swap arrangement with customers.

**10.4.4** General provision against consumer loans represents provision maintained against fully secured performing portfolio and unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision against Small Enterprise Finance represents provision maintained at an amount equal to 1% of unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries in which the overseas branches operate. General provision against all other advances represents provision maintained at around 0.1% of gross advances.

		Note	2019 (Rupees in '000)	2018
10.5	PARTICULARS OF WRITE OFFs:			
10.5.1	Against Provisions	10.4	17,802	151,587
	Directly charged to Profit & Loss account	33	–	30
			17,802	151,617
10.5.2	Write Offs of Rs. 500,000 and above			
	- Domestic	10.6	14,613	151,393
	- Overseas		2,725	–
	Write Offs of below Rs. 500,000		464	224
			17,802	151,617

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 10.6 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2019 is given at Annexure- I of unconsolidated financial statements. However, this write off does not affect the Bank's right to recover the debts from these customers.

	Note	2019 (Rupees in '000)	2018
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	975,566	1,239,422
Property and equipment	11.2	49,620,934	39,572,534
Right-of-use assets	11.3	7,674,745	–
		<b>58,271,245</b>	<b>40,811,956</b>
<b>11.1 Capital work-in-progress</b>			
Civil works		451,189	622,609
Equipment		90,946	295,662
Advances to suppliers		428,617	315,241
Others		4,814	5,910
		<b>975,566</b>	<b>1,239,422</b>

## 11.2 Property and Equipment

	2019								
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Leasehold improvements	Total
	(Rupees in '000)								
<b>At January 1, 2019</b>									
Cost / Revalued amount	19,556,136	2,440,151	12,138,906	563,273	1,689,662	13,954,280	1,149,293	521,985	52,013,686
Accumulated depreciation	–	–	(865,869)	(116,820)	(996,689)	(9,595,619)	(613,480)	(252,675)	(12,441,152)
Net book value	19,556,136	2,440,151	11,273,037	446,453	692,973	4,358,661	535,813	269,310	39,572,534
<b>Year ended December 31, 2019</b>									
Opening net book value	19,556,136	2,440,151	11,273,037	446,453	692,973	4,358,661	535,813	269,310	39,572,534
Additions	805,354	–	1,978,039	142,646	192,157	1,088,501	100,175	352,874	4,659,746
Movement in surplus on assets revalued during the year	5,744,825	452,928	1,019,986	73,227	–	–	–	–	7,290,966
Transfer from Non-Banking assets	34,000	–	17,520	–	–	–	–	–	51,520
Disposals	(21,000)	–	–	–	(1,306)	(4,777)	(40,683)	(262)	(68,028)
Depreciation charge	–	–	(406,881)	(27,778)	(132,669)	(1,147,355)	(132,259)	(69,704)	(1,916,646)
Exchange rate adjustments	–	–	9,566	2,554	3,167	6,633	3,907	5,015	30,842
Transfers	4,350	–	7,121	–	(1,249)	1,249	–	(11,471)	–
Closing net book value	26,123,665	2,893,079	13,898,388	637,102	753,073	4,302,912	466,953	545,762	49,620,934
<b>At December 31, 2019</b>									
Cost / Revalued amount	26,123,665	2,893,079	13,898,388	637,102	1,860,523	14,508,613	1,070,928	854,594	61,846,892
Accumulated depreciation	–	–	–	–	(1,107,450)	(10,205,701)	(603,975)	(308,832)	(12,225,958)
Net book value	26,123,665	2,893,079	13,898,388	637,102	753,073	4,302,912	466,953	545,762	49,620,934
Rate of depreciation / estimated useful life	–	–	Upto 60 years	Upto 50 years	10%	10%-25%	20%	Lease term	–



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2018								
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Leasehold improvements	Total
	(Rupees in '000)								
At January 1, 2018									
Cost / Revalued amount	18,944,318	2,392,866	11,240,399	460,136	1,632,930	13,841,043	1,109,632	352,010	49,973,334
Accumulated depreciation	–	–	(526,571)	(96,357)	(990,803)	(9,394,871)	(556,137)	(174,147)	(11,738,886)
Net book value	18,944,318	2,392,866	10,713,828	363,779	642,127	4,446,172	553,495	177,863	38,234,448
Year ended December 31, 2018									
Opening net book value	18,944,318	2,392,866	10,713,828	363,779	642,127	4,446,172	553,495	177,863	38,234,448
Additions	864,930	47,285	842,987	98,338	197,464	1,318,525	138,680	191,176	3,699,385
Transfer from Non-Banking assets	–	–	101,714	–	–	–	–	–	101,714
Transfer under demerger scheme	–	–	–	–	(27,071)	(148,680)	–	–	(175,751)
Disposal	(253,112)	–	(52,728)	–	(1,001)	(893)	(20,569)	–	(328,303)
Depreciation charge	–	–	(336,903)	(20,021)	(123,190)	(1,262,020)	(137,633)	(100,839)	(1,980,606)
Exchange rate adjustments	–	–	4,139	4,357	4,644	5,557	1,840	1,110	21,647
Closing net book value	19,556,136	2,440,151	11,273,037	446,453	692,973	4,358,661	535,813	269,310	39,572,534
At December 31, 2018									
Cost / Revalued amount	19,556,136	2,440,151	12,138,906	563,273	1,689,662	13,954,280	1,149,293	521,985	52,013,686
Accumulated depreciation	–	–	(865,869)	(116,820)	(996,689)	(9,595,619)	(613,480)	(252,675)	(12,441,152)
Net book value	19,556,136	2,440,151	11,273,037	446,453	692,973	4,358,661	535,813	269,310	39,572,534
Rate of depreciation / estimated useful life	–	–	Upto 60 years	Upto 50 years	10%	10%-25%	20%	3 years	–

**11.2.1** Leasehold land include a plot of land measuring 3,120.46 square yards having book value of Rs. 1,419.809 million situated at Railway Quarters, I.I. Chundrigar Road, Karachi, (the "Plot"), where a tenant is claiming for the possession as tenant of an insignificant area of only 18 square feet of the plot, however there is no issue over the title of the subject property. Both the Constitutional Petitions filed by the Bank have been dismissed by the Sindh High Court on 28 January 2016 against the Bank. The Bank has filed an appeal before the Supreme Court of Pakistan.

**11.2.2** The land and buildings of the Bank were revalued as at December 31, 2019 by independent valuers (K.G. Traders (Pvt) Limited, Tristar International Consultant (Pvt) Limited & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. The total surplus against revaluation of fixed assets as at December 31, 2019 amounts to Rs. 20,383.765 million.

**11.2.3** Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2019 would have been as follows:

	(Rupees in '000)
Land	12,480,263
Buildings	10,688,206

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

	(Rupees in '000)
Furniture and fixtures	512,783
Electrical, computers and office equipment	6,857,494
Vehicles	343,128

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

**11.2.5** Carrying amount of temporarily idle property of the Bank is Rs. 161.886 million (2018: Rs. 45.485 million).

**11.2.6** The information relating to disposal of operating fixed assets to related parties is given in Annexure II of these unconsolidated financial statements.

**11.3** This has arisen due to adoption of IFRS 16 as detailed in note 5.1. Depreciation expense on right to use asset during the year is Rs. 1,161.795 million. Movement in right-of-use assets is as follows:

	Note	2019 (Rupees in '000)	2018
Effect of initial application of IFRS 16 as at January 01, 2019		8,426,460	–
Additions		410,080	–
Depreciation charge	31	(1,161,795)	–
Closing net book value		7,674,745	–

		2019 (Rupees in '000)	2018
		<b>Computer software</b>	
<b>12. INTANGIBLE ASSETS</b>			
Capital work-in-progress		316,742	257,805
Computer software	12.1	640,810	372,336
		957,552	630,141
<b>12.1 At January 1</b>			
Cost		3,380,565	3,148,929
Accumulated amortisation		(3,008,229)	(2,744,603)
Net book value		372,336	404,326
<b>Year ended December 31</b>			
Opening net book value		372,336	404,326
Additions		566,863	221,949
Amortisation charge		(301,022)	(255,629)
Exchange rate adjustments		2,633	1,690
Closing net book value		640,810	372,336
<b>At December 31</b>			
Cost		3,963,740	3,380,565
Accumulated amortisation and impairment		(3,322,930)	(3,008,229)
Net book value		640,810	372,336
Rate of amortisation (percentage)		14% to 33.33%	14% to 33.33%
Useful life		3 - 7 years	3 - 7 years

**12.2** The gross carrying amount (cost) of fully depreciated intangible assets that are still in use is Rs. 2,753.939 million.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>13. OTHER ASSETS</b>			
Income/ mark-up accrued in local currency		22,099,766	11,232,274
Income/ mark-up accrued in foreign currencies		558,407	128,921
Advances, deposits, advance rent and other prepayments		3,720,012	2,340,059
Advance taxation (payments less provisions)		–	7,354,020
Compensation for delayed income tax refunds		133,809	133,809
Non-banking assets acquired in satisfaction of claims	13.1	3,251,508	3,653,840
Branch adjustment account		37,075	146,299
Mark to market gain on forward foreign exchange contracts		3,875,681	3,520,808
Unrealized gain on derivative financial instruments	25	1,236,517	852,465
Acceptances	20	18,152,032	15,847,453
Receivable from the pension fund	38.4	3,605,121	3,815,170
Others		9,399,297	6,622,685
		66,069,225	55,647,803
Less: Provision held against other assets	13.2	2,604,137	2,550,584
Other Assets (net of provision)		63,465,088	53,097,219
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		677,660	480,871
Other Assets - total		64,142,748	53,578,090
<b>13.1</b> Market value of Non-banking assets acquired in satisfaction of claims		3,838,230	4,035,114

Non-banking assets acquired in satisfaction of claims of the Bank are revalued as at December 31, 2019 by independent valuers (Fks Building Services and J&M Associates) on the basis of market value.

	Note	2019 (Rupees in '000)	2018
<b>13.1.1 Non-banking assets acquired in satisfaction of claims</b>			
Opening balance		4,035,114	4,288,001
Additions		64,445	309,163
Revaluation		255,040	265,806
Disposals		(428,052)	(600,000)
Depreciation		(45,456)	(49,155)
Reversal / (charge) of impairment		8,659	(76,987)
Transfer to fixed assets		(51,520)	(101,714)
Closing balance		3,838,230	4,035,114
<b>13.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims</b>			
Disposal proceeds		540,000	682,410
Less			
- Cost		433,813	600,500
- Depreciation		(5,761)	(500)
		428,052	600,000
Gain	13.1.2.1	111,948	82,410

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>13.1.2.1 Breakup of gain/loss realized on sale of non-banking assets:</b>			
Plot at Clifton Karachi		–	82,410
Industrial property Lahore		111,948	–
		111,948	82,410
<b>13.2 Provision held against other assets</b>			
Non banking assets acquired in satisfaction of claims		90,938	99,597
Others		2,513,199	2,450,987
		2,604,137	2,550,584
<b>13.2.1 Movement in provision held against other assets</b>			
Opening balance		2,550,584	3,016,792
Charge for the year		12,587	112,529
Reversals		(36,023)	(721,119)
	33	(23,436)	(608,590)
Amount written off		(3,638)	(7,180)
Exchange and other adjustments		80,627	149,562
Closing balance		2,604,137	2,550,584

## 14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2019 (2018: NIL).

	Note	2019 (Rupees in '000)	2018
<b>15. BILLS PAYABLE</b>			
In Pakistan		11,786,207	15,644,752
Outside Pakistan		35,491	54,528
		11,821,698	15,699,280
<b>16. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.1	33,862,262	27,443,517
Under long term financing facility	16.2	18,138,200	14,628,994
Under renewable energy performance platform	16.3	85,062	28,420
Under financing facility for storage of agricultural produce	16.4	188,809	165,267
		52,274,333	42,266,198
Repurchase agreement borrowings	16.5	28,099,229	165,703,249
<b>Total secured</b>		80,373,562	207,969,447
<b>Unsecured</b>			
Borrowings from other financial institution	16.6	774,914	556,939
Call borrowings	16.7	6,845,683	5,458,050
Overdrawn nostro accounts		1,349,447	1,872,164
Others		162,286	162,286
<b>Total unsecured</b>		9,132,330	8,049,439
	16.8	89,505,892	216,018,886



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

- 16.1** The Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within six months. These carry mark up rates ranging from 1.0% to 2.0% per annum.
- 16.2** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 3.0% to 4.50% per annum.
- 16.3** These borrowings have been obtained from the SBP for providing financing facilities to customers against renewable energy projects. These borrowings are repayable within a period of twelve years with two years grace period from date of disbursement. These carry mark up rate of 2% per annum.
- 16.4** These borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.50% to 3.50% per annum.
- 16.5** These carry mark-up rates ranging from 8.0% to 13.20% per annum (2018:9.0% to 10.25% per annum) and are secured against government securities of carrying value of Rs. 28,136.434 million (2018: Rs. 165,813.949 million). These are repayable latest by August 2020.
- 16.6** These carry mark-up rates ranging from 2.75% to 3.00% per annum (2018: 2.30% per annum).
- 16.7** These carry mark-up ranging from 2.30% to 13.10% per annum (2018: 2.25% to 10.25% per annum). These are repayable by June 2020.

		2019	2018
		(Rupees in '000)	
<b>16.8</b>	<b>Particulars of borrowings with respect to currencies</b>		
	In local currency	85,452,572	212,073,343
	In foreign currencies	4,053,320	3,945,543
		<b>89,505,892</b>	<b>216,018,886</b>

## 17. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
<b>Customers</b>						
Current deposits	336,833,189	51,619,020	388,452,209	325,800,150	34,643,583	360,443,733
Savings deposits	552,121,108	45,357,701	597,478,809	502,660,835	39,470,374	542,131,209
Term deposits	85,296,905	15,518,802	100,815,707	73,140,915	13,877,453	87,018,368
Others	21,537,429	2,854,010	24,391,439	27,009,821	4,340,402	31,350,223
	<b>995,788,631</b>	<b>115,349,533</b>	<b>1,111,138,164</b>	<b>928,611,721</b>	<b>92,331,812</b>	<b>1,020,943,533</b>
<b>Financial Institutions</b>						
Current deposits	9,421,664	2,093,098	11,514,762	7,560,308	2,267,492	9,827,800
Savings deposits	13,005,530	26,432	13,031,962	10,762,643	20,548	10,783,191
Term deposits	1,143,468	7,741,444	8,884,912	661,580	6,544,203	7,205,783
Others	-	193,459	193,459	-	277,308	277,308
	<b>23,570,662</b>	<b>10,054,433</b>	<b>33,625,095</b>	<b>18,984,531</b>	<b>9,109,551</b>	<b>28,094,082</b>
	<b>1,019,359,293</b>	<b>125,403,966</b>	<b>1,144,763,259</b>	<b>947,596,252</b>	<b>101,441,363</b>	<b>1,049,037,615</b>

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

		2019	2018
		(Rupees in '000)	
<b>17.1</b>	<b>Composition of deposits</b>		
	- Individuals	716,900,888	670,185,660
	- Government (Federal and Provincial)	65,583,218	51,552,271
	- Public Sector Entities	52,680,247	54,059,201
	- Banking Companies	9,205,677	6,346,735
	- Non-Banking Financial Institutions	24,419,419	21,747,347
	- Private Sector	275,973,810	245,146,401
		<b>1,144,763,259</b>	<b>1,049,037,615</b>

- 17.2** Deposits and other accounts include deposits eligible to be covered under the Deposits Protection insurance arrangements amounting to Rs 751,072.744 million (2018: Rs 719,636.806 million).

		2019	2018
	Note	(Rupees in '000)	
<b>18.</b>	<b>SUBORDINATED DEBT</b>		
	Term Finance Certificates - Listed, Unsecured	18.1	–
			3,891,019

Issue amount	Rs. 4,198.035 million
Issue date	June 19, 2014
Maturity date	June 19, 2022
Rating	AAA (triple A)
Security	The TFCs are unsecured and subordinated to all other indebtedness of the Bank including deposits
Profit payment frequency	Semi-Annually
Redemption	Fifteen equal semi-annual installments of 0.02% of the Issue Amount for the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month.
Mark-up	Floating (no floor, no cap) rate of return at Base Rate +1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR"))
Call option	The Bank may call the TFCs, in part or full, on any profit payment date from the 60th month from the last day of public subscription and on all subsequent profit payment dates, subject to the SBP approval and not less than forty five days prior notice being given to the Trustee and the Investors.
Lock-in-clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Banks' Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR and CAR. In case the lock-in clause goes into effect, the Bank will be required to comply with the SBP instructions prevalent or issued at the time.
Loss absorbency clause	The TFCs will be subject to loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".

- 18.1** During the year, the Bank has exercised the call option under the terms of issuance of TFCs after completing the required regulatory requirements. Accordingly, the outstanding balance of the said TFCs have been redeemed on June 19, 2019, being the option exercise date.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 19. DEFERRED TAX LIABILITIES

		2019			
	Note	At January 01, 2019	Recognised in P&L A/C	Recognised in OCI	At December 01, 2019
(Rupees in '000)					
<b>Taxable Temporary Differences on</b>					
- Surplus on revaluation of fixed assets	23.1	992,684	(28,759)	382,625	1,346,550
- Surplus on revaluation of Non-banking assets	23.2	168,305	(20,388)	89,264	237,181
- Accelerated tax depreciation		1,607,561	146,536	–	1,754,097
- Receivable from pension fund		1,335,309	155,621	(229,137)	1,261,793
- Business combination		705,218	–	–	705,218
- Surplus on revaluation of investments	23	–	–	2,271,094	2,271,094
		4,809,077	253,010	2,513,846	7,575,933
<b>Deductible Temporary Differences on</b>					
- Provision against advances		(1,791,747)	66,459	–	(1,725,288)
- Deficit on revaluation of investments	23	(1,485,153)	–	1,485,153	–
		(3,276,900)	66,459	1,485,153	(1,725,288)
		1,532,177	319,469	3,998,999	5,850,645
		2018			
	Note	At January 01, 2018	Recognised in P&L A/C	Recognised in OCI	At December 01, 2018
(Rupees in '000)					
<b>Taxable Temporary Differences on</b>					
- Surplus on revaluation of fixed assets	23.1	1,025,234	(32,550)	–	992,684
- Surplus on revaluation of non-banking assets	23.2	75,273	–	93,032	168,305
- Accelerated tax depreciation		1,534,613	72,948	–	1,607,561
- Receivable from pension fund		2,096,688	(225,585)	(535,794)	1,335,309
- Business combination		705,218	–	–	705,218
- Surplus on revaluation of investments	23	2,470,526	–	(2,470,526)	–
		7,907,552	(185,187)	(2,913,288)	4,809,077
<b>Deductible Temporary Differences on</b>					
- Provision against advances		(3,282,517)	1,490,770	–	(1,791,747)
- Deficit on revaluation of investments		–	–	(1,485,153)	(1,485,153)
		(3,282,517)	1,490,770	(1,485,153)	(3,276,900)
		4,625,035	1,305,583	(4,398,441)	1,532,177

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>20. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		22,831,727	12,775,306
Mark-up/ return/ interest payable in foreign currencies		649,536	468,339
Unearned commission and income on bills discounted		181,751	201,151
Accrued expenses		5,397,614	5,022,283
Provision for taxation (provisions less payments)		6,130,846	–
Workers' welfare fund	20.1	7,873,706	7,071,660
Acceptances	13	18,152,032	15,847,453
Unclaimed/dividends payable		1,592,979	1,470,406
Mark to market loss on forward foreign exchange contracts		4,642,692	3,495,971
Unrealized loss on derivative financial instruments	25	1,232,806	863,617
Staff welfare fund		5,727	5,490
Provision for employees' compensated absences	38.4	939,495	1,028,129
Provision for post retirement medical benefits	38.4	1,921,348	1,730,409
Provision for employees' contributory benevolent scheme	38.4	221,193	214,252
Retention money		20,657	20,657
Insurance payable against consumer assets		655,146	688,107
Unclaimed balances		993,105	1,133,843
Duties and taxes payable		753,674	577,222
Provision against off-balance sheet obligations		46,581	37,430
Security deposits against lease		491,366	479,428
Lease liability against right of use assets	20.2	8,295,864	–
Others		11,265,893	9,542,202
		<b>94,295,738</b>	<b>62,673,355</b>

**20.1** Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Bank maintained its provision in respect of WWF.

**20.2** This represents lease liability recognised due to adoption of IFRS 16 as detailed in note 5.1.

## 21. SHARE CAPITAL

### 21.1 Authorized Capital

	2019 (Number of shares)	2018		2019 (Rupees in '000)	2018
	1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	15,000,000	15,000,000

### 21.2 Issued, subscribed and paid up

	2019 (Number of shares)	2018		2019 (Rupees in '000)	2018
			<b>Ordinary shares</b>		
	197,253,795	197,253,795	Fully paid in cash	1,972,538	1,972,538
	915,776,953	915,776,953	Issued as bonus shares	9,157,769	9,157,769
	72,029,258	72,029,258	Issued for consideration other than cash	720,293	720,293
	<b>1,185,060,006</b>	<b>1,185,060,006</b>		<b>11,850,600</b>	<b>11,850,600</b>



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

**21.3** The movement in the issued, subscribed and paid-up capital during the year is as follows:

	<b>2019</b> <b>(Number of shares)</b>	<b>2018</b>		<b>2019</b> <b>(Rupees in '000)</b>	<b>2018</b>
	1,185,060,006	1,185,060,006	Opening balance at January 1	11,850,600	11,850,600
	1,185,060,006	1,185,060,006	Closing balance at December 31	11,850,600	11,850,600

**21.4** Number of shares held by the associated undertakings as at December 31, are as follows:

	<b>2019</b> <b>(Number of shares)</b>	<b>2018</b>
Adamjee Insurance Company Limited	47,827,287	47,827,287
Nishat Mills Limited	88,015,291	88,015,291
Siddiqsons Limited	14,276,462	14,276,462
Nishat (Aziz Avenue) Hotels and Properties Limited	29,000	—
	150,148,040	150,119,040

	<b>Note</b>	<b>2019</b> <b>(Rupees in '000)</b>	<b>2018</b>
<b>22. RESERVES</b>			
Share premium		23,751,114	23,751,114
Non- distributable capital reserve - gain on bargain purchase option	22.1	908,317	908,317
Exchange translation reserve		2,675,131	1,629,543
Statutory reserve	22.2	31,656,691	29,259,007
General reserve		18,600,000	18,600,000
		77,591,253	74,147,981

**22.1** Under IFRS-3 a bargain purchase represents an economic gain which should be immediately recognized by the acquirer as income. However, the amount of bargain purchase gain was not taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 recommended that the amount of gain may be routed directly into equity as a Non-distributable Capital Reserve (NCR). The NCR may become available for distribution through a stock dividend only with prior approval of the SBP. The Bank, before distribution of the gain as a stock dividend, may adjust any subsequent provisions/deficit, assessed by the Bank or recommended by the Banking Inspection Department of SBP, in the acquired assets and liabilities of NIB Bank Limited against the NCR.

**22.2** Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>23. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
- Available for sale securities	9.1	6,488,841	(4,243,297)
- Fixed Assets	23.1	20,383,765	13,185,366
- Non-banking assets acquired in satisfaction of claims	23.2	677,660	480,871
		27,550,266	9,422,940
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities	19	2,271,094	(1,485,153)
- Fixed Assets	23.1	1,346,550	992,684
- Non-banking assets acquired in satisfaction of claims	23.2	237,181	168,305
		3,854,825	(324,164)
		23,695,441	9,747,104
<b>23.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 1		13,185,366	13,370,529
Recognised during the year		7,290,966	–
Realised on disposal during the year - net of deferred tax		(10,560)	(99,081)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(53,248)	(53,532)
Related deferred tax liability on incremental depreciation charged during the year		(28,672)	(28,824)
Related deferred tax liability on surplus realised on disposal		(87)	(3,726)
Surplus on revaluation of fixed assets as at December 31		20,383,765	13,185,366
Less: Related deferred tax liability on:			
- revaluation as at January 1		992,684	1,025,234
- recognised during the year		382,625	–
- surplus realised on disposal during the year		(87)	(3,726)
- incremental depreciation charged during the year		(28,672)	(28,824)
		1,346,550	992,684
		19,037,215	12,192,682
<b>23.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 1		480,871	215,065
Recognised during the year		255,040	265,806
Realised on disposal during the year - net of deferred tax		(37,863)	–
Related deferred tax liability on surplus realised on disposal		(20,388)	–
Surplus on revaluation as at December 31		677,660	480,871
Less: Related deferred tax liability on:			
- revaluation as at January 1		168,305	75,273
- revaluation recognised during the year		89,264	93,032
- surplus realised on disposal during the year		(20,388)	–
		237,181	168,305
		440,479	312,566

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>24. CONTINGENCIES AND COMMITMENTS</b>			
-Guarantees	24.1	173,535,128	170,138,859
-Commitments	24.2	649,690,990	397,683,110
-Other contingent liabilities	24.3	27,920,652	16,612,336
		<b>851,146,770</b>	<b>584,434,305</b>
<b>24.1 Guarantees:</b>			
Financial guarantees		141,181,839	140,350,012
Performance guarantees		30,401,373	29,003,435
Other guarantees		1,951,916	785,412
		<b>173,535,128</b>	<b>170,138,859</b>
<b>24.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		145,217,983	132,940,176
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	405,615,318	216,768,127
- forward government securities transactions	24.2.2	87,696,638	27,935,661
- derivatives	24.2.3	10,244,806	11,285,103
- operating leases	24.2.4	–	7,223,152
Commitments for acquisition of:			
- operating fixed assets		859,953	1,420,585
- intangible assets		56,292	110,306
		<b>649,690,990</b>	<b>397,683,110</b>
<b>24.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		217,809,539	125,528,129
Sale		187,805,779	91,239,998
		<b>405,615,318</b>	<b>216,768,127</b>
<b>24.2.2 Commitments in respect of government securities transactions</b>			
Purchase		82,284,304	13,660,947
Sale		5,412,334	14,274,714
		<b>87,696,638</b>	<b>27,935,661</b>

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

		2019	2018
		(Rupees in '000)	
<b>24.2.3</b>	<b>Commitments in respect of derivatives</b>		
	FX options (notional)		
	Purchase	431,449	1,378,370
	Sale	431,449	1,378,370
		862,898	2,756,740
	Cross Currency Swaps (notional)		
	Purchase	4,428,663	4,026,814
	Sale	4,636,745	4,185,049
		9,065,408	8,211,863
	Interest Rate Swaps (notional)		
	Purchase	316,500	316,500
	Sale	–	–
		316,500	316,500
		10,244,806	11,285,103
<b>24.2.4</b>	<b>Commitments in respect of operating leases</b>		
	Not later than one year	–	1,211,422
	Later than one year and not later than five years	–	3,754,916
	Later than five years	–	2,256,814
		–	7,223,152

**24.2.5** The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	2019	2018
		(Rupees in '000)	
<b>24.3</b>	<b>Other contingent liabilities</b>		
	Claims against the Bank not acknowledged as debts	24.3.1	27,920,652
			16,612,336

**24.3.1** These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.

**24.4** For assessment year 1988-89 through tax year 2018, 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. 1,487 million (2018: Rs. 1,399 million). 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.



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 25. DERIVATIVE INSTRUMENTS

### 25.1 Product Analysis

2019

	Cross currency swaps		Interest rate swaps		FX option	
	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss
(Rupees in '000)						
<b>Counterparties</b>						
<b>With Banks for</b>						
Hedging	4,428,663	1,218,634	316,500	11,510	431,449	2,683
Market Making	–	–	–	–	–	–
<b>With other entities for</b>						
Hedging	–	–	–	–	–	–
Market Making	4,636,745	(1,226,433)	–	–	431,449	(2,683)
<b>Total</b>						
Hedging	4,428,663	1,218,634	316,500	11,510	431,449	2,683
Market Making	4,636,745	(1,226,433)	–	–	431,449	(2,683)

2018

	Cross currency swaps		Interest rate swaps		FX option	
	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss
(Rupees in '000)						
<b>Counterparties</b>						
<b>With Banks for</b>						
Hedging	4,026,814	725,117	316,500	14,771	1,378,370	48,090
Market Making	–	–	–	–	–	–
<b>With other entities for</b>						
Hedging	–	–	–	–	–	–
Market Making	4,185,049	(751,040)	–	–	1,378,370	(48,090)
<b>Total</b>						
Hedging	4,026,814	725,117	316,500	14,771	1,378,370	48,090
Market Making	4,185,049	(751,040)	–	–	1,378,370	(48,090)

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

### 25.2 Maturity Analysis

2019					
	No. of contracts	Notional principal	Mark to Market		Net
			Negative	Positive	
(Rupees in '000)					
Remaining Maturity					
Upto 1 month	14	409,597	(518)	518	–
1 to 3 months	32	1,076,111	(154,368)	154,707	339
3 to 6 months	1	52,745	(25,888)	–	(25,888)
6 month to 1 Year	7	1,847,480	(298,299)	299,689	1,390
1 to 2 Year	9	3,199,475	(312,482)	323,222	10,740
2 to 3 Years	4	1,714,098	(340,100)	353,553	13,453
3 to 5 Years	2	1,945,300	(101,151)	104,828	3,677
Total	69	10,244,806	(1,232,806)	1,236,517	3,711
2018					
	No. of contracts	Notional principal	Mark to Market		Net
			Negative	Positive	
(Rupees in '000)					
Remaining Maturity					
Upto 1 month	44	1,462,433	(85,020)	85,050	30
1 to 3 months	66	1,512,180	(26,820)	26,820	–
3 to 6 months	14	197,096	(4,241)	4,241	–
1 to 2 Year	10	3,526,504	(431,981)	384,758	(47,223)
2 to 3 Years	6	2,418,453	(171,636)	184,301	12,665
3 to 5 Years	4	2,168,437	(143,919)	167,295	23,376
Total	144	11,285,103	(863,617)	852,465	(11,152)

**25.3** Disclosure relating to qualitative and quantitative information on exchange traded derivatives are disclosed in note 45.5.

**25.4** Risk management related to derivatives is discussed in note 45.5.

		2019	2018
		(Rupees in '000)	
<b>26.</b>	<b>MARK-UP/RETURN/INTEREST EARNED</b>		
	Loans and advances	57,329,597	36,963,557
	Investments	75,481,025	44,719,383
	Lendings to financial institutions	4,982,470	1,390,346
	Balances with banks	498,804	245,708
	<b>Total</b>	<b>138,291,896</b>	<b>83,318,994</b>

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
<b>27. MARK-UP/RETURN/INTEREST EXPENSED</b>			
Deposits		65,343,677	32,081,328
Borrowings		8,977,118	4,252,854
Subordinated debt		213,604	307,789
Cost of foreign currency swaps against foreign currency deposits / borrowings		3,009,184	662,873
Unwinding cost of liability against right-of-use assets	20.2	1,132,099	–
		<b>78,675,682</b>	<b>37,304,844</b>
<b>28. FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		1,810,293	2,459,709
Consumer finance related fees		331,007	270,806
Card related fees (debit and credit cards)		3,065,534	2,579,871
Credit related fees		183,688	150,733
Investment banking fee		168,748	103,639
Commission on trade		1,406,051	1,411,010
Commission on guarantees		584,369	415,822
Commission on cash management		602,605	600,347
Commission on remittances including home remittances		1,172,359	981,721
Commission on utility bills		106,320	109,641
Commission income - Bancassurance		1,432,878	1,143,620
Rent on lockers		236,616	242,072
Commission on investments services		56,360	83,948
Other Commission		131,222	177,565
		<b>11,288,050</b>	<b>10,730,504</b>
<b>29. GAIN ON SECURITIES, NET</b>			
Realised	29.1	837,022	1,295,604
Unrealised - held for trading	9.1	(4,176)	(2,473)
		<b>832,846</b>	<b>1,293,131</b>
<b>29.1</b> Realised gain on:			
Federal Government Securities		95,699	269,209
Subsidiary	29.2	(7,512)	–
Shares & units		748,835	1,026,395
		<b>837,022</b>	<b>1,295,604</b>
<b>29.2</b>	This represents loss recorded against amalgamation of a subsidiary into and with the Bank. Pursuant to the scheme of arrangement duly approved by the Board of Directors of Mnet Services (Private) Limited (Transferor Company) and MCB Bank Limited (Transferee Company), as required under section 284(2) of the Companies Act, 2017 for the amalgamation of Transferor Company with and into Transferee Company, the Transferor Company stands merged into Transferee Company with effect from April 30, 2019.		
		<b>2019</b>	<b>2018</b>
		<b>(Rupees in '000)</b>	
<b>30. OTHER INCOME</b>			
Rent on property		69,427	47,234
Gain on sale of fixed assets-net		90,158	245,655
Gain on sale of non banking assets - net		111,948	82,410
Compensation on tax refunds		–	86,862
		<b>271,533</b>	<b>462,161</b>

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>31. OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	31.1	14,585,179	14,053,111
<b>Property expense</b>			
Rent and taxes		226,910	1,959,368
Insurance		21,200	25,807
Utilities cost		1,203,064	1,094,732
Fuel expense generators		534,428	513,533
Security (including guards)		1,382,080	1,602,667
Repair and maintenance (including janitorial charges)		811,653	945,267
Depreciation on right-of-use assets	11.3	1,161,795	–
Depreciation	11.2	504,153	457,946
		5,845,283	6,599,320
<b>Information technology expenses</b>			
Software maintenance		1,188,463	1,151,193
Hardware maintenance		298,898	363,778
Depreciation	11.2	615,598	721,116
Amortisation	12	301,022	255,629
Network charges		601,405	615,522
Insurance		3,129	4,400
		3,008,515	3,111,638
<b>Other operating expenses</b>			
Directors' fees and allowances		57,479	40,741
Legal and professional charges		350,295	302,042
Outsourced services costs	37.1	690,391	1,119,136
Travelling and conveyance		321,448	343,137
NIFT clearing charges		152,009	145,508
Depreciation	11.2	796,895	801,546
Depreciation on non-banking assets acquired in satisfaction of claims	13.1.1	45,456	49,155
Training and development		57,230	51,038
Postage and courier charges		303,262	271,494
Communication		373,368	316,790
Stationery and printing		639,343	703,853
Marketing, advertisement & publicity		625,463	518,146
Donations	31.2	100	696
Auditors' remuneration	31.3	29,944	34,203
Cash transportation charges		799,226	743,593
Repair and maintenance		415,645	459,747
Subscription		20,184	24,247
Entertainment		231,549	232,634
Remittance charges		197,223	184,004
Brokerage expenses		32,561	23,376
Card related expenses		1,182,346	737,528
CNIC verification charges		206,509	138,237
Insurance		1,440,525	820,692
Others		263,490	265,181
		9,231,941	8,326,724
		32,670,918	32,090,793

Total cost for the year included in other operating expenses relating to outsourced activities is Rs 307.993 million (2018: Rs 335.367 million) pertains to the payment to companies incorporated in Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs 258.190 million (2018: Rs 263.283 million).

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>31.1 Total compensation expense</b>			
Fees and allowances		497,837	471,711
Managerial remuneration			
i) Fixed		10,928,504	9,813,266
ii) Variable - cash bonus / awards		2,030,589	1,736,848
(Reversal) / charge for defined benefit plan		(101,509)	943,661
Contribution to defined contribution Plan		366,744	347,043
Commission		330,812	230,032
Staff group insurance		312,868	331,000
Rent and house maintenance		56,205	53,422
Medical		35,516	30,706
Conveyance		89,913	81,506
<b>Sub-total</b>		14,547,479	14,039,195
Sign-on bonus	31.1.1	100	960
Severance allowance	31.1.2	37,600	12,956
<b>Grand Total</b>		14,585,179	14,053,111

**31.1.1** During the year sign on bonus is paid to 1 employee (2018: 1).

**31.1.2** Severance allowance pertains to 6 employees (2018: 4).

**31.2** Detail of donations made during the year is as follows:

	2019 (Rupees in '000)	2018
Murshid Hospital & Health Care Centre	100	–
District Head Quarter Hospital, Gawadar	–	696
	100	696
<b>31.3 Auditors' remuneration</b>		
Audit fee	15,628	14,606
Fee for audit of foreign branches	9,905	13,669
Special certifications and sundry advisory services	348	3,360
Sales tax	2,500	730
Out-of-pocket expenses	1,563	1,838
	29,944	34,203
<b>32. OTHER CHARGES</b>		
Penalties of State Bank of Pakistan	46,069	7,097
VAT & National Building tax & Crop Insurance Levy	179,643	151,159
Education cess	10,645	11,593
	236,357	169,849



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>33. PROVISIONS / (REVERSALS) &amp; WRITE OFFS - NET</b>			
(Reversals) / provisions against balance with Banks		(3,111)	4,357
Provisions for diminution in value of investments	9.3.1	2,823,532	1,950,331
Reversals against loans & advances	10.4	(157,616)	(2,871,702)
Provision against off balance sheet items	20	9,025	–
Reversals against other assets	13.2.1	(23,436)	(608,590)
Bad debts written off directly	10.5.1	–	30
Recovery of written off / charged off bad debts		(164,860)	(227,682)
		<b>2,483,534</b>	<b>(1,753,256)</b>
<b>34. TAXATION</b>			
Current		15,355,566	11,105,084
Prior years		450,438	(1,706,627)
Deferred	19	319,469	1,305,583
		<b>16,125,473</b>	<b>10,704,040</b>
<b>34.1 Relationship between tax expense and accounting profit</b>			
Accounting profit for the year		40,102,312	32,063,618
Tax rate		35%	35%
Tax on income		14,035,809	11,222,266
Tax effect of permanent differences		16,124	2,484
Tax effect of prior years reversals		450,438	(1,706,627)
Others		1,623,102	1,185,917
Tax charge for the year		<b>16,125,473</b>	<b>10,704,040</b>
		<b>(Rupees in '000)</b>	
<b>35. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit for the year after tax		23,976,839	21,359,578
		<b>(Number)</b>	
Weighted average number of ordinary shares		1,185,060,006	1,185,060,006
		<b>(Rupees)</b>	
Basic and diluted earnings per share		20.23	18.02



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	(Number)	
<b>37. STAFF STRENGTH</b>		
Permanent	13,480	12,860
On Bank contract	116	578
Bank's own staff strength at end of the year	13,596	13,438

**37.1** In addition to the above, 157 (2018: 271) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding, tea and janitorial services. Outsourced staff includes 147 (2018: 264) working domestically and 10 (2018: 7) working abroad.

## 38. DEFINED BENEFIT PLAN

### 38.1 General description

The Bank operates the following retirement benefits for its employees:

- Pension fund - funded
- Benevolent scheme - unfunded
- Post retirement medical benefits - unfunded
- Employees compensated absence - unfunded

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

### 38.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2019	2018
	(Number)	
- Pension fund - funded	6,294	6,554
- Benevolent scheme - unfunded	1,692	1,730
- Post retirement medical benefits - unfunded	13,332	12,716
- Employees compensated absence - unfunded	13,332	12,716

### 38.3 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2019. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
	%							
Discount rate	11.25	13.25	11.25	13.25	11.25	13.25	11.25	13.25
Expected rate of return on plan assets	11.25	13.25	-	-	-	-	-	-
Expected rate of salary increase	9.25	11.25	9.25	11.25	-	-	9.25	11.25
Expected rate of increase in pension	0-5	0-5	-	-	-	-	-	-
Expected rate of increase in medical benefit	-	-	-	-	9.25	11.25	-	-

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 38.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)								
Present value of obligations	5,182,991	4,690,587	221,193	214,252	1,921,348	1,730,409	939,495	1,028,129
Fair value of plan assets	(8,788,112)	(8,505,757)	-	-	-	-	-	-
(Receivable) / payable	(3,605,121)	(3,815,170)	221,193	214,252	1,921,348	1,730,409	939,495	1,028,129

## 38.5 Movement in defined benefit obligations

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)								
Obligations at the beginning of the year	4,690,587	3,757,366	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135
Current service cost 38.8.1	60,879	79,236	22,341	30,660	43,653	50,364	24,740	32,366
Interest cost	592,985	282,259	26,035	18,096	219,145	162,569	128,046	85,302
Benefits paid	(430,453)	(458,268)	(35,528)	(44,628)	(152,964)	(144,664)	(123,486)	(157,708)
Past service cost 38.8.2	-	1,044,533	-	-	-	-	-	-
Re-measurement loss / (gain) 38.8.3	268,993	(14,539)	(5,907)	(38,394)	81,105	(478,160)	(117,934)	(76,966)
Obligations at end of the year	5,182,991	4,690,587	221,193	214,252	1,921,348	1,730,409	939,495	1,028,129

## 38.6 Movement in fair value of plan assets

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)								
Fair value at the beginning of the year	8,505,757	9,747,902	-	-	-	-	-	-
Interest income on plan assets	1,098,495	761,501	-	-	-	-	-	-
Benefits paid	(430,453)	(458,268)	-	-	-	-	-	-
Re-measurement loss 38.8.3	(385,687)	(1,545,378)	-	-	-	-	-	-
Fair value at end of the year	8,788,112	8,505,757	-	-	-	-	-	-

## 38.7 Movement in (receivable) / payable under defined benefit schemes

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)								
Opening balance	(3,815,170)	(5,990,536)	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135
Charge / (reversal) for the year 38.8.1	(444,631)	644,527	45,472	45,499	262,798	212,933	34,852	40,702
Employees' contribution	-	-	2,904	3,257	-	-	-	-
Re-measurement loss / (gain) recognised in OCI during the year 38.8.3	654,680	1,530,839	(5,907)	(38,394)	81,105	(478,160)	-	-
Benefits paid by the Bank	-	-	(35,528)	(44,628)	(152,964)	(144,664)	(123,486)	(157,708)
Closing balance	(3,605,121)	(3,815,170)	221,193	214,252	1,921,348	1,730,409	939,495	1,028,129

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

### 38.8 Charge for defined benefit plans

#### 38.8.1 Cost recognised in profit and loss

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
		2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)									
Current service cost		60,879	79,236	22,341	30,660	43,653	50,364	24,740	32,366
Net interest on defined benefit asset / liability		(505,510)	(479,242)	26,035	18,096	219,145	162,569	128,046	85,302
Employees' contribution		-	-	(2,904)	(3,257)	-	-	-	-
Actuarial loss / (gain)		-	-	-	-	-	-	(117,934)	(76,966)
Past service cost	38.8.2	-	1,044,533	-	-	-	-	-	-
		(444,631)	644,527	45,472	45,499	262,798	212,933	34,852	40,702

**38.8.2** In 2018, pursuant to the order of the Honorable Supreme Court of Pakistan, the Bank recorded past service cost of Rs. 1,044.533 million (one-off provision) on account of pension liability based on actuarial valuation.

#### 38.8.3 Re-measurements recognised in OCI during the year

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)								
Loss / (gain) on obligation - financial assumptions	268,993	(14,539)	(5,907)	(38,394)	81,105	(478,160)	-	-
Actual return on plan assets over expected interest income	385,687	1,545,378	-	-	-	-	-	-
Re-measurement loss / (gain) recognised in OCI	654,680	1,530,839	(5,907)	(38,394)	81,105	(478,160)	-	-

### 38.9 Components of plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)								
Cash and cash equivalents - net	107,344	74,685	-	-	-	-	-	-
Shares	8,387,473	8,158,899	-	-	-	-	-	-
Open ended mutual funds units	293,295	272,173	-	-	-	-	-	-
	8,788,112	8,505,757	-	-	-	-	-	-

#### 38.9.1 Significant risk associated with the plan assets

The Fund's investments in equity securities and units of mutual funds are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 38.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	Approved pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees compensated absences
	(Rupees in '000)			
1% increase in discount rate	(348,228)	(16,638)	(143,464)	(57,868)
1% decrease in discount rate	363,337	19,060	164,843	64,403
1 % increase in expected rate of salary increase	80,672	–	–	65,020
1 % decrease in expected rate of salary increase	(74,980)	–	–	(59,388)
1% increase in expected rate of pension increase	223,357	–	–	–
1% decrease in expected rate of pension increase	(201,589)	–	–	–
1% increase in expected rate of medical benefit increase	–	–	161,353	–
1% decrease in expected rate of medical benefit increase	–	–	(142,385)	–

## 38.11 Expected contributions to be paid to the funds in the next financial year

No contributions are being made to pension fund due to surplus of fair value of plan's assets over present value of defined obligation. No contribution to the pension fund is expected in the next year.

## 38.12 Expected (reversal) / for the next financial year

Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2019 would be as follows:

	Approved pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees compensated absences
	(Rupees in '000)			
Expected (reversal) / charge for the next financial year	(377,123)	42,876	265,291	123,968

38.13 Maturity profile				
The weighted average duration of the obligation (in years)	7.74	7.74	7.74	7.74

## 38.14 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

- 38.15** The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

<b>Investment risk</b>	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
<b>Longevity risk</b>	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
<b>Salary increase risk</b>	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
<b>Withdrawal rate</b>	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

### 39. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 11,056 (2018: 10,357) employees where contributions are made by the Bank at 8.33% (2018: 8.33%) and employees ranging from 8.33% to 15% per annum (2018: 8.33% to 12.50% per annum) of the basic salary.

The Bank also operates an approved non-contributory provident fund for 745 (2018: 815) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 15% per annum (2018: 8.33% to 12.50% per annum) of the basic salary.

### 40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### 40.1 Total compensation expense

	2019					
	Chairman	Directors Executive (other than CEO)	Non executive	President/ CEO	Key management personnel	Other material risk takers/ controllers
	(Rupees in '000)					
Fee and allowances	25,000	–	32,479	–	672	4,458
Managerial Remuneration						
i) Fixed				63,046	293,751	443,330
ii) Cash Bonus / Awards	–	–	–	40,000	137,134	135,427
Contribution to defined contribution plan	–	–	–	2,484	8,495	16,232
Rent & house maintenance	–	–	–	240	15,350	7,894
Medical	–	–	–	1,071	1,262	4,319
Severance allowance	–	–	–	–	18,500	8,800
Overseas allowance	–	–	–	–	38,947	7,416
Security	–	–	–	1,189	–	–
Commission	–	–	–	–	57	14,471
Others	–	–	–	70	–	2,160
<b>Total</b>	<b>25,000</b>	<b>–</b>	<b>32,479</b>	<b>108,100</b>	<b>514,168</b>	<b>644,507</b>
Number of Persons	1	–	12	1	23	75

- 40.1.1** SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD Circular No. 01 of 2017 dated January 25, 2017 effective from January 01, 2019. No bonus payout has yet been made under the said circular and deferral as per Human Resources Policy will be made at the time of payment.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 40.2 Remuneration paid to Directors for participation in Board and Committee meetings

		2019								
		For Board Committee								
	Board meeting	Board's Audit Committee	BS & DC	RM & PRC	HR & RC	ITC	PP & CA	CR & MC	Total	
(Rupees in '000)										
	Mian Mohammad Mansha*	-	-	-	-	-	-	-	25,000	
	Mr. S. M. Muneer	130	-	30	-	-	-	30	190	
	Mr. Tariq Rafi	430	-	-	-	-	-	-	430	
	Mian Umer Mansha	300	330	330	300	-	330	330	1,920	
	Mrs. Iqraa Hassan Mansha	230	-	-	-	-	-	-	230	
	Mr. Muhammad Ali Zeb	330	330	-	230	330	-	300	330	1,850
	Mr. Mohd Suhail Amar Suresh	4,620	-	230	230	-	230	-	-	5,310
	Mr. Yahya Saleem	4,710	-	-	-	130	200	-	-	5,040
	Mr. Salman Khalid Butt	5,814	-	330	230	-	330	-	300	7,004
	Mr. Masood Ahmed Puri	3,503	-	200	-	-	-	-	-	3,703
	Mr. Shahzad Hussain	300	300	-	-	-	-	-	-	600
	Mr. Shariffuddin Bin Khalid	3,504	300	-	-	-	-	-	-	3,804
	Mr. Nor Hizam Bin Hashim	2,268	130	-	-	-	-	-	-	2,398
		26,139	1,390	1,120	990	460	1,090	630	660	57,479

\*The Board Chairman is paid a fixed annual remuneration of Rs. 25 million approved by shareholders of the Bank in its 62nd Annual General Meeting held on March 26, 2010.

In 2018, 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:

2018			
	President / Chief Executive	Directors	Executive
(Rupees in '000)			
Fees	-	40,741	-
Managerial remuneration and bonus	79,377	-	3,742,792
Retirement benefits	3,095	-	160,907
Rent and house maintenance	16,714	-	871,457
Utilities	3,714	-	187,748
Medical	150	-	55,176
Conveyance	-	-	713,669
	103,050	40,741	5,731,748
Number of persons	1	14	1,964

## 40.3 The Chairman has been provided with free use of the Bank maintained car. In addition to the above, the Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

# Notes To The Unconsolidated Financial Statements

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## 41. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates and subsidiaries is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these unconsolidated financial statements.

The maturity and repricing profile and effective rates are stated in note 45.

In the opinion of the management, the fair value of the financial assets and financial liabilities other than those carried at fair value and disclosed in note 41.1 are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

### 41.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

#### Valuation techniques used in determination of fair valuation of financial instruments within level 2

Item	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined using the PKRV rates.
Term Finance and Bonds	Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.
Operating fixed assets (land and building) & NBA	Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and building.

	2019				
	Carrying value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	680,585,359	–	680,585,359	–	680,585,359
Shares	14,912,747	14,912,747	–	–	14,912,747
Non-Government Debt Securities	1,306,414	–	1,306,414	–	1,306,414
Foreign Securities	3,663,065	–	3,663,065	–	3,663,065
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares, subsidiaries and associates)	48,296,917	–	–	–	–
Cash and balances with treasury banks	132,704,797	–	–	–	–
Balances with other banks	12,542,239	–	–	–	–
Lendings to financial institutions	1,090,058	–	–	–	–
Advances	496,678,874	–	–	–	–
Other assets	52,808,501	–	–	–	–
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	43,552,234	–	43,552,234	–	43,552,234
Non-banking assets	3,838,230	–	3,838,230	–	3,838,230
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	217,809,539	–	4,146,908	–	4,146,908
Forward sale of foreign exchange	187,805,779	–	3,379,897	–	3,379,897
Derivatives purchase	5,176,612	–	1,232,827	–	1,232,827
Derivatives sale	5,068,194	–	1,229,116	–	1,229,116



# Notes To The Unconsolidated Financial Statements

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	2018				
	Carrying value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	680,275,870	-	680,275,870	-	680,275,870
Shares	17,105,168	17,105,168	-	-	17,105,168
Non-Government Debt Securities	1,096,332	-	1,096,332	-	1,096,332
Foreign Securities	2,522,454	-	2,522,454	-	2,522,454
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares, subsidiaries and associates)	48,368,914	-	-	-	-
Cash and balances with treasury banks	103,174,597	-	-	-	-
Balances with other banks	11,878,975	-	-	-	-
Lendings to financial institutions	35,106,241	-	-	-	-
Advances	503,581,323	-	-	-	-
Other assets	35,753,619	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	33,715,777	-	33,715,777	-	33,715,777
Non-banking assets	4,035,114	-	4,035,114	-	4,035,114
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	125,528,129	-	3,477,211	-	3,477,211
Forward sale of foreign exchange	91,239,998	-	3,452,374	-	3,452,374
Derivatives purchase	5,721,684	-	787,978	-	787,978
Derivatives sale	5,563,419	-	799,130	-	799,130

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year.

**(a) Financial instruments in level 1**

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

**(b) Financial instruments in level 2**

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options, Cross Currency Swaps, Interest Rate Swaps and Forward Exchange Contracts.

**(c) Financial instruments in level 3**

Currently, no financial instruments are classified in level 3.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 42 SEGMENT INFORMATION

### 42.1 Segment details with respect to business activities

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

	2019								
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Other	Sub-total	Elimination	Total
	(Rupees in '000)								
Profit & Loss									
Net mark-up/return/profit	(50,496,018)	3,938,893	36,263,272	68,147,338	1,762,729	-	59,616,214	-	59,616,214
Inter segment revenue - net	99,832,569	(2,583,003)	(31,413,118)	(73,135,260)	(180,860)	7,479,672	-	-	-
Non mark-up / return / interest income	6,318,956	2,111,319	3,414,776	3,519,577	782,895	531,430	16,678,953	-	16,678,953
Total Income	55,655,507	3,467,209	8,264,930	(1,468,345)	2,364,764	8,011,102	76,295,167	-	76,295,167
Segment direct expenses	21,762,153	1,330,299	525,336	311,978	1,284,815	8,494,740	33,709,321	-	33,709,321
Inter segment expense allocation	-	-	-	-	-	-	-	-	-
Total expenses	21,762,153	1,330,299	525,336	311,978	1,284,815	8,494,740	33,709,321	-	33,709,321
Provisions	345,610	(34,217)	947,291	2,772,041	75,179	(1,622,370)	2,483,534	-	2,483,534
Profit before tax	33,547,744	2,171,127	6,792,303	(4,552,364)	1,004,770	1,138,732	40,102,312	-	40,102,312
Balance Sheet									
Cash and Bank balances	50,154,942	21,483	676,139	65,572,277	28,149,362	672,833	145,247,036	-	145,247,036
Investments	-	-	10,638,292	723,114,519	15,011,691	-	748,764,502	-	748,764,502
Net inter segment lending	940,015,024	-	-	-	-	164,292,627	1,104,307,651	(1,104,307,651)	-
Lendings to financial institutions	-	-	-	880,853	209,205	-	1,090,058	-	1,090,058
Advances - performing	98,464,054	24,342,756	341,191,287	-	25,190,939	-	489,189,036	-	489,189,036
- non performing - net	1,074,787	113,148	1,237,494	-	4,836,865	227,544	7,489,838	-	7,489,838
Others	34,759,963	1,882,259	25,393,004	13,804,786	2,368,790	45,162,743	123,371,545	-	123,371,545
Total Assets	1,124,468,770	26,359,646	379,136,216	803,372,435	75,766,852	210,355,747	2,619,459,666	(1,104,307,651)	1,515,152,015
Borrowings	45,355,965	-	7,057,504	33,572,200	3,520,223	-	89,505,892	-	89,505,892
Deposits and other accounts	1,033,804,761	-	55,425,048	-	55,523,627	9,823	1,144,763,259	-	1,144,763,259
Net inter segment borrowing	-	24,124,908	299,650,838	768,067,183	12,464,722	-	1,104,307,651	(1,104,307,651)	-
Others	45,308,044	2,234,738	17,002,826	1,733,052	4,258,280	41,431,141	111,968,081	-	111,968,081
Total liabilities	1,124,468,770	26,359,646	379,136,216	803,372,435	75,766,852	41,440,964	2,450,544,883	(1,104,307,651)	1,346,237,232
Equity	-	-	-	-	-	168,914,783	168,914,783	-	168,914,783
Total Equity & liabilities	1,124,468,770	26,359,646	379,136,216	803,372,435	75,766,852	210,355,747	2,619,459,666	(1,104,307,651)	1,515,152,015
Contingencies & Commitments	48,973,361	-	262,455,692	496,556,621	14,015,586	29,145,510	851,146,770	-	851,146,770
	2018								
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Other	Sub-total	Elimination	Total
	(Rupees in '000)								
Profit & Loss									
Net mark-up/return/profit	(19,999,097)	2,425,240	21,038,061	41,399,090	1,532,970	(382,114)	46,014,150	-	46,014,150
Inter segment revenue - net	50,778,451	(774,576)	(17,157,516)	(38,240,495)	(50,687)	5,444,823	-	-	-
Non mark-up / return / interest income	6,820,225	1,732,440	3,170,004	3,970,534	601,005	903,918	17,198,126	-	17,198,126
Total Income	37,599,579	3,383,104	7,050,549	7,129,129	2,083,288	5,966,627	63,212,276	-	63,212,276
Segment direct expenses	20,935,783	1,372,159	584,731	281,947	1,026,008	8,701,286	32,901,914	-	32,901,914
Inter segment expense allocation	-	-	-	-	-	-	-	-	-
Total expenses	20,935,783	1,372,159	584,731	281,947	1,026,008	8,701,286	32,901,914	-	32,901,914
Provisions	(186,311)	(66,393)	(780,762)	1,952,015	47,396	(2,719,201)	(1,753,256)	-	(1,753,256)
Profit before tax	16,850,107	2,077,338	7,246,580	4,895,167	1,009,884	(15,458)	32,063,618	-	32,063,618
Balance Sheet									
Cash and Bank balances	49,001,673	33,515	311,483	46,395,674	17,175,344	2,135,883	115,053,572	-	115,053,572
Investments	-	-	8,801,517	730,863,407	9,703,814	-	749,368,738	-	749,368,738
Net inter segment lending	838,293,766	-	-	-	-	134,110,279	972,404,045	(972,404,045)	-
Lendings to financial institutions	-	-	1,502,544	33,603,697	-	-	35,106,241	-	35,106,241
Advances - performing	121,784,772	22,525,967	321,721,326	-	30,537,219	-	496,569,284	-	496,569,284
- non performing - net	1,214,697	39,757	1,117,586	-	4,610,795	29,204	7,012,039	-	7,012,039
Others	31,327,270	1,887,934	6,358,321	8,127,064	1,968,271	45,351,327	95,020,187	-	95,020,187
Total Assets	1,041,622,178	24,487,173	339,812,777	818,989,842	63,995,443	181,626,693	2,470,534,106	(972,404,045)	1,498,130,061
Borrowings	35,293,396	-	6,372,366	171,553,288	2,799,836	-	216,018,886	-	216,018,886
Subordinated debt	-	-	-	-	-	3,891,019	3,891,019	-	3,891,019
Deposits and other accounts	969,799,371	16,556	40,266,753	-	38,929,495	25,440	1,049,037,615	-	1,049,037,615
Net inter segment borrowing	-	22,478,042	288,680,375	642,523,588	18,722,040	-	972,404,045	(972,404,045)	-
Others	36,529,411	1,992,575	4,493,283	4,912,966	3,544,072	28,432,505	79,904,812	-	79,904,812
Total liabilities	1,041,622,178	24,487,173	339,812,777	818,989,842	63,995,443	32,348,964	2,321,256,377	(972,404,045)	1,348,852,332
Equity	-	-	-	-	-	149,277,729	149,277,729	-	149,277,729
Total Equity & liabilities	1,041,622,178	24,487,173	339,812,777	818,989,842	63,995,443	181,626,693	2,470,534,106	(972,404,045)	1,498,130,061
Contingencies & Commitments	114,095,804	-	184,073,226	247,754,264	20,238,577	18,272,434	584,434,305	-	584,434,305

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 42.2 Segment details with respect to geographical locations

### GEOGRAPHICAL SEGMENT ANALYSIS

	2019					
	Pakistan	South Asia	Middle East	Sub-total	Eliminations	Total
	(Rupees in '000)					
<b>Profit &amp; Loss</b>						
Net mark-up/return/profit	57,855,267	1,085,296	675,651	59,616,214	-	59,616,214
Inter segment revenue - net	107,447	(119,613)	12,166	-	-	-
Non mark-up / return / interest income	15,915,192	251,485	512,276	16,678,953	-	16,678,953
Total Income	73,877,906	1,217,168	1,200,093	76,295,167	-	76,295,167
Segment direct expenses	32,419,640	737,142	552,539	33,709,321	-	33,709,321
Inter segment expense allocation	-	-	-	-	-	-
Total expenses	32,419,640	737,142	552,539	33,709,321	-	33,709,321
Provisions	2,388,895	29,232	65,407	2,483,534	-	2,483,534
Profit before tax	39,069,371	450,794	582,147	40,102,312	-	40,102,312
<b>Balance Sheet</b>						
Cash and Bank balances	117,308,448	2,169,276	25,769,312	145,247,036	-	145,247,036
Investments	733,752,811	5,571,042	9,440,649	748,764,502	-	748,764,502
Net inter segment lendings	11,539,343	-	-	11,539,343	(11,539,343)	-
Lendings to financial institutions	880,852	209,206	-	1,090,058	-	1,090,058
Advances - performing	464,016,151	17,771,048	7,401,837	489,189,036	-	489,189,036
- non performing - net	7,460,190	29,648	-	7,489,838	-	7,489,838
Others	121,004,686	2,193,220	173,639	123,371,545	-	123,371,545
<b>Total Assets</b>	1,455,962,481	27,943,440	42,785,437	1,526,691,358	(11,539,343)	1,515,152,015
Borrowings	85,985,670	845,703	2,674,519	89,505,892	-	89,505,892
Deposits and other accounts	1,091,755,442	18,431,297	34,576,520	1,144,763,259	-	1,144,763,259
Net inter segment borrowing	-	6,151,041	5,388,302	11,539,343	(11,539,343)	-
Others	109,306,586	2,515,399	146,096	111,968,081	-	111,968,081
<b>Total liabilities</b>	1,287,047,698	27,943,440	42,785,437	1,357,776,575	(11,539,343)	1,346,237,232
Equity	168,914,783	-	-	168,914,783	-	168,914,783
<b>Total Equity &amp; liabilities</b>	1,455,962,481	27,943,440	42,785,437	1,526,691,358	(11,539,343)	1,515,152,015
<b>Contingencies &amp; Commitments</b>	837,131,184	9,436,548	4,579,038	851,146,770	-	851,146,770

	2018					
	Pakistan	South Asia	Middle East	Sub-total	Eliminations	Total
	(Rupees in '000)					
<b>Profit &amp; Loss</b>						
Net mark-up/return/profit	44,613,921	909,102	491,127	46,014,150	-	46,014,150
Inter segment revenue - net	(5,588)	(12,926)	18,514	-	-	-
Non mark-up / return / interest income	16,481,810	233,086	483,230	17,198,126	-	17,198,126
Total Income	61,090,143	1,129,262	992,871	63,212,276	-	63,212,276
Segment direct expenses	31,882,563	641,781	377,570	32,901,914	-	32,901,914
Inter segment expense allocation	-	-	-	-	-	-
Total expenses	31,882,563	641,781	377,570	32,901,914	-	32,901,914
Provisions	(1,800,652)	10,624	36,772	(1,753,256)	-	(1,753,256)
Profit before tax	31,008,232	476,857	578,529	32,063,618	-	32,063,618
<b>Balance Sheet</b>						
Cash and Bank balances	98,630,269	1,906,785	14,516,518	115,053,572	-	115,053,572
Investments	739,664,924	4,040,982	5,662,832	749,368,738	-	749,368,738
Net inter segment lendings	9,753,427	-	-	9,753,427	(9,753,427)	-
Lendings to financial institutions	33,603,697	368,406	1,134,138	35,106,241	-	35,106,241
Advances - performing	475,168,815	16,047,102	5,353,367	496,569,284	-	496,569,284
- non performing - net	6,712,206	299,833	-	7,012,039	-	7,012,039
Others	94,710,950	183,273	125,964	95,020,187	-	95,020,187
<b>Total Assets</b>	1,458,244,288	22,846,381	26,792,819	1,507,883,488	(9,753,427)	1,498,130,061
Borrowings	213,220,309	616,822	2,181,755	216,018,886	-	216,018,886
Subordinated debt	3,891,019	-	-	3,891,019	-	3,891,019
Deposits and other accounts	1,012,916,251	16,266,330	19,855,034	1,049,037,615	-	1,049,037,615
Net inter segment borrowing	-	5,058,214	4,695,213	9,753,427	(9,753,427)	-
Others	78,938,980	905,015	60,817	79,904,812	-	79,904,812
<b>Total liabilities</b>	1,308,966,559	22,846,381	26,792,819	1,358,605,759	(9,753,427)	1,348,852,332
Equity	149,277,729	-	-	149,277,729	-	149,277,729
<b>Total Equity &amp; liabilities</b>	1,458,244,288	22,846,381	26,792,819	1,507,883,488	(9,753,427)	1,498,130,061
<b>Contingencies &amp; Commitments</b>	564,195,725	12,396,092	7,842,488	584,434,305	-	584,434,305

**42.3** Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include inter segment balances. Costs which are not allocated to segments are included in the Head office. Income taxes are managed at bank level and are not allocated to operating segments.

**42.4** No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2019 or 2018.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## RELATED PARTY TRANSACTIONS

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The Bank has related party relationship with its subsidiaries, associates, employee benefit plans, its directors and key management personnel and their close family members.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	2019						2018					
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties		
	(Rupees in '000)											
<b>Balances with other banks</b>												
In current accounts	-	-	-	-	14,389	-	-	-	-	-	-	-
<b>Lendings to Financial Institutions</b>												
Opening balance	-	-	631,351	-	-	-	-	524,590	-	-	-	-
Addition during the year	-	-	22,355,349	-	-	-	-	40,942,611	-	-	-	-
Repaid during the year	-	-	(22,105,847)	-	-	-	-	(40,835,850)	-	-	-	-
Closing balance	-	-	880,853	-	-	-	-	631,351	-	-	-	-
<b>Investments</b>												
Opening balance	-	-	12,046,512	700,401	254,253	-	-	10,846,512	748,172	254,253	-	-
Investment made during the year	-	-	350,000	-	-	-	-	1,200,000	-	-	-	-
Investment disposed off during the year	-	-	-	-	-	-	-	-	(47,771)	-	-	-
Adjustment under amalgamation scheme	-	-	(49,975)	-	-	-	-	-	-	-	-	-
Closing balance	-	-	12,346,537	700,401	254,253	-	-	12,046,512	700,401	254,253	-	-
Provision for diminution in value of investments	-	-	725	-	5,000	-	-	725	-	5,000	-	-
<b>Advances</b>												
Opening balance	658	141,390	366,872	-	1,050,277	946	84,167	293,837	-	2,324,608	-	-
Addition / exchange adjustment during the year	29,148	62,216	522,939	-	1,642,434	14,723	73,571	73,035	-	6,640,565	-	-
Repaid during the year	(28,084)	(55,470)	-	-	(1,558,481)	(15,011)	(39,288)	-	-	(7,357,817)	-	-
Transfer in / (out)	-	(19,087)	-	-	(794,710)	-	22,940	-	-	(557,079)	-	-
Closing balance	1,722	129,049	889,811	-	339,520	658	141,390	366,872	-	1,050,277	-	-
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019					2018				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
<b>Other Assets</b>										
Markup receivable	-	3,202	31,552	-	5,191	-	3,101	16,725	-	25,538
Advances, deposits, advance rent and other prepayments	-	-	5,322	246,720	27,080	-	-	8,820	86,579	30,620
Acceptances	-	-	-	-	-	-	-	-	-	25,387
Receivable from Pension Fund	-	-	-	-	3,605,121	-	-	-	-	3,815,170
Provision held against other assets	-	-	-	-	-	-	-	-	-	-
<b>Borrowings</b>										
Opening balance	-	-	19,146	-	-	-	-	39,993	-	993,755
Borrowings / exchange adjustment during the year	-	-	386,228	-	144,166	-	-	92,529	-	-
Settled during the year	-	-	(401,471)	-	(75,000)	-	-	(113,377)	-	(993,755)
Closing balance	-	-	3,903	-	69,166	-	-	19,146	-	-
<b>Deposits and other accounts</b>										
Opening balance	3,745,457	168,528	65,933	3,339,847	3,212,620	3,953,730	148,080	51,048	2,744,432	3,800,959
Received during the year	9,889,584	866,766	4,513,372	22,234,251	62,263,273	4,259,454	849,270	1,917,297	17,580,902	55,702,326
Withdrawn during the year	(13,025,336)	(884,532)	(4,515,594)	(21,916,546)	(61,423,281)	(4,457,255)	(851,481)	(1,902,412)	(16,985,487)	(56,301,430)
Transfer in / (out) - net	(7,324)	(10,001)	(9,229)	-	127,237	(10,472)	22,659	-	-	10,765
Closing balance	602,381	140,761	54,482	3,657,552	4,179,849	3,745,457	168,528	65,933	3,339,847	3,212,620
<b>Other Liabilities</b>										
Markup payable	7,263	556	158	50,535	66,906	32,342	282	134	15,968	36,943
Accrued expenses and other payable	15,326	-	23,134	62,402	50	7,299	-	17,966	78,922	884
Payable to MCB Employee Security Services	-	-	-	-	24,565	-	-	-	-	-
Advance received against sale of property	-	-	20,000	-	-	-	-	20,000	-	-
Unrealized (gain) / loss on forward foreign exchange contracts - outstanding	-	-	(27,493)	-	-	-	-	10,196	-	-
<b>Contingencies and Commitments</b>										
Commitments and contingent liabilities - outstanding	-	-	-	10,444	746,868	-	-	-	10,227	4,374,481
Forward purchase of government securities	-	-	-	-	-	-	-	-	-	8,739,500
Forward foreign exchange contracts (Notional) - outstanding	-	-	2,044,093	-	-	-	-	2,121,196	-	-
Bank guarantee	-	-	26,711	-	-	-	-	-	-	-



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

2018

2019

	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
<b>RELATED PARTY TRANSACTIONS</b>										
<b>Income</b>										
Markup / return / interest earned	-	12,357	208,168	-	20,846	38	11,022	146,341	-	103,646
Fee and commission income	-	-	58,047	1,301,954	4,631	-	-	37,915	1,109,700	27,258
Dividend income	-	-	49,892	175,000	41,162	-	-	64,674	140,000	37,470
Gain on forward foreign exchange contracts matured during the year	-	-	-	-	12,850	-	-	-	-	206,723
Net gain on sale of securities	-	-	-	281	10,990	-	-	-	53	46,195
Gain on sale of fixed assets	-	186	-	-	-	-	85	-	-	156,400
Rent income and reimbursement of other expenses	-	-	40,100	8,485	3,105	-	-	39,668	3,679	3,375
<b>Expense</b>										
Markup / return / interest expensed	145,454	1,999	2,771	218,029	364,984	213,721	1,982	1,491	98,218	246,176
<b>Other Operating expenses</b>										
Clearing expenses paid to NIFT	-	-	-	-	152,009	-	-	-	-	145,508
Contribution to provident fund	-	-	-	-	366,744	-	-	-	-	347,043
Rent expenses	-	-	9,741	21,347	38,680	-	-	8,855	-	47,576
Cash sorting expenses	-	-	-	-	160,766	-	-	-	-	157,249
Stationery expenses	-	-	-	-	258,411	-	-	-	-	234,318
Security guards expenses	-	-	-	-	359,119	-	-	-	-	398,773
Remuneration to key executives and non-executive directors fee	165,579	514,168	-	-	-	143,791	483,820	-	263,283	-
Outsourcing service expenses	-	-	-	258,190	-	-	-	-	-	-
Commission expenses	-	-	-	-	-	-	-	11,814	-	-
E-dividend processing fee and CDC charges	-	-	-	-	5,968	-	-	-	-	5,816
Travelling expenses	-	-	-	-	37,644	-	-	-	-	38,571
Hotel stay expenses	-	-	-	-	2,573	-	-	-	-	10,676
Repair and maintenance charges	-	-	-	-	2,125	-	-	-	-	1,726
Advertisement expenses	-	-	-	-	12,934	-	-	-	-	-
Miscellaneous expenses and payments	-	-	-	-	2,376	-	-	-	-	4,330
Insurance premium-net of refund	-	-	-	719,873	-	-	-	-	554,703	-
Insurance claim settled	-	-	-	57,566	-	-	-	-	280,532	-
<b>Other Transactions</b>										
Payment against scheme of demerger	-	-	-	-	-	-	-	22,214,180	-	-
Proceeds from sale of fixed assets	-	347	-	-	-	2,503	3,216	-	-	425,000
Purchase of fixed assets	-	-	-	46,339	20,003	-	-	-	-	-
Sale of foreign currency	-	-	35,675,520	-	-	-	-	19,362,244	-	-
Purchase of foreign currency	-	-	25,874,008	-	-	-	-	11,361,607	-	-
Payments against home remittances	-	-	2,980,860	-	-	-	-	1,706,791	-	-
Sale of government securities	203,735	94,105	-	6,043,338	22,634,697	-	36,452	-	4,611,381	296,705,958
Purchase of government securities	-	58,956	-	6,410,544	17,302,184	-	27,486	-	6,699,230	297,767,019
Forward exchange contracts matured during the year	-	-	-	-	24,426,964	-	-	-	12,912	-
Insurance premium paid on behalf of a related party	-	-	-	-	-	-	-	-	333	-
Reimbursement of insurance premium paid on behalf of a related party	-	-	-	-	-	-	-	-	-	-
Insurance claim received on behalf of related party	-	-	-	-	-	-	-	-	-	-
Insurance claim paid to related party	-	-	-	-	-	-	-	-	-	333

The Chairman has been provided with free use of the Bank maintained car. The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
<b>44 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>44.1 Capital Adequacy</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	11,850,600	11,850,600
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	136,256,771	128,999,274
Eligible Additional Tier 1 (ADT 1) Capital	—	—
Total Eligible Tier 1 Capital	136,256,771	128,999,274
Eligible Tier 2 Capital	27,354,014	16,987,978
<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	<b>163,610,785</b>	<b>145,987,252</b>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	638,492,645	637,480,582
Market Risk	108,276,486	54,814,473
Operational Risk	120,887,137	112,882,444
<b>Total</b>	<b>867,656,268</b>	<b>805,177,499</b>
<b>Common Equity Tier 1 Capital Adequacy ratio</b>	<b>15.70%</b>	<b>16.02%</b>
<b>Tier 1 Capital Adequacy Ratio</b>	<b>15.70%</b>	<b>16.02%</b>
<b>Total Capital Adequacy Ratio</b>	<b>18.86%</b>	<b>18.13%</b>

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid up capital (net of losses) for all locally incorporated banks of Rs. 10 billion. The paid up capital of the Bank for the year ended December 31, 2019 stood at Rs. 11.851 billion and is in compliance with the SBP requirements. Further, under Basel III instructions, banks are required to maintain minimum Capital Adequacy Ratio (CAR) of 12.50% (including 2.50% capital conservation buffer), Common Equity Tier 1 (CET 1) ratio of 6.0% and Tier 1 ratio of 7.50% as at December 31, 2019. The Bank is fully compliant with prescribed ratios.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under comprehensive approach.

	2019	2018
	(Rupees in '000)	
<b>44.2 Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	136,256,771	128,999,274
Total Exposures	1,928,383,315	1,820,404,530
<b>Leverage Ratio</b>	<b>7.07%</b>	<b>7.09%</b>

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
<b>44.3 Liquidity Requirements</b>		
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	713,965,089	609,585,939
Total Net Cash Outflow	362,188,259	341,044,576
<b>Liquidity Coverage Ratio</b>	<b>197.13%</b>	<b>178.74%</b>
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	983,364,374	895,570,558
Total Required Stable Funding	699,043,391	685,678,115
<b>Net Stable Funding Ratio</b>	<b>140.67%</b>	<b>130.61%</b>

The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time are available at <https://www.mcb.com.pk/investor-relations/capital-adequacy-statements>.

## 45 RISK MANAGEMENT

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

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

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM&PRC), the senior management and its relevant committees, i.e. the Management Credit and Risk Committee (MC&RC), Asset and Liability Management Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring processes which are closely aligned with the activities of the bank. The framework combines core policies, procedures and process designs with broad oversight and is supported by an efficient monitoring mechanism across the bank to ensure that risks are kept within an acceptable level.

The Bank ensures that not only the relevant risks are identified but their implications are also considered and basis provided for managing and measuring the risks. Through Internal Control units, the Bank ensures that effective controls are in place to mitigate each of the identified risk.

Independent from business groups, Head of Risk Management reports functionally to the Risk Management & Portfolio Review Committee (RM&PRC) and administratively to the President; the RM&PRC convenes regular meetings to evaluate bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Risk Management Policy Formulation
- Credit Risk Management
- Credit Review

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management
- IT Risk Management

Keeping in view the international best practices and SBP requirements, Board of Directors of the Bank has approved a Risk Appetite Statement, which takes into account quantitative and qualitative risk indicators, covering target ratios, credit, market, operational, liquidity and business risks.

## 45.1 Credit Risk

Credit risk arises from bank's dealings with individuals, corporate borrowers, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its lending and investment activities. Credit risk makes up the largest part of the Bank's exposure and it stems from Bank's both on and off-balance sheet activities. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Bank has developed rating systems and all its borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, Probability Default based internal credit risk rating (ICRR) system based on the statistical modeling and validation in line with Basel principles. The revamped ICRR is currently focused on Corporate Commercial and Corporate Large customer categories. The Internal Credit Risk Rating Model for rating of SME Customers has also been revamped to achieve more accurate results and to improve the quality of credit decisions.

In order to manage bank's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control is responsible for performing following activities:

- Credit disbursement authorization
- Collateral coverage and monitoring
- Compliance of loan covenants/ terms of approval
- Maintenance/ custody of collateral and security documentation
- Credit Risk Limit Controls

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulations.

The Bank creates specific provision against Non-Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

Provisions against unidentified losses include general provision against consumer loans and Small enterprise (SEs) made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Please refer note No. 10.4 for reconciliation of changes in specific and general provisions.

## Management of Non Performing Loans

The Bank has a Assets Rehabilitation Group (ARG), which is responsible for management of non performing loans. ARG undertakes restructuring / rescheduling of problem loans, as well as litigation of both civil and criminal cases for collection of debt.

## Stress Testing

Credit Risk stress testing is a regular exercise. Bank's credit exposures including funded and non-funded facilities are subjected to stress tests. This exercise is conducted on a quarterly basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

### 45.1.1 Lendings to financial institutions

#### Credit risk by public / private sector

	Gross lendings		Non - performing lending		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public/ Government	209,206	1,198,704	-	-	-	-
Private	880,852	33,907,537	-	-	-	-
	1,090,058	35,106,241	-	-	-	-

### 45.1.2 Investment in debt securities

#### Credit risk by industry sector

	Gross Investments		Non - performing Investment		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Chemical and pharmaceuticals	1,750,000	-	-	-	-	-
Construction	-	29,964	-	29,964	-	29,964
Electricity, gas, steam and air conditioning supply	101,933	188,456	-	-	-	-
Financials including government securities	712,505,023	721,780,711	118	118	118	118
Manufacture of cement	285,000	285,000	285,000	285,000	285,000	285,000
Manufacture of sugar	145,656	150,000	145,656	-	72,828	-
Manufacture of textiles	53,531	53,531	53,531	53,531	53,531	53,531
Telecommunications	114,747	114,747	114,747	114,747	114,747	114,747
Others	7,682	7,682	7,682	7,682	7,682	7,682
	714,963,572	722,610,091	606,734	491,042	533,906	491,042
<b>Credit Risk by Public/ Private Sector</b>						
Public/ Government	703,333,310	712,839,136	-	-	-	-
Private	11,630,262	9,770,955	606,734	491,042	533,906	491,042
	714,963,572	722,610,091	606,734	491,042	533,906	491,042



## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

### 45.1.3 Advances

#### Credit risk by industry sector

	Gross Advances		Non - performing Advance		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Agriculture, forestry and fishing	6,209,291	7,863,709	390,080	798,008	362,867	763,426
Construction	18,950,532	21,144,096	289,435	343,453	287,840	339,991
Electricity, gas, steam and air conditioning supply	42,221,235	42,900,207	379,846	381,282	378,125	379,485
Electronics and electrical appliances	4,322,348	4,805,636	113,496	119,040	107,776	113,320
Financials	20,897,873	14,241,054	532,286	741,551	532,286	739,169
Footwear and Leather garments	4,357,262	3,406,115	173,985	179,687	173,590	179,292
Human health and social work activities	2,760,760	4,258,217	50,211	52,395	34,981	37,025
Individuals	39,528,041	38,641,227	4,377,113	4,310,937	3,999,488	4,002,049
Manufacture of basic metals and metal products	16,420,515	14,349,676	3,104,026	2,193,872	2,892,814	2,190,086
Manufacture of cement	10,344,007	12,850,003	392,862	392,862	392,862	392,862
Manufacture of chemicals and chemical and pharmaceutical products	45,734,806	38,954,379	334,485	376,631	331,551	366,010
Manufacture of coke and refined petroleum products	14,789,736	22,581,791	399,317	361,167	398,701	360,551
Manufacture of food & beverages products	51,582,644	53,415,267	3,014,962	3,233,140	2,786,691	3,169,855
Manufacture of machinery, equipment and transport Equipment	4,100,112	1,229,934	435,301	474,815	434,527	456,142
Manufacture of rubber and plastics products	5,020,189	4,793,034	661,498	711,653	658,226	428,762
Manufacture of sugar	23,116,287	34,643,259	4,497,643	2,483,424	3,434,211	1,843,056
Manufacture of textiles	78,774,991	74,543,561	13,537,492	13,854,193	13,088,287	13,210,706
Mining and quarrying	4,252,835	2,510,868	7,286	10,078	7,286	10,013
Manufacturing of Pulp, Paper, Paperboard	3,778,008	4,170,766	242,331	261,677	213,453	232,751
Ship Breaking	4,916,424	9,207,374	2,436,614	3,040,220	2,436,614	3,040,220
Services	10,694,258	10,241,030	596,857	1,135,283	588,408	1,030,585
Telecommunications	15,883,537	17,945,996	42,798	57,304	42,798	52,791
Transportation and storage	57,884,271	57,345,264	93,955	507,773	84,307	402,386
Wholesale and retail traders	47,103,072	45,042,652	12,562,163	12,116,637	7,573,707	7,448,877
Others	6,394,182	5,706,434	758,217	818,466	693,025	754,099
	540,037,216	546,791,549	49,424,259	48,955,548	41,934,421	41,943,509
<b>Credit Risk by Public/ Private Sector</b>						
Public/ Government	85,944,207	90,401,960	639,825	639,826	639,825	639,825
Private	454,093,009	456,389,589	48,784,434	48,315,722	41,294,596	41,303,684
	540,037,216	546,791,549	49,424,259	48,955,548	41,934,421	41,943,509

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
<b>45.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, forestry and fishing	541,768	458,978
Construction	27,382,939	34,419,245
Electricity, gas, steam and air conditioning supply	16,080,103	5,283,833
Electronics and electrical appliances	3,145,057	2,263,031
Financials	579,135,125	349,849,294
Footwear and Leather garments	80,901	142,180
Human health and social work activities	409,816	804,687
Individuals	6,205,880	8,758,774
Manufacture of basic metals and metal products	6,414,150	6,846,779
Manufacture of cement	1,294,594	1,951,187
Manufacture of chemicals and chemical and pharmaceutical products	19,042,481	19,050,871
Manufacture of coke and refined petroleum products	15,218,033	3,951,612
Manufacture of food & beverages products	18,244,851	13,378,114
Manufacture of machinery, equipment and transport Equipment	6,755,084	8,023,653
Manufacture of rubber and plastics products	2,041,121	1,391,038
Manufacture of sugar	3,640,983	4,105,751
Manufacture of textiles	31,827,288	15,797,412
Mining and quarrying	460,490	96,453
Manufacturing of Pulp, Paper, Paperboard	1,163,879	1,099,265
Ship Breaking	498,050	2,269,451
Services	54,955,804	61,195,351
Telecommunications	14,669,698	16,839,614
Transportation and storage	3,394,704	3,471,149
Wholesale and retail traders	16,723,095	13,525,999
Others	21,820,876	9,460,584
	851,146,770	584,434,305
<b>Credit risk by public / private sector</b>		
Public/ Government	321,606,927	146,299,566
Private	529,539,843	438,134,739
	851,146,770	584,434,305

## 45.1.5 Concentration of Advances

The Bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 236,769.236 million (2018: Rs. 233,522.506 million) are as following:

	2019	2018
	(Rupees in '000)	
Funded	80,717,454	91,638,103
Non Funded	156,051,782	141,884,403
Total Exposure	236,769,236	233,522,506

The sanctioned limits against these top 10 exposures aggregated to Rs 291,923.228 million (2018: Rs. 281,681.726 million)

There is no provision against these top 10 exposures.

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 45.1.6 Advances - Province/Region-wise Disbursement & Utilization

2019							
Province/Region	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit Balochistan	
(Rupees in '000)							
Punjab	572,121,989	500,803,912	57,758,820	10,024,921	322,571	3,210,918	847
Sindh	577,715,877	12,573,575	494,016,936	3,370,558	67,526,981	227,827	-
KPK including FATA	5,441,928	67,761	-	5,374,167	-	-	-
Balochistan	1,216,050	-	-	-	1,216,050	-	-
Islamabad	32,691,486	3,470,284	227,242	1,782,828	-	27,135,929	75,203
AJK including Gilgit-Baltistan	316,940	425	-	-	-	-	316,515
Total	1,189,504,270	516,915,957	552,002,998	20,552,474	69,065,602	30,574,674	392,565
2018							
Province/Region	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit Balochistan	
(Rupees in '000)							
Punjab	628,307,204	611,326,290	10,548,026	5,880,252	-	534,701	17,935
Sindh	481,965,016	126,017,699	308,651,722	909,217	46,266,053	120,325	-
KPK including FATA	4,766,985	19,454	-	4,532,025	-	215,506	-
Balochistan	1,516,600	-	-	-	1,516,600	-	-
Islamabad	23,502,959	5,430,245	3,181,755	3,439,965	-	10,988,549	462,445
AJK including Gilgit-Baltistan	244,635	151	-	-	-	-	244,484
Total	1,140,303,399	742,793,839	322,381,503	14,761,459	47,782,653	11,859,081	724,864

## 45.2 Market Risk

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. MCB is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign Exchange Group and the Capital Market Division. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Bank's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, Management Credit and Risk Committee, ALCO and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk function works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. Market Risk seeks to facilitate efficient risk/return management decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

In line with regulatory requirements, MCB has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

# Notes To The Unconsolidated Financial Statements

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The Bank measures and manages Market Risk by using different risk parameters with combinations of various limits. A specific Board approved Market Risk Limit Policy provides guidelines for assuming controlled market risk, its monitoring and management. The approved limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Besides conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its treasury and capital market groups. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon.

A framework of stress testing, scenario analysis and reverse stress tests covering both banking and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by senior management and also reported to the SBP.

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

## 45.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	132,704,797	-	132,704,797	103,174,597	-	103,174,597
Balances with other banks	12,542,239	-	12,542,239	11,878,975	-	11,878,975
Lendings to financial institutions	1,090,058	-	1,090,058	35,106,241	-	35,106,241
Investments	46,902,418	701,862,084	748,764,502	46,959,184	702,409,554	749,368,738
Advances	496,678,874	-	496,678,874	503,581,323	-	503,581,323
Fixed assets	58,271,245	-	58,271,245	40,811,956	-	40,811,956
Intangible assets	957,552	-	957,552	630,141	-	630,141
Other assets	64,142,748	-	64,142,748	53,578,090	-	53,578,090
	813,289,931	701,862,084	1,515,152,015	795,720,507	702,409,554	1,498,130,061

## 45.2.2 Foreign Exchange Risk

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

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

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

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019				2018			
	Foreign currency Assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency Assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	38,440,687	59,119,303	21,719,452	1,040,836	28,040,303	52,379,053	24,320,327	(18,423)
Sri Lankan Rupees	-	164,290	148,959	(15,331)	(364,982)	-	171,106	(193,876)
Arab Emirates Dirham	194,163	949,404	590,192	(165,049)	(116,907)	-	-	(116,907)
Euro	3,187	4,574,963	4,564,076	(7,700)	628,921	5,213,276	4,485,718	(98,637)
Great Britain Pound Sterling	35,160	4,928,555	4,822,148	(71,247)	474,696	5,839,034	5,315,794	(48,544)
Japanese Yen	-	4,498	17,723	13,225	(8,967)	17	8,824	(160)
Other currencies	100,234	-	31,769	132,003	52,851	-	25,692	78,543
	38,773,431	69,741,013	31,894,319	926,737	28,705,915	63,431,380	34,327,461	(398,004)

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	11,864	-	4,199

## 45.2.3 Equity position Risk

Bank's proprietary positions in the equity instruments exposes it to the equity price risk in its trading and banking books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR analysis and stress testing of the equity portfolio are also performed and reported to senior management on daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index using certain assumptions. In addition to this stress testing, historical scenario analysis on equities is also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

	2019		2018	
	AFS	HFT	AFS	HFT
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Profit and loss account	-	656	-	934
- Other comprehensive income	744,981	-	854,324	-

## 45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

The increase / (decrease) in earnings due to change in the interest rate is as follows:

	2019		2018	
	Banking Book	Trading Book	Banking Book	Trading Book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account	2,197,713	-	2,621,559	-
- Other comprehensive income	-	6,794,790	-	1,477,422

The Bank has classified Available for Sale investments as Trading in Basel-II.



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2019

	Effective yield / interest rate	Total	Exposed to Yield/ Interest risk								Non-interest bearing financial instruments	
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 years
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.70%	132,704,797	10,517,551	-	-	-	-	-	-	-	122,187,246	
Balances with other banks	0.55%	12,542,239	2,805,338	1,340,374	-	-	-	-	-	-	8,396,527	
Lending to financial institutions	10.91%	1,090,068	1,090,068	-	-	-	-	-	-	-	-	
Investments	11.47%	748,764,502	180,617,919	47,610,561	43,392,286	186,216,758	104,446,954	13,359,230	60,307,907	83,531,045	29,281,822	
Advances	11.70%	496,678,874	465,897,240	13,865,557	2,430,422	980,072	1,816,256	3,009,684	1,481,043	1,754,233	5,444,367	
Other assets		52,808,501	-	-	-	-	-	-	-	-	52,808,501	
		1,444,588,971	660,928,106	62,816,512	45,822,708	187,196,830	106,263,210	16,368,914	61,788,950	85,285,278	212,674,086	
Liabilities												
Bills payable		11,821,698	-	-	-	-	-	-	-	-	11,821,698	
Borrowings	7.84%	89,505,892	54,865,233	9,993,161	7,185,921	1,467,529	2,097,344	2,217,657	3,572,934	8,106,113	-	
Deposits and other accounts	5.96%	1,144,763,259	631,437,026	35,105,817	22,527,727	24,408,630	3,459,232	2,002,175	1,270,783	-	424,551,869	
Other liabilities		76,717,784	-	-	-	-	-	-	-	-	76,717,784	
		1,322,808,633	686,302,259	45,098,978	29,713,648	25,876,159	5,556,576	4,219,832	4,843,717	8,106,113	513,091,351	
On-balance sheet gap		121,780,338	(25,374,153)	17,717,534	16,109,060	161,320,671	100,706,634	12,149,082	56,945,233	77,179,165	(300,417,255)	
Off-balance sheet financial instruments												
FX options purchase		431,449	204,798	226,651	-	-	-	-	-	-	-	
Forward purchase of Government securities		82,284,304	82,284,304	-	-	-	-	-	-	-	-	
Cross Currency Swaps purchase		4,428,663	-	311,405	-	765,490	1,522,069	867,049	972,650	-	-	
Interest Rate Swaps purchase		316,500	-	-	-	316,500	-	-	-	-	-	
Foreign exchange contracts purchase		217,809,539	82,724,358	85,102,271	45,299,680	4,683,230	-	-	-	-	-	
		305,270,455	165,213,460	85,640,327	45,299,680	5,765,220	1,522,069	867,049	972,650	-	-	
FX options sale		431,449	204,798	226,651	-	-	-	-	-	-	-	
Forward sale of Government securities		5,412,334	5,412,334	-	-	-	-	-	-	-	-	
Cross Currency Swaps sale		4,636,745	-	311,405	52,745	765,490	1,677,406	867,049	972,650	-	-	
Foreign exchange contracts sale		187,805,779	68,703,212	67,523,912	50,136,199	1,442,456	-	-	-	-	-	
		198,286,307	74,320,344	68,061,968	50,188,944	2,207,946	1,677,406	867,049	972,650	-	-	
Off-balance sheet gap		106,984,148	90,893,116	17,578,359	(4,889,264)	3,557,274	(155,337)	-	-	-	-	
Total Yield/Interest Risk Sensitivity Gap		65,518,963	35,295,893	11,219,796	164,877,945	100,551,297	12,149,082	56,945,233	77,179,165	5,444,367	529,181,741	
Cumulative Yield/Interest Risk Sensitivity Gap		65,518,963	100,814,856	112,034,652	276,912,597	377,463,894	389,612,976	446,568,209	523,737,374	529,181,741		

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

2018

	Effective yield / interest rate	Total	Exposed to Yield/ Interest risk								Non-interest bearing financial instruments	
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 years
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.35%	103,174,597	9,466,493	-	-	-	-	-	-	-	-	93,708,104
Balances with other banks	0.33%	11,878,975	2,360,028	277,724	-	-	-	-	-	-	-	9,232,223
Lending to financial institutions	6.88%	35,106,241	34,474,890	631,351	-	-	-	-	-	-	-	-
Investments	7.56%	749,368,738	466,394,574	119,714,644	41,941,537	15,156,060	34,915,013	14,498,841	15,485,864	10,071,227	-	31,190,978
Advances	7.72%	503,581,323	472,395,717	7,608,875	3,825,431	3,348,002	2,160,107	3,744,873	3,071,331	2,576,565	4,850,422	-
Other assets		35,753,619	-	-	-	-	-	-	-	-	-	35,753,619
		1,438,863,493	985,100,702	128,232,594	45,766,968	18,504,062	37,075,120	18,243,714	18,557,195	12,647,792	4,850,422	169,884,924
Liabilities												
Bills payable		15,699,280	-	-	-	-	-	-	-	-	-	15,699,280
Borrowings	4.81%	216,018,886	180,077,688	11,794,618	8,445,473	699,729	1,402,299	1,743,962	3,097,690	6,722,977	-	2,034,450
Deposits and other accounts	3.18%	1,049,037,615	576,551,892	24,571,755	16,898,047	23,460,911	2,422,004	2,237,823	996,118	-	-	401,889,065
Subordinated debt	7.91%	3,891,019	-	-	3,891,019	-	-	-	-	-	-	-
Other liabilities		52,051,683	-	-	-	-	-	-	-	-	-	52,051,683
		1,336,698,483	756,629,580	36,366,373	29,234,539	24,160,640	3,824,303	3,981,785	4,093,808	6,722,977	-	471,684,478
On-balance sheet gap												
		102,165,010	228,471,122	91,866,221	16,532,429	(5,656,579)	33,250,817	14,261,929	14,463,387	5,924,815	4,850,422	(301,799,554)
Off-balance sheet financial instruments												
FX options purchase		1,378,370	523,732	756,090	98,548	-	-	-	-	-	-	-
Outright purchase of Government Securities		13,660,947	13,660,947	-	-	-	-	-	-	-	-	-
Cross currency swaps - purchase		4,026,814	207,483	-	-	-	1,525,885	1,209,227	1,084,219	-	-	-
Interest Rate Swaps - purchase		316,500	-	-	-	-	316,500	-	-	-	-	-
Foreign exchange contracts purchase		125,528,129	62,649,641	33,523,691	28,834,032	520,765	-	-	-	-	-	-
		144,910,760	77,041,803	34,279,781	28,932,580	520,765	1,842,385	1,209,227	1,084,219	-	-	-
FX options sale		1,378,370	523,732	756,090	98,548	-	-	-	-	-	-	-
Forward sale of Government securities		14,274,714	14,274,714	-	-	-	-	-	-	-	-	-
Cross Currency Swaps - sale		4,185,049	207,483	-	-	-	1,684,120	1,209,227	1,084,219	-	-	-
Foreign exchange contracts sale		91,239,998	38,964,602	21,251,103	29,049,260	1,975,033	-	-	-	-	-	-
		111,078,131	53,970,531	22,007,193	29,147,808	1,975,033	1,684,120	1,209,227	1,084,219	-	-	-
Off-balance sheet gap												
		33,832,629	23,071,272	12,272,588	(215,228)	(1,454,268)	158,265	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap												
		251,542,394	104,138,809	16,317,201	(7,110,846)	33,409,082	14,261,929	14,463,387	5,924,815	4,850,422		
Cumulative Yield/Interest Risk Sensitivity Gap												
		251,542,394	355,681,203	371,998,404	364,887,558	398,296,640	412,558,569	427,021,956	432,946,771	437,797,193		

# Notes To The Unconsolidated Financial Statements

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	2019 (Rupees in '000)	2018 (Rupees in '000)
<b>Reconciliation to total assets</b>		
<b>Balance as per balance sheet</b>	1,515,152,015	1,498,130,061
Less: Non financial assets		
Fixed assets	58,271,245	40,811,956
Intangible assets	957,552	630,141
Other assets	11,334,247	17,824,471
<b>Total financial assets</b>	<b>70,563,044</b>	<b>59,266,568</b>
	<b>1,444,588,971</b>	<b>1,438,863,493</b>
<b>Reconciliation to total liabilities</b>		
<b>Balance as per balance sheet</b>	1,346,237,232	
Less: Non financial liabilities		
Other liabilities	17,577,954	10,621,672
Deferred tax liability	5,850,645	1,532,177
	<b>23,428,599</b>	<b>12,153,849</b>
<b>Total financial liabilities</b>	<b>1,322,808,633</b>	<b>1,336,698,483</b>

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

## 45.3

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Bank's operational risk management framework, as laid down in the operational risk policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

Operational Risk Management helps the Bank understand risks and improve mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Bank. Going forward, the Bank will further strengthen its risk function, policies and procedures to facilitate its operations and improve quality of assets to safeguard interest of depositors.

### 45.3.1

#### Operational Risk-Disclosures Basel II Specific

Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, the Bank took a number of initiative with respect to operational risk management. The parallel run approval for Alternative Standardized Approach (ASA) was accorded by SBP. The bank will initiate further steps for improvement Operational Risk management in the bank.

Operational loss data pertaining to key risk events is also collected on bank-wide basis. Operational Risk Management Software (ORMS) has been developed in house in line with the regulatory requirements, which has enhanced bank's capability to capture and report operational risk events in a more systematic way. The software is also capable for periodical regulatory and management reporting. Periodic review and analysis is prepared for senior management and Risk Management and Portfolio Review Committee (RM&PRC) of the Board. The report covers the significant risk events with root cause analysis and recommendations for further improvements.

# Notes To The Unconsolidated Financial Statements

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## 45.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Bank understands that liquidity does not come for free, and surplus liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Liquidity is essential to the ability to operate financial services businesses and, therefore, the ability to maintain surplus levels of liquidity through economic cycles is crucial. Particularly during periods of adverse conditions, liquidity management is among the most important activities that the MCB conducts during both normal and stress periods. MCB recognizes that liquidity risk can arise from the Bank's activities and can be grouped into three categories:

- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

### Liquidity Management

The Asset Liability Management Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and stress scenarios. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. Bank's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing, to ensure effective and timely decision making.

MCB's liquidity risk management framework is designed to identify measure and manage in a timely manner the liquidity risk position of the Bank. The underlying policies and procedures include: Risk Management policy, Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy and Limit Structure which are reviewed and approved regularly by the senior management /Board members. Moreover; the Bank also prepares a 'Contingency Funding Plan' (CFP) to address liquidity issues in time of stress/crises situation containing early warning indicators to pre-empt unforeseen liquidity crises. MCB Bank conducts Liquidity Risk Analysis on regular basis as well as Maturity of gaps are also reviewed in order to ensure diversification in terms of tenors. MCB liquidity Risk Policy envisages to project the Bank's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying 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 The Unconsolidated Financial Statements

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## 45.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2019

	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 months	Over 1 or 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Total</b>													
<b>Assets</b>													
Cash and balances with treasury banks	132,704,797	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	8,879,536	541,582	1,083,933	696,814	1,340,374	-	-	-	-	-	-	-	-
Lending to financial institutions	209,206	-	-	880,852	-	-	-	-	-	-	-	-	-
Investments	523,435	12,011,605	1,395,543	165,746,557	4,146,532	38,619,156	37,874,254	101,658,032	85,835,490	109,566,556	17,164,625	64,933,046	109,289,651
Advances	112,864,577	10,898,866	9,633,175	33,566,678	22,988,288	27,545,204	55,225,422	25,931,037	35,055,991	42,508,022	34,030,023	46,800,437	39,631,154
Fixed assets	58,271,245	48,204	56,237	224,491	336,966	336,966	1,010,898	1,010,898	1,010,898	3,274,809	3,404,675	4,271,900	43,276,271
Intangible assets	957,552	10,296	12,012	27,456	51,480	51,480	154,441	154,441	154,441	301,022	38,766	-	-
Deferred tax assets	4,727	28,361	33,088	80,356	137,078	146,531	430,140	434,867	430,140	-	-	-	-
Other assets	189,805	3,239,882	7,694,076	7,376,794	12,172,177	13,452,420	3,216,119	3,261,953	172,314	1,214,143	2,141,963	10,111,102	-
	1,516,877,303	26,778,796	19,806,064	208,599,998	41,172,895	80,151,757	97,911,274	132,451,248	122,659,274	156,864,552	56,780,062	126,116,485	192,197,076
<b>Liabilities</b>													
Bills payable	11,821,698	394,056	2,759,396	6,304,906	-	2,467,108	-	-	-	2,097,344	2,217,657	3,572,934	8,106,113
Borrowings	89,505,892	19,597,099	5,906,627	5,599,571	7,526,054	22,863,939	7,185,921	664,824	802,705	3,459,232	2,002,175	1,270,783	-
Deposits and other accounts	1,144,763,259	1,036,080,008	7,366,606	10,153,502	12,241,878	22,863,939	22,527,727	15,917,007	8,491,623	588,296	296,041	2,832,251	3,896,122
Deferred tax liabilities	7,575,933	10,848	12,021	(35,127)	14,092	(101,965)	29,162	66,342	(28,156)	588,296	3,420,466	13,756,886	4,876,699
Other liabilities	94,295,738	9,808,328	6,967,559	16,492,957	5,507,468	5,632,683	10,851,954	5,079,603	2,003,742	2,425,495	-	-	-
	1,347,962,520	1,065,890,339	23,011,209	36,515,809	25,298,492	31,061,745	40,594,764	21,727,776	11,269,914	8,550,367	7,936,339	21,432,854	16,878,934
<b>Net assets</b>	168,914,783	(9,024,182)	(3,203,145)	170,084,189	15,883,403	49,090,012	57,316,510	110,723,472	111,389,360	148,314,185	48,843,713	104,683,631	175,318,142
Share capital	11,850,600												
Reserves	77,591,253												
Surplus on revaluation of assets	23,695,441												
Unappropriated profit	55,777,489												
	168,914,783												



# Notes To The Unconsolidated Financial Statements

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2018													
Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 months	Over 1 or 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	103,174,597	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	11,878,975	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	35,106,241	32,972,346	-	1,134,138	631,351	-	-	-	-	-	-	-	-
Investments	749,368,738	496,923	2,260,132	127,639,401	111,410,200	3,522,782	38,456,660	11,569,992	5,340,333	39,333,410	18,626,086	19,693,124	33,827,039
Advances	503,581,323	116,414,040	3,415,939	39,912,286	16,016,572	47,306,328	52,789,907	35,126,272	19,439,737	44,561,335	42,106,802	34,735,383	40,962,588
Fixed assets	40,811,956	9,662	63,328	149,557	278,361	268,335	847,974	805,007	805,007	1,916,155	1,947,399	1,732,766	31,931,157
Intangible assets	630,141	712	9,268	16,374	32,760	42,786	85,391	128,358	128,358	181,158	-	-	-
Deferred tax assets	3,276,900	6,798	39,760	135,031	159,520	152,176	605,792	483,745	446,710	413,594	393,188	96,893	265,555
Other assets	53,578,090	1,735,336	2,472,011	6,685,561	8,960,199	9,339,729	2,151,240	4,482,051	3,773,072	3,423,685	925,700	8,017,579	-
	1,501,406,961	234,085,449	8,260,438	175,672,348	136,888,963	60,632,136	94,936,964	52,595,425	29,933,217	89,829,337	63,999,185	64,275,745	106,986,339
Liabilities													
Bills payable	15,699,280	3,139,856	3,663,166	8,372,949	-	-	-	-	-	-	-	-	-
Borrowings	216,018,886	9,807,478	576,556	261,403	3,704,396	8,090,222	8,445,473	421,886	277,843	1,402,299	1,743,982	3,097,690	6,722,977
Deposits and other accounts	1,049,037,615	955,472,971	3,679,425	12,394,884	12,192,921	12,378,834	16,898,047	11,792,354	11,668,557	2,422,004	2,237,823	996,118	-
Subordinated debt	3,891,019	-	-	-	-	-	779	-	779	1,558	1,558	3,886,345	-
Deferred tax liabilities	4,809,077	1,734	2,023	4,914	8,382	8,960	26,302	26,591	26,302	105,498	105,498	1,714,610	2,777,973
Other liabilities	62,673,355	9,764,850	5,146,016	11,265,606	4,831,581	5,708,373	3,198,844	2,434,193	1,710,939	3,817,909	1,260,035	7,900,691	1,246,678
	1,352,129,232	975,568,898	13,071,186	32,299,766	20,737,280	26,187,389	28,569,445	14,675,024	13,684,420	7,749,288	5,348,876	17,595,454	10,747,628
Net assets	149,277,729	(741,483,449)	(4,810,748)	143,372,582	116,151,683	34,444,747	66,367,519	37,920,401	16,248,797	82,080,069	58,650,309	46,680,291	96,238,711
Share capital													
Reserves	11,850,600												
Surplus on revaluation of assets	74,147,981												
Unappropriated profit	9,747,104												
	53,532,044												
	149,277,729												

# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 45.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2019

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	132,704,797	132,704,797	-	-	-	-	-	-	-	-
Balances with other banks	12,542,239	11,201,865	1,340,374	-	-	-	-	-	-	-
Lending to financial institutions	1,090,058	1,090,058	-	-	-	-	-	-	-	-
Investments	748,764,502	179,665,525	42,764,030	37,872,595	187,483,587	109,524,248	17,120,045	64,890,737	94,837,469	14,606,266
Advances	496,678,874	94,021,656	52,033,469	46,410,125	51,464,951	69,033,399	60,132,349	74,935,777	41,348,513	7,298,635
Fixed assets	58,271,245	336,965	577,994	1,106,846	2,021,795	3,274,809	2,124,651	5,551,924	6,047,543	37,228,728
Intangible assets	957,552	51,480	102,961	154,441	308,882	301,022	38,766	-	-	-
Deferred tax assets	1,725,288	146,532	283,609	430,140	865,007	-	-	-	-	-
Other assets	64,142,748	18,400,556	25,599,507	3,241,210	3,434,267	1,214,143	2,141,963	10,111,102	-	-
	1,516,877,303	437,619,434	122,701,934	89,215,357	245,578,489	183,347,621	81,557,774	155,489,540	142,233,525	59,133,629
<b>Liabilities</b>										
Bills payable	11,821,698	11,821,698	-	-	-	-	-	-	-	-
Borrowings	89,505,892	54,865,233	9,993,161	7,185,921	1,467,529	2,097,344	2,217,657	3,572,934	8,106,113	-
Deposits and other accounts	1,144,763,259	67,516,013	54,469,232	50,398,665	60,795,072	274,914,858	273,457,801	272,726,409	90,485,209	-
Deferred tax liabilities	7,575,933	3,780	(88,384)	28,760	37,225	568,296	295,246	2,832,251	2,577,062	1,321,697
Other liabilities	94,295,738	40,540,731	11,340,161	10,855,453	7,079,846	2,425,495	3,420,466	13,756,886	4,338,448	538,252
	1,347,962,520	174,747,455	75,714,170	68,488,799	69,379,672	280,005,993	279,391,170	292,888,480	105,506,832	1,859,949
<b>Net assets</b>	168,914,783	262,871,979	46,987,764	20,746,558	176,198,817	(96,658,372)	(197,833,396)	(137,398,940)	36,726,693	57,273,680
Share capital	11,850,600									
Reserves	77,591,253									
Surplus on revaluation of assets	23,695,441									
Unappropriated profit	55,777,489									
	168,914,783									



# Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

## 45.5 Derivative Risk

Most business clients have either interest rate exposures arising from debt financing or currency exposures arising out of commercial transactions from import and export of goods. Businesses face the risk of sudden movements in interest rates or foreign exchange rates that may adversely affect their profitability. MCB Bank provides solutions to this problem through its derivatives desk in major types of derivative instruments i.e.; forwards, futures, swaps and options. As an Authorized Derivative Dealer (ADD), MCB is an active participant in Derivative market and has flexibility in providing a broad range of derivatives products covering both hedging and market making to satisfy customers' needs. As an ADD, the bank offers derivative products which are permitted under the Financial Derivative Business Regulations (FDBR) or as permitted by the State Bank of Pakistan. Before executing Derivative transactions, the bank ensures that the clients understand the risk and reward associated with the derivative being offered. Derivative transactions are executed with appropriate clients only.

Risk management activities take place at the following different levels.

### Strategic Level:

By senior management Assets and Liabilities Management Committee (ALCO), Management Credit and Risk Committee (MC&RC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Bank-wide basis. The Board provides the overall limits/thresholds for derivatives business.

### Macro Level

By Treasury and FX Group and Risk Management Group, responsible for policy formulation, procedure development and implementation, monitoring and reporting.

### Micro Level:

Treasury Derivatives and Structured Product Desk where risks are actually created and Treasury Operations for settlements of the transactions.

Derivative Risk Management caters the following risks:-

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. In line with SBP's regulatory guidelines, Bank hedges back-to-back all option transactions with other financial institutions. Bank minimizes the exchange rate risk on its Cross Currency Swap Portfolio by hedging the exposure in interbank market. Bank also manages interest rate risk on its Interest Rate Derivatives and Cross Currency Swaps through various sensitivity limits approved by ALCO. Marked to market positions and sensitivity of the derivatives transactions are monitored on regular basis. All individual deals are approved at the appropriate level of authority after analyzing the risk and benefits associated with the deals.

Credit risk is a probable risk of loss resulting from customer's inability to meet contractual obligation that may have adverse impact on Bank's profitability. Bank manages the risk by setting policies and limits for counterparty based on a pre-defined criteria linked with financial health of the customer. The exposure of each counterparty is monitored by Risk Management Function of the Bank on daily basis.

Considering small Derivative portfolio, bank is not exposed to any liquidity risk. However; Bank manages its liquidity risk through Bank's Liquidity Risk Policy which is defined in relevant Liquidity Risk Section.

Bank has adequate system and controls for smooth execution of derivative transactions. Transactions are executed in line with well defined accounting and operational aspects to mitigate the operational risk. Policies and control functions are regularly reviewed on periodic basis. The Bank uses a third party's Super Derivative System which provides front end sales and structuring capabilities, end to

## Notes To The Unconsolidated Financial Statements

For the year ended December 31, 2019

end valuation solutions, risk management systems, back end processing and provides analytical tools to measure various risk exposures and carry out sensitivity analysis.

The Bank uses a third party's Super Derivative System which provides front end sales and structuring capabilities, end to end valuation solutions, risk management systems, back end processing and provides analytical tools to measure various risk exposures and carry out sensitivity analysis.

The goal of asset/liability management (ALM) is to properly manage the risk related to changes in interest rates, the mix of balance sheet assets and liabilities, the holding of foreign currencies, and the use of derivatives. Due to thin liquidity in the derivative market, interest rate derivatives are not actively used to manage/alter the interest rate risk profile of the bank.

Accounting policy has been disclosed in the note 5.

### 46 EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 04, 2020 has announced a final cash dividend in respect of the year ended December 31, 2019 of Rs. 5.00 per share (2018: Rs. 4.00 per share). These unconsolidated financial statements for the year ended December 31, 2019 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

### 47 GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

### 48 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 04, 2020.



**Imran Maqbool**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Salman Khalid Butt**  
Director



**Masood Ahmed Puri**  
Director



## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2019

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
1	Taj Muhammad/Faiz Muhammad House No. 379 B-III, Mohallah Gariban Bahawalpur.	Taj Muhammad Faiz Muhammad	31202-1505854-7 31202-2826488-1	Jan Muhammad Jan Muhammad	-	1,561	67	1,628	-	1,561	67	1,628
2	Faiz Muhammad 11 Bund Road, Near Dvare Gate, Bahawalpur	Faiz Muhammad	31202-2826488-1	Jan Muhammad	-	1,080	50	1,130	-	1,080	50	1,130
3	Shahid & Co. Adda Hafiz Wala, Shujaabad Road, District Multan.	Sadiq Hussain	36301-3000887-7	Haji Allah Ditta	-	1,247	57	1,304	-	1,247	57	1,304
4	Pigma Motors 84-Mecleod Road, Lahore	Abdul Hameed Khan Sabir Ali (Deceased)	35202-9213664-5 35202-0129760-7	Akoza Khan Ch. Muhammad Ashiq	8,175	9,781	17	17,973	8,175	9,781	17	17,973
5	Imran Knitwear Pvt. Ltd C-305, 3rd Floor, City Tower, Main Boulevard Gulberg II Lahore	Imran Yousaf Nourman Yousaf Zeeshan Yousaf Sarwat Yousaf	35202-8770360-9 35202-2638843-3 35202-2830980-5 35202-6638688-4	Muhammad Yousaf Muhammad Yousaf Muhammad Yousaf	-	3,811	20	3,831	-	3,811	20	3,831
6	Saleem Flour Mills Old Gandam Mandi, Haji Pura, Sialkot	Muhammad Saleem Butt	34603-0432610-5	Muhamamd Sharif Butt	-	11,126	60	11,186	-	11,126	60	11,186
7	Nasir Nazir Chatha Verpal Chatha, Tehsil Wazirabad, Gujranwala	Nasir Nazir Chattha	34104-2285988-5	Muhammad Nazir Chattha	-	673	31	704	-	673	31	704
8	Muhammad Tanveer Jalal Pur Raod, Hafizabad.	Muhammad Tanveer	34301-4997262-1	Muhammad Rafiq	-	1,142	42	1,184	-	1,142	42	1,184
9	Irfan Siddique Moh. Bilal Park, Dhoop Sari, Tehsil Kamoke District Gujranwala	Irfan Siddique	34102-9770740-5	Muhammad Siddique	-	529	43	572	-	529	43	572
10	Shamas & Co. Villaga Jhandwala, Bashmulla Notheen, P.O Sukheke, Tehsil Pindi Bhattian District Hafizabad.	Shamas Ul Hassan	34302-1228620-5	Battay Khan	-	566	67	633	-	566	67	633
11	Sandhu Traders Mianwali Bangla, Tehsil Daska District Sialkot.	Muhammad Shahbaz	34101-2700687-7	Ghulam Rasool	-	1,212	67	1,279	-	1,212	67	1,279
12	Elahi Auto Motives Jinnah Road Gujrat	Azhar Iqbal	34201-0346189-3	Muhammad Hussain	-	11,052	57	11,109	-	11,052	57	11,109

## Annexure I

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2019

(Rupees in '000)												
Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
13	<b>Afzal Naveed Gill Petroleum</b> Chak 274/RB, Chema Colony, Faisalabad	Sajjad Asghar Gill	33100-1019723-3	Ch.Asghar Ali Gill	-	927	60	987	-	927	60	987
14	<b>Asghar Ali Petroleum Service</b> Chak 373, Samundari Faisalabad Road, Khaldi	Afzal Naveed	33100-1019725-1	Ch.Asghar Ali Gill	-	830	57	887	-	830	57	887
15	<b>Amir Hafeez</b> House No. 645-P, Street No. 5, Saddar Bazar, Mohallah Mansoor Abad, Faisalabad.	Amir Hafeez	33100-9403586-7	Abdul Hafeez	-	1,324	-	1,324	-	1,324	-	1,324
16	<b>Zafar Iqbal &amp; Co.</b> Malik Muzaffar Street, Muslim Bazaar, Mianwali	Zafar Iqbal Khan	38302-4435789-3	Sardar Khan	-	1,151	37	1,188	-	1,151	37	1,188
17	<b>Aliah Hoo Traders</b> Rana House, Police Station Ahmedpur Sial, Mohallah Jamia Masjid, Ahmed Pur Sial.	Shahbaz Ahmed	33100-6330730-1	Ijaz Ahmed	-	1,431	-	1,431	-	1,431	-	1,431
18	<b>Ladar Mass</b> House # 917, Sadar Bazar, Ward 4, Sialkot.	Muhammad Arfeen	34603-5661981-9	Sheikh Ahmad ud Din	-	533	-	533	-	533	-	533
19	<b>Sheikhupura Karachi Auto Store</b> 15 Civil Lines, Sheikhupura	Shah Nawaz Riaz	35404-5390246-7	Riaz Ahmad	-	1,617	17	1,634	-	1,617	17	1,634
20	<b>Shahid Screen Printer</b> Mauza Machake Sandhuan, Dakhana Mandialla Teggia, Tahsil & District, Gujranwala	Shahid Iqbal	34101-2652152-1	Muhammad Ashiq`	-	1,021	-	1,021	-	1,021	-	1,021
21	<b>Nadeem Zafar</b> House # 366-A, EME Society, Multan Road, Lahore	Nadeem Zafar	35202-2903329-5	Zafar Ali	-	1,981	-	1,981	-	1,981	-	1,981
22	<b>Ammad Hassan</b> House situated at Al-Mashriq Street, Bhimber Road, Near ABL Nanwan Sio, Madowala Tehsil District Gujrat.	Ammad Hassan	34201-6250280-7	Ch Muhammad Malik	-	501	45	546	-	501	45	546
23	<b>Mustafa &amp; Sons Enterprises</b> Suit No. 1 Bhatti Arcade, 2nd Floor, Model Town Link Road Lahore.	Badar Mustafa Bhatti Huma Badar	35202-0108005-7 35202-2407381-2	Ghulam Mustafa Bhatti Badar Mustafa Bhatti	-	13,737	67	13,804	-	13,737	67	13,804

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2019

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
24	Phoenix Metalware Industries Toorabad Daska Road, Sialkot	Shahnaz Akther Uzma Baig	34603-3405569-6 34603-1726845-2	Shaheen Baig Saleem Baig	-	27,993	29	28,022	-	27,993	29	28,022
25	Umer Ashfaq Ice Factory Zam Zam Colony Garh Morh Samundari	Ashfaq Ahmed	33105-7932843-7	Abdul Majeed	-	1,769	67	1,836	-	1,769	67	1,836
26	Jahangir Bhatti 27-A, Gulistan Colony No. 1, Faisalabad.	Jahangir Faisal	33100-0706478-9	Bashrat Ali Bhatti	3,528	2,081	116	5,725	-	2,081	116	2,197
27	Naveed Weaving Factory Industrial Area Street No.03, Phata Stop Samundari Road Faisalabad.	Naveed Mukhtar	33100-0972026-5	Mukhtar Ahmed	-	8,215	60	8,275	-	8,215	60	8,275
28	Hyundai Chenab Motors East Canal Road Faisalabad.	Muhamamd Bilal Tahir Naheed Firdos	33100-0657693-9 33100-0609369-8	Muhammad Tahir Khan Muhammad Tahir Khan	-	756	-	756	-	756	-	756
29	Zantac Enterprises 1- Suit No. 711, 7th Floor, Saima Trade Tower, I.I Chundrigarh Road, Karachi. 2- Flat # 4, 2nd Floor, 15th Commercial Street, Plot # 31-C, Phase-II, Extension DHA, Karachi	Junaid Ahmed Khan	42201-8910089-3	Zubair Ahmed	-	1,571	33	1,604	-	1,571	33	1,604
30	Alif Engineering House # 2/D-I/15, Nazimabad, Karachi	Haseen Khan	42101-1720973-1	Muhammad Ahmed Khan	-	7,785	837	8,622	-	7,785	837	8,622
31	Asim Irshad Kashif Park, St # 1, Sheikhupura.	Asim Irshad	35404-6029816-5	Muhammad Irshad	-	1,896	-	1,896	-	1,896	-	1,896
32	Moon Corporation House situated at Pace Course Road, Ailhan Buksh Colony, Street No 2, Gujranwala	Anjad Saeed Khan	34101-1869674-5	Abdul Majeed Khan	3,985	2,794	75	6,854	-	2,693	75	2,768
33	Abdul Hameed and Sons Village Thatha Gondal, P.O Mangat Orcha, Hafizabad.	Rana Muhammad Khalil	34301-8618115-5	Abdul Hameed	-	4,821	452	5,273	-	4,821	452	5,273
34	Ehsan Ullah and Co. Mouza Pelow Tehsil & Distt Hafizabad	Ehsan Ullah	34301-5484144-1	Nasar Ullah	1,257	1,097	17	2,371	-	1,074	17	1,091

## Annexure I

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2019

Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
35	GOGO Med Pvt Ltd 22-A, Small Industrial Estate, Shahbpura Road, Sialkot	Munir Ahmad Zulfiqar Ahmed Shabbir Ahmed Majid Zulfiqar	34603-2337169-7 34603-2337181-1 34603-2337167-9 34603-2337174-9	Muhammad Hanif Muhammad Hanif Muhammad Hanif Zulfiqar Ahmed	-	3,386	-	3,386	-	3,386	-	3,386
36	Zilfiqar Surgical Pvt Ltd	Zulfiqar Ahmed Naseer Ahmed Munir Ahmed Majid Zulfiqar Shabbir Ahmed	34603-2337181-1 34603-4779811-7 34603-2337169-7 34603-2337174-9 34603-2337167-9	Muhammad Hanif Muhammad Hanif Muhammad Hanif Zulfiqar Ahmed Muhammad Hanif	-	1,626	-	1,626	-	1,626	-	1,626
37	Abdul Ghafoor Tahir (i) House No. 10, St No. 01, Khayaban-e-Faisal, Airport Link Road, Rawalpindi (ii) Gali No. 02, House No. B1-952, Mohalla Muslim Town Rawalpindi	Abdul Ghafoor Tahir	37405-0466820-5	Abdul Wahid	-	2,188	-	2,188	-	2,188	-	2,188
38	Abdul Wahab Rice Mills Goth Abad, Lakha Post, ADC Workshop, Tehsil & District Sukkur	Abdul Wahab	45504-0144679-1	Faqeer Muhammad	-	886	-	886	-	886	-	886
39	Fazal Industries Plot No. 1-D1 & D3, Street 9/1, Sector 16-B, North Karachi Industrial Area, Karachi.	Maqsood Hussain	42101-1638301-9	Fazal Hussain	600	3,768	-	4,368	-	3,768	-	3,768
40	Kathuria Iron & Steel Shop No. 09, Al-Hamd Market, Baba-e-Urdu Road, Ranchore Quarters, Karachi.	Asad Kathuria	42301-3752165-9	Chaudhary Muhammad Naqi	-	579	-	579	-	579	-	579
41	Ali Brothers 1-House # A-100, Block 15, Gulistan-e-Johar, Karachi 2-House # 18/18, Sector 11-F, New Karachi, Karachi	Abdul Rashid Abdul Ghafoor	42201-8011415-7 42101-9508864-1	Ali Muhammad Ali Muhammad	18	1,258	-	1,276	-	1,233	-	1,233
42	Bovicich Shazia Rabbani House # SB-58, Block "K", North Nazimabad, Karachi	Shazia Rabbani	42101-1235406-8	Waliullah Malik	-	546	-	546	-	546	-	546

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2019

(Rupees in '000)												
Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
43	<b>Engineering Geo</b> 1. Bungalow # R-13, Aramish Bungalows, Block # 19, KDA Scheme # 36, Gulshan-e-Jauhar, Karachi. 2. Flat # C-407, 4th Floor, Savana City, Sub-Plot # C-7 of Plot # 1, Survey # 201, 20 & 203, Block 13-D/III, Gulshan-e-Iqbal, Karachi	Muhammad Ayaz Khan Mansoor Ahmed Rehana Adli Akhtar	42301-7121686-3 42201-0753075-3 42201-1339025-2	Muhammad Ilyas Khan Ghulam Rasool Muhammad Adli Akhtar	-	4,643	34	4,677	-	4,643	34	4,677
44	<b>Farjan Khan &amp; Muhammad Aslam Khan</b> House # C-82, Block II, Federal B. Area, Karachi	Farjan Khan Muhammad Aslam Khan	42101-2861071-5 42101-24509727	Muhammad Aslam Khan Abdul Latif Khan	-	4,705	216	4,921	-	4,705	216	4,921
45	<b>Kinza Fashion Private Limited</b> Plot No. 11, Sector 6-E, Orangi Town Karachi	Muhammad Tahir Zahir Ahmed Muhammad Amir	42401-2222735-1 42101-1902867-1 40401-2073176-1	Muhammad Hussain Abdul Shakoor Ahmed NA	-	4,879	35	4,914	-	4,879	35	4,914
46	<b>Muhammad Bux</b> C.S. # 681, 682 & 683, Ward "A", Bhattai Mohalla, Gharri Road, Taluka Mehr, District Dadu	Muhammad Bux	41205-8964657-9	Muhammad Uris Buriro	-	637	40	677	-	637	40	677
47	<b>Muhammad Farooq</b> Flat # 302, 2nd Floor, Noor Homes, Sub-Plot # A-2, Plot # 34-A/410, Block "B", KCHSL, Karachi	Muhammad Farooq	42201-0515762-9	Abdul Sattar	-	1,242	-	1,242	-	1,242	-	1,242
48	<b>Amin Rice Mills</b> 36-km, Multan Road, Near Manga High School, Mouza Baath, Tehsil Lahore City and District, Lahore.	Muhammad Amin Muhammad Munir Muhammad Naeem	35202-6107922-7 35202-9384022-1 35202-2323667-7	Muhammad Tufail Muhammad Tufail Muhammad Tufail	-	1,577	181	1,758	-	1,577	181	1,758
49	<b>Muhammad Amin Commission Shop</b> 36-km, Multan Road, Near Manga High School, Mouza Baath, Tehsil Lahore City and District, Lahore.	Muhammad Amin	35202-6107922-7	Muhammad Tufail	-	5,587	204	5,791	-	5,587	204	5,791
50	<b>Umer Trading Corporation</b> 22-A, Pir Ghazi Road, Ichra, Lahore	Muhammad Waseem	35202-0461905-3	Sheikh Muhammad Tufail	-	1,241	214	1,455	-	1,241	214	1,455



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		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
51	<b>Sharah Tameer Traders Int</b> Street No. 04, Sultanpura Haftzabad Road Gujranwala	Muhammad Asif Jamil Abdul Karim Muhammad Iqbal Javed	34101-5581699-5 34101-2599484-5 34101-2599959-5	Qazi Abdul Karim Mian Hassam ud Din Qazi Abdul Karim	-	2,376	50	2,426	-	2,376	50	2,426
52	<b>Muhammad Sohail Ikhtlaq</b> House# 122, Canal Bank Housing Society, Lahore	Muhammad Sohail Ikhtlaq	35202-8701430-3	Muhammad Ikhtlaq ch	-	14,336	33	14,369	-	14,336	33	14,369
53	<b>Muhammad Qasim Butt &amp; Samina Qasim</b> House # 60, Block-J, M. A Johar Town, Lahore	Muhammad Qasim Butt Samina Qasim	35202-4959314-7 35202-5707310-2	Muhammad Rafique Butt Muhammad Qasim Butt	-	2,653	17	2,670	-	2,653	17	2,670
54	<b>Muhammad Arjumand Farooq</b> House # 355, Block EE, Phase 4, DHA, Lahore	Muhammad Arjumand Farooq	35201-2684055-5	Muhammad Shafi	-	2,231	63	2,294	-	2,231	63	2,294
55	<b>Shahid Ajmal Khan</b> House # 16 Al-Falah Town Lahore	Shahid Ajmal Khan	35201-5495986-5	Muhammad Ajmal	1,854	1,703	19	3,576	-	657	19	676
56	<b>Sohail Nazir</b> House No 282, Block-1, Sector C-1, Township Lahore	Sohail Nazir	35202-1321888-3	Hafiz Nazir Ahmad	-	1,045	17	1,062	-	1,045	17	1,062
57	<b>Ashraf Ali</b> House # 175, Mughlia park, Maqbara Mor, Shahdria.	Muhammad Ashraf	35202-1902966-9	Ghulam Qadir	2,025	1,645	-	3,670	-	1,310	-	1,310
58	<b>Liaqat Ali</b> Gujranwala Road District Haftzabad.	Liaqat Ali	34301-0257093-9	Ghulam Muhammad	-	563	17	580	-	563	17	580
59	<b>Rehmat Group of Pakistan</b> Railway Road Pasrur, District Sialkot.	Ch. Anjad Ali Imtiaz Ahmed Bhatti Hafiz Ijaz Mehmood Bhatti	34602-4456903-1 34602-8182189-1 34602-8582938-9	Ch. Rehmat Ali Ch. Rehmat Ali Ch. Rehmat Ali	-	1,277	10	1,287	-	1,277	10	1,287
60	<b>Sharif Traders</b> Village Lohara, Tehsil Shakargarh District Narowala	Muhammad Sharif	34502-2210255-1	Ahmad Din	791	620	-	1,411	-	611	-	611
61	<b>Gujar Rice Mills</b> Village Lohara, Tehsil Shakargarh District Narowala	Muhammad Farooq	34502-1615749-9	Muhammad Sharif	185	1,122	43	1,350	-	1,107	43	1,150
62	<b>Atta Ul Mustafa &amp; Brothers</b> Qadari House, Gousia Street , Mohallah Ganj Pura, Pindi Bhattian District Haftzabad	Atta Ul Mustafa	34302-2378376-3	Abdul Khaliq Qadari	1,000	751	82	1,833	-	751	82	833

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Domestic												
63	<b>Agbro Feeds</b> 7-A, Kashmir Gate Plaza, Muree Road, Rawalpindi	Ali Afzal Sial	37405-5354092-7	Yar Baig	-	2,237	207	2,444	-	2,237	207	2,444
64	<b>Agbro Chicks</b> 7-A, Kashmir Gate Plaza, Muree Road, Rawalpindi	Ali Afzal Sial	37405-5354092-7	Yar Baig	-	1,933	207	2,140	-	1,933	207	2,140
65	<b>Noorani Traders</b> House No. 06, Madina Street, Gulbahar No. 03, Peshawar	Abdul Ahad Noorani	17301-1382718-9	Haji Muhammad Arif Noorani	854	4,003	-	4,857	-	3,886	-	3,886
66	<b>Bahoo Hardware &amp; Paint Store</b> Rail Bazar near MCB Branch Jaranwala.	Fazal Karim Khalid Mehmood	33104-3383983-1 33104-8214221-7	Muhammad Din Fazal Karim	-	661	25	686	-	661	25	686
67	<b>Fateh Muhammad &amp; Sons</b> Buchiana Tehsil Jaranwala District Faisalabad.	Sadaqat Ali Liaqat Ali Nazakat Ali	33104-3514725-3 33104-3513775-3 33104-6790326-1	Fateh Ali Fateh Ali Fateh Ali	1,152	627	43	1,822	-	620	43	663
68	<b>Matloob Hussain</b> Grain Market Faisalabad	Matloob Hussain	33100-0762256-5	Talib Hussain	-	1,259	17	1,276	-	1,259	17	1,276
69	<b>Shakeel Weaving Factory</b> House No. P-326- Al Najaf Colony Faisalabad	Shakeel Asghar	33100-0683162-4	Asghar Ali Tabbasum	75	1,201	25	1,301	-	1,201	25	1,226
70	<b>Sohail Weaving factory</b> House No. P-326- Al Najaf Colony Faisalabad	Sohail Asghar	33100-8733550-5	Asghar Ali Tabbasum	75	1,198	25	1,298	-	1,199	25	1,224
71	<b>R.C.C Builders</b> A-48, Main Samugli Road, Samungli Town, Quetta.	Abdul Rahim Shah	61101-2949038-3	Abdul Karim	-	1,349	163	1,512	-	1,349	163	1,512
72	<b>Muhammad Tauseef</b> House # 8, Row # 6, Sub-Block 'C', Block III, Nazimabad Karachi	Muhammad Tauseef	42101-5294928-7	Saleem Khan	-	2,390	256	2,646	-	2,390	256	2,646
73	<b>Anwaar Ahmed Sheikh</b> House# 457-Block-Q, Model Town Extension, Lahore	Anwaar Ahmed Sheikh	35202-9101286-9	Haji Fazal Ahmed	-	2,192	17	2,209	-	2,192	17	2,209
74	<b>Tahir Mehmood Butt</b> House # 7, Block-J/3, Johar Town near Expo center Lahore	Tahir Mehmood Butt	35201-3034098-7	Bashir Ahmed	-	5,328	18	5,346	-	5,328	18	5,346
75	<b>Junaid &amp; Co</b> Shop # 3 New Grain Market Bahawalpur.	Muhammad Abdullah	36203-1822004-7	Abdul Rehman	-	662	52	714	-	662	52	714
76	<b>Muhammad Farooq</b> Bahawalpur Road Makhdoom Aali Lodhron.	Muhammad Farooq	36201-2835915-9	Lal Khan	-	1,330	50	1,380	-	1,330	50	1,380

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Domestic												
77	Faisalbad Petroleum Services 1- Burewala Road Tehsil & District Vehari. 2-House No. 118, Street No. 01, Ashrafi Colony, Vehari.	Ali Ikram	36603-7189356-9	Ikram Ul Haq	-	1,010	21	1,031	-	1,010	21	1,031
78	Bismillah Agencies Burewala House No.94-11 Block I Burewala.	Muhammad Ilyas	36601-0194406-9	Sharif Muhammad	-	783	47	830	-	783	47	830
79	Awais Traders 1- Shop # 80/G Ghallah Mandi Burewala district Vehari, Burewala. 2- Ghuman House, Mohallah Yousafabad, Burewala Vehari	Awais Yousaf	36601-1436875-1	Khalid Maqsood	-	499	35	534	-	499	35	534
80	Mahar Spray Center Quaid-e-Azam Road Kehror Pacca Lodhran.	Abdul Razzaq Abdul Hamid	36202-2594109-5 36202-3213447-9	Inam Buksh Inam Buksh	-	465	100	565	-	465	100	565
81	Keezia Poultry Farm Chak # 21 7/EB Gaggio Mandi.	Raja Mazhar Iqbal	36601-0329189-1	Muhammad Ilyas	-	1,059	45	1,104	-	1,059	45	1,104
82	Muhammad Aslam Jetha Bhutta Shop Shahi Road, Jetha Bhutta Rahim Yar Khan.	Muhammad Aslam	31301-5813417-5	Muhammad Rafiq	-	577	34	611	-	577	34	611
83	Faiz Eye Centre House No. 83, Shadman II Lahore	Dr. Faiz Rasool Choudry	31301-3141281-3	Abdul Khaliq	-	5,994	90	6,084	-	5,994	90	6,084
84	Qaiser Bashir H.No. 198-A Faisal Town Lahore	Qaiser Basheer	38403-5867304-5	Bashir Ahmed	7,417	991	340	8,748	-	991	340	1,331
85	Faisal Javed & Musarrat Begum House # 71/1, 14th Lane, Khayaban-e-Behria, Phase-VII, DHA, Karachi	Faisal Javed Musarrat Begum	42301-3459401-1 42101-2116642-8	Javed Safi Vohra Javed Safi Vohra	1,819	5,835	34	7,688	-	4,749	34	4,783
86	Humayun & Company Ammar Road, Link Muslim Road, Near Jamia Faiz Rasool, Gujranwala.	Humayun Faiz Ul Rasool	34101-8751265-3	Muhammad Shafi	945	830	23	1,798	-	830	23	853
87	Inshallah Poultry Concern Chak No. 48, NB Post Office Same, Sargodha	Muhammad Naseem Akhtar	38403-2243395-9	Abdul Majeed	2,389	794	64	3,247	-	583	64	647

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Domestic													
88	Rehman Traders	P-114 Ghala Mandi Tandlianwala Faisalabad.	Rasheed Khan Pathan	33106-0343019-1	Sharif Khan	929	528	32	1,489	-	517	32	549
89	Muhammad Zahoor & Zafer Iqbal	Saadat Biscuit Industry, Factory Area, Mohini Road, Sargodha	Muhammad Zahoor	38403-1694420-3	Ghulam Gelani	1,899	789	70	2,758	-	639	70	709
90	Munir Hussain & Iftikhar Ahmed	House No.2-C, Street No.42, Jameel Town .Liadat Chowk, Mouza Saidpure, Tehsil District Lahore.	Munir Hussain Iftikhar Ahmed	35202-7366680-1 35401-1363534-3	Muhammad Ramzan Manzoor Ahmed	-	546	41	587	-	546	41	587
91	Uppal Brothers Rice Mills	Kot Radha Kishen, Rawind	Muhammad Afzal Arshad Ali	35202-2348240-9 35202-2812561-5	Muhammad Ali Muhammad Ali	-	11,233	19	11,252	-	11,233	19	11,252
92	Chohan Construction Company	466K Model Town, Lahore.	Muhammad Riaz Chohan	35202-2865946-5	Muhammad Jameel Chohan	-	3,778	137	3,915	-	3,778	137	3,915
93	Jehangir Rice Traders	Pindori PO Kirto, Sheikhupura	Muhammad Jahangir	35401-4977041-5	Aliah Ditta	-	1,451	-	1,451	-	1,451	-	1,451
94	M.N Nadeem Brothers	Main Bazaar Sohawari Mughalpura, Lahore.	Muhammad Yaqoob Muhammad Nadeem Muhammad Nisar	35201-1645259-5 35201-8305028-7 35201-2655045-9	Muhammad Ibrahim Muhammad Yaqoob Muhammad Yaqoob	-	974	33	1,007	-	974	33	1,007
95	Qazi Enterprises	House # 99 Qasim Block Naqshband Colony Rasheedabad, Multan	Masroor Mehmood Qureshi	36302-0451380-7	Qazi Nasir UD Deen Qureshi	-	498	41	539	-	498	41	539
96	MRS Enterprises	Plot 6 street 8 Block U, New Multan Colony Multan	Syed Mujahid Abbas Zaidi Rizwan Ul Haq Qureshi	36302-4820682-9 36302-0286705-3	Syed Akhlaq Hussain Zaidi Mian Sharuddin Hashmi.	510	1,814	50	2,374	-	1,814	50	1,864
97	Malik Ghulam Abbas	1. House No. 145, Trust Colony, Bahawalpur 2. Suivala Post Office Qureshi Wala Sui Wala Post Office Lodhran	Malik Ghulam Abbas	31202-9377767-5	Malik Ghulam Qadir	-	694	17	711	-	694	17	711
98	Faizan-e-Madina Trading Co	Azeem Lodge, House No. 13, Street No. 5, New Multan Colony Multan	Asghar Ali Khan	36302-2285937-6	Muhammad Amin	-	761	17	778	-	761	17	778

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Domestic												
99	<b>Asim Brothers</b> 1. Ward # 02, Mohallah Bhatti, Allahabad Tehsil Liaquatpur. 2. Main Bazar, Allah Abad, Rahim Yar Khan	Muhammad Asim Bhatti	31302-2122517-5	Abdul Malik Bhatti	-	535	47	582	-	535	47	582
100	<b>Muhammad Sharif Khan</b> 1. H No. 123-P Burewala. 2. H No. 6, Anjad Town, Burewala	Muhammad Sharif Khan	36601-1582898-7	Gul Khan	-	1,155	44	1,199	-	1,155	44	1,199
101	<b>Rashid Ahmad</b> Chan Waheed Wala Mouza Dera Gharbi Tehsil & District D.G Khan.	Rashid Ahmad	32102-5968852-5	Qadir Buksh	-	545	36	581	-	545	36	581
102	<b>Athar Ahmed Quereshi</b> Muhallah Railway Colony, Mughalpura Station, Block 13, Lahore	Athar Ahmed Quereshi	35201-0964836-7	Muhammad Sharif	524	499	16	1,039	-	493	16	509
103	<b>Ifthikhar Traders</b> Mouza Kolaar, PO Kot Waris, Tehsil Wazirabad, District Gujranwala	Ifthikhar Ahmad	34104-2350831-1	Muhammad Maalik	189	586	37	812	-	579	37	616
104	<b>Space Builders/Estate Agent</b> Mohallah Mola Dad Colony, Gujrat	Saleem Nasir	34401-7201009-1	Hatim Ali	491	1,341	17	1,849	-	1,349	17	1,366
105	<b>Falak Sher Anzar Mehar</b> Street Maher Saleem Wali, Mohallah BakhttaWala, Gujranwala	Falak Sher Anzar Mehar	34101-5830126-5	Muhammad Yunus	1,045	570	77	1,692	-	579	77	656
106	<b>Muhammad Nawaz</b> Muhalla Bahawalpura, Kassoki Road, District Hafizabad.	Muhammad Nawaz	34301-1764731-3	Manzoor Ahmad	999	510	33	1,542	-	528	33	561
107	<b>Muhammad Asad Naseer</b> House No-90-91, Hassan Street Canal Park Besides Kamal House East Canal Road Faisalabad.	Asad Naseer	33100-2904569-3	Naseer Ahmed	-	7,303	67	7,370	-	7,303	67	7,370
108	<b>Muhammad Abdullah &amp; Muhammad Akbar</b> House # 991/1, 13th Lane, , Phase-VII, DHA, Karachi	Muhammad Abdullah Muhammad Akbar	42301-6915230-9 42301-4608970-1	Muhammad Akbar Haji Muhammad Sadiq	14,995	7,077	35	22,107	-	7,077	35	7,112



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Domestic												
109	<b>Malik Yousaf Falooda Shop</b> Main Wahdat road, Lahore	Muhammad Shafiq	35202-0674271-3	Muhammad Boota	-	774	47	821	-	774	47	821
110	<b>Rubbani Rice Mills</b> Circular Road, Daska District Sialkot	Abdul Rauf Rabbani Naveed Asif Rabbani Nadeem Asif Rabbani Adeel Asif Rabbani	34601-0721805-7 34601-9109252-9 34601-2935906-9 34601-4709823-9	Abdul Rasheed Rabbani Abdul Rasheed Rabbani Abdul Rasheed Rabbani Abdul Rasheed Rabbani	-	17,538	87	17,625	-	17,538	87	17,625
111	<b>Itefaq Textile Mills Limited</b> 48Km, Multan Road, Bhai Phero	Haron Yousaf Aziz Muhammad Yusuf Aziz Kausar Yousaf Saira Farooq Ayesha Haroon	35202-2913294-7 35202-0694312-9 35202-8823233-4 35202-0468551-8 35202-2707358-8	Muhammad Yousaf Aziz Abdul Aziz Mian Yousaf Aziz Farooq Pasha Haron Yousaf	-	417,120	185	417,305	-	417,120	185	417,305
112	<b>Agro Leads International</b> Chowk by-pass 1 KM Bahawalpur Road Multan.	Ashraf Ali Attique Mian Abdul Hameed	36302-8310973-1 36302-0490448-5	Hakomat Ali Mian Sardar Ali	-	2,823	68	2,891	-	2,823	68	2,891
113	<b>Rauf Corporation</b> House # 14, Mohallah Housing scheme block V Burewala District Vehari.	Rauf Ul Gani	36601-3612784-5	Abdul Gani	-	557	15	572	-	557	15	572
114	<b>Friends Corporation</b> Hasil Pur Road, near General Bus Stand Chistian.	Shoaib Toor	31102-2459218-9	Abdul Razzaq	-	1,367	17	1,384	-	1,367	17	1,384
115	<b>Ansan Corporation</b> House # 39 Baldia colony Block G Tehsil Chistian District Bahawalnagar.	Abdul Hameed Shahzad Faisal Hussain	31102-0652057-1 31102-0652059-9	Muhammad Shafi Abdul Hameed Shahzad	-	958	62	1,020	-	958	62	1,020
116	<b>Ayyaz Oil Company</b> Farid Town Road,House # 508/3 Block 7 Sahiwal.	Muhammad Ayyaz	36502-9541227-5	Ahmad Hassan	-	808	50	858	-	808	50	858
117	<b>Muhammad Dilshad Akhtar</b> Basti Malook Dunyapur Road Multan.	Muhammad Dilshad Akhtar	36302-5981876-1	Abdul Shakoor	-	732	85	817	-	732	85	817
118	<b>Sheikh Paper Mart</b> Out side Bohar Gate, Paper Market Multan.	Sheikh Ansar Zahoor Sheikh Muhammad Naeem Sheikh Saeed Ahmad	36302-0955466-5 36302-6193173-3 322-91-709680	Sheikh Zahoor Ahmad Muhammad Farooq Muhammad Farooq	-	1,676	17	1,693	-	1,676	17	1,693
119	<b>Muhammad Adil</b> House#8, Street 12, Main Bazar Mali pura Lahore.	Muhammad Adil	35202-8274115-3	Muhammad Fazil	-	5,188	16	5,204	-	5,188	16	5,204
120	<b>Azmat Nishan Ajmi</b> House # 149-A, Valencia Town, Lahore	Azmat Nishan Ajmi	35202-2031079-9	Qaise Ajmi	-	974	-	974	-	974	-	974

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Domestic												
121	<b>Tariq Mahmood</b> House # 11, Nargis Block, Allama Iqbal Town, Lahore.	Tariq Mahmood	35202-2936752-9	Mahmood Ahmad Chaudary	-	6,978	17	6,995	-	6,978	17	6,995
122	<b>Anum Fabrics</b> 314-B-III, Johar Town Lahore	Sheikh Muhammad Abdullah	35202-1484707-3	Ashraf Ali	-	1,557	17	1,574	-	1,557	17	1,574
123	<b>PACE (PAKISTAN) Limited</b> Aamna Taseer Shahbaz Ali Taseer Shenbano Taseer Rema Hussain Qureshi Kanwar Latafat Ali Khan Farhan Hasan Shabana Atta	35201-1566773-0 35201-7312405-1 35201-2124264-0 35201-4049045-6 42301-8974036-9 35201-4547644-5 35201-2053114-4	Salmaan Taseer (Late) Salmaan Taseer (Late) Amin Ellahi Sheikh Shehryar Ali Taseer Kanwar Latafat Ali Khan Malik Usman Hasan Atta Muhammad	29,964	39,959	-	69,923	-	39,959	-	39,959	
124	<b>Rummy International</b> Mughal Street Mohalla Shahab Pura District Sialkot.	Ilyas Ahmed Bhatti	3603-7223377-1	Muammad Saeed Bhatti	-	2,105	66	2,171	-	2,105	66	2,171
125	<b>Timex International</b> 747-B Satellite Town Gujranwala	Asim Zahoor	34101-1121264-1	Sardar Zahoor Ahmed	-	5,400	-	5,400	-	5,400	-	5,400
126	<b>Warraich Commission Shop</b> Chak Jano Kalan Tehsil Phalia District Mandi Bahuddin	Muhammad Inayat	34403-1847324-7	Taj Din	885	540	-	1,425	-	534	-	534
127	<b>Chaneer Builders</b> Mouza Shahpur, Rehmand Shaheed Road Gujrat.	Sarfraz Sarwar	34201-6539259-5	Ghulam Sarwar	-	1,271	-	1,271	-	1,271	-	1,271
128	<b>Sikandar Industry</b> Nowshera Sansi Road, Gujranwala.	Shahbaz Amin Rana Sikandar	34101-5183439-3 34101-7989841-9	Muhammad Amin Laeeq Ur Rehman	1,000	700	42	1,742	-	623	42	665
129	<b>Muhammad Sadiq Industries (Pvt.) Limited</b> 12-KM Liberty town Sheikhupura Road Lahore	Muhammad Arshad Muhammad Asad Farzana Arshad Fahad Arshad	35202-5908919-5 35202-2518150-3 35202-2781792-2 35202-8385516-1	Muhammad Sadiq Muhammad Sadiq Muhammad Arshad Muhammad Arshad	-	15,270	67	15,337	-	15,270	67	15,337
130	<b>Shazco Trader</b> House # 353, Quaid Villa, Bahria Town, Karachi	Syed Bilal Shah	42201-2187455-5	Azmatullah Shah	-	58,228	-	58,228	-	58,228	-	58,228
131	<b>The Circuit Pvt Ltd</b> F-78, Block-5, Kerkashan, Clifton, Karachi 7560, Pakistan	Nighat Mir Azam Ali Imran Mir Azam Ali	42301-0327349-2 42301-4660337-1	Imran Mir Azam Ali Mir Ahmed Ali	-	3,405	-	3,405	-	3,405	-	3,405
132	<b>Sufi Traders</b> House # 296, 2C-I Township Lahore	Tasneem Ahmed Sufi Yasir Tasneem	35202-8002059-5 35202-2372387-5	Sufi Nazeer Ahmed Tasneem Ahmed Sufi	-	7,332	204	7,536	-	7,332	204	7,536

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2019

(Rupees in '000)												
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		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
133	<b>Jaguar Private Limited</b> P-79 Sheikhpura Road Faisalabad	Naeem Ul Haq Asam Ul Haq Sobia Kashwaha Iram Asim Shabiran Bibi	33100-7705265-3 33100-2732219-3 35201-4926404-6 33100-2101785-6 33100-5314979-0	Ch. Abdul Haleem Ch. Abdul Haleem Naeem Ul Haq Asam Ul Haq Ch. Abdul Haleem	-	48,249	20	48,269	-	48,249	20	48,269
134	<b>Mirza Niaz Muhammad &amp; Sons</b> Plot No.3331, Harbance Pura Road, P.O.Taj Pura, Lahore	Mirza Naser Saeed Mirza Mazhar Saeed	35201-2381125-9 35201-9378404-1	Mirza Saeed Ahmed Mirza Saeed Ahmed	-	7,669	-	7,669	-	7,669	-	7,669
135	<b>Outlet (Pvt.) Ltd</b> 248-XX, DHA, Lahore.	Muhammad Ahsan Naeem Asma Ahsan	35202-7880704-9 35202-9553494-8	Ch. Muhammad Naeem Muhammad Ahsan Naeem	-	22,757	44	22,801	-	22,757	44	22,801
136	<b>Mobin khan</b> 103-F, Model Town, Lahore	Mobin Khan	35202-7363318-3	M. A. Azam Khan	2,090	2,182	-	4,272	-	2,199	-	2,199
137	<b>Madina Oil</b> House # 97, Mohallah Mistarian, Old Sabzi mandi, District Kasur.	Khalid Hussain	35101-7399260-5	Rehmat Ali	-	946	19	965	-	946	19	965
138	<b>E S Sons International</b> Alama Iqbal Town, Defence Road, Sialkot	Sultan Sarwar Rana Waqas Sarwar Rana	34603-8383357-9 34603-8384402-9	Muhammad Sarwar Rana Muhammad Sarwar Rana	-	2,558	-	2,558	-	2,558	-	2,558
139	<b>Al-Qadir Paper Roll Print</b> P Nawabnawala Road, Faisalabad	Waheed Ahmad Buttar Zeeshan abbas Buttar	33100-9919838-9 33100-6130624-5	Ch. Shukar Din Ch. Shukar Din	1,000	1,099	32	2,131	-	1,118	32	1,150
140	<b>Malik Zari Services</b> Chowki More Kotla Moosa Khan Road Ahmed Pur East Bahawalpur	Malik Ayyaz Hussain	31201-0355276-9	Muhammad Nawaz Hussain	-	974	37	1,011	-	974	37	1,011
141	<b>Muhammad Younis</b> Jahanian Chak No.113-R P.O SAME Jahanian.	Muhammad Younis	36101-2011559-5	Muhammad Ali	-	500	17	517	-	500	17	517
142	<b>Liaquat Ali</b> Gill Enterprises Rampur Road Jatol.	Liaquat Ali Gill	32302-1711368-9	Haji Inayat Ullah	-	838	-	838	-	838	-	838
143	<b>Arslan Traders</b> 760-E Shah Rukne Alam Colony Multan	Muhammad Asif Arshad Abu-Ul-Aas Ali	36302-5253731-1 36302-1773647-9	Muhammad Arshad Karamat Ali	-	3,650	68	3,718	-	3,650	68	3,718
144	<b>SAWA AG Network</b> 135/A Multan Road Sahiwal.	Muhammad Saeed Akhtar	36502-9348308-1	Din Muhammad	-	2,177	67	2,244	-	2,177	67	2,244
145	<b>Abdul Sattar</b> Chak 451/E-B Laat Kariyan Wali Burewala.	Abdul Sattar	36601-1548973-3	Muhammad Sardar	-	924	15	939	-	924	15	939

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		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
146	<b>Bashir Flour Mills</b> Seetal Mari Budhala Road Multan.	Bashir Ahmad Shahid Bashir Arshad Bashir Raheel Bashir Mujahid Bashir	36302-0439822-9 36302-0439821-1 36302-0439802-1 36302-0439821-1 36302-0439810-3	Rahmat Ullah Rahmat Ullah Rahmat Ullah Rahmat Ullah Rahmat Ullah	-	2,713	67	2,780	-	2,713	67	2,780
147	<b>Data Zari Services</b> Ghalla Mandi Behawalpur.	Rana Abdul Majeed Muhammad Haneef	31202-4275081-5 31202-2031991-7	Ali Ahmed Khan Muhammad Ismail	-	980	-	980	-	980	-	980
148	<b>Ghousia Filling Station</b> House No.798 Near Al Jeelan School Suraj Kund Road Multan	Abdul Qayyum	36302-0928343-3	Abdul Ghaffar	-	992	17	1,009	-	992	17	1,009
149	<b>Muhammad Afzal</b> Kotla Mugh Lan Jampur.	Muhammad Afzal	32402-5114560-7	Muhammad Saadq	-	890	40	930	-	890	40	930
150	<b>Khan Industrial &amp; Medical Gases</b> Bahawalpur Road Multan.	Imran Khan	36302-3478854-1	Asmat Ullah Khan	2,994	5,740	17	8,751	-	5,740	17	5,757
151	<b>Muhammad Hanif Raza</b> House No. 19/B Fateh Sher Colony Sahiwal.	Muhammad Hanif Raza	36502-4007434-1	Muhammad Abdullah	-	742	30	772	-	742	30	772
152	<b>Fateh Muhammad Khan</b> Village Umer Khichi Malisi District Vehari.	Fateh Muhammad Khan	36602-1968785-7	Haji Noor Muhammad Khan	-	598	17	615	-	598	17	615
153	<b>Al-Sheikh Enterprises</b> KLP Road Near Chowk Petrol Pump Sadiqabad Rahim Yar Khan.	Sheikh Sikandar Mahmood	31304-3808491-7	Sheikh Allan Ditta.	-	1,604	84	1,688	-	1,604	84	1,688
154	<b>Zar Cotton Linkers</b> 383 Housing Colony Arif Wala Pak Pattan.	Siraj Ul Haq Rana	36401-9835068-3	Rana Fazal Muhammad Khan	-	650	40	690	-	650	40	690
155	<b>Javed Iqbal</b> K Block Burewala.	Javed Iqbal	36601-8636398-9	Ghulam Mujtaba	-	797	16	813	-	797	16	813
156	<b>Ahmed Petroleum Services</b> Officers Colony Rahim Yar Khan.	Syed Muhammad Ahmed Sharif	31303-6585584-7	Syed Muhammad Hussain	-	774	56	830	-	774	56	830
157	<b>Babar &amp; Co.</b> Chak No. 313/E.B Burewala District Vehari.	Muhammad Babar Ashraf	36603-2230792-7	Muhammad Ashraf	-	598	60	658	-	598	60	658
158	<b>Mohsin Farooq Cotton Ginners</b> Dist. Rajanpur Muhalla Dera Malkan Wala PO Rajanpur Aasni.	Malik Abid Hussain Ghulam Mustafa Malik Riaz Ahmad Malik Sajid Hussein	32403-1631118-5 32403-1630242-3 32403-1630243-3 32403-1622674-9	Karim Bakhsh Muhammad Bakhsh Mohsin Muhammad Bakhsh Mohsin Karim Bakhsh	-	1,872	67	1,939	-	1,872	67	1,939

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Domestic												
159	<b>Madni Traders</b> Railway Road Kot Mithan Sharif Tehsil & District Rajanpur	Malik Riaz Ahmad	32403-1630243-3	Muhammad Bakhsh	-	848	43	-	848	43	891	
160	<b>Muhammad Ishaq</b> Mouza Qamber Chah Sandlian Wala Malisi District Vehari.	Muhammad Ishaq	36602-7921215-1	Jan Muhammad	-	1,340	67	-	1,340	67	1,407	
161	<b>Zahid Niaz &amp; Co.</b> Ghailan Mandi Sadiqabad Rahim Yar Khan.	Zahid Iqbal Niaz Muhammad	31304-4342202-7 360-65-319190	Haji Niaz Muhammad Jan Muhammad	-	1,443	57	-	1,443	57	1,500	
162	<b>Chaudhry Naeem Autos</b> General Truck Stand Main Road Multan.	Chaudhry Muhammad Naeem	36302-9130221-3	Chaudhry Ghulam Muhammad	-	4,197	116	-	4,197	116	4,313	
163	<b>Malik Muhammad Akmal</b> Nazd Bismillah Cotton Factory Jin Pur P/o Khas Tehsil Liqat Pur, District Rahim Yar Khan.	Muhammad Akmal	31302-2161802-1	Haji Hazoor Buksh	799	478	47	-	482	47	529	
164	<b>Shadab Oil Products</b> G.T Road Kot Addu, District Muzaffargarh Kot Addu.	Zulfiqar Ali	32303-2395363-1	Charigh -UD-Din	-	606	35	-	606	35	641	
165	<b>Muhammad Khalid</b> House#274, Block No. 4, Sector A-II, Township Lahore	Muhammad Khalid	35202-2722134-3	Zia Ud Din	-	1,071	19	-	1,071	19	1,090	
166	<b>Afshan Waheed</b> House#252-M, Phase-I, DHA Lahore	Afshan Waheed	35201-1566810-2	Shahid Waheed	-	856	125	-	856	125	981	
167	<b>Hamid Riaz</b> House#20, Street#46, Bashir Shah Street, Muhalla Chah Miran, Lahore	Hamid Riaz	35202-7833577-7	Muhammad Bashir Riaz	-	2,756	19	-	2,756	19	2,775	
168	<b>Syed Muhammad Faisal Ahmed</b> House No. 88, Sardar Street, Habibullah Road, Lahore	Syed Muhammad Faisal Ahmed	35202-0688674-5	Syed Muhammad Ahmed	-	1,866	49	-	1,866	49	1,915	
169	<b>Muhammad Ishaq Malik</b> House No.6, near 58-K, Model Town, Lahore	Muhammad Ishaque Malik	35202-3013505-9	Muhammad Akhlaq Malik	-	1,262	17	-	1,262	17	1,279	
170	<b>Atif Irfan Sheikh</b> House#30-P, Model Town Extension Lahore	Atif Irfan Sheikh	35202-9554587-5	Irfan Aslam	-	3,334	215	-	3,334	215	3,549	



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		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
171	Muhammad Manan Nasir Nighat Parveen House # 12, Nasir Street, Zubaidda Park, Paki Thati, Lahore	Muhammad Manan Nasir Nighat Parveen	35202-2912489-9 35202-2260563-6	Muhammad Nasrullah Nasir Muhammad Nasrullah Nasir	2,319	3,202	17	5,538	-	3,233	17	3,250
172	Muhammad Imran Muhammad Ikram House No. 92 – C, Garden Block, New Garden Town, Lahore	Muhammad Imran Muhammad Ikram	35202-2868354-3 35202-8413884-3	Muhammad Ikram Sheikh Taj Din	-	7,426	344	7,770	-	7,426	344	7,770
173	Imran Corporation House No. 92 – C, Garden Block, New Garden Town, Lahore	Muhammad Imran	35202-2868354-3	Muhammad Ikram	-	1,234	17	1,251	-	1,234	17	1,251
174	Masud-ul-Hassan House No. 212, Block-2, Sector C-II, Township (Quaid-e-Azam Town Society), Lahore	Masud-ul-Hassan	35202-2535832-7	Salah-Ud-Din	-	623	18	641	-	623	18	641
175	Muhammad Younus 1- Sarai Sultan, Pather Market, 90-Railway Road, Lahore. 2- H # 52, Firdous Colony, Gulshan Ravi, Lahore	Muhammad Younus	35202-9092092-1	Abdul Rehman	-	697	86	783	-	697	86	783
176	Tanveer Ahmed H # 160/D, Block - Z, Settelite Town, Khanpur, District Raheem Yar Khan	Tanveer Ahmed	31301-8581118-3	Muhammad Hafeez	1,726	1,115	-	2,841	-	680	-	680
177	Javed Carpet House # 14, St # 43, Sanat Nagar, Lahore	Mustansir Ali Javed Mudassar Ali Javed	35202-4284850-3 35202-6213320-5	Sheikh Sakhawat Ali Sheikh Mustansir Ali Javed	2,836	7,821	-	10,657	-	7,821	-	7,821
178	Asif & Company Grain Market Toba Tek Singh	Asif Latif	33105-0332935-1	Muhammad Latif	-	977	45	1,022	-	977	45	1,022
179	Hamid Nawaz & Sons Hari Pur Malisi, District Vehari.	Hamad Nawaz	36602-5817370-3	Haji Shah Muhammad	-	1,130	58	1,188	-	1,130	58	1,188
180	Zahoor & Sons Al Farooq Ice Factory,Mohallah Lakar Mandi Khanewal.	Sheikh Zahoor Ahmed	36103-6332086-9	Sheikh Abdul Shakoor	-	753	35	788	-	753	35	788
181	Moon Enterprises 113-C Block, Munir Market Vehari.	Masood Aziz Khan	36603-7334336-7	Munir Ahmad	492	561	67	1,120	-	561	67	628

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Domestic												
182	<b>Rajput Commission Shop</b> P/o chak # 57/10 R, chak # 47/10 R, Tehsil & District Khanewal.	Rana Muhammad Abdullah	36103-1640094-5	Riyaasat Ali	-	934	41	975	-	934	41	975
183	<b>Kashitkar Cotton Ginning Factory</b> Chak #365 WB District Lodhian.	Malik Muhammad Iqbal Khan Muhammad Malik Ayesha Malik Ghulam Fatima Hurmat Fatima Jannat Fatima Naseem Fatima Muhammad Ahmed	36201-2388757-5 36302-8290374-1 322-5463318-7 322-2432409-3 36201-6555990-2 326-3617381-0 37405-9780400-4 34301-1736567-1	Malik Dost Muhammad Malik Dost Muhammad Malik Khan Muhammad Malik Dost Muhammad Malik Dost Muhammad Malik Dost Muhammad Malik Dost Muhammad Zafar Ullah Khan	-	29,685	180	29,865	-	29,685	180	29,865
184	<b>Janay Ya Ali Commission Shop</b> Thatha Ghara, PO Rasoolpur Tarrar, District Hafizabad	Muhammad Ahmed	34301-1736567-1	Zafar Ullah Khan	805	1,138	67	2,010	-	1,019	67	1,086
185	<b>Classic Ceramics</b> Plot No.A-102, Works Co-operative Housing Society, Block -10, K.D.A. Scheme No.24, Gulshan-e-Iqbal, Karachi.	Usman Ghani Lasania	42201-2066935-3	Ibrahim Lasania	2,850	4,784	34	7,668	-	4,784	34	4,818
186	<b>Asif Rana Flour and General Mills</b> 1-D/4, Sector 16-B, North Karachi	Rana Muhammad Sadiq Khan (Late)	42101-7643439-3	Choudary Gahyee Khan	-	34,820	-	34,820	-	34,820	-	34,820
187	<b>United Freight International (Pvt.) Ltd.</b> 3rd Floor, 41 Commercial Area, Convalary Ground, Lahore Cantt.	Adeeba Shabnam Zaidi Ammar Yasir Zaidi (Late)	42301-1458559-0 42301-1115116-9	Ammar Yasir Zaidi Israr Hussan Zaidi	-	9,747	33	9,780	-	9,747	33	9,780
188	<b>Syed Zafar Abbas Zaidi</b> House No 77, Block K Civil Bazar Attock.	Syed Zafar Abbas Zaidi	37101-3275978-9	Syed Muhammad Abbas Zaidi	90	469	52	611	-	449	52	501
189	<b>Fahim Aslam</b> St# 66, Mozang Road, Lahore	Fahim Aslam	35200-1488498-7	Muhammad Aslam	401	754	17	1,172	-	753	17	770
190	<b>Fareedea Art Press International</b> 04 kamal Road, Kamal Ganj, Bilal Ganj Lahore	Ch. Abdul Shakoor Fareedi	35202-7282524-1	Ch. Muhammad Ibraheem	3,804	11,878	19	15,701	-	11,932	19	11,951
191	<b>Bismillah Poultry Farm</b> LDA, Tajpura Scheme, Block 30C, Tajpura Lahore.	Ch. Kafeel Ahmad	35201-1360842-1	Ghulam Hussain	1,124	1,564	-	2,688	-	1,597	-	1,597
192	<b>Data Estate Center</b> 190-A, Block D, Gulshan Ravi, Lahore	Muhammad Jamil Chaudary	35202-3727451-9	Mian Muhammad Shafi	1,000	944	-	1,944	-	929	-	929

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Domestic												
193	<b>Data Hosiery &amp; Dying</b> Baba Qaim Sain Road Main road Sidhupura Faisalabad.	Muhammad Nawaz	33100-0619921-9	Muhammad Yousaf	-	1,246	67	1,313	-	1,246	67	1,313
194	<b>Madina Kinno Factory</b> Chak # 08-NB, Model Town, Main Kot Moman Road, Tehsil Bhailwal, District Sargodha	Bacha Gul	54400-0492356-7	Madad Khan	5,766	2,458	169	8,393	-	2,214	169	2,383
195	<b>Prism Computers</b> House No.153, Mohallah new colony Jahanian, District Khanewal Punjab.	Naveed Iqbal	36101-4319183-1	Zafar Iqbal	85	500	32	617	-	485	32	517
196	<b>Zahid Ali Khan and Co,</b> House # 195, Ward # 1 Mohallah Gillani, Uch Sharif, Tehsil Ahmed Pur East, District Bahawalpur.	Zahid Ali Khan	31201-0338767-3	Sultan Ali Khan	1,000	719	39	1,758	-	719	39	758
197	<b>Allah Yar</b> Malisi Road, Chowk Allah Waray Wala, Kehrur Pacca.	Allah Yar	36202-0925743-1	Fazal Hussain	-	813	67	880	-	813	67	880
198	<b>Quality Cotton Factory &amp; Oil Mills</b> Khan Pur Road Rahim Yar Khan.	Muhammad Jameel Munir Ahmed	31303-7252668-5 31303-3352389-3	Abdul Majeed Muhammad Saddique	-	14,239	67	14,306	-	14,239	67	14,306
199	<b>Malik &amp; Co.</b> Mohalla Kaakey Zain, Tehsil Wazirabad, District Gujranwala.	Malik Muhammad Shafique	34104-1389081-3	Malik Abdul Rehman	2,115	842	-	2,957	-	894	-	894
200	<b>Madina Commission Shop</b> Azam Ali Hakeemwala Road Jalalpur Bhattian -Hatizabad	Azam Ali	34302-1190958-3	Manzoor Ahmad	2,731	2,838	77	5,646	-	2,838	77	2,915
201	<b>Sabookh Salik</b> House No.426, Block B, Toheed Park, Gulshan E Ravi, Lahore.	Sabookh Salik Ali Sabookh Lavaiz Sabookh	35202-5583580-1 35202-9197290-3 35202-1712242-8	Ch. Muhammad Amin Sabookh Salik Sabookh Salik	-	7,277	120	7,397	-	7,277	120	7,397
202	<b>Sabookh Salik</b> House No.426, Block B, Toheed Park, Gulshan E Ravi, Lahore.	Sabookh Salik	35202-5583580-1	Ch. Muhammad Amin	-	1,456	63	1,519	-	1,456	63	1,519
203	<b>Syed Mohsin Raza Naqvi</b> House No. 422, Block H-3, M/A, Johar Town, Lahore	Syed Mohsin Raza Naqvi	35401-8517830-3	Syed Ihsan Elahi Naqvi	-	3,424	155	3,579	-	3,424	155	3,579

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Domestic												
204	Lamination House Ch Anwar Ali & Qamar-ul-Hassan R/O 6-D Fazal Din Building, Cooper Road, Lahore	Ch. Anwar Ali	35202-4831102-1	Ch Barkat Ali	2,272	1,578	26	3,876	-	1,674	26	1,700
205	Syed Tasawar Hussain Shah 100-D Gulfshan Town, 8-KM Sheikhupura Rd, Teshil Ferozewala, Distt Sheikhupura.	Syed Tasawar Hussain Shah	35202-3836718-7	Syed Tasleem Hussain	-	2,086	67	2,153	-	2,086	67	2,153
206	Ch. Abdul Rasheed H # 216 Block-E Johar Town, Lahore	Ch- Abdul Rasheed	35200-7331709-7	Ghulam Muhammad	-	1,851	-	1,851	-	1,851	-	1,851
207	Abdul Latif Plot # R-484, Sector # 33-F, Korangi Township, Karachi	Abdul Latif	42000-0445788-5	Ghulam Nabi	6,350	4,091	35	10,476	-	3,790	35	3,825
208	Evergreen Green Electronics Raja Road Gulistan Colony Faisalabad	Safi Ullah Anwar	33100-0883763-9	Muhammad Anwar	2,685	1,428	117	4,230	-	1,413	117	1,530
209	Pakistan Agri Services Main Shakhupura Road, Green Gold Gardens Gujranwala	Anwar Ul Haq Raahat Anwar Mubeen Anwar Safeen Anwar	34101-3649229-7 34101-2844691-0 34101-9543289-7 34101-5319668-3	Salamat Ali Anwar Ul Haq Anwar Ul Haq Anwar Ul Haq	373	16,736	89	17,198	-	16,559	89	16,648
210	Green Gold Seed Ind (Pvt) Ltd Main Shakhupura Road, Green Gold Gardens Gujranwala	Maheen Yasir Sana Anwar	34101-2300420-6 34101-2205420-6	Muhammad Yasir Kiyani Anwar Ul Haq	-	3,349	17	3,366	-	3,349	17	3,366
211	Asad Corporation Thatha Aurgn, P.O Jalaipur Bhattian Tehsil Pindi Bhattian District Hafizabad	Ghulam Haider	34302-5000593-7	Muhammad Nazir	1,599	1,700	17	3,316	-	1,751	17	1,768
212	Al-Makkah Filling Station & Madina Filling Station House No. 82, Street # 40 Sector 1-8-2 Islamabad	Nagina Bibi	61101-9220088-6	Abdul Rashid	904	1,686	92	2,682	-	1,687	92	1,779
213	Imran Ali Bajwa Flat # 28-C, 3rd Floor, JOSON V.I.P Apartment Block-7, Clifton, K.D.A Scheme # 05 Karachi.	Imran Ali Bajwa	42301-6457342-3	Salamat Ali	3,715	1,328	-	5,043	-	818	-	818

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## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2019

(Rupees in '000)												
Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
214	<b>Rashid Mehmood</b> Bhakkar Road, Umer Wali, Tehsil Kallur Kot, District Bhakkar	Rashid Mehmood	38103-7375481-7	Muhammad Hanif	979	724	47	1,750	-	602	47	649
215	<b>A &amp; M Active Wear</b> P-930/1, Street No.06, behind Faisal Flour Mills Sheikhpura Road Faisalabad.	Tariq Sohail	33100-5571479-7	Ghulam Dastgir	12,998	21,377	188	34,563	-	20,793	188	20,981
216	<b>Zahid Packages</b> Chohan Park, Bund Road, Lahore	Zahid Pervaiz	35202-81536803	Muhammad Latif	11,988	6,511	44	18,543	-	6,511	44	6,555
217	<b>Nasir Brothers</b> Model Town Main Bazar Liaquat Abad Lahore.	Nasir Mehmood	35201-9026206-1	Maqsood Ahmad	1,113	1,098	150	2,361	-	1,016	150	1,166
218	<b>Nisar ul Haq</b> G.T Road, Baghbanpura Lahore	Nisar ul Haq	35201-1302314-1	Mian Muhammad Rafiq	2,728	2,489	938	6,155	1,844	2,062	938	4,844
219	<b>Kissan Tractors</b> Kot Chakar Khan Near Board Office Churahatta Sindh Shumali P/o Khas Tehsil & District Dera Ghazi Khan.	Sultan Ahmed	32102-2617523-7	Chaker Khan	-	979	16	995	-	979	16	995
220	<b>Mehar Cotton Ginning</b> Factory Laar Road, Shujabad District Multan.	Munir Ahmad Khawaja Muhammad Mazhar Hussain	36103-1648875-9 36302-1955367-7	Chaudhry Allah Baksh Khawaja Khuda Baksh	-	563	58	621	-	563	58	621
221	<b>Shakeel Ahmad</b> Chak # 215 E B P/o Khas, Tehsil Burewala District Vehari.	Shakeel Ahmad	36601-2684987-7	Muhammad Anwar Gill	3,999	830	57	4,886	-	838	57	895
222	<b>Ch. Anwar &amp; Co</b> Chak # 215 E B P/o Khas, Tehsil Burewala District Vehari.	Muhammad Anwar Gill	36601-0716186-5	Chaudhry Muhammad Yaqub Gill	2,499	660	57	3,216	-	706	57	763
223	<b>Iqbal Commission Shop</b> Budha Gorya Nowshehra Virkan, Gujranwala.	Muhammad Iqbal	34103-4414242-7	Ashique Hussain	-	931	17	948	-	931	17	948
224	<b>Shahzad Shoukat and Co.</b> Budha Gorya Nowshehra Virkan, Gujranwala	Shahzad Shoukat	34103-6385061-1	Shoukat Ali	3,320	2,446	68	5,834	-	2,446	68	2,514
225	<b>Yamin Rice Mills</b> Talwandi Musa Khan	Muhammad Shahbaz Naseem	34101-6736706-7	Muhammad Naseem Akhtar	12,484	9,606	94	22,184	-	7,808	94	7,902
226	<b>Shahbaz Commission</b> Shop Thattha Cheena, Tehsil & district Hafizabad.	Shahbaz Khan	34301-7588177-5	Mirza	-	1,757	2	1,759	-	1,757	2	1,759



# Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2019

(Rupees in '000)												
Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
227	Muhammad Nasir Javed 15-College Road, Civil Lines Sheikhupura.	Muhammad Nasir Javed	35404-1509792-5	Naseer Ullah Khan	443	875	-	1,318	-	888	-	888
228	Muhammad Naeem, Saleem & Tasneem House No. 21 – S, Huma Block, Allama Iqbal Town, Lahore	Muhammad Naeem Muhammad Saleem Muhammad Tasneem	35202-5513112-5 35202-6891231-5 35202-6796136-5	Muhammad Nazeer Muhammad Nazeer Muhammad Nazeer	-	2,500	125	2,625	-	2,500	125	2,625
229	New Pipe Sanitary Store 5 - A, Ferozpur Road, Mozang Chungi, Lahore	Muhammad Naeem	35202-5513112-5	Muhammad Nazeer	1,900	1,268	-	3,168	-	1,176	-	1,176
230	Mian Azeem Khalid House # 1042, Block-E, Phase-I, Canal View housing Society, Lahore	Mian Azeem Khalid	35202-0608435-1	Khalid Saeed Mian	-	3,982	50	4,032	-	3,982	50	4,032
231	Dilshad Anwar House No: 28, Sardar Street, College Road, New Samanabad Lahore,	Dilshad Anwar Sardar Ali Naseem	35202-2422974-9 35202-2736174-9	Sardar Ali Naseem Ali Muhammad	-	2,128	19	2,147	-	2,128	19	2,147
232	Kashif Munir & Abida Munir House No: 305, Block B, Phase, Govt. Employees Corporative Society, Model Town Link Road, Lahore.	Kashif Munir Abida Munir	35202-0615203-5 35202-6501153-6	Muhammad Munir Muhammad Munir	-	1,522	169	1,691	-	1,522	169	1,691
233	Amin Sons (Pvt.) Limited 9-Davis Road, Lahore	Sheikh Muhammad Anwar Safia Anwar Sheikh Anjum Anwar Sheikh Akbar Amin Sheikh Intikhab Amin	35202-9314320-7 35202-7673741-0 35202-5498147-9 35202-0293882-9 35202-2434098-7	Sheikh Muhammad Amin Sheikh Muhammad Anwar Sheikh Muhammad Anwar Sheikh Muhammad Anwar	4,594	47,685	500	52,779	4,594	47,685	500	52,779
234	Silver Fiber Enterprises 1/A Industrial Estate Sher Shah Road Multan.	Muhammad Younis Muhammad Masood Arshad Abdul Aziz Farooq Ahmad Sheikh	36302-0462448-9 36103-1678964-5 36302-6189447-7 36302-0406848-1	Din Muhammad Muhammad Yousaf Chaudhry Barkat Ali Sheikh Sarfraz Ahmad	-	3,895	66	3,961	-	3,895	66	3,961
235	Silver Fiber Model Ginning Factory 1/A Industrial Estate Sher Shah Road Multan.	Tauqeer Ahmad Sheikh Abdul Aziz Bilal Ahmed Sheikh Farooq Ahmad Sheikh Muhammad Maqsood Arshad	36302-5523802-7 36302-6189447-7 36302-0534579-7 36302-0406848-1 36103-1678964-5	Sheikh Sarfraz Ahmed Chaudhry Barkat Ali Sheikh Sarfraz Ahmed Sheikh Sarfraz Ahmad Muhammad Yousaf	-	2,979	66	3,045	-	2,979	66	3,045
236	Sea Trade International House # A-18, Sector 11-A, North Karachi Township, Karachi	Asad Ahmed	42000-0520064-3	Muhammad Asif Farooqui	2,953	2,753	-	5,706	-	2,753	-	2,753

## Annexure I

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2019

		Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
Sr. No.	Name and address of the borrower	Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
237	<b>Sohail Haider</b> Flat # B-404, 4th Floor Jauhar Belle View Apartment Block No.14 Gulistan e- johar, Karachi	Sohail Haider	42101-1836485-5	Sultan Haider	3,855	1,885	33	5,773	-	1,885	33	1,918
238	<b>Kiran Asif Ali</b> House # 10, Fatima Jinnah Colony Cantt., Karachi	Kiran Asif Ali	34603-2217392-4	Asif Ali Faiz	13,725	8,553	33	22,311	-	6,036	33	6,069
239	<b>Ashok Kumar</b> House # A-15, Al- Rehman Housing Society, Qasimabad, Hyderabad	Ashok Kumar	44203-9613175-5	Khob Chand	999	806	27	1,832	-	756	27	783
240	<b>Hameedyas Impex</b> Madina Street, Fateh Garh, Daska Road, Sialkot.	Nisar Ahmed Hameed Ullah Muhammad Shahid	34603-1341029-1 34602-1713252-9 34603-2311534-7	Naseem Anwar Jalal Din Muhammad Ishaq	7,927	6,189	60	14,176	-	6,150	60	6,210
241	<b>Muhammad Ishaque</b> Mohallah Daroghan Wala Purani Abadi Khiali, Tehsil & District Gujranwala.	Muhammad Ishaque	34101-5645016-7	Muhammad Sharif	622	2,940	74	3,636	-	2,745	74	2,819
242	<b>Royal Engineering Works</b> Nat Kalan, Ghakkar Mandi.	Muhammad Yousaf Muhammad Asif	34104-8021196-5 34104-4366794-9	Muhammad Sharif Muhammad Sharif	971	698	-	1,669	-	726	-	726
243	<b>Muazam Ali</b> Berhivala Post Office Khas, Tehsil and District Haftzabad.	Muazam Ali	34301-2798390-1	Saif Ullah	-	1,516	-	1,516	-	1,166	-	1,166
244	<b>Ehsan Rice Dealer</b> Wazirabad Road, Near Fruit Market, Sambrial, District Sialkot.	Ehsan Ullah	34601-7876347-9	Qurban Ali	2,204	4,812	17	7,033	-	2,679	17	2,696
245	<b>Zulfiqar Ali Chaddher</b> House No. 40-B/5, St. No. 04, Mohalla Lalazar, Tulsa Road, Rwp Cantt	Zulfiqar Chaddher	37405-1564666-5	Abdul Rehman Chaddher	1,699	1,398	156	3,253	-	1,398	156	1,554
246	<b>Ali CNG</b> Bara Gate, Bara Road, Peshawar	Abubakar Siddique Ali Murtaza	17301-7022481-1 17301-1410702-1	Haji Muhammad Usman Haji Muhammad Usman	689	1,559	25	2,273	-	1,248	25	1,273
247	<b>S.S. Brothers</b> R-227, Block-16, F.B.Area, Karachi	Syed Muhammad Obaid Ather Wasti	42101-2891157-5	Syed Muhammad Idrees Ather Wasti	-	1,685	-	1,685	-	1,685	-	1,685
248	<b>The Elbow Room</b> Ground Floor, Writer Chamber, Mumtaz Hassan Road, Karachi	Shahzad Tareen	54400-3519472-3	Abdul Rasheed Tareen	-	826	-	826	-	826	-	826

## Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2019

(Rupees in '000)												
Sr. No.	Name and address of the borrower	Name of individuals/ partners/ directors		Father's /Husband's name	Outstanding liabilities at beginning of year				Principal Written off	Interest/ Markup Written off/ waived	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest / mark up	Others	Total				
Domestic												
249	<b>Knitwear Fabrics</b> D-149/D, Manghopir Road, S.I.T.E, Karachi	Fawad Hussain	42201-0620534-9	Muhammad Hussain	-	19,832	-	19,832	-	19,832	-	19,832
250	<b>J.A. Textile Mills Limited</b> JK House, 32-Susan Road, Faisalabad	Quratul Ain Zahid Imran Zahid Muhammad Ali Zahid Anwer Rukhsana Begum Liaqat Ali Qamar Riaz Ahmed	33100-0663808-2 33100-0699858-5 33100-0698580-3 33100-0699854-5 33100-0663806-6 33100-0279691-9 33100-7382121-5	Zahid Anwer Zahid Anwer Zahid Anwer Zahid Anwer Zahid Anwer Zahid Anwer	-	18,460	170	18,630	-	18,460	170	18,630
251	<b>AL Noor Agency</b> P-77 Street No.03 Montgomery Bazar Faisalabad.	Mian Muhammad Shafiq	33100-0959262-7	Muhammad Ibrahim	-	2,136	92	2,228	-	2,136	92	2,228
252	<b>Madina Rice Mills</b> Tandlianwala District Faisalabad	Muhammad Ibrahim Muhammad Irfahim	33106-0297856-3 33106-7949115-5	Ahmed Din	1,499	939	162	2,600	-	939	162	1,101
253	<b>Mian Faisal Nawaz/ Muhammad Nawaz</b> House # 162-C-Model Town Lahore	Mian Faisal Nawaz Muhammad Nawaz	35202-9852305-1 35202-3702061-7	Muhammad Nawaz Mian Islam-ud-Din	3,234	2,060	19	5,313	-	2,059	19	2,078
254	<b>Nadeem Aftab</b> House no. 89, Block E, Architect Engineering Housing Scheme, Phase II, Opposite Shaukat Khanum Hospital Lahore	Nadeem Aftab	35200-1569365-7	Muhammad Asif Mahmood	3,071	1,566	20	4,657	-	1,566	20	1,586
255	<b>Basit Raza</b> House No S-19-R-122, 2-A Race Course Lahore	Basit Raza	35202-5203075-5	Nawab Ali	-	1,059	17	1,076	-	1,059	17	1,076
256	<b>Ishtiaq Ahmad</b> House # S-57-R-34/RH, 5 Temple Road Lahore	Ishtiaq Ahmad	34102-9288188-1	Ch Muhamamd Boota	4,148	1,738	17	5,903	-	1,791	17	1,808
257	<b>B.R Enterprises</b> 2-A, Moon Villas, Canal Berg, Multan Road, Thokar Niaz Balg, Lahore	Babar Ishaq Irshad Mahmood Muhammad Rafiq	35202-9335054-5 35202-9836320-0 35404-8964465-7	Muhammad Ishaq Bhatti Muhammad Ishaq Muhammad Younas	2,849	5,391	85	8,325	-	5,139	85	5,224
258	<b>Sheikh Muhammad Khalid Kirvana Store</b> 531 Block 3, Sector C-II, Garden Town Lahore.	Sheikh Muhammad Khalid	35202-7112708-7	Muhammad Yaqoob	6,950	7,278	20	14,248	-	7,278	20	7,298
<b>Total Domestic</b>					261,939	1,420,650	15,531	1,698,120	14,613	1,407,155	15,531	1,437,299
Overseas												
1	<b>J.B Traders</b>	Jiker Cassim	M2861	NA	2,725	36,266	-	38,991	2,725	36,266	-	38,991
<b>Grand Total</b>					<b>264,664</b>	<b>1,456,916</b>	<b>15,531</b>	<b>1,737,111</b>	<b>17,338</b>	<b>1,443,421</b>	<b>15,531</b>	<b>1,476,290</b>

## Disposal of fixed assets (refer note 11.2.6)

Description	Cost/ revalued amount	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal	Particulars of buyers	Location
(Rupees in '000)							
<b>Computers</b>							
Laptop	117	117	-	12	As per Bank's policy	Muhtashim Ashai	Lahore
Laptop	117	117	-	12	As per Bank's policy	Mohammad Nauman Chughtai	Lahore
Laptop	116	116	-	12	As per Bank's policy	Faisal Ejaz Khan	Lahore
Laptop	236	147	89	93	As per Bank's policy	Faisal Ejaz Khan	Lahore
Laptop	88	88	-	9	As per Bank's policy	Nabeela Waheed	Lahore
Laptop	80	80	-	8	As per Bank's policy	Shoab Mumtaz	Lahore
Laptop	117	117	-	12	As per Bank's policy	Aali Shafi	Lahore
Laptop	268	195	73	78	As per Bank's policy	Laqa Sarwar	Lahore
	<b>1,139</b>	<b>977</b>	<b>162</b>	<b>236</b>			





# Consolidated Financial Statements

MCB Bank Limited

## Directors' Report

### On Consolidated Financial Statements

The Board of Directors present the report on the consolidated financial statements of MCB Bank Limited and its subsidiaries namely MCB-Arif Habib Savings & Investments Limited, MCB Financial Services Limited, MCB Islamic Bank Limited, Financial & Management Services (Private) Limited and MCB Non-Bank Credit Organization "Closed Joint Stock Company" for the year ended December 31, 2019.

#### Profit and Appropriations

The profit before and after taxation for the year ended December 31, 2019 together with appropriations is as under:

	Rs. in Million
<b>Profit before taxation</b>	<b>40,153</b>
Taxation	16,206
<b>Profit after taxation</b>	<b>23,947</b>
Profit attributable to non-controlling interest	(79)
<b>Profit attributable to ordinary shareholders</b>	<b>23,868</b>
Un-appropriated profit brought forward	53,971
Re-measurement of defined benefit plans - net of tax	(474)
Surplus realized on disposal of revalued fixed assets - net of tax	10
Surplus realized on disposal of non-banking assets - net of tax	37
Transfer from surplus on revaluation of fixed assets - net of tax	54
	<b>53,598</b>
<b>Profit available for appropriation</b>	<b>77,466</b>
Appropriations:	
Statutory Reserve	2,397
Final Cash Dividend at Rs. 4.0 per share - December 31, 2018	4,740
Interim Cash Dividend at Rs. 4.0 per share - March 31, 2019	4,740
Interim Cash Dividend at Rs. 4.0 per share - June 30, 2019	4,740
Interim Cash Dividend at Rs. 4.0 per share - September 30, 2019	4,740
<b>Total appropriations</b>	<b>21,357</b>
<b>Un-appropriated Profit Carried Forward</b>	<b>56,109</b>

#### Earnings per Share

The consolidated financial statements reflect Rs. 20.14 earnings per share for the year under review.

For and on behalf of the Board of Directors,

*Imran Maqbool*

**Imran Maqbool**  
President & CEO  
MCB Bank Limited

*Mian Umer Mansha*

**Mian Umer Mansha**  
Director  
MCB Bank Limited

February 04, 2020

## ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز، ایم سی بی بینک لمیٹڈ اور اس کے ذیلی اداروں جن میں عارف مصیب سیکنڈ اینڈ انویسٹمنٹ لمیٹڈ، ایم سی بی فنانشل سروسز لمیٹڈ، ایم سی بی اسلامک بینک لمیٹڈ، فنانشل اینڈ مینجمنٹ سروسز (پرائیویٹ) لمیٹڈ اور ایم سی بی ٹرانسپیک کریڈٹ آرگنائزیشن "گلوڈ جوائنٹ اسٹاک کمپنی" شامل ہیں، کی مجموعی مالیاتی اسٹیٹمنٹس برائے سال ختمہ 31 دسمبر 2019ء پر رپورٹ پیش کرتے ہیں۔

منافع اور تخصیص:

31 دسمبر 2019ء کو اختتام پذیر سال میں منافع قبل و بعد از ٹیکس اور تخصیص، مندرجہ ذیل ہے:

ملین روپے	منافع قبل از ٹیکس
40,153	ٹیکس
16,206	منافع بعد از ٹیکس
23,947	ٹرانسفرنگ انٹرسٹ کے لیے تفویض شدہ منافع
(79)	عام حصص یافتگان کے لیے تفویض شدہ منافع
23,868	اختتامی غیر تخصیص شدہ منافع
53,971	ڈیٹا اینڈ ٹینٹ پلان کی تحفینوں - خالص از ٹیکس
(474)	پائیدار اثاثوں کے سرپلس پر فروخت سے حاصل آمدن (خالص از ٹیکس)
10	غیر بینکاری اثاثوں کے سرپلس پر فروخت سے حاصل آمدن (خالص از ٹیکس)
37	پائیدار اثاثوں کی تحفینوں سے اضافی آمدنی سے منتقلی
54	
53,598	
77,466	تخصیص کے لیے دستیاب منافع
	تخصیص:
2,397	قانونی ریزرو
4,740	جسمی کیش ڈیویڈنڈ 4.0 روپے فی حصص 31 دسمبر 2018ء
4,740	عبوری کیش ڈیویڈنڈ 4.0 روپے فی حصص 31 مارچ 2019ء
4,740	عبوری کیش ڈیویڈنڈ 4.0 روپے فی حصص 30 جون 2019ء
4,740	عبوری کیش ڈیویڈنڈ 4.0 روپے فی حصص 30 ستمبر 2019ء
21,357	کل تخصیص
56,109	اختتامی غیر تخصیص شدہ منافع

آمدنی فی حصص:

مجموعی مالیاتی اسٹیٹمنٹس، اس زیر تجزیہ سال کے لیے، 20.14 روپے فی حصص کی آمدنی کو ظاہر کرتے ہیں۔

مفتاب و برائے بورڈ آف ڈائریکٹرز

میاں عرفیاء  
ڈائریکٹر - ایم سی بی بینک لمیٹڈ

عمران محیول  
پریزیڈنٹ اور سی ای او -  
ایم سی بی بینک لمیٹڈ

4 فروری 2020ء

# Independent Auditor's Report

To the members of MCB Bank Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the annexed consolidated financial statements of MCB Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<b>Provision against advances</b>	
	<p>Refer to note 10 and the accounting policies in notes 4.2 (b) and 5.5 to the consolidated financial statements.</p> <p>The Group's advances to the customers represent 34.02% of its total assets as at 31 December 2019 and are stated at Rs. 548.47 billion which is net of provision of Rs. 43.39 billion.</p> <p>The provision against advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and compliance with the Prudential Regulations (PRs) issued by the State Bank of Pakistan.</p>	<p>Our audit procedures in respect of provision against loans and advances included the following:</p> <ul style="list-style-type: none"> <li>Assessing the design and operating effectiveness of manual and automated controls over classification and provisioning of advances including: <ul style="list-style-type: none"> <li>The accuracy of data input into the system used for disbursement and recovery of credit facilities;</li> <li>Controls over correct classification of non-performing advances on time based criteria;</li> <li>Controls over accurate computation and recording of provisions; and</li> <li>Controls over the governance and approval process related to provision.</li> </ul> </li> <li>Testing, on a sample basis, credit exposures identified by the management as displaying indicators of impairment, assessed the number of days overdue and assessed appropriateness of amount reported for provision in accordance with the PRs;</li> </ul>

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>• Testing, on a sample basis, credit exposure where the management has not identified as displaying indicators of impairment challenged the management's assessment by reviewing the historical performances, account movement, financial ratios and reports on security maintained and formed our own view whether any impairment indicators are present;</li> <li>• For consumer advances, analyzed the days past due report for calculation of provision required in accordance with the PRs; and</li> <li>• Checking, on a sample basis, accuracy of specific provision against non-performing advances and of general provision against consumer and SME advances by recomputing the provision made in accordance with the criteria prescribed under the PRs.</li> </ul>
<b>2</b>	<b>Valuation of Investments</b>	
	<p>Refer to note 9 and the accounting policies in notes 4.2 (c) and 5.3 to the consolidated financial statements.</p> <p>As at December 31, 2019, the Group has investments classified as "Available-for-sale", "Held for trading" and "Held to maturity", amounting to Rs. 753.16 billion in aggregate represent 46.72 % of the total assets of the Group.</p> <p>Investments are carried at cost or fair value in the accordance with the Group's accounting policy relating to their recognition. Provision against investments is based on impairment policy of the Group which includes both objective and subjective factors.</p> <p>We identified the valuation of investments including determination of impairment allowance on investments classified as 'Available-for-sale' and "Held to maturity" as a key audit matter because of their significance in relation to the total assets of the Group and judgment involved in assessing impairment allowance.</p>	<p>Our procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design and tested the operating effectiveness of the relevant controls in place relating to valuation of investments;</li> <li>• Checking, on a sample basis, the valuation of investments to supporting documents, externally quoted market prices and break-up values; and</li> <li>• Evaluating the management's assessment of available for sale and held to maturity investments for any additional impairment in accordance with the Group's accounting policies and performed an independent assessment of the assumptions.</li> </ul>



### **Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance 1962 and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is M. Rehan Chughtai.

Lahore  
Date: February 14, 2020



KPMG Taseer Hadi & Co.  
Chartered Accountants

# Consolidated Statement of Financial Position

As at December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>ASSETS</b>			
Cash and balances with treasury banks	6	142,957,358	110,165,006
Balances with other banks	7	21,371,753	13,338,117
Lendings to financial institutions	8	6,060,869	39,149,890
Investments	9	757,441,590	754,385,775
Advances	10	548,472,860	566,792,265
Fixed assets	11	64,201,807	43,531,396
Intangible assets	12	1,978,975	1,452,462
Deferred tax assets		—	—
Other assets	13	69,729,659	56,395,096
		<b>1,612,214,871</b>	<b>1,585,210,007</b>
<b>LIABILITIES</b>			
Bills payable	15	12,795,325	17,003,272
Borrowings	16	92,859,968	223,216,115
Deposits and other accounts	17	1,226,593,025	1,122,306,535
Liabilities against assets subject to finance lease		—	—
Subordinated debt	18	—	3,891,019
Deferred tax liabilities	19	6,214,223	1,983,145
Other liabilities	20	102,405,513	65,487,042
		<b>1,440,868,054</b>	<b>1,433,887,128</b>
<b>NET ASSETS</b>		<b>171,346,817</b>	<b>151,322,879</b>
<b>REPRESENTED BY</b>			
Share capital	21	11,850,600	11,850,600
Reserves	22	77,894,829	74,374,573
Surplus on revaluation of assets	23	24,752,206	10,417,875
Unappropriated profit		56,108,779	53,971,079
		<b>170,606,414</b>	<b>150,614,127</b>
Non-controlling interest		740,403	708,752
		<b>171,346,817</b>	<b>151,322,879</b>

## CONTINGENCIES AND COMMITMENTS

24

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.



**Imran Maqbool**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Salman Khalid Butt**  
Director



**Masood Ahmed Puri**  
Director

## Consolidated Profit and Loss Account

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
Mark-up / return / interest earned	26	148,088,700	87,502,337
Mark-up / return / interest expensed	27	84,370,609	39,495,913
Net mark-up / interest income		63,718,091	48,006,424
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	28	12,230,871	11,636,751
Dividend income		1,240,771	1,156,944
Foreign exchange income		2,957,999	3,568,576
Income from derivatives		14,616	11,845
Gain on securities	29	828,873	1,257,148
Other income	30	244,551	434,351
Total non-markup / interest Income		17,517,681	18,065,615
Total Income		81,235,772	66,072,039
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	31	37,685,431	35,715,447
Workers welfare fund		802,046	644,304
Other charges	32	260,743	174,431
Total non-markup / interest expenses		38,748,220	36,534,182
Share of profit of associates		339,633	446,257
<b>Profit before provisions</b>		42,827,185	29,984,114
Provisions / (reversals) and write offs - net	33	2,673,592	(821,807)
Extra ordinary / unusual items		—	—
<b>PROFIT BEFORE TAXATION</b>		40,153,593	30,805,921
Taxation	34	16,206,382	10,390,637
<b>PROFIT AFTER TAXATION</b>		23,947,211	20,415,284
Profit attributable to non-controlling interest		(78,962)	(62,528)
<b>PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE BANK</b>		23,868,249	20,352,756
<b>Rupees</b>			
<b>Basic and diluted earnings per share</b>	35	20.14	17.17

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.

  
Imran Maqbool

President/Chief Executive

  
Hammad Khalid

Chief Financial Officer

  
Mian Umer Mansha

Director

  
Salman Khalid Butt

Director

  
Masood Ahmed Puri

Director

# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
<b>Profit after taxation for the year</b>	23,947,211	20,415,284
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Effect of translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the bank	1,079,203	1,200,257
- Non-controlling interest	20	143
	1,079,223	1,200,400
Share of exchange translation reserve of associate	43,369	10,446
Movement in surplus/ (deficit) on revaluation of investments - net of tax		
- Equity shareholders of the bank	7,138,866	(7,145,219)
Movement in surplus on associated undertaking - net of tax	93,516	(192,315)
	7,232,382	(7,337,534)
	8,354,974	(6,126,688)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement loss on defined benefit obligations - net of tax	(474,421)	(659,286)
Surplus on revaluation of operating fixed assets - net of tax	7,038,689	-
Surplus on revaluation of non-banking assets - net of tax	165,776	172,774
	6,730,044	(486,512)
<b>Total comprehensive income</b>	39,032,229	13,802,084
<b>Attributable to:</b>		
- Equity shareholders of the bank	38,953,247	13,739,413
- Non-controlling interest	78,982	62,671
	39,032,229	13,802,084

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.

  
Imran Maqbool  
President/Chief Executive

  
Hammad Khalid  
Chief Financial Officer

  
Mian Umer Mansha  
Director

  
Salman Khalid Butt  
Director

  
Masood Ahmed Puri  
Director



# Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Share capital	Capital reserve		Statutory reserve	Surplus/(deficit) on revaluation of			Unappropriated profit	Total	Non controlling interest	Grand total
		Share premium	Non-distributable capital reserve		Revenue reserve	Investments	Associate	Fixed / non-banking assets			
					General reserve						
(Rupees in '000)											
Balance as at December 31, 2017	11,850,600	23,973,024	908,317	397,079	27,149,492	4,332,604	443,561	12,959,928	55,221,069	155,835,674	707,407 156,543,081
<b>Total comprehensive income for the year ended December 31, 2018</b>											
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	-	20,352,756	20,352,756	62,528 20,415,284
Other comprehensive income - net of tax	-	-	-	1,210,703	-	(7,145,219)	(192,315)	172,774	(659,286)	(6,613,343)	143 (6,613,200)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	1,210,703	-	(7,145,219)	(192,315)	172,774	19,693,470	13,739,413	62,671 13,802,084
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	(2,135,958)	-	-
<b>Transactions with owners, recorded directly in equity</b>											
Final cash dividend at Rs. 4.0 per share - December 31, 2017	-	-	-	-	-	-	-	-	(54,377)	-	-
Interim cash dividend at Rs. 4.0 per share - March 31, 2018	-	-	-	-	-	-	-	-	(99,081)	-	-
Interim cash dividend at Rs. 4.0 per share - June 30, 2018	-	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - September 30, 2018	-	-	-	-	-	-	-	-	-	-	-
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2018	11,850,600	23,973,024	908,317	1,607,782	29,285,450	(2,812,615)	251,246	12,979,244	53,971,079	150,614,127	708,752 151,322,879
<b>Total comprehensive income for the year ended December 31, 2019</b>											
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	-	23,868,249	23,868,249	78,962 23,947,211
Other comprehensive income - net of tax	-	-	-	1,122,572	-	7,138,866	93,516	7,204,465	(474,421)	15,084,998	20 15,085,018
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	-	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	-	-	-
Surplus realized on disposal of non-banking assets - net of tax	-	-	-	-	-	-	-	-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>											
Final cash dividend at Rs. 4.0 per share - December 31, 2018	-	-	-	-	-	-	-	-	(54,093)	-	-
Interim cash dividend at Rs. 4.0 per share - March 31, 2019	-	-	-	-	-	-	-	-	(10,560)	-	-
Interim cash dividend at Rs. 4.0 per share - June 30, 2019	-	-	-	-	-	-	-	-	(37,863)	-	-
Interim cash dividend at Rs. 4.0 per share - September 30, 2019	-	-	-	-	-	-	-	-	-	-	-
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2019	11,850,600	23,973,024	908,317	2,730,354	31,683,134	4,326,251	344,762	20,081,193	56,108,779	170,606,414	740,403 171,346,817

For details of dividend declaration and appropriations, please refer note 46 to these consolidated financial statements.

For details of reserves, please refer note 22 to these consolidated financial statements.

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.

  
**Imran Maqbool**  
 President/Chief Executive

  
**Hamad Khalid**  
 Chief Financial Officer

  
**Mian Umer Mansha**  
 Director

  
**Salman Khalid Butt**  
 Director

  
**Masood Ahmed Puri**  
 Director

# Consolidated Cash Flow Statement

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		40,153,593	30,805,921
Less: Dividend income and share of profit of associates		(1,580,404)	(1,603,201)
		38,573,189	29,202,720
Adjustments:			
Depreciation on fixed assets	11.2	2,233,008	2,205,841
Depreciation on right of use assets	31	1,610,893	-
Depreciation on non-banking assets acquired in satisfaction of claims	31	45,456	49,155
Amortization	12	425,585	356,533
Provisions / (reversals) and write offs - net	33	2,673,592	(821,807)
Workers welfare fund		802,046	644,304
Gain on sale of non-banking assets acquired in satisfaction of claims	30	(111,948)	(82,410)
(Reversal) / charge for defined benefit plan	31.1	(101,509)	943,661
Gain on sale of fixed assets	30	(63,176)	(245,866)
Unrealized (gain) / loss on revaluation of investments classified as held for trading	29	(83,986)	47,766
Interest expensed on lease liability against right-of-use assets		1,506,301	-
Gain on sale of shares in an associate		-	(51,360)
		8,936,262	3,045,817
		47,509,451	32,248,537
<b>Decrease / (increase) in operating assets</b>			
Lendings to financial institutions		33,089,021	(33,876,366)
Held-for-trading securities		(148,713)	(10,019,549)
Advances		18,629,092	(63,057,860)
Others assets (excluding advance taxation)		(17,511,282)	(1,188,977)
		34,058,118	(108,142,752)
<b>(Decrease) / increase in operating liabilities</b>			
Bills Payable		(4,207,947)	(5,991,605)
Borrowings from financial institutions		(129,752,644)	81,874,414
Deposits		104,286,490	121,160,373
Other liabilities (excluding current taxation)		14,307,719	7,955,642
		(15,366,382)	204,998,824
Defined benefits paid		(309,074)	(343,743)
Income tax paid		(2,506,095)	(3,421,728)
Net cash flow from operating activities		63,386,018	125,339,138
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		6,412,423	(96,176,337)
Net investments in held-to-maturity securities		(1,001,069)	(2,380,874)
Dividends received		1,433,411	1,619,685
Investments in fixed assets		(4,817,498)	(4,812,362)
Investments in Intangible assets		(949,464)	(376,872)
Proceeds from sale of fixed assets		167,374	574,720
Proceeds from sale of non-banking assets acquired in satisfaction of claims		540,000	682,410
Investments in non-banking assets acquired in satisfaction of claims		(64,445)	-
Effect of translation of net investment in foreign branches & subsidiaries		1,079,223	1,200,400
Proceeds from divestment in an associate		-	295,448
Net cash flow generated from / (used in) investing activities		2,799,955	(99,373,782)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payments of Subordinated debt		(3,891,019)	(1,559)
Dividend paid		(18,877,984)	(20,152,021)
Payment of lease liability against right-of-use-assets		(1,987,479)	-
Net cash flow used in financing activities		(24,756,482)	(20,153,580)
Effects of exchange rate changes on cash and cash equivalents		3,553,077	5,575,328
<b>Increase in cash and cash equivalents</b>		44,982,568	11,387,104
Cash and cash equivalents at beginning of the year		118,003,940	110,169,913
<b>Cash and cash equivalents at end of the year</b>	36	162,986,508	121,557,017

The annexed notes 1 to 48 and annexures I to II form an integral part of these consolidated financial statements.

  
Imran Maqbool

President/Chief Executive

  
Hammad Khalid

Chief Financial Officer

  
Mian Umer Mansha

Director

  
Salman Khalid Butt

Director

  
Masood Ahmed Puri

Director

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 1. STATUS AND NATURE OF BUSINESS

The "Group" consists of

### Holding company

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on the Pakistan stock exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,399 branches (2018: 1,376 branches) within Pakistan and 11 branches (2018: 11 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

### 1.1 Subsidiary companies

#### MCB Financial Services Limited

MCB Financial Services Limited (the Company) was incorporated on February 12, 1992 as a private limited company. The Company converted its status from Private Limited Company to Unlisted Public Limited Company on June 19, 2009. The principal objects of the Company are to act as Trustee of Investment Trust Schemes, voluntary pension schemes, real estate investment trust schemes, to provide custodian services and to act as transfer agent/share registrar of securities of listed and non listed companies and mutual funds etc. The Company's main source of income is from trusteeship services provided to mutual funds. Its registered office is located at Karachi. Out of 2,750,012 shares, 2,750,000 shares are owned by the Bank and 12 shares are held by the Bank nominees. The beneficial ownership of shares held by nominees rest with the Bank. The Bank is in the process of disposal of "MCB Financial Services Limited" subject to all regulatory requirements.

#### MCB - Arif Habib Savings and Investments Limited

MCB - Arif Habib Savings and Investments Limited (the Company) was incorporated on August 30, 2000, as an unquoted public limited company. During 2008, the Company was listed on the Pakistan Stock Exchange by way of offer for sale of shares by a few of the existing shareholders of the Company to the general public. The registered office of the Company is situated at 24th Floor, Centre point, Off Shaheed-e- Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan.

The Company is registered as an Asset Management Company and Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Pension Fund Manager under Voluntary Pension System Rules 2005. The Company also manages discretionary portfolio accounts. The Bank owns 51.33% shares of the company.

#### MCB Non-Bank Credit Organization " Closed Joint Stock Company"

##### (formerly MCB Leasing CJSC, Azerbaijan)

"MCB Leasing" CJSC (the "Company") was incorporated on 16 October 2009 and domiciled in the Republic of Azerbaijan. The Company is a closed joint stock company limited by shares and was set up in accordance with Azerbaijani regulations. The registered office of the company is located at 49B Tbilisi Ave. Baku AZ1065, Republic of Azerbaijan. The Bank owns 99.94% shares of the company.

The Company's principal business activity is provision of finance leases within the Republic of Azerbaijan. The Company leases out various types of industrial equipment, equipment used in medicine, health care, and for other business needs. In addition, the Company leases out cars and trucks. Further the Company is also involved in real estate finance leases.

#### MCB Islamic Bank Limited

MCB Islamic Bank Limited (MCBIBL) was incorporated in Pakistan as an unlisted public limited company on May 15, 2014 to carry out the business of an Islamic commercial Bank in accordance and in conformity with the principles of Islamic Shari'ah and in accordance with regulations and guidelines of the State Bank of Pakistan. The Securities and Exchange Commission of Pakistan granted "Certificate of Commencement of Business" to MCBIBL on January 30, 2015. MCBIBL is a wholly owned subsidiary of MCB Bank Limited (MCB).

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

The State Bank of Pakistan (SBP) granted a "Certificate of Commencement of Banking Business" to MCBIBL on September 14, 2015 under Section 27 of the Banking Companies Ordinance, 1962. MCBIBL formally commenced operations as a Scheduled Islamic Commercial Bank with effect from October 15, 2015 upon receiving notification in this regard from SBP under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, micro finance, investment and retail banking activities.

MCBIBL is operating through 185 branches in Pakistan (December 31, 2018: 176 branches). The Registered Office of MCBIBL is situated at 59 Block T, Phase II, DHA, Lahore Cantt and Principal Office is situated at 339 Block Z, Phase III, DHA Lahore Cantt.

## Financial & Management Services (Private) Limited

Financial & Management Services (Private) Limited is fully provided subsidiary and the company is dormant and has no asset and liability. The Board of Directors of the Bank has approved winding up of the Company. The Bank holds 95.90% shareholding in this subsidiary.

## MNET Services (Private) Limited

Pursuant to the scheme of arrangement duly approved by the Board of Directors of Mnet Services (Private) Limited (Transferor Company) and MCB Bank Limited (Transferee Company), as required under section 284(2) of the Companies Act, 2017 for the amalgamation of Transferor Company with and into Transferee Company, the Transferor Company stands merged into Transferee Company with effect from April 30, 2019.

## 2. BASIS OF PRESENTATION

- 2.1 These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of associates (the "Group").
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The Islamic Banking operations of the Group have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Act, 2017.
- 2.3 Key financial figures of the MCBIBL are disclosed in Annexure II to these consolidated financial statements.
- 2.4 These consolidated financial statements are presented in Pak Rupees, which is the Group functional and presentation currency. The amounts are rounded off to the nearest thousand.

## 3. STATEMENT OF COMPLIANCE

- 3.1 These consolidated financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:
  - International Financial Reporting Standards IFRS issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
  - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
  - Provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017; and
  - Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP).

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

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

The State Bank of Pakistan has deferred the applicability of International Financial Reporting Standard 9, 'Financial Instruments' through BPRD Circular No. 04 of 2019 dated October 23, 2019 and International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS10 Consolidated Financial Statements was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O 56(I) /2016 dated January 28, 2016, that the requirements of consolidation under section 237 of the repealed Companies Ordinance 1984 (Section 228 of Companies Act 2017) and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

The State Bank of Pakistan has deferred the applicability of IFAS 3 'Profit and Loss Sharing on Deposits', through BPRD Circular No.04 dated February 25, 2015, International Financial Reporting Standard 9, 'Financial Instruments' through BPRD Circular No. 04 of 2019 dated October 23, 2019 and International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002.

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

The Group has adopted "IFRS 15 Revenue from Contracts with Customers" and "IFRS 16 Leases" effective 01 January 2019. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has adopted IFRS 15 from January 01, 2019 and one of its subsidiary from July 01, 2018. The timing or amount of income from contracts with customers was not impacted by the adoption of IFRS 15, accordingly, the adoption of this standard has no material impact in these consolidated financial statements. The impact of adoption of IFRS 16 on the Group consolidated financial statements is disclosed in note 5.1.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or not to have any significant impact on the Group's consolidated financial statements.

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

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2020:

	Effective date (annual periods beginning on or after)
IFRS 3, Business Combinations - (Amendments)	January 1, 2020
IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, as per BPRD Circular No. 04 of 2019 dated October 23, 2019 of SBP, effective date of IFRS 9 implementation for Banks in Pakistan is January 01, 2021.

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Group is in the process of assessing the full impact of this standard.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

## 4. BASIS OF MEASUREMENT

**4.1** These consolidated financial statements have been prepared under the historical cost convention except that certain classes of fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.

### 4.2 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Group financial statements or where judgment was exercised in the application of accounting policies are as follows:

#### a) Classification of investments

In classifying investments, the Group follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investment to maturity.
- The investments other than those in associates which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

#### b) Provision against advances

The Group reviews its loan portfolio including Islamic financing and related assets to assess the amount of non-performing advances and Islamic financing and provision required on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in note 10.4.4.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

**c) Impairment of 'available for sale' equity investments**

The Group determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational/financial cash flows.

**d) Taxation**

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

**e) Fair value of derivatives**

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.

**f) Depreciation, amortization and revaluation of operating fixed assets**

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Group estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

**g) Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in note 38 of these consolidated financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

**h) Lease term**

The Group applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except for the changes explained in notes 5.1.

### 5.1 Change in accounting policy

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases- Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

The Group has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, using modified retrospective approach.

On adoption of IFRS 16, the Group has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities are now measured as the present value of the remaining lease payments, discounted using the weighted average rate as of January 1, 2019. The associated right-of use assets are measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The change in accounting policy affected the following items in the statement of financial position as on January 01, 2019:

- Right-of-Use (RoU) assets recognized as Fixed assets – increased by Rs. 11,392.795 million which includes prepayments of Rs. 359.920 million; previously, included in advances, deposits, advance rent and other prepayments as at December 31, 2018.
- Lease liabilities recognized as Other liabilities – increased by Rs. 11,032.875 million. Interest on lease liability represents unwinding of lease liability amounting to Rs. 1,506.301 million.

The impact on profit and loss account for the year ended December 31, 2019 is a decrease in profit after tax by Rs. 730.856 million and earning per share by Rs. 0.62.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

## 5.2 Basis of consolidation

- a) These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of associates are accounted for under the equity basis of accounting.
- b) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiaries are disposed off. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the financial statements as at December 31, 2019 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statement. Material intra-group balances and transactions have been eliminated.
- c) Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost, thereafter for the post-acquisition change in the Group's share of net assets of the associate, the cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.
- d) Non-controlling interest is that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 5.3 Investments

The Group classifies its investments as follows:

### a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

### b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity.

### c) Available for sale

These are investments, other than those in associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment. Transaction costs on investments held for trading are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', and investments in associates are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is taken to surplus / deficit on revaluation of investments through statement of comprehensive income in equity till disposal at which time it is recorded in profit and loss account. Surplus / deficit arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account, currently.

Unquoted equity securities (excluding investments in associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. Investments classified as 'held to maturity' are carried at amortized cost less accumulated impairment losses, if any.

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. Impairment of 'available for sale' equity investments is discussed in 4.2(c). Provisions for impairment in value of sukuks, 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.

## 5.4 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in these consolidated financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in these consolidated financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

## 5.5 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

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

losses. Provisions against unidentified losses include general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Advances are written off when there is no realistic prospect of recovery.

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

In Murabaha transactions, the Group purchases the goods through its agent or client and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction. Under Murabaha financing, funds disbursed for purchase of goods are recorded as 'Advance against Murabaha finance'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financing are recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

The Group values its inventories at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Group / customers as the agent of the Group for subsequent sale.

In Ijarah financing, the Group provides the asset on pre-agreed rentals for specific tenors to the customers. Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental on Ijarah under Islamic Financial Accounting Standard - 2 Ijarah (IFAS 2) are recorded as income / revenue. The Group charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method. Impairment of Ijarah assets is determined in accordance with the Prudential Regulations issued by the SBP.

In Diminishing Musharaka based financing, the Group enters into Musharaka based on Shirkat-ul-Milk for financing and agreed share of fixed assets (example: house, land, plant, machinery or vehicle) with its customers and enters into period profit payment agreement for the utilization of the Group's Musharaka share by the customer.

In Istisna financing, the Group acquires the described goods to be manufactured by the customer from raw material of its own and deliver to the Group within an agreed time. The goods are then sold and the amount financed is received back by the Group alongwith profit.

In Salam financing, the Group pays full in advance to its customer for buying specified goods / commodities to be delivered to the Group within an agreed time. The goods are then sold and the amount financed is received back by the Group alongwith profit.

In Running Musharaka based financing, the Group enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in the customer's operating business where the funds can be withdrawn or refunded during the Musharakah period.

## 5.6 Fixed assets and depreciation

Fixed assets other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Buildings are carried at revalued amount less any accumulated depreciation and subsequent impairment losses, if any. Land is carried at revalued amount less any subsequent impairment losses, if any. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

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



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

Depreciation on all fixed assets (excluding land) is charged using the straight line method in accordance with the rates specified in note 11.2 to these consolidated financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Land and buildings are revalued by independent, professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. An increase arising on revaluation is credited to the surplus on revaluation of fixed assets account. A decrease arising on revaluation of fixed assets is adjusted against the surplus of that asset or, if no surplus exists, is charged to the profit and loss account as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the profit and loss account up to the extent of the original impairment.

Surplus on revaluation of fixed assets (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

## 5.6.1 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 Group. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

## 5.7 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

## 5.8 Staff retirement benefits

### MCB Bank Limited (Holding Company)

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
  - an approved contributory provident fund;
  - an approved gratuity scheme; and
  - a contributory benevolent scheme

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

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 services subject to the completion of qualifying period of service. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in other Comprehensive Income in the period of occurrence.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognises past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs; and
- (ii) when the Bank recognises related restructuring costs or termination benefits.

## Employees' compensated absences

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss account in the period of occurrence.

## MCB Islamic Bank Limited

MCBIBL operates a recognised contributory provident fund scheme for all its permanent employees. Equal monthly contributions are made both by the Bank and its permanent employees, to the Fund at the rate of 8.33% of the basic salaries of employees. However, an employee has an option to increase his/her contribution upto 15% but the Bank will still contribute 8.33% of the employee's basic salary. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

## MCB Financial Services

The Company operates a recognised contributory provident fund scheme for all its permanent employees. Equal monthly contributions are made both by the Bank and its permanent employees.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 5.9 Taxation

### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

### Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Group records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 5.10 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.

## 5.11 Foreign currencies

### 5.11.1 Foreign currency transactions

Transactions in foreign currencies other than the results of foreign operations discussed in note 5.11.2 are translated to Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities.

### 5.11.2 Foreign operations

The assets and liabilities of foreign branches and subsidiary are translated to Rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

### 5.11.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Group's net investment in foreign branches and subsidiary, 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.

### 5.11.4 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 consolidated statement of financial position date.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 5.12 Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers.

## 5.13 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.
- Profit on investments in Sukuks is recognised on time proportion basis. Where Sukuks (excluding those classified as held for trading) are purchased at a premium or discount, such premiums / discounts are amortised through the profit or loss account using the effective yield method.
- Profit on Salam financing is recognised on time proportion basis.
- Profit on Running Musharaka financing is booked on an accrual basis and is subject to adjustment (if any) upon declaration of profit by Musharakah partners.
- Commission income is recognized on a time proportion basis.
- Dividend income is recognized when the Group's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account in the year to which it relates.
- Rental income from Ijarah financing is recognised on an accrual basis. Depreciation on Ijarah asset is charged to income (net of with rental income) over the period of Ijarah using the straight line method.
- Profit from Bai-Mua'jjal is recognised on an time proportionate basis.
- Profit on Diminishing Musharaka is recognised on time proportionate basis.
- Profit on Istisna financing is recognised on time proportionate basis.
- Profit from Musharaka placements with financial institutions is recognised on time proportionate basis.
- Profit from Murabaha financing is accounted for on culmination of Murabaha transaction. Profit on Murabaha is recognised on an accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately on the later date.
- Revenue for acting as trustee is recognized on Net Assets Value (NAV) of respective funds.
- Management / advisory fee is calculated on a daily / monthly basis by charging specified rates to the net assets value / income of the Collective Investment Schemes. Advisory fee from the discretionary portfolio is calculated in accordance with the respective agreements with the clients. Management fee from the pension funds is calculated by charging the specified rates to the average net assets value.
- Revenue from trusteeship and custodian is recognised when the group satisfies a performance obligation by rendering promised services as per respective agreements.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

The income on Islamic financing is recognised in accordance with the principles of Islamic Shari'ah and in accordance with regulations and guidelines of the State Bank of Pakistan. However, income, if any, received which does not comply with the principles of Islamic Shari'ah is recognised as charity payable if so directed by the Shari'ah Board of the Group.

## 5.14 Assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation and impairment loss. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non banking assets' account through statement of comprehensive income in equity and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to profit and loss account and not capitalised.

## 5.15 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn Nostro balances) in current and deposit accounts.

## 5.16 Financial instruments

### 5.16.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

### 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 assets when the fair value is positive and as liabilities when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

### 5.16.3 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in these consolidated financial statements when there is a legally enforceable right to set off and the Group intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

## 5.17 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Savings deposits' or 'Fixed deposits'. No profit or loss is passed to current account depositors.

Profits realized in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Profits are distributed from the pool such that the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

Asset pools may be created at the Group's discretion and the Group may add, amend, and transfer an asset to any other pool in the interests of the deposit holders.

## 5.18 Segment reporting

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

### 5.18.1 Business segments

#### Retail banking

This includes retail lending and deposits, banking services, cards and branchless banking.

#### Corporate banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities / with Group's corporate and public sector customers.

#### Consumer Banking

This segment primarily constitutes consumer financing activities with individual customers of the Group. Product suite offered to these customers include credit cards, auto loans, housing finance and personal loans.

#### Islamic Banking

This segment primarily constitutes Islamic lending and deposits, banking services, cards and branchless banking.

#### Treasury

This includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

#### Assets Management

It includes asset management, investment advisory, portfolio management, equity research and underwriting.

#### International Banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities by Group's overseas operations.

#### Others

This includes the head office related activities and other functions which cannot be classified in any of the above segments.

### 5.18.2 Geographical segments

The Group operates in Four geographic regions being:

- Pakistan
- South Asia
- Middle East
- Azerbaijan

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 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 Business combination

Business combinations other than under common control transaction are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognized directly in the profit and loss account or as directed by the SBP.

## 5.21 Earnings per share

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

## 5.22 Subordinated debt

Sub-ordinated loans are initially recorded at the amount of proceeds received and subsequently measured at amortised cost. Markup accrued on these loans is charged to profit and loss account over the period at effective interest rate.

## 5.23 Pool Management

The Group operates general and specific pools for deposits and inter-Group funds accepted / acquired under Mudaraba, Musharaka and Wakala modes.

Under the general deposits pool, the Group accepts funds on Mudaraba basis from depositors (Rabb-ul-Maal) where the Group acts as Manager (Mudarib) and invests the funds in the Shari'ah Compliant modes of financings, investments and placements. When utilising investing funds, the Group prioritizes the funds received from depositors over the funds generated from own sources.

Specific pools may be operated for funds acquired / accepted from the State Group of Pakistan and other Groups for Islamic Export Refinance to Group's customers and liquidity management respectively under the Musharaka / Mudaraba modes. The Group also maintains an Equity Pool which consists of Group's equity and funds accepted on Qard (non-remunerative current deposit account) basis.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool, if any. The directly related costs comprise of depreciation on Ijarah assets, takaful premium, documentation charges etc. No general or administrative nature of expense is charged to pool. No provision against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. The profit of the pool is shared between equity and other members of the pool on the basis of Musharaka at gross level (before charging of Mudarib fee) as per the investment ratio of the equity. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period after charging of Mudarib fee.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

The deposits and funds accepted under the above mentioned pools are provided to diversified sectors and avenues of the economy / business as mentioned in the notes and are also invested in Government of Pakistan backed Ijarah Sukuks. Staff financings are exclusively financed from the equity pool.

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool.

## 5.24 Funds due to / from financial institutions

### Bai Mu'ajjal

In Bai Mu'ajjal, the Group sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

### Musharaka / Mudaraba / Wakala

In Musharaka / Mudaraba / Wakala, the Group invests in the Shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio / fees.

	Note	2019 (Rupees in '000)	2018
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		20,833,520	18,425,271
Foreign currencies		2,802,190	3,091,560
		23,635,710	21,516,831
With State Bank of Pakistan in			
Local currency current account	6.1	62,180,493	43,735,552
Foreign currency current account	6.2	599,384	571,438
Foreign currency deposit account	6.3	14,320,863	12,841,393
		77,100,740	57,148,383
With other central banks in			
Foreign currency current account	6.4	16,220,148	5,197,681
With National Bank of Pakistan in			
Local currency current account		25,666,525	26,181,864
Prize bonds		334,235	120,247
		142,957,358	110,165,006

**6.1** This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

**6.2** This represents US Dollar settlement account maintained with SBP.

**6.3** This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. This includes balance of Rs. 10,517.551 million (2018: Rs. 9,466.493 million) which carries interest rate of 0.70% (2018: 1.35%) per annum as declared by SBP.

**6.4** Foreign currency current account with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
In current account		9,183	3,812
In deposit account	7.1	4,378,142	1,011,404
		4,387,325	1,015,216
Outside Pakistan			
In current account		12,845,556	9,676,073
In deposit account	7.2	4,138,872	2,646,828
		16,984,428	12,322,901
		21,371,753	13,338,117

**7.1** This represents saving accounts carrying profit at expected rates ranging from 3.00% to 12.54% per annum (2018: 0.03% to 9.95% per annum).

**7.2** Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 2.60% to 8.30% (2018: 2.90% to 6%) per annum.

	Note	2019 (Rupees in '000)	2018
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lendings	8.1	–	1,437,978
Repurchase agreement lendings (Reverse Repo)	8.2	209,205	33,036,912
Musharaka arrangements	8.3	2,480,000	4,675,000
Bai Muajjal receivable - with State Bank of Pakistan	8.4	3,371,664	–
		6,060,869	39,149,890

**8.1** Call money lending carries mark-up rate of nil (2018: 2.4% to 9.0%) per annum.

**8.2** Repurchase agreement lendings carries mark-up rate of 7% (2018: 8% to 10.35%) per annum and is due to mature in January 2020.

**8.3** This represents Musharaka arrangements with banks carry rates ranging from 10.80% to 11.00% per annum (2018: 9.25% to 9.55% per annum) and having maturity till January 2020.

**8.4** This represents Bai Muajjal receivable arrangements with State Bank of Pakistan carries rate of 10.34% per annum (2018: nil) and having maturity till February 2020.

		2019 (Rupees in '000)	2018
<b>8.5 Particulars of lending</b>			
In local currency		5,851,664	37,647,346
In foreign currencies		209,205	1,502,544
		6,060,869	39,149,890

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

		2019			2018		
		Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
(Rupees in '000)							
8.6	Securities held as collateral against lendings to financial institutions						
	Market Treasury Bills	-	-	-	32,972,346	-	32,972,346
	Total	-	-	-	32,972,346	-	32,972,346

## 9. INVESTMENTS

### 9.1 Investments by type:

		2019				2018			
Note		Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value
(Rupees in '000)									
	<b>Held-for-trading securities</b>								
	Federal Government Securities	9,479,849	-	(4,128)	9,475,721	9,348,153	-	(2,599)	9,345,554
	Shares and units	1,062,839	-	88,114	1,150,953	1,093,588	-	(45,167)	1,048,421
		10,542,688	-	83,986	10,626,674	10,441,741	-	(47,766)	10,393,975
	<b>Available-for-sale securities</b>								
	Federal Government Securities	677,027,359	-	4,973,965	682,001,324	683,373,062	-	(4,031,830)	679,341,232
	Shares and units	26,846,236	(11,207,932)	1,673,181	17,311,485	27,929,718	(8,253,849)	(279,499)	19,396,370
	Non Government Debt Securities	2,428,773	-	(4,671)	2,424,102	2,523,629	-	4,452	2,528,081
	Foreign Securities	3,657,020	-	13,295	3,670,315	2,545,151	-	(16,492)	2,528,659
		709,959,388	(11,207,932)	6,655,770	705,407,226	716,371,560	(8,253,849)	(4,323,369)	703,794,342
	<b>Held-to-maturity securities</b>								
	Federal Government Securities	18,908,076	(2,211)	-	18,905,865	21,859,645	(1,675)	-	21,857,970
	Provincial Government Securities	118	(118)	-	-	118	(118)	-	-
	Non Government Debt Securities	10,442,925	(533,788)	-	9,909,137	9,001,110	(490,924)	-	8,510,186
	Foreign Securities	8,320,599	(3,569)	-	8,317,030	5,809,776	-	-	5,809,776
		37,671,718	(539,686)	-	37,132,032	36,670,649	(492,717)	-	36,177,932
	<b>Associates</b>	4,275,658	-	-	4,275,658	4,019,526	-	-	4,019,526
	<b>Total Investments</b>	762,449,452	(11,747,618)	6,739,756	757,441,590	767,503,476	(8,746,566)	(4,371,135)	754,385,775



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 9.2 Investments by segments:

Note	2019				2018			
	Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus (deficit)	Carrying value
(Rupees in '000)								
<b>Federal Government Securities:</b>								
Market Treasury Bills	397,866,023	-	(413,415)	397,452,608	575,683,207	-	(290,163)	575,393,044
Pakistan Investment Bonds	292,723,081	-	5,376,303	298,099,384	127,913,919	-	(3,703,103)	124,210,816
Sukuks bonds	11,094,999	-	6,949	11,101,948	8,592,680	-	(41,163)	8,551,517
Euro Bonds	1,030,354	(2,211)	-	1,028,143	1,231,118	(1,675)	-	1,229,443
Bai Mu'ajjal	2,700,827	-	-	2,700,827	1,159,936	-	-	1,159,936
	705,415,284	(2,211)	4,969,837	710,382,910	714,580,860	(1,675)	(4,034,429)	710,544,756
<b>Provincial Government Securities</b>								
	118	(118)	-	-	118	(118)	-	-
<b>Shares:</b>								
Listed Companies	26,355,910	(11,042,016)	1,761,295	17,075,189	27,458,641	(8,092,709)	(324,666)	19,041,266
Unlisted Companies	1,553,165	(165,916)	-	1,387,249	1,564,665	(161,140)	-	1,403,525
	27,909,075	(11,207,932)	1,761,295	18,462,438	29,023,306	(8,253,849)	(324,666)	20,444,791
<b>Non Government Debt Securities</b>								
Listed	5,800,646	(16,269)	(2,050)	5,782,327	4,697,999	(16,269)	4,367	4,686,097
Unlisted	7,071,052	(517,519)	(2,621)	6,550,912	6,826,740	(474,655)	85	6,352,170
	12,871,698	(533,788)	(4,671)	12,333,239	11,524,739	(490,924)	4,452	11,038,267
<b>Foreign Securities</b>								
Government securities	11,517,802	(2,828)	13,295	11,528,269	7,870,174	-	(16,492)	7,853,682
Non Government Debt securities	452,567	(741)	-	451,826	478,548	-	-	478,548
Unlisted equity securities	7,250	-	-	7,250	6,205	-	-	6,205
	11,977,619	(3,569)	13,295	11,987,345	8,354,927	-	(16,492)	8,338,435
<b>Associates</b>								
Adamjee Insurance Company Limited 9.9	4,211,707	-	-	4,211,707	3,959,039	-	-	3,959,039
Euronet Pakistan (Private) Limited 9.10	63,951	-	-	63,951	60,487	-	-	60,487
	4,275,658	-	-	4,275,658	4,019,526	-	-	4,019,526
<b>Total Investments</b>								
	762,449,452	(11,747,618)	6,739,756	757,441,590	767,503,476	(8,746,566)	(4,371,135)	754,385,775
<b>2019 2018</b>								
<b>(Rupees in '000)</b>								

### 9.2.1 Investments given as collateral

- Market Treasury Bills	22,820,226	155,324,815
- Pakistan Investment Bonds	5,316,208	10,489,134
	28,136,434	165,813,949

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 9.3 Provision for diminution in value of investments

	2019	2018
	(Rupees in '000)	
<b>9.3.1 Opening balance</b>	8,746,566	5,984,983
Exchange adjustments	251	286
Charge / (reversals)		
Charge for the year	3,452,808	3,700,485
Reversals for the year	(29,964)	(4,620)
Reversal on disposals	(422,043)	(835,803)
	3,000,801	2,860,062
Amounts written off	–	(98,765)
Closing balance	11,747,618	8,746,566

## 9.3.2 Particulars of provision against debt securities

### Category of classification

	2019		2018	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
<b>Domestic</b>				
Doubtful	145,656	72,828	–	–
Loss	461,078	461,078	492,717	492,717
	606,734	533,906	492,717	492,717

**9.3.3** In addition to the above, overseas branches hold a general provision of Rs. 5.780 million (December 31, 2018: Rs. 1.675 million) in accordance with the requirements of IFRS 9.

## 9.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows;

	2019	2018
	Cost	
	(Rupees in '000)	
<b>Federal Government Securities - Government guaranteed</b>		
Market Treasury Bills	386,882,153	566,335,054
Pakistan Investment Bonds	278,739,813	108,585,929
GOP Ijarah Sukuks	10,899,070	8,452,079
Euro Bonds	506,323	–
	677,027,359	683,373,062

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	Cost	
	(Rupees in '000)	
<b>Listed Companies and mutual funds</b>		
Automobile Assembler	1,385,302	1,316,749
Automobile Part and Accessories	413,930	413,930
Cable and Electrical Goods	659,439	671,668
Cement	2,100,969	2,081,418
Chemical	76,050	5,132
Close End Mutual Fund	1,186,851	1,186,851
Commercial Banks	2,014,437	2,058,099
Engineering	2,085,008	2,132,161
Fertilizer	3,047,663	3,287,154
Food And Personal Care Products	1,199,266	1,230,825
Insurance	599,364	587,629
Investment Banks / Companies	41,784	41,784
NIT Units	5,253	5,253
Oil & Gas Exploration Companies	2,649,990	1,733,239
Oil & Gas Marketing Companies	742,705	1,413,084
Open End Mutual Fund	312,349	1,361,195
Paper And Board	700,059	700,059
Pharmaceutical	1,230,160	1,230,159
Power Generation and Distribution	2,616,001	2,702,805
Refinery	981,399	981,399
Technology And Communication	706,796	706,211
Textile	538,296	518,249
	25,293,071	26,365,053

	2019		2018	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
<b>Unlisted Companies</b>				
Central Depository Company Limited	184,426	687,011	184,426	619,651
First Capital Investment (Pvt) Limited	2,500	3,334	2,500	3,334
First Women Bank Limited	63,300	201,807	63,300	201,807
ISE Towers Reit Management company Limited	30,346	87,958	30,346	86,235
National Investment Trust Limited	1,027,651	1,665,882	1,027,651	1,945,933
National Institutional Facilitation Technologies	1,527	69,766	1,527	59,076
Pak Agro Storage And Service Corporation	2,500	605,006	2,500	605,006
1 Link (Pvt) Limited	50,000	147,332	50,000	131,847
Pak Asian Fund Limited	–	–	11,500	18,323
Arabian Sea Country Club	5,000	–	5,000	–
SME Bank Limited	10,106	–	10,106	–
Al-Ameen Textile Mills Limited	197	–	197	–
Custodian Management Services	1,000	–	1,000	–
Galaxy Textile Mills Limited	30,178	–	30,178	–
Pakistan Textile City (Pvt) Limited	50,000	–	50,000	–
Ayaz Textile Mills Limited	2,253	–	2,253	–
Musarrat Textile Mills Limited	36,045	–	36,045	–
Sadiqabad Textile Mills Limited	26,361	–	26,361	–
Al-Arabia Sugar Mills Limited - Preference shares	4,775	–	4,775	–
Pak Elektron Limited - Preference shares	25,000	25,000	25,000	25,000
	1,553,165	3,493,096	1,564,665	3,696,212

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	<b>Cost</b>	
	<b>(Rupees in '000)</b>	
<b>Non Government Debt Securities</b>		
<b>Listed</b>		
- AA+, AA, AA-	1,086,840	882,840
- A+, A, A-	150,000	129,000
	<b>1,236,840</b>	<b>1,011,840</b>
<b>Unlisted</b>		
- AA+, AA, AA-	990,000	1,411,789
- A+, A, A-	201,933	100,000
	<b>1,191,933</b>	<b>1,511,789</b>

	2019	2018
	<b>Cost</b>	<b>Cost</b>
	<b>Rating</b>	<b>Rating</b>
	<b>(Rupees in '000)</b>	
<b>Foreign Securities</b>		
<b>Government Securities</b>		
- Bahrain	—	140,078
- Sri Lanka	3,649,770	2,398,868
	<b>3,649,770</b>	<b>2,538,946</b>

	2019	2018
	<b>Cost</b>	
	<b>(Rupees in '000)</b>	
<b>Unlisted</b>		
Lanka Clear (Private) Limited	854	760
Credit Information Bureau of Sri Lanka	26	22
Lanka Financial Services Bureau Limited	1,707	760
Society for Worldwide Inter Fund Transfer (SWIFT)	4,663	4,663
	<b>7,250</b>	<b>6,205</b>
<b>9.5 Particulars relating to Held to Maturity securities are as follows:</b>		
<b>Federal Government Securities - Government guaranteed</b>		
Pakistan Investment Bonds	13,842,253	19,327,990
Market Treasury Bills	1,645,036	—
Sukuks bonds	195,928	140,601
Euro Bonds	524,032	1,231,118
Bai Mu'ajjal	2,700,827	1,159,936
	<b>18,908,076</b>	<b>21,859,645</b>
<b>Provincial Government Securities</b>	<b>118</b>	<b>118</b>

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2019		2018	
	Cost		Cost	
	(Rupees in '000)		(Rupees in '000)	
<b>Non Government Debt Securities</b>				
<b>Listed</b>				
- AAA	1,796,970		–	
- AA+, AA, AA-	2,700,716		4,728,839	
- BBB+, BBB, BBB-	–		50,051	
- Unrated	66,120		16,269	
	4,563,806		4,795,159	
<b>Unlisted</b>				
- AA+, AA, AA-	4,848,863		3,099,684	
- A+, A, A-	439,910		481,613	
- Unrated	590,346		624,654	
	5,879,119		4,205,951	

	2019		2018	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
<b>Foreign Securities</b>				
<b>Government Securities</b>				
- Sri Lanka	1,544,542	B2	1,172,721	B2
- United Arab Emirates	6,323,490	Aa2	4,158,507	Aa2
	7,868,032		5,331,228	

	2019		2018	
	Cost		Cost	
	(Rupees in '000)		(Rupees in '000)	
<b>Non Government Debt Securities</b>				
<b>Listed</b>				
- A+, A, A-	153,702		136,729	
<b>Unlisted</b>				
- AAA	298,865		265,860	
- A+, A, A-	–		75,959	
	298,865		341,819	

**9.5.1** The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 34,042.566 million (December 31, 2018: Rs. 34,895.775 million).

**9.6** "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan.

**9.7** Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (2018: Rs. 67.9 million) earmarked by the SBP against TT discounting facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2018: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account and Pakistan Investment



## Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

Bonds amounting to Rs.100 million (2018: Rs. Rs. 50 million ) have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) on account of removal of irrevocable undertaking as alternate option for collateral against participant's exposure in stock market.

- 9.8** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.
- 9.9** 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, 2019 amounted to Rs. 2,946.300 million (2018: Rs. 2,941.400 million).

### Investment in Adamjee Insurance Company Limited under equity method - holding 20% (2018: 20%)

	2019	2018
	(Rupees in '000)	
<b>Opening balance</b>	3,959,039	4,385,602
Share of profit for the year before tax	326,755	446,121
Dividend from associate	(175,000)	(140,000)
Share of tax	(109,675)	(208,759)
	42,080	97,362
Share of other comprehensive income	210,588	(222,761)
Disposal during the year	—	(301,164)
<b>Closing balance</b>	<b>4,211,707</b>	<b>3,959,039</b>
<b>Share of other comprehensive income</b>		
Share of unrealized surplus on assets -net of tax	167,219	(239,821)
Share of exchange translation reserve of associate	43,369	17,060
	<b>210,588</b>	<b>(222,761)</b>

- 9.10** 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% (2018: 30%)

	2019	2018
	(Rupees in '000)	
<b>Opening balance</b>	60,487	70,637
Share of profit for the year before tax	12,878	136
Share of tax	(9,414)	(10,286)
<b>Closing balance</b>	<b>3,464</b>	<b>(10,150)</b>
	<b>63,951</b>	<b>60,487</b>

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 9.11 Summarized financial information of associates

	Country of incorporation	% of interest held	Revenue	Profit/(loss) after tax	Assets	Liabilities
	(Rupees in '000)					
<b>2019</b>						
<b>Associates</b>						
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2019)	Pakistan	30%	557,579	25,769	648,477	435,306
Adamjee Insurance Company Limited (unaudited based on September 30, 2019)	Pakistan	20%	19,551,861	1,108,984	82,967,479	63,892,816
<b>2018</b>						
<b>Associates</b>						
Euronet Pakistan (Private) Limited (audited based on December 31, 2018)	Pakistan	30%	368,852	(44,052)	467,293	279,891
Adamjee Insurance Company Limited (unaudited based on September 30, 2018)	Pakistan	20%	18,872,622	1,505,199	79,330,901	28,609,789

## 10. ADVANCES

		Performing		Non Performing		Total	
	Note	2019	2018	2019	2018	2019	2018
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	10.1	471,613,945	480,263,372	48,759,157	47,976,277	520,373,102	528,239,649
Islamic financing and related assets		50,965,243	62,911,298	381,427	10,766	51,346,670	62,922,064
Bills discounted and purchased		19,486,758	17,887,661	665,102	979,271	20,151,860	18,866,932
Advances - gross		542,065,946	561,062,331	49,805,686	48,966,314	591,871,632	610,028,645
Provision against advances							
- Specific		—	—	(41,937,761)	(41,944,267)	(41,937,761)	(41,944,267)
- General		(1,461,011)	(1,292,113)	—	—	(1,461,011)	(1,292,113)
		(1,461,011)	(1,292,113)	(41,937,761)	(41,944,267)	(43,398,772)	(43,236,380)
Advances - net of provision		540,604,935	559,770,218	7,867,925	7,022,047	548,472,860	566,792,265

### 10.1 Includes net investment in finance lease as disclosed below:

	2019				2018			
	Not later than one year	Later than one and less than five years	Over five year	Total	Not later than one year	Later than one and less than five years	Over five year	Total
	(Rupees in '000)							
Lease rentals receivable	623,319	2,500,339	2,365,197	5,488,855	555,270	2,445,911	2,721,816	5,722,997
Residual value	14,769	35,544	10,368	60,681	15,000	25,867	5,397	46,264
Minimum lease payments	638,088	2,535,883	2,375,565	5,549,536	570,270	2,471,778	2,727,213	5,769,261
Financial charges for future periods	(136,416)	(319,293)	(517,870)	(973,579)	(119,266)	(252,971)	(496,750)	(868,987)
Present value of minimum lease payments	501,672	2,216,590	1,857,695	4,575,957	451,004	2,218,807	2,230,463	4,900,274

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

		2019	2018
		(Rupees in '000)	
<b>10.2</b>	<b>Particulars of advances (Gross)</b>		
	In local currency	532,760,442	565,091,153
	In foreign currencies	59,111,190	44,937,492
		591,871,632	610,028,645

**10.3** Advances include Rs. 49,805.686 million (2018: Rs. 48,966.314 million) which have been placed under the non-performing status as detailed below:

		2019		2018	
	Note	Non performing loans	Provision	Non performing loans	Provision
		(Rupees in '000)			
<b>Category of Classification</b>					
<b>Domestic</b>					
Other Assets Especially					
Mentioned	10.3.1	138,432	3,529	59,044	2,591
Substandard		591,832	146,872	1,141,973	284,372
Doubtful		3,048,946	1,346,099	1,734,078	866,961
Loss		37,836,484	37,088,134	38,336,785	37,706,704
		41,615,694	38,584,634	41,271,880	38,860,628
<b>Overseas</b>					
Not past due but impaired		–	–	62,287	62,287
Overdue by:					
Upto 90 days		10,688	7,400	624,403	433,424
91 to 180 days		118,182	95,452	140,323	35,205
181 to 365 days		141,231	137,601	7,473	3,736
>365 days		7,919,891	3,112,674	6,859,948	2,548,987
		8,189,992	3,353,127	7,694,434	3,083,639
<b>Total</b>		49,805,686	41,937,761	48,966,314	41,944,267

**10.3.1** This represents non-performing portfolio of agricultural and small enterprise financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural and Small Enterprise Financing issued by the State Bank of Pakistan.

## 10.4 Particulars of provision against advances

		2019			2018		
	Note	Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		41,944,267	1,292,113	43,236,380	44,587,644	1,118,256	45,705,900
Exchange adjustments		302,297	23,426	325,723	513,168	19,014	532,182
Charge for the year		3,359,542	174,710	3,534,252	1,613,591	158,663	1,772,254
Reversals	10.4.3	(3,649,841)	(29,238)	(3,679,079)	(4,618,549)	(3,820)	(4,622,369)
		(290,299)	145,472	(144,827)	(3,004,958)	154,843	(2,850,115)
Amounts written off	10.5	(18,504)	–	(18,504)	(151,587)	–	(151,587)
Closing balance		41,937,761	1,461,011	43,398,772	41,944,267	1,292,113	43,236,380

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 10.4.1 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	38,244,450	1,120,827	39,365,277	38,860,628	1,100,149	39,960,777
In foreign currencies	3,693,311	340,184	4,033,495	3,083,639	191,964	3,275,603
	41,937,761	1,461,011	43,398,772	41,944,267	1,292,113	43,236,380

**10.4.2** State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No.1 of 2011 dated October 21, 2011 has allowed benefit of forced sale value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for five years from the date of classification. The Bank (holding company) has not taken the FSV benefit in calculation of specific provision. However, one of the subsidiary of the Bank has availed benefit of forced sale values amounting to Rs. 178.374 million (December 31, 2018: Nil) in determining the provisioning against non-performing Islamic financing and related assets as at December 31, 2019. The additional benefit on the Bank's statement of profit and loss arising from availing the FSV benefit - net of tax amounts to Rs. 115.943 million as at December 31, 2019 (December 31, 2018: Nil). However, the additional impact on profitability arising from availing the benefit of forced sales value is not available for payment of cash or stock dividends to shareholders.

**10.4.3** This includes reversal of provisions and reduction of non-performing loans amounting to Rs. NIL (2018: Rs. 307 million) as a result of settlement on debt asset swap arrangement with customers.

**10.4.4** General provision against consumer loans represents provision maintained against fully secured performing portfolio and unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision against Small Enterprise Finance represents provision maintained at an amount equal to 1% of unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries in which the overseas branches operate. General provision against all other advances represents provision maintained at around 0.1% of gross advances.

			2019	2018
			(Rupees in '000)	
Note				
10.5	PARTICULARS OF WRITE OFFs			
10.5.1	Against Provisions	10.4	18,504	151,587
	Directly charged to Profit & Loss account	33	-	30
			18,504	151,617
10.5.2	Write Offs of Rs. 500,000 and above			
	- Domestic	10.6	14,613	151,393
	- Overseas		2,725	-
	Write Offs of below Rs. 500,000		1,166	224
			18,504	151,617

## 10.6 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2019 is given at Annexure- I of unconsolidated financial statements. However, this write off does not affect the Bank's right to recover the debts from these customers.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	1,068,429	1,501,801
Property and equipment	11.2	52,466,540	42,029,595
Right-of-use assets	11.3	10,666,838	–
		<b>64,201,807</b>	<b>43,531,396</b>
<b>11.1 Capital work-in-progress</b>			
Civil works		476,799	719,229
Equipment		90,946	295,662
Advances to suppliers		491,968	452,188
Others		8,716	34,722
		<b>1,068,429</b>	<b>1,501,801</b>

## 11.2 Property and Equipment

	2019								
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Leasehold improvements	Total
	(Rupees in '000)								
<b>At January 1, 2019</b>									
Cost / Revalued amount	20,287,003	2,440,151	12,602,260	563,273	1,831,107	15,115,272	1,231,531	870,429	54,941,026
Accumulated depreciation	–	–	(881,516)	(116,820)	(1,025,554)	(9,887,641)	(638,772)	(361,128)	(12,911,431)
Net book value	20,287,003	2,440,151	11,720,744	446,453	805,553	5,227,631	592,759	509,301	42,029,595
<b>Year ended December 31, 2019</b>									
Opening net book value	20,287,003	2,440,151	11,720,744	446,453	805,553	5,227,631	592,759	509,301	42,029,595
Additions	806,735	–	1,989,250	142,646	237,979	1,414,512	123,397	536,351	5,250,870
Movement in surplus on assets revalued during the year	5,840,577	452,928	1,073,211	73,227	–	–	–	–	7,439,943
Transfer from Non-Banking assets	34,000	–	17,520	–	–	–	–	–	51,520
Disposals	(21,000)	–	–	–	(6,202)	(5,101)	(40,683)	(31,212)	(104,198)
Depreciation charge	–	–	(417,054)	(27,778)	(151,530)	(1,346,139)	(146,347)	(144,160)	(2,233,008)
Exchange rate adjustments	–	–	9,566	2,554	3,438	6,770	3,927	5,563	31,818
Transfers	4,350	–	7,121	–	(1,249)	1,249	–	(11,471)	–
Closing net book value	26,951,665	2,893,079	14,400,358	637,102	887,989	5,298,922	533,053	864,372	52,466,540
<b>At December 31, 2019</b>									
Cost / Revalued amount	26,951,665	2,893,079	14,400,594	637,102	2,047,789	15,989,634	1,176,389	1,352,983	65,449,235
Accumulated depreciation	–	–	(236)	–	(1,159,800)	(10,690,712)	(643,336)	(488,611)	(12,982,695)
Net book value	26,951,665	2,893,079	14,400,358	637,102	887,989	5,298,922	533,053	864,372	52,466,540
Rate of depreciation / estimated useful life	–	–	Upto 60 years	Upto 50 years	10%	10%-25%	20%	Lease term	–



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2018								
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Leasehold improvements	Total
	(Rupees in '000)								
At January 1, 2018									
Cost / Revalued amount	19,651,902	2,392,866	11,598,762	460,136	1,734,672	14,673,873	1,160,908	702,531	52,375,650
Accumulated depreciation	–	–	(543,788)	(96,357)	(1,021,937)	(9,594,418)	(582,315)	(304,818)	(12,143,633)
Net book value	19,651,902	2,392,866	11,054,974	363,779	712,735	5,079,455	578,593	397,713	40,232,017
Year ended December 31, 2018									
Opening net book value	19,651,902	2,392,866	11,054,974	363,779	712,735	5,079,455	578,593	397,713	40,232,017
Additions	888,213	47,285	957,666	98,338	225,696	1,553,797	179,485	262,146	4,212,626
Transfer from Non-Banking assets	–	–	101,714	–	–	–	–	–	101,714
Disposal	(253,112)	–	(52,728)	–	(1,269)	(1,176)	(20,569)	–	(328,854)
Depreciation charge	–	–	(345,021)	(20,021)	(135,042)	(1,409,898)	(146,590)	(149,269)	(2,205,841)
Write off	–	–	–	–	(701)	–	–	(2,399)	(3,100)
Exchange rate adjustments	–	–	4,139	4,357	4,134	5,453	1,840	1,110	21,033
Closing net book value	20,287,003	2,440,151	11,720,744	446,453	805,553	5,227,631	592,759	509,301	42,029,595
At December 31, 2018									
Cost / Revalued amount	20,287,003	2,440,151	12,602,260	563,273	1,831,107	15,115,272	1,231,531	870,429	54,941,026
Accumulated depreciation	–	–	(881,516)	(116,820)	(1,025,554)	(9,887,641)	(638,772)	(361,128)	(12,911,431)
Net book value	20,287,003	2,440,151	11,720,744	446,453	805,553	5,227,631	592,759	509,301	42,029,595
Rate of depreciation / estimated useful life	–	–	Upto 60 years	Upto 50 years	10%	10%-25%	20%	33.33%	–

**11.2.1** Leasehold land include a plot of land measuring 3,120.46 square yards having book value of Rs. 1,419.809 million situated at Railway Quarters, I.I. Chundrigar Road, Karachi, (the "Plot"), where a tenant is claiming for the possession as tenant of an insignificant area of only 18 square feet of the plot, however there is no issue over the title of the subject property. Both the Constitutional Petitions filed by the Group have been dismissed by the Sindh High Court on 28 January 2016 against the Group. The Group has filed an appeal before the Supreme Court of Pakistan.

**11.2.2** The land and buildings of the Group were revalued as at December 31, 2019 by independent valuers (K.G. Traders (Pvt) Limited, Tristar International Consultant (Pvt) Limited & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. The total surplus against revaluation of fixed assets as at December 31, 2019 amounts to Rs. 21,031.256 million.

**11.2.3** Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2019 would have been as follows:

	(Rupees in '000)
Land	12,810,476
Buildings	11,040,472

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

	(Rupees in '000)
Furniture and fixtures	515,437
Electrical, computers and office equipment	6,901,900
Vehicles	345,168
Leasehold Improvements	13,699

# Notes To The Consolidated Financial Statements

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**11.2.5** Carrying amount of temporarily idle property of the Group is Rs. 161.886 million (2018: Rs. 45.485 million)

**11.2.6** The information relating to disposal of operating fixed assets to related parties is given in Annexure I of these consolidated financial statements.

**11.3** This has arisen due to adoption of IFRS 16 as detailed in note 5.1. Depreciation expense on right-of-use assets asset during the year is Rs. 1,610.893 million. Movement in right-of-use assets is as follows:

	Note	2019 (Rupees in '000)	2018
Effect of initial application of IFRS 16 as at January 01, 2019		11,392,795	–
Additions		884,936	–
Depreciation charge	31	(1,610,893)	–
Closing net book value		10,666,838	–

		2019 (Rupees in '000)	2018
<b>Computer software</b>			
<b>12. INTANGIBLE ASSETS</b>			
Capital work-in-progress		472,336	257,805
Goodwill		82,127	82,127
Management rights		192,000	192,000
Computer software	12.1	1,232,512	920,530
		1,978,975	1,452,462
<b>12.1 At January 1</b>			
Cost		4,114,222	3,791,731
Accumulated amortisation		(3,193,692)	(2,892,297)
Net book value		920,530	899,434
<b>Year ended December 31</b>			
Opening net book value		920,530	899,434
Additions		734,933	376,872
Amortisation charge		(425,585)	(356,533)
Exchange rate adjustments		2,634	757
Closing net book value		1,232,512	920,530
<b>At December 31</b>			
Cost		4,865,584	4,114,222
Accumulated amortisation and impairment		(3,633,072)	(3,193,692)
Net book value		1,232,512	920,530
Rate of amortisation (percentage)		14% to 33.33%	14% to 33.33%
Useful life		3 - 7 years	3 - 7 years

**12.2** The gross carrying amount (cost) of fully depreciated intangible assets that are still in use is Rs. 2,753.939 million.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>13. OTHER ASSETS</b>			
Income/ mark-up accrued in local currency		24,533,964	12,291,231
Income/ mark-up accrued in foreign currencies		564,667	134,709
Advances, deposits, advance rent and other prepayments		3,940,446	2,737,424
Advance taxation (payments less provisions)		–	7,464,966
Compensation for delayed income tax refunds		133,809	133,809
Non-banking assets acquired in satisfaction of claims	13.1	3,251,508	3,653,840
Branch adjustment account		77,281	–
Mark to market gain on forward foreign exchange contracts		3,848,188	3,690,505
Unrealized gain on derivative financial instruments	25	1,236,517	852,465
Acceptances	20	20,346,205	16,256,882
Receivable from the pension fund	38.4	3,605,121	3,815,170
Others		10,118,430	7,433,809
		71,656,136	58,464,810
Less: Provision held against other assets	13.2	2,604,137	2,550,585
Other Assets (net of provision)		69,051,999	55,914,225
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		677,660	480,871
Other Assets - total		69,729,659	56,395,096
<b>13.1</b> Market value of Non-banking assets acquired in satisfaction of claims		3,838,230	4,035,114

Non-banking assets acquired in satisfaction of claims of the Group are revalued as at December 31, 2019 by independent valuers ( Fks Building Services and J&M Associates) on the basis of market value.

	Note	2019 (Rupees in '000)	2018
<b>13.1.1 Non-banking assets acquired in satisfaction of claims</b>			
Opening balance		4,035,114	4,288,001
Additions		64,445	309,163
Revaluation		255,040	265,806
Disposals		(428,052)	(600,000)
Depreciation		(45,456)	(49,155)
Reversal / (charge) of impairment		8,659	(76,987)
Transfer to fixed assets		(51,520)	(101,714)
Closing balance		3,838,230	4,035,114
<b>13.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims</b>			
Disposal proceeds		540,000	682,410
Less			
- Cost		433,813	600,500
- Depreciation		(5,761)	(500)
		428,052	600,000
<b>Gain</b>	13.1.2.1	111,948	82,410

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>13.1.2.1 Breakup of gain/loss realized on sale of non-banking assets:</b>			
Plot at Clifton Karachi		–	82,410
Industrial property Lahore		111,948	–
		111,948	82,410
<b>13.2 Provision held against other assets</b>			
Non banking assets acquired in satisfaction of claims		90,938	99,597
Others		2,513,199	2,450,988
		2,604,137	2,550,585
<b>13.2.1 Movement in provision held against other assets</b>			
Opening balance		2,550,585	3,016,793
Charge for the year		12,587	112,529
Reversals		(36,023)	(721,119)
	33	(23,436)	(608,590)
Amount written off		(3,638)	(7,180)
Exchange and other adjustments		80,626	149,562
Closing balance		2,604,137	2,550,585

## 14. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2019 (2018: NIL).

	Note	2019 (Rupees in '000)	2018
<b>15. BILLS PAYABLE</b>			
In Pakistan		12,759,834	16,948,744
Outside Pakistan		35,491	54,528
		12,795,325	17,003,272
<b>16. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.1	36,513,083	29,430,925
Under long term financing facility	16.2	18,138,200	14,628,994
Under renewable energy performance platform	16.3	85,062	28,420
Under financing facility for storage of agricultural produce	16.4	188,809	165,267
		54,925,154	44,253,606
Repurchase agreement borrowings	16.5	28,099,229	165,703,249
<b>Total secured</b>		83,024,383	209,956,855
<b>Unsecured</b>			
Borrowings from other financial institution	16.6	889,161	592,818
Call borrowings	16.7	5,964,830	4,826,699
Overdrawn nostro accounts		1,342,603	1,946,106
Musharaka arrangements	16.8	1,476,705	5,731,351
Others		162,286	162,286
<b>Total unsecured</b>		9,835,585	13,259,260
	16.9	92,859,968	223,216,115

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

- 16.1** The Group has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current account maintained by the Group with SBP. These borrowings are repayable within six months. These carry mark up rates ranging from 1.0% to 2.0% per annum.
- 16.2** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 3.0% to 4.50% per annum.
- 16.3** These borrowings have been obtained from the SBP for providing financing facilities to customers against renewable energy projects. These borrowings are repayable within a period of twelve years with two years grace period from date of disbursement. These carry mark up rate of 2% per annum.
- 16.4** These borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.50% to 3.50% per annum.
- 16.5** These carry mark-up rates ranging from 8.0% to 13.20% per annum (2018: 9.0% to 10.25% per annum) and are secured against government securities of carrying value of Rs. 28,136.434 million (2018: Rs. 165,813.949 million). These are repayable latest by August 2020.
- 16.6** These carry mark-up rates ranging from 2.75% to 3.00% per annum (2018: 2.30% to 3.00% per annum).
- 16.7** These carry mark-up ranging from 2.30% to 13.10% per annum (2018: 2.25% to 10.25% per annum). These are repayable by June 2020.
- 16.8** These carry mark-up ranging from 8.50% to 9.00% per annum (2018: 9.40% to 9.80% per annum). These are repayable by January 2020.

	2019	2018
	(Rupees in '000)	
<b>16.9 Particulars of borrowings with respect to currencies</b>		
In local currency	88,699,245	219,160,751
In foreign currencies	4,160,723	4,055,364
	<b>92,859,968</b>	<b>223,216,115</b>

## 17. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
<b>Customers</b>						
Current deposits	357,303,848	53,340,189	410,644,037	346,298,054	36,242,971	382,541,025
Savings deposits	583,751,817	47,420,170	631,171,987	532,295,382	41,139,150	573,434,532
Term deposits	100,346,882	15,590,901	115,937,783	78,181,102	13,981,644	92,162,746
Others	26,456,179	2,854,010	29,310,189	30,699,847	4,340,402	35,040,249
	<b>1,067,858,726</b>	<b>119,205,270</b>	<b>1,187,063,996</b>	<b>987,474,385</b>	<b>95,704,167</b>	<b>1,083,178,552</b>
<b>Financial Institutions</b>						
Current deposits	9,520,075	2,094,703	11,614,778	7,633,474	2,268,698	9,902,172
Savings deposits	14,992,263	27,986	15,020,249	16,647,671	20,548	16,668,219
Term deposits	4,959,099	7,741,444	12,700,543	5,736,081	6,544,203	12,280,284
Others	-	193,459	193,459	-	277,308	277,308
	<b>29,471,437</b>	<b>10,057,592</b>	<b>39,529,029</b>	<b>30,017,226</b>	<b>9,110,757</b>	<b>39,127,983</b>
	<b>1,097,330,163</b>	<b>129,262,862</b>	<b>1,226,593,025</b>	<b>1,017,491,611</b>	<b>104,814,924</b>	<b>1,122,306,535</b>



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

		2019	2018
		(Rupees in '000)	
<b>17.1</b>	Composition of deposits		
	- Individuals	751,908,455	700,871,292
	- Government (Federal and Provincial)	73,275,909	56,639,743
	- Public Sector Entities	52,949,106	54,340,556
	- Banking Companies	10,219,893	7,653,537
	- Non-Banking Financial Institutions	29,285,707	31,437,255
	- Private Sector	308,953,955	271,364,152
		<b>1,226,593,025</b>	<b>1,122,306,535</b>

**17.2** Deposits and other accounts include deposits eligible to be covered under the Deposits Protection insurance arrangements amounting to Rs. 802,238.351 million (2018: Rs. 719,677.340 million).

	Note	2019	2018
		(Rupees in '000)	
<b>18. SUBORDINATED DEBT</b>			
Term Finance Certificates - Listed, Unsecured	18.1	—	3,891,019

Issue amount	Rs. 4,198.035 million
Issue date	June 19, 2014
Maturity date	June 19, 2022
Rating	AAA (triple A)
Security	The TFCs are unsecured and subordinated to all other indebtedness of the Group including deposits
Profit payment frequency	Semi-Annually
Redemption	Fifteen equal semi-annual installments of 0.02% of the Issue Amount for the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month.
Mark-up	Floating (no floor, no cap) rate of return at Base Rate +1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR"))
Call option	The Group may call the TFCs, in part or full, on any profit payment date from the 60th month from the last day of public subscription and on all subsequent profit payment dates, subject to the SBP approval and not less than forty five days prior notice being given to the Trustee and the Investors.
Lock-in-clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Banks' Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR and CAR. In case the lock-in clause goes into effect, the Bank will be required to comply with the SBP instructions prevalent or issued at the time.
Loss absorbency clause	The TFCs will be subject to loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".

**18.1** During the year, the Group has exercised the call option under the terms of issuance of TFCs after completing the required regulatory requirements. Accordingly, the outstanding balance of the said TFCs have been redeemed on June 19, 2019, being the option exercise date.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 19. DEFERRED TAX LIABILITIES

		2019			
	Note	At January 01, 2019	Recognised in P&L A/C	Recognised in OCI	At December 01, 2019
(Rupees in '000)					
<b>Taxable Temporary Differences on</b>					
- Surplus on revaluation of fixed assets	23.1	1,018,502	(29,214)	401,254	1,390,542
- Surplus on revaluation of Non-banking assets	23.2	168,305	(20,388)	89,264	237,181
- Accelerated tax depreciation		1,810,834	150,279	–	1,961,113
- Receivable from pension fund		1,335,309	155,621	(229,137)	1,261,793
- Business combination		705,218	–	–	705,218
- Investments in associated undertaking		1,158,906	14,728	73,706	1,247,340
- Surplus on revaluation of investments	23	–	–	2,329,519	2,329,519
		6,197,074	271,026	2,664,606	9,132,706
<b>Deductible Temporary Differences on</b>					
- Tax losses carried forward		(818,652)	(131,148)	–	(949,800)
- Provision against advances		(1,791,768)	65,617	–	(1,726,151)
- Others		(92,755)	(149,777)	–	(242,532)
- Surplus/deficit on revaluation of investments		(1,510,754)	–	1,510,754	–
		(4,213,929)	(215,308)	1,510,754	(2,918,483)
		1,983,145	55,718	4,175,360	6,214,223
<b>2018</b>					
	Note	At January 01, 2018	Recognised in P&L A/C	Recognised in OCI	At December 01, 2018
(Rupees in '000)					
<b>Taxable Temporary Differences on</b>					
- Surplus on revaluation of fixed assets	23.1	1,051,507	(33,005)	–	1,018,502
- Surplus on revaluation of non-banking assets	23.2	75,273	–	93,032	168,305
- Accelerated tax depreciation		1,704,905	108,475	(2,546)	1,810,834
- Receivable from pension fund		2,096,688	(225,585)	(535,794)	1,335,309
- Business combination		705,218	–	–	705,218
- Investments in associated undertaking		1,291,483	(34,648)	(97,929)	1,158,906
- Surplus on revaluation of investments	23	2,260,717	–	(2,260,717)	–
		9,185,791	(184,763)	(2,803,954)	6,197,074
<b>Deductible Temporary Differences on</b>					
- Tax losses carried forward		(209,657)	(608,995)	–	(818,652)
- Post retirement employee benefits		(201)	201	–	–
- Provision against advances		(3,282,517)	1,490,749	–	(1,791,768)
- Others		(32,343)	(60,412)	–	(92,755)
- Surplus/ (deficit) on revaluation of investments		–	4,989	(1,515,743)	(1,510,754)
		(3,524,718)	826,532	(1,515,743)	(4,213,929)
		5,661,073	641,769	(4,319,697)	1,983,145

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>20. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		23,511,019	13,166,020
Mark-up/ return/ interest payable in foreign currencies		664,130	478,001
Unearned commission and income on bills discounted		252,842	231,516
Accrued expenses		6,310,392	5,443,401
Provision for taxation ( provisions less payments)		6,045,948	–
Workers' welfare fund	20.1	7,873,706	7,071,660
Acceptances	13	20,346,205	16,256,882
Unclaimed/dividends payable		1,605,123	1,474,816
Mark to market loss on forward foreign exchange contracts		4,638,011	3,495,971
Unrealized loss on derivative financial instruments	25	1,232,806	863,617
Staff welfare fund		5,727	5,490
Branch adjustment account		–	44,770
Provision for employees' compensated absences	38.4	939,495	1,028,129
Provision for post retirement medical benefits	38.4	1,921,348	1,730,409
Provision for employees' contributory benevolent scheme	38.4	221,193	214,252
Provision for gratuity		–	719
Retention money		20,657	38,437
Insurance payable against consumer assets		655,146	688,107
Unclaimed balances		993,105	1,133,843
Duties and taxes payable		775,694	1,007,800
Charity fund balance		54,782	25,402
Provision against off-balance sheet obligations		46,581	37,430
Security deposits against lease		1,497,296	1,291,857
Lease liability against right of use assets	20.2	11,436,633	–
Others		11,357,674	9,758,513
		<b>102,405,513</b>	<b>65,487,042</b>

**20.1** Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Bank maintained its provision in respect of WWF.

**20.2** This represents lease liability recognised due to adoption of IFRS 16 as detailed in note 5.1.

## 21. SHARE CAPITAL

### 21.1 Authorized Capital

	2019 (Number of shares)	2018		2019 (Rupees in '000)	2018
	1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	15,000,000	15,000,000

### 21.2 Issued, subscribed and paid up

	2019 (Number of shares)	2018		2019 (Rupees in '000)	2018
			<b>Ordinary shares</b>		
	197,253,795	197,253,795	Fully paid in cash	1,972,538	1,972,538
	915,776,953	915,776,953	Issued as bonus shares	9,157,769	9,157,769
	72,029,258	72,029,258	Issued for consideration other than cash	720,293	720,293
	<b>1,185,060,006</b>	<b>1,185,060,006</b>		<b>11,850,600</b>	<b>11,850,600</b>

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

**21.3** The movement in the issued, subscribed and paid-up capital during the year is as follows:

	<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
	<b>(Number of shares)</b>			<b>(Rupees in '000)</b>	
	1,185,060,006	1,185,060,006	Opening balance at January 1	11,850,600	11,850,600
	1,185,060,006	1,185,060,006	Closing balance at December 31	11,850,600	11,850,600

**21.4** Number of shares held by the associated undertakings as at December 31, are as follows:

	<b>2019</b>	<b>2018</b>
	<b>(Number of shares)</b>	
Adamjee Insurance Company Limited	47,827,287	47,827,287
Nishat Mills Limited	88,015,291	88,015,291
Siddiqsons Limited	14,276,462	14,276,462
Nishat (Aziz Avenue) Hotels and Properties Limited	29,000	–
	150,148,040	150,119,040

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>(Rupees in '000)</b>	
<b>22. RESERVES</b>			
Share premium		23,973,024	23,973,024
Non- distributable capital reserve - gain on bargain purchase option	22.1	908,317	908,317
Exchange translation reserve		2,730,354	1,607,782
Statutory reserve	22.2	31,683,134	29,285,450
General reserve		18,600,000	18,600,000
		77,894,829	74,374,573

**22.1** Under IFRS-3 a bargain purchase represents an economic gain which should be immediately recognized by the acquirer as income. However, the amount of bargain purchase gain was not taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 recommended that the amount of gain may be routed directly into equity as a Non-distributable Capital Reserve (NCR). The NCR may become available for distribution through a stock dividend only with prior approval of the SBP. The Group, before distribution of the gain as a stock dividend, may adjust any subsequent provisions/deficit, assessed by the Bank or recommended by the Banking Inspection Department of SBP, in the acquired assets and liabilities of NIB Bank Limited against the NCR.

**22.2** Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>23. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
- Available for sale securities	9.1	6,655,770	(4,323,369)
- Fixed assets	23.1	21,031,256	13,685,180
- Non-banking assets acquired in satisfaction of claims	23.2	677,660	480,871
- Associated undertaking		611,247	444,027
		28,975,933	10,286,709
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities	19	2,329,519	(1,510,754)
- Fixed assets	23.1	1,390,542	1,018,502
- Non-banking assets acquired in satisfaction of claims	23.2	237,181	168,305
- Associated undertaking		266,485	192,781
		4,223,727	(131,166)
		24,752,206	10,417,875
<b>23.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 1		13,685,180	13,871,643
Recognised during the year		7,439,943	-
Realised on disposal during the year - net of deferred tax		(10,560)	(99,081)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(54,093)	(54,377)
Related deferred tax liability on incremental depreciation charged during the year		(29,127)	(29,279)
Related deferred tax liability on surplus realised on disposal		(87)	(3,726)
Surplus on revaluation of fixed assets as at December 31		21,031,256	13,685,180
Less: Related deferred tax liability on:			
- revaluation as at January 1		1,018,502	1,051,507
- recognised during the year		401,254	-
- surplus realised on disposal during the year		(87)	(3,726)
- incremental depreciation charged during the year		(29,127)	(29,279)
		1,390,542	1,018,502
		19,640,714	12,666,678
<b>23.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 1		480,871	215,065
Recognised during the year		255,040	265,806
Realised on disposal during the year - net of deferred tax		(37,863)	-
Related deferred tax liability on surplus realised on disposal		(20,388)	-
Surplus on revaluation as at December 31		677,660	480,871
Less: Related deferred tax liability on:			
- revaluation as at January 1		168,305	75,273
- revaluation recognised during the year		89,264	93,032
- surplus realised on disposal during the year		(20,388)	-
		237,181	168,305
		440,479	312,566



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>24. CONTINGENCIES AND COMMITMENTS</b>			
- Guarantees	24.1	180,002,174	173,231,396
- Commitments	24.2	657,101,777	412,067,935
- Other contingent liabilities	24.3	28,352,091	17,038,156
		<b>865,456,042</b>	<b>602,337,487</b>
<b>24.1 Guarantees:</b>			
Financial guarantees		141,181,839	140,350,012
Performance guarantees		33,833,099	30,103,382
Other guarantees		4,987,236	2,778,002
		<b>180,002,174</b>	<b>173,231,396</b>
<b>24.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		153,036,304	144,579,352
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	404,891,089	217,219,090
- forward government securities transactions	24.2.2	87,696,638	27,935,661
- derivatives	24.2.3	10,244,806	11,285,103
- operating leases	24.2.4	–	7,256,479
- commitments to extent credit	24.2.5	307,755	2,221,317
Commitments for acquisition of:			
- operating fixed assets		859,953	1,430,980
- intangible assets		65,232	139,953
		<b>657,101,777</b>	<b>412,067,935</b>
<b>24.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		216,647,656	126,872,293
Sale		188,243,433	90,346,797
		<b>404,891,089</b>	<b>217,219,090</b>
<b>24.2.2 Commitments in respect of government securities transactions</b>			
Purchase		82,284,304	13,660,947
Sale		5,412,334	14,274,714
		<b>87,696,638</b>	<b>27,935,661</b>

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

		2019	2018
		(Rupees in '000)	
<b>24.2.3</b>	<b>Commitments in respect of derivatives</b>		
	FX options (notional)		
	Purchase	431,449	1,378,370
	Sale	431,449	1,378,370
		862,898	2,756,740
	Cross Currency Swaps (notional)		
	Purchase	4,428,663	4,026,814
	Sale	4,636,745	4,185,049
		9,065,408	8,211,863
	Interest Rate Swaps (notional)		
	Purchase	316,500	316,500
	Sale	–	–
		316,500	316,500
		10,244,806	11,285,103
<b>24.2.4</b>	<b>Commitments in respect of operating leases</b>		
	Not later than one year	–	1,219,754
	Later than one year and not later than five years	–	3,779,911
	Later than five years	–	2,256,814
		–	7,256,479
<b>24.2.5</b>	<b>Other commitments</b>		
	Commitments to extend credit	307,755	2,221,317

Other than those mentioned above, the group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	2019	2018
		(Rupees in '000)	
<b>24.3</b>	<b>Other contingent liabilities</b>		
	Claims against the Group not acknowledged as debts	24.3.1	28,352,091
			17,038,156

**24.3.1** These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.

**24.4** For assessment year 1988-89 through tax year 2018, the tax department disputed Group treatment on certain issues, where the Group's appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 1,487 million (2018: Rs. 1,399 million). 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 Group has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Group 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 Group's favour as and when these are taken up by the Appellate Authorities.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 25. DERIVATIVE INSTRUMENTS

### 25.1 Product Analysis

		2019					
		Cross currency swaps		Interest rate swaps		FX option	
Counterparties		Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss
(Rupees in '000)							
<b>With Banks for</b>							
Hedging		4,428,663	1,218,634	316,500	11,510	431,449	2,683
Market Making		-	-	-	-	-	-
<b>With other entities for</b>							
Hedging		-	-	-	-	-	-
Market Making		4,636,745	(1,226,433)	-	-	431,449	(2,683)
<b>Total</b>							
Hedging		4,428,663	1,218,634	316,500	11,510	431,449	2,683
Market Making		4,636,745	(1,226,433)	-	-	431,449	(2,683)
		2018					
		Cross currency swaps		Interest rate swaps		FX option	
Counterparties		Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss	Notional principal	Mark to market gain/loss
(Rupees in '000)							
<b>With Banks for</b>							
Hedging		4,026,814	725,117	316,500	14,771	1,378,370	48,090
Market Making		-	-	-	-	-	-
<b>With other entities for</b>							
Hedging		-	-	-	-	-	-
Market Making		4,185,049	(751,040)	-	-	1,378,370	(48,090)
<b>Total</b>							
Hedging		4,026,814	725,117	316,500	14,771	1,378,370	48,090
Market Making		4,185,049	(751,040)	-	-	1,378,370	(48,090)

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 25.2 Maturity Analysis

2019					
	No. of contracts	Notional principal	Mark to Market		Net
			Negative	Positive	
			(Rupees in '000)		
Remaining Maturity					
Upto 1 month	14	409,597	(518)	518	–
1 to 3 months	32	1,076,111	(154,368)	154,707	339
3 to 6 months	1	52,745	(25,888)	–	(25,888)
6 month to 1 Year	7	1,847,480	(298,299)	299,689	1,390
1 to 2 Year	9	3,199,475	(312,482)	323,222	10,740
2 to 3 Years	4	1,714,098	(340,100)	353,553	13,453
3 to 5 Years	2	1,945,300	(101,151)	104,828	3,677
Total	69	10,244,806	(1,232,806)	1,236,517	3,711
2018					
	No. of contracts	Notional principal	Mark to Market		Net
			Negative	Positive	
			(Rupees in '000)		
Remaining Maturity					
Upto 1 month	44	1,462,433	(85,020)	85,050	30
1 to 3 months	66	1,512,180	(26,820)	26,820	–
3 to 6 months	14	197,096	(4,241)	4,241	–
1 to 2 Year	10	3,526,504	(431,981)	384,758	(47,223)
2 to 3 Years	6	2,418,453	(171,636)	184,301	12,665
3 to 5 Years	4	2,168,437	(143,919)	167,295	23,376
Total	144	11,285,103	(863,617)	852,465	(11,152)

**25.3** Disclosure relating to qualitative and quantitative information on exchange traded derivatives are disclosed in note 45.5.

**25.4** Risk management related to derivatives is discussed in note 45.5.

			2019	2018
			(Rupees in '000)	
<b>26.</b>	<b>MARK-UP/RETURN/INTEREST EARNED</b>			
	Loans and advances		64,738,017	40,472,966
	Investments		77,292,876	45,364,359
	Lendings to financial institutions		5,361,703	1,368,635
	Balances with banks		696,104	296,377
			<b>148,088,700</b>	<b>87,502,337</b>

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>27. MARK-UP/RETURN/INTEREST EXPENSED</b>			
Deposits		70,280,198	33,730,188
Borrowings		9,361,322	4,795,063
Subordinated debt		213,604	307,789
Cost of foreign currency swaps against foreign currency deposits / borrowings		3,009,184	662,873
Unwinding cost of liability against right-of-use assets	20.2	1,506,301	–
		<b>84,370,609</b>	<b>39,495,913</b>
<b>28. FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		1,822,700	2,469,298
Consumer finance related fees		350,591	278,132
Card related fees (debit and credit cards)		3,134,235	2,634,203
Credit related fees		188,443	150,733
Investment banking fee		181,177	113,998
Commission on trade		1,477,458	1,460,206
Commission on guarantees		607,844	431,287
Commission on cash management		612,178	603,687
Commission on remittances including home remittances		1,172,359	981,721
Commission on utility bills		106,320	109,641
Commission income - Bancassurance		1,502,899	1,169,169
Rent on lockers		245,866	245,842
Commission on investments services		646,560	806,641
Other Commission		182,241	182,193
		<b>12,230,871</b>	<b>11,636,751</b>
<b>29. GAIN ON SECURITIES, NET</b>			
Realised	29.1	744,887	1,304,914
Unrealised - held for trading	9.1	83,986	(47,766)
		<b>828,873</b>	<b>1,257,148</b>
<b>29.1</b> Realised gain on:			
Federal Government Securities		17,685	269,209
Shares & units		727,202	1,035,705
		<b>744,887</b>	<b>1,304,914</b>
<b>30. OTHER INCOME</b>			
Rent on property		69,427	19,213
Gain on sale of fixed assets-net		63,176	245,866
Gain on sale of non banking assets - net		111,948	82,410
Compensation on tax refunds		–	86,862
		<b>244,551</b>	<b>434,351</b>



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>31. OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	31.1	17,017,561	15,759,480
<b>Property expense</b>			
Rent and taxes		395,237	2,469,920
Insurance		57,198	103,573
Utilities cost		1,338,457	1,184,003
Fuel expense generators		534,428	513,533
Security (including guards)		1,589,659	1,743,167
Repair and maintenance (including janitorial charges)		924,232	1,013,249
Depreciation on right-of-use assets	11.3	1,610,893	–
Depreciation	11.2	659,926	557,142
		7,110,030	7,584,587
<b>Information technology expenses</b>			
Software maintenance		1,279,569	1,208,867
Hardware maintenance		372,808	407,378
Depreciation	11.2	732,943	818,474
Amortisation	12	425,585	356,533
Network charges		714,755	706,488
Insurance		5,198	4,400
		3,530,858	3,502,140
<b>Other operating expenses</b>			
Directors' fees and allowances		57,479	40,741
Fees and allowances to Sharia Board members		9,147	14,479
Legal and professional charges		406,992	345,683
Outsourced services costs	37.1	891,883	1,271,889
Travelling and conveyance		412,033	418,253
NIFT clearing charges		170,664	157,898
Depreciation	11.2	840,139	830,225
Depreciation on non-banking assets acquired in satisfaction of claims	13.1.1	45,456	49,155
Training and development		73,194	61,849
Postage and courier charges		355,306	313,962
Communication		390,721	327,215
Stationery and printing		710,930	752,488
Marketing, advertisement & publicity		683,174	559,566
Donations	31.2	100	696
Auditors' remuneration	31.3	43,305	45,454
Cash transportation charges		799,226	743,593
Repair and maintenance		417,823	461,717
Subscription		39,360	39,437
Entertainment		275,532	268,356
Remittance charges		197,223	186,476
Brokerage expenses		48,342	44,319
Card related expenses		1,182,346	737,528
CNIC verification charges		206,509	138,237
Insurance		1,511,988	821,590
Others		258,110	238,434
		10,026,982	8,869,240
		37,685,431	35,715,447

Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 670.334 million (2018: Rs. 501.371 million). Out of this cost Rs. 668.548 million ( 2018: Rs. 499.903 million ) pertains to the payment to companies incorporated in Pakistan and Rs. 1.786 million ( 2018: Rs. 1.786 million) pertains to companies incorporated out of Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. 258.190 million (2018: Rs 263.283 million).

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>31.1 Total compensation expense</b>			
Fees and allowances		520,877	495,049
Managerial remuneration			–
i) Fixed		12,380,700	10,988,881
ii) Variable - cash bonus / awards		2,229,669	1,686,428
(Reversal) / charge for defined benefit plan		(101,509)	943,661
Contribution to defined contribution Plan		422,671	387,735
Commission		341,105	235,391
Staff group insurance		367,855	370,363
Rent and house maintenance		404,007	310,364
Medical		67,855	54,867
Conveyance		346,631	272,825
<b>Sub-total</b>		16,979,861	15,745,564
Sign-on bonus	31.1.1	100	960
Severance allowance	31.1.2	37,600	12,956
<b>Grand Total</b>		17,017,561	15,759,480

**31.1.1** During the year sign on bonus is paid to 1 employee (2018: 1).

**31.1.2** Severance allowance pertains to 6 employees (2018: 4).

**31.2** Detail of donations made during the year is as follows:

		2019 (Rupees in '000)	2018
	Murshid Hospital & Health Care Centre	100	–
	District Head Quarter Hospital, Gawadar	–	696
		100	696
<b>31.3 Auditors' remuneration</b>			
Audit fee		15,628	14,606
Fee for audit of foreign branches		9,905	13,669
Fee for audit of subsidiaries		13,361	6,271
Special certifications and sundry advisory services		348	7,210
Sales tax		2,500	1,060
Out-of-pocket expenses		1,563	2,638
		43,305	45,454
<b>32. OTHER CHARGES</b>			
Penalties of State Bank of Pakistan		70,455	11,679
VAT & National Building tax & Crop Insurance Levy		179,643	151,159
Education cess		10,645	11,593
		260,743	174,431

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
<b>33. PROVISIONS / (REVERSALS) &amp; WRITE OFFS - NET</b>			
(Reversals) / provisions against balance with Banks		(3,111)	4,386
Provisions for diminution in value of investments	9.3.1	3,000,801	2,860,062
Reversals against loans & advances	10.4	(144,827)	(2,850,115)
Provision against off balance sheet items	20	9,025	–
Reversals against other assets	13.2.1	(23,436)	(608,590)
Other Write offs		–	102
Bad debts written off directly	10.5.1	–	30
Recovery of written off / charged off bad debts		(164,860)	(227,682)
		<b>2,673,592</b>	<b>(821,807)</b>
<b>34. TAXATION</b>			
Current		15,580,790	11,239,855
Prior years		450,785	(1,710,032)
Deferred	19	55,718	641,769
Share of tax of associates		119,089	219,045
		<b>16,206,382</b>	<b>10,390,637</b>
<b>34.1 Relationship between tax expense and accounting profit</b>			
Accounting profit for the year		40,153,593	30,805,921
Tax rate		35%	35%
Tax on income		14,053,758	10,782,072
Tax effect of permanent differences		24,659	4,088
Tax effect of prior years reversals		450,785	(1,710,032)
Others		1,677,180	1,314,509
Tax charge for the year		<b>16,206,382</b>	<b>10,390,637</b>
		<b>(Rupees in '000)</b>	
<b>35. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit for the year after tax attributable to equity shareholders		23,868,249	20,352,756
		<b>(Number)</b>	
Weighted average number of ordinary shares		1,185,060,006	1,185,060,006
		<b>(Rupees)</b>	
Basic and diluted earnings per share		20.14	17.17

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)		2018 (Rupees in '000)				
36. CASH AND CASH EQUIVALENTS								
Cash and balances with treasury banks	6	142,957,358	110,165,006					
Balances with other banks	7	21,371,753	13,338,117					
Overdrawn nostro accounts	16	(1,342,603)	(1,946,106)					
		162,986,508	121,557,017					
36.1 Reconciliation of movement of liabilities to cash flows arising from financing activities								
		2019 (Rupees in '000)						
		Liabilities		Equity				
		Sub-ordinated loan	Other liabilities	Share capital	Reserves	Unappropriated profit	Non-controlling interest	Total
		(Rupees in '000)						
Balance as at January 01,		3,891,019	65,487,042	11,850,600	74,374,573	53,971,079	708,762	210,283,085
Charges from Financing cash flows								
Redemption of Subordinated loan		(3,891,019)	-	-	-	-	-	(3,891,019)
Payment of lease liability against right-of-use assets		-	(1,987,479)	-	-	-	-	(1,987,479)
Dividend paid		-	-	-	-	(18,830,653)	(47,331)	(18,877,984)
Total changes from financing cash flows		(3,891,019)	(1,987,479)	-	-	(18,830,653)	(47,331)	(24,756,482)
Charges arising from demerger		-	-	-	-	-	-	-
Liability related								
Charges in Other liabilities								
- Cash based		-	13,998,645	-	-	-	-	13,998,645
- Dividend payable		-	130,307	-	-	(130,307)	-	-
- Non cash based		-	24,776,998	-	-	-	-	24,776,998
Total liability related other changes		-	38,905,950	-	-	(130,307)	-	38,775,643
Total equity related other changes		-	-	-	3,520,256	21,098,660	78,982	24,697,898
Balance as at December 31		102,405,513	11,850,600	77,894,829	56,108,779	740,403	249,000,124	3,891,019
	</							

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2019 (Number)	2018
<b>37. STAFF STRENGTH</b>		
Permanent	15,422	14,354
On Bank contract	142	598
Bank's own staff strength at end of the year	15,564	14,952

**37.1** In addition to the above, 728 (2018: 623) employees of outsourcing services companies were assigned to the Group as at the end of the year to perform services other than guarding, tea and janitorial services. Outsourced staff includes 718 (2018: 616) working domestically and 10 (2018: 7) working abroad.

## 38. DEFINED BENEFIT PLAN

### 38.1 General description

The Group operates the following retirement benefits for its employees:

- Pension fund - funded
- Benevolent scheme - unfunded
- Post retirement medical benefits - unfunded
- Employees compensated absence - unfunded

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

### 38.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2019 (Number)	2018
- Pension fund - funded	6,294	6,554
- Benevolent scheme - unfunded	1,692	1,730
- Post retirement medical benefits - unfunded	13,332	12,716
- Employees compensated absence - unfunded	13,332	12,716

### 38.3 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2019. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
	%							
Discount rate	11.25	13.25	11.25	13.25	11.25	13.25	11.25	13.25
Expected rate of return on plan assets	11.25	13.25	-	-	-	-	-	-
Expected rate of salary increase	9.25	11.25	9.25	11.25	-	-	9.25	11.25
Expected rate of increase in pension	0-5	0-5	-	-	-	-	-	-
Expected rate of increase in medical benefit	-	-	-	-	9.25	11.25	-	-



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 38.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)								
Present value of obligations	5,182,991	4,690,587	221,193	214,252	1,921,348	1,730,409	939,495	1,028,129
Fair value of plan assets	(8,788,112)	(8,505,757)	-	-	-	-	-	-
(Receivable) / payable	(3,605,121)	(3,815,170)	221,193	214,252	1,921,348	1,730,409	939,495	1,028,129

## 38.5 Movement in defined benefit obligations

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
		2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)									
Obligations at the beginning of the year		4,690,587	3,757,366	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135
Current service cost	38.8.1	60,879	79,236	22,341	30,660	43,653	50,364	24,740	32,366
Interest cost		592,985	282,259	26,035	18,096	219,145	162,569	128,046	85,302
Benefits paid		(430,453)	(458,268)	(35,528)	(44,628)	(152,964)	(144,664)	(123,486)	(157,708)
Past service cost	38.8.2	-	1,044,533	-	-	-	-	-	-
Re-measurement loss / (gain)	38.8.3	268,993	(14,539)	(5,907)	(38,394)	81,105	(478,160)	(117,934)	(76,966)
Obligations at end of the year		5,182,991	4,690,587	221,193	214,252	1,921,348	1,730,409	939,495	1,028,129

## 38.6 Movement in fair value of plan assets

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
		2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)									
Fair value at the beginning of the year		8,505,757	9,747,902	-	-	-	-	-	-
Interest income on plan assets		1,098,495	761,501	-	-	-	-	-	-
Benefits paid		(430,453)	(458,268)	-	-	-	-	-	-
Re-measurement loss	38.8.3	(385,687)	(1,545,378)	-	-	-	-	-	-
Fair value at end of the year		8,788,112	8,505,757	-	-	-	-	-	-

## 38.7 Movement in (receivable) / payable under defined benefit schemes

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
		2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)									
Opening balance		(3,815,170)	(5,990,536)	214,252	248,518	1,730,409	2,140,300	1,028,129	1,145,135
Charge / (reversal) for the year	38.8.1	(444,631)	644,527	45,472	45,499	262,798	212,933	34,852	40,702
Employees' contribution		-	-	2,904	3,257	-	-	-	-
Re-measurement loss / (gain) recognised in OCI during the year	38.8.3	-	-	(5,907)	(38,394)	81,105	(478,160)	-	-
Benefits paid by the Group		-	-	(35,528)	(44,628)	(152,964)	(144,664)	(123,486)	(157,708)
Closing balance		(3,605,121)	(3,815,170)	221,193	214,252	1,921,348	1,730,409	939,495	1,028,129

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 38.8 Charge for defined benefit plans

### 38.8.1 Cost recognised in profit and loss

		Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
		Note							
		2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)									
Current service cost		60,879	79,236	22,341	30,660	43,653	50,364	24,740	32,366
Net interest on defined benefit asset / liability		(505,510)	(479,242)	26,035	18,096	219,145	162,569	128,046	85,302
Employees' contribution		-	-	(2,904)	(3,257)	-	-	-	-
Actuarial loss / (gain)		-	-	-	-	-	-	(117,934)	(76,966)
Past service cost	38.8.2	-	1,044,533	-	-	-	-	-	-
		(444,631)	644,527	45,472	45,499	262,798	212,933	34,852	40,702

**38.8.2** In 2018, pursuant to the order of the Honorable Supreme Court of Pakistan, the Group recorded past service cost of Rs. 1,044.533 million (one-off provision) on account of pension liability based on actuarial valuation.

### 38.8.3 Re-measurements recognised in OCI during the year

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)								
Loss / (gain) on obligation - financial assumptions	268,993	(14,539)	(5,907)	(38,394)	81,105	(478,160)	-	-
Actual return on plan assets over expected interest income	385,687	1,545,378	-	-	-	-	-	-
Re-measurement loss / (gain) recognised in OCI	654,680	1,530,839	(5,907)	(38,394)	81,105	(478,160)	-	-

## 38.9 Components of plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees compensated absences	
	2019	2018	2019	2018	2019	2018	2019	2018
(Rupees in '000)								
Cash and cash equivalents - net	107,344	74,685	-	-	-	-	-	-
Shares	8,387,473	8,158,899	-	-	-	-	-	-
Open ended mutual funds units	293,295	272,173	-	-	-	-	-	-
	8,788,112	8,505,757	-	-	-	-	-	-

### 38.9.1 Significant risk associated with the plan assets

The Fund's investments in equity securities and units of mutual funds are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

## Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

### 38.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	Approved pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees compensated absences
	(Rupees in '000)			
1% increase in discount rate	(348,228)	(16,638)	(143,464)	(57,868)
1% decrease in discount rate	363,337	19,060	164,843	64,403
1 % increase in expected rate of salary increase	80,672	–	–	65,020
1 % decrease in expected rate of salary increase	(74,980)	–	–	(59,388)
1% increase in expected rate of pension increase	223,357	–	–	–
1% decrease in expected rate of pension increase	(201,589)	–	–	–
1% increase in expected rate of medical benefit increase	–	–	161,353	–
1% decrease in expected rate of medical benefit increase	–	–	(142,385)	–

### 38.11 Expected contributions to be paid to the funds in the next financial year

No contributions are being made to pension fund due to surplus of fair value of plan's assets over present value of defined obligation. No contribution to the pension fund is expected in the next year.

### 38.12 Expected (reversal) / for the next financial year

Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2019 would be as follows:

	Approved pension fund	Employees' contributory benevolent scheme	Post retirement medical benefits	Employees compensated absences
	(Rupees in '000)			
Expected (reversal) / charge for the next financial year	(377,123)	42,876	265,291	123,968
38.13 Maturity profile				
The weighted average duration of the obligation (in years)	7.74	7.74	7.74	7.74

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 38.14 Funding Policy

The Group endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

**38.15** The defined benefit plans may expose the Group to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

<b>Investment risk</b>	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
<b>Longevity risk</b>	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
<b>Salary increase risk</b>	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
<b>Withdrawal rate</b>	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

## 39. DEFINED CONTRIBUTION PLAN

### 39.1 MCB Bank Limited (holding company)

The Bank operates an approved contributory provident fund for 11,056 (2018: 10,357) employees where contributions are made by the Bank at 8.33% (2018: 8.33%) and employees ranging from 8.33% to 15% per annum (2018: 8.33% to 12.5% per annum) of the basic salary.

The Bank also operates an approved non-contributory provident fund for 745 (2018: 815) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 15% per annum (2018: 8.33% to 12.50% per annum) of the basic salary.

### 39.2 MCB Islamic Bank Limited

The Bank operates an approved contributory provident fund for 1,304 (2018: 1,050) employees. Equal monthly contributions are made both by the Bank and its permanent employees to the Fund at the rate of 8.33% of the basic salaries of employees. However, an employee has an option to increase his / her contribution upto 15% but the Bank will still contribute 8.33% of the employee's basic salary.

### 39.3 MCB Financial Services Limited

The company operates the provident fund scheme covering all permanent employees. Contribution at the rate of 8.33% per annum are made both by the Company and employees to the fund.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 40.1 Total compensation expense

		2019						
Note	Directors			Members shariah board	President/ CEO	Key management personnel	Other material risk takers/ controllers	
	Chairman	Executive (other than CEO)	Non executive					
(Rupees in '000)								
Fee and allowances	25,000	-	32,479	-	-	672	5,418	
Managerial Remuneration								
i) Fixed	-	-	-	5,319	63,046	293,751	689,511	
ii) Cash Bonus / Awards	-	-	-	1,000	40,000	137,134	226,212	
Contribution to defined contribution plan	-	-	-	163	2,484	8,495	28,559	
Rent & house maintenance	-	-	-	879	240	15,350	104,977	
Medical	-	-	-	-	1,071	1,262	11,744	
Severance allowance	-	-	-	-	-	18,500	8,800	
Overseas allowance	-	-	-	-	-	38,947	7,416	
Security	-	-	-	-	1,189	-	-	
Commission	-	-	-	-	-	57	14,471	
Conveyance	-	-	-	1,122	-	-	62,670	
Utilities	-	-	-	195	-	-	21,457	
Fuel	-	-	-	228	-	-	14,513	
Special pay	-	-	-	241	-	-	16,044	
Leave fare assistance	-	-	-	-	-	-	16,170	
Others	-	-	-	-	70	-	34,305	
Total	25,000	-	32,479	9,147	108,100	514,168	1,262,267	
Number of Persons	1	-	12	3	1	23	177	

**40.1.1** SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD Circular No. 01 of 2017 dated January 25, 2017 effective from January 01, 2019. No bonus payout has yet been made under the said circular and deferral as per Human Resources Policy will be made at the time of payment.

**40.2** Remuneration paid to Directors for participation in Board and Committee meetings

		2019							
		For Board Committee							Total
Board meeting	Board's Audit Committee	BS & DC	RM & PRC	HR & RC	ITC	PP & CA	CR & MC		
		(Rupees in '000)							
Mian Mohammad Mansha*	-	-	-	-	-	-	-	-	25,000
Mr. S. M. Muneer	130	-	30	-	-	-	-	30	190
Mr. Tariq Rafi	430	-	-	-	-	-	-	-	430
Mian Umer Mansha	300	330	330	300	-	330	330	-	1,920
Mrs. Iqraa Hassan Mansha	230	-	-	-	-	-	-	-	230
Mr. Muhammad Ali Zeb	330	330	-	230	330	-	300	330	1,850
Mr. Mohd Suhail Amar Suresh	4,620	-	230	230	-	230	-	-	5,310
Mr. Yahya Saleem	4,710	-	-	-	130	200	-	-	5,040
Mr. Salman Khalid Butt	5,814	-	330	230	-	330	-	300	7,004
Mr. Masood Ahmed Puri	3,503	-	200	-	-	-	-	-	3,703
Mr. Shahzad Hussain	300	300	-	-	-	-	-	-	600
Mr. Sharifuddin Bin Khalid	3,504	300	-	-	-	-	-	-	3,804
Mr. Nor Hizam Bin Hashim	2,268	130	-	-	-	-	-	-	2,398
	26,139	1,390	1,120	990	460	1,090	630	660	57,479



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

\*The Board Chairman is paid a fixed annual remuneration of Rs 25 million approved by shareholders of the Group in its 62nd Annual General Meeting held on March 26, 2010.

## 40.3 Remuneration paid to Shariah Board Members

2019				
	Chairman	Resident member	Non-Resident (member)	Total
(Rupees in '000)				
Meeting Fees and Allowances	–	–	–	–
Other Heads				
Basic salary	2,166	1,953	1,200	5,319
House rent	–	879	–	879
Utilities	–	195	–	195
Conveyance	–	1,122	–	1,122
Fuel	–	228	–	228
Special pay	–	241	–	241
Bonus	–	1,000	–	1,000
PF Employer	–	163	–	163
Total Amount	2,166	5,781	1,200	9,147
Total Number of Persons	1	1	1	3

In 2018, aggregate amount charged in the financial statements for compensation, including all benefits, to the Chief Executive, Directors and Executives of the Group is as follows:

2018			
	President / Chief Executive	Directors	Executive
(Rupees in '000)			
Fees	–	40,741	–
Managerial remuneration and bonus	79,377	–	4,420,432
Retirement benefits	3,095	–	192,397
Rent and house maintenance	16,714	–	1,054,133
Utilities	3,714	–	228,330
Medical	150	–	67,613
Conveyance	–	–	801,684
	103,050	40,741	6,764,589
Number of persons	1	14	2,311

40.4 The Chairman has been provided with free use of the Group maintained car. In addition to the above, the Chief Executive and certain executives are provided with free use of the Group maintained cars and household equipment in accordance with the terms of their employment.

## 41. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates and subsidiaries is determined on the basis of break up value of these investments as per the latest available financial statements.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group accounting policy as stated in note 5.5 to these consolidated financial statements.

The maturity and repricing profile and effective rates are stated in note 45.

In the opinion of the management, the fair value of the financial assets and financial liabilities other than those carried at fair value and disclosed in note 41.1 are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

## 41.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Valuation techniques used in determination of fair valuation of financial instruments within level 2

Item	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined using the PKRV rates.
Term Finance and Bonds	Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.
Operating fixed assets (land and building) & NBA	Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Group essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Group has adopted revaluation model (as per IAS 16) in respect of land and building.

	2019				
	Carrying value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
Investments					
Federal Government Securities	691,477,045	–	691,477,045	–	691,477,045
Shares	17,075,189	17,075,189	–	–	17,075,189
Non-Government Debt Securities	2,424,102	–	2,424,102	–	2,424,102
Foreign Securities	3,663,065	–	3,663,065	–	3,663,065
<b>Financial assets - disclosed but not measured at fair value</b>					
Investments (HTM, unlisted ordinary shares, and associates)	42,802,189	–	–	–	–
Cash and balances with treasury banks	142,957,358	–	–	–	–
Balances with other banks	21,371,753	–	–	–	–
Lendings to financial institutions	6,060,869	–	–	–	–
Advances	548,472,860	–	–	–	–
Other assets	58,219,618	–	–	–	–
<b>Non - Financial Assets measured at fair value</b>					
Operating fixed assets (land and buildings)	44,882,204	–	44,882,204	–	44,882,204
Non-banking assets	3,838,230	–	3,838,230	–	3,838,230
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Forward purchase of foreign exchange	216,647,656	–	4,142,227	–	4,142,227
Forward sale of foreign exchange	188,243,433	–	3,352,404	–	3,352,404
Derivatives purchase	5,176,612	–	1,232,827	–	1,232,827
Derivatives sale	5,068,194	–	1,229,116	–	1,229,116

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2018				
	Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	688,686,786	–	688,686,786	–	688,686,786
Shares	19,041,266	19,041,266	–	–	19,041,266
Non-Government Debt Securities	2,528,081	–	2,528,081	–	2,528,081
Foreign Securities	2,522,454	–	2,522,454	–	2,522,454
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares, and associates)	41,607,188	–	–	–	–
Cash and balances with treasury banks	110,165,006	–	–	–	–
Balances with other banks	13,338,117	–	–	–	–
Lendings to financial institutions	39,149,890	–	–	–	–
Advances	566,792,265	–	–	–	–
Other assets	38,208,613	–	–	–	–
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	34,894,351	–	34,894,351	–	34,894,351
Non-banking assets	4,035,114	–	4,035,114	–	4,035,114
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	126,872,293	–	3,477,211	–	3,477,211
Forward sale of foreign exchange	90,346,797	–	3,452,374	–	3,452,374
Derivatives purchase	5,721,684	–	787,978	–	787,978
Derivatives sale	5,563,419	–	799,130	–	799,130

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year.

**(a) Financial instruments in level 1**

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

**(b) Financial instruments in level 2**

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options, Cross Currency Swaps, Interest Rate Swaps and Forward Exchange Contracts.

**(c) Financial instruments in level 3**

Currently, no financial instruments are classified in level 3.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 42 SEGMENT INFORMATION

### 42.1 Segment details with respect to business activities

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

2019											
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Islamic Banking	Assets Management	Others	Sub-total	Elimination	Total
	(Rupees in '000)										
Profit & Loss											
Net mark-up/return/profit	(50,496,018)	3,938,893	36,263,272	68,147,338	1,782,729	3,993,758	(2,069)	110,178	63,718,091	-	63,718,091
Inter segment revenue - net	99,832,569	(2,583,003)	(31,413,118)	(73,135,260)	(180,860)	-	-	7,479,672	-	-	-
Non mark-up / return / interest income	6,318,956	2,111,319	3,414,776	3,519,577	782,895	343,319	722,042	644,430	17,857,314	-	17,857,314
Total Income	55,655,507	3,467,209	8,264,930	(1,468,345)	2,364,764	4,337,077	719,983	8,234,280	81,575,405	-	81,575,405
Segment direct expenses	21,762,153	1,330,299	525,336	311,976	1,284,816	4,503,022	499,336	8,531,282	38,748,220	-	38,748,220
Inter segment expense allocation	-	-	-	-	-	-	-	-	-	-	-
Total expenses	21,762,153	1,330,299	525,336	311,976	1,284,816	4,503,022	499,336	8,531,282	38,748,220	-	38,748,220
Provisions	345,610	(34,217)	947,291	2,772,041	75,176	199,814	-	(1,632,123)	2,673,592	-	2,673,592
Profit before tax	33,547,744	2,171,127	6,792,303	(4,552,362)	1,004,772	(365,759)	220,647	1,335,121	40,153,593	-	40,153,593
Balance Sheet											
Cash and Bank balances	50,154,942	21,483	676,139	65,572,277	28,149,362	19,075,532	28,347	651,029	164,329,111	-	164,329,111
Investments	-	-	10,638,292	710,593,710	15,011,692	16,309,796	1,055,226	3,832,874	757,441,590	-	757,441,590
Net inter segment lending	940,015,023	-	-	-	-	-	-	164,180,279	1,104,195,302	(1,104,195,302)	-
Lendings to financial institutions	-	-	-	-	209,206	5,851,663	-	-	6,060,869	-	6,060,869
Advances - performing	98,464,054	24,342,756	341,191,287	-	25,190,939	50,931,880	5,169	478,850	540,604,935	-	540,604,935
- non performing	1,074,787	113,148	1,237,494	-	4,836,865	378,087	-	227,544	7,867,925	-	7,867,925
Others	34,759,967	1,882,259	25,393,004	13,804,785	2,368,787	11,538,184	1,060,496	45,102,959	135,910,441	-	135,910,441
Total Assets	1,124,468,773	26,359,646	379,136,216	789,970,772	75,766,851	104,085,142	2,149,238	214,473,535	2,716,410,173	(1,104,195,302)	1,612,214,871
Borrowings	45,355,966	-	7,057,504	32,270,471	3,520,222	4,127,525	-	528,280	92,859,968	-	92,859,968
Deposits and other accounts	1,033,790,838	-	55,425,048	-	55,523,628	81,853,511	-	-	1,226,593,025	-	1,226,593,025
Net inter segment borrowing	-	24,124,908	299,650,838	755,967,249	12,464,722	10,466,801	1,520,784	-	1,104,195,302	(1,104,195,302)	-
Others	45,321,969	2,234,738	17,002,826	1,733,052	4,258,279	7,637,305	628,454	42,598,438	121,415,061	-	121,415,061
Total liabilities	1,124,468,773	26,359,646	379,136,216	789,970,772	75,766,851	104,085,142	2,149,238	43,126,718	2,545,063,356	(1,104,195,302)	1,440,868,054
Equity	-	-	-	-	-	-	-	171,346,817	171,346,817	-	171,346,817
Total Equity & liabilities	1,124,468,773	26,359,646	379,136,216	789,970,772	75,766,851	104,085,142	2,149,238	214,473,535	2,716,410,173	(1,104,195,302)	1,612,214,871
Contingencies & Commitments	48,973,361	-	262,455,692	496,556,821	14,015,586	18,397,458	-	25,057,324	865,456,042	-	865,456,042
2018											
	Retail Banking	Consumer Banking	Corporate Banking	Treasury	International Banking	Islamic Banking	Assets Management	Others	Sub-total	Elimination	Total
	(Rupees in '000)										
Profit & Loss											
Net mark-up/return/profit	(19,999,097)	2,425,240	20,426,188	41,399,090	1,782,729	1,903,925	1,950	86,399	48,006,424	-	48,006,424
Inter segment revenue - net	50,778,451	(774,576)	(17,027,342)	(38,240,495)	(180,860)	-	-	5,444,822	-	-	-
Non mark-up / return / interest income	6,334,844	1,732,440	2,988,114	3,970,534	782,895	399,262	884,808	1,418,975	18,511,872	-	18,511,872
Total Income	37,114,198	3,383,104	6,386,960	7,129,129	2,364,764	2,303,187	886,758	6,950,196	66,518,296	-	66,518,296
Segment direct expenses	20,935,783	1,372,159	325,923	281,947	1,284,816	3,087,754	526,852	8,718,948	36,534,182	-	36,534,182
Inter segment expense allocation	-	-	-	-	-	-	-	-	-	-	-
Total expenses	20,935,783	1,372,159	325,923	281,947	1,284,816	3,087,754	526,852	8,718,948	36,534,182	-	36,534,182
Provisions	(186,311)	(66,393)	(808,542)	1,952,015	75,176	895,646	27,828	(2,711,226)	(821,807)	-	(821,807)
Profit before tax	16,364,726	2,077,338	6,869,579	4,895,167	1,004,772	(1,680,213)	332,078	942,474	30,805,921	-	30,805,921
Balance Sheet											
Cash and Bank balances	49,001,673	33,515	311,483	35,421,656	28,149,362	8,413,070	28,204	2,144,160	123,503,123	-	123,503,123
Investments	-	-	3,493,639	722,207,238	15,011,692	12,713,954	959,252	-	754,385,775	-	754,385,775
Net inter segment lending	838,293,767	-	-	-	-	-	-	137,396,563	975,690,330	(975,690,330)	-
Lendings to financial institutions	-	-	1,293,338	32,972,346	209,206	4,675,000	-	-	39,149,890	-	39,149,890
Advances - performing	121,784,772	22,525,967	327,067,806	-	25,190,939	62,897,196	-	303,738	559,770,218	-	559,770,218
- non performing	1,214,697	39,757	891,516	-	4,836,865	10,179	-	29,033	7,022,047	-	7,022,047
Others	31,327,269	1,887,934	16,459,558	8,127,064	2,368,788	5,434,142	1,114,256	34,659,943	101,378,954	-	101,378,954
Total Assets	1,041,622,178	24,487,173	349,517,140	798,728,304	75,766,852	94,143,541	2,101,712	174,533,437	2,560,900,337	(975,690,330)	1,585,210,007
Borrowings	35,293,396	-	5,651,980	170,542,175	3,520,222	7,800,628	-	407,714	223,216,115	-	223,216,115
Subordinated debt	-	-	-	-	-	-	-	3,891,019	3,891,019	-	3,891,019
Deposits and other accounts	969,799,371	16,556	23,672,620	-	55,523,628	73,269,994	-	24,366	1,122,306,535	-	1,122,306,535
Net inter segment borrowing	-	22,478,042	305,911,711	623,273,163	12,464,722	10,106,876	1,455,816	-	975,690,330	(975,690,330)	-
Others	36,529,411	1,992,575	14,280,829	4,912,966	4,258,280	2,966,043	645,896	18,887,459	84,473,459	-	84,473,459
Total liabilities	1,041,622,178	24,487,173	349,517,140	798,728,304	75,766,852	94,143,541	2,101,712	23,210,558	2,409,577,458	(975,690,330)	1,433,887,128
Equity	-	-	-	-	-	-	-	151,322,879	151,322,879	-	151,322,879
Total Equity & liabilities	1,041,622,178	24,487,173	349,517,140	798,728,304	75,766,852	94,143,541	2,101,712	174,533,437	2,560,900,337	(975,690,330)	1,585,210,007
Contingencies & Commitments	111,974,609	-	190,296,217	247,754,264	14,015,586	19,756,379	-	18,540,432	602,337,487	-	602,337,487



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 42.2 Segment details with respect to geographical locations GEOGRAPHICAL SEGMENT ANALYSIS

		2019						
		Pakistan	South Asia	Middle East	Azerbaijan	Sub-total	Eliminations	Total
		(Rupees in '000)						
<b>Profit &amp; Loss</b>								
Net mark-up/return/profit		61,849,240	1,085,296	675,651	107,904	63,718,091	-	63,718,091
Inter segment revenue - net		107,447	(119,613)	12,166	-	-	-	-
Non mark-up / return / interest income		17,088,129	251,485	512,276	5,424	17,857,314	-	17,857,314
Total Income		79,044,816	1,217,168	1,200,093	113,328	81,575,405	-	81,575,405
Segment direct expenses		37,396,274	737,142	552,539	62,265	38,748,220	-	38,748,220
Inter segment expense allocation		-	-	-	-	-	-	-
Total expenses		37,396,274	737,142	552,539	62,265	38,748,220	-	38,748,220
Provisions		2,588,709	29,232	65,407	(9,756)	2,673,592	-	2,673,592
Profit before tax		39,059,833	450,794	582,147	60,819	40,153,593	-	40,153,593
<b>Balance Sheet</b>								
Cash and Bank balances		136,384,595	2,169,276	25,769,312	5,928	164,329,111	-	164,329,111
Investments		742,429,899	5,571,042	9,440,649	-	757,441,590	-	757,441,590
Net inter segment lendings		11,906,306	-	-	-	11,906,306	(11,906,306)	-
Lendings to financial institutions		5,851,663	209,206	-	-	6,060,869	-	6,060,869
Advances - performing		514,539,167	17,771,048	7,401,837	892,883	540,604,935	-	540,604,935
- non performing		7,838,277	29,648	-	-	7,867,925	-	7,867,925
Others		133,505,520	2,193,220	173,639	38,062	135,910,441	-	135,910,441
Total Assets		1,552,455,427	27,943,440	42,785,437	936,873	1,624,121,177	(11,906,306)	1,612,214,871
Borrowings		88,811,466	845,703	2,674,519	528,280	92,859,968	-	92,859,968
Deposits and other accounts		1,173,585,208	18,431,297	34,576,520	-	1,226,593,025	-	1,226,593,025
Net inter segment borrowing		-	6,151,041	5,388,302	366,963	11,906,306	(11,906,306)	-
Others		118,711,936	2,515,399	146,096	41,630	121,415,061	-	121,415,061
Total liabilities		1,381,108,610	27,943,440	42,785,437	936,873	1,452,774,360	(11,906,306)	1,440,868,054
Equity		171,346,817	-	-	-	171,346,817	-	171,346,817
Total Equity & liabilities		1,552,455,427	27,943,440	42,785,437	936,873	1,624,121,177	(11,906,306)	1,612,214,871
Contingencies & Commitments		851,440,456	9,436,548	4,579,038	-	865,456,042	-	865,456,042
		2018						
		Pakistan	South Asia	Middle East	Azerbaijan	Sub-total	Eliminations	Total
		(Rupees in '000)						
<b>Profit &amp; Loss</b>								
Net mark-up/return/profit		46,521,993	909,102	491,127	84,202	48,006,424	-	48,006,424
Inter segment revenue - net		(5,588)	(12,926)	18,514	-	-	-	-
Non mark-up / return / interest income		17,788,281	233,086	483,230	7,275	18,511,872	-	18,511,872
Total Income		64,304,686	1,129,262	992,871	91,477	66,518,296	-	66,518,296
Segment direct expenses		35,549,030	641,781	377,570	50,152	36,618,533	(84,351)	36,534,182
Inter segment expense allocation		-	-	-	-	-	-	-
Total expenses		35,549,030	641,781	377,570	50,152	36,618,533	(84,351)	36,534,182
Provisions		(877,178)	10,624	36,772	7,975	(821,807)	-	(821,807)
Profit before tax		29,632,834	476,857	578,529	33,350	30,721,570	84,351	30,805,921
<b>Balance Sheet</b>								
Cash and Bank balances		107,077,457	1,906,785	14,516,518	2,363	123,503,123	-	123,503,123
Investments		744,681,961	4,040,982	5,662,832	-	754,385,775	-	754,385,775
Net inter segment lendings		10,176,366	-	-	-	10,176,366	(10,176,366)	-
Lendings to financial institutions		37,647,346	368,406	1,134,138	-	39,149,890	-	39,149,890
Advances - performing		537,681,842	16,047,102	5,353,367	687,907	559,770,218	-	559,770,218
- non performing		6,722,214	299,833	-	-	7,022,047	-	7,022,047
Others		100,926,572	315,568	125,964	10,850	101,378,954	-	101,378,954
Total Assets		1,544,913,758	22,978,676	26,792,819	701,120	1,595,386,373	(10,176,366)	1,585,210,007
Borrowings		220,009,824	616,822	2,181,755	407,714	223,216,115	-	223,216,115
Subordinated debt		3,891,019	-	-	-	3,891,019	-	3,891,019
Deposits and other accounts		1,086,185,171	16,266,330	19,855,034	-	1,122,306,535	-	1,122,306,535
Net inter segment borrowing		-	5,190,509	4,695,213	290,644	10,176,366	(10,176,366)	-
Others		83,504,865	905,015	60,817	2,762	84,473,459	-	84,473,459
Total liabilities		1,393,590,879	22,978,676	26,792,819	701,120	1,444,063,494	(10,176,366)	1,433,887,128
Equity		151,322,879	-	-	-	151,322,879	-	151,322,879
Total Equity & liabilities		1,544,913,758	22,978,676	26,792,819	701,120	1,595,386,373	(10,176,366)	1,585,210,007
Contingencies & Commitments		582,065,580	12,396,092	7,842,488	33,327	602,337,487	-	602,337,487

42.3 Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include inter segment balances. Costs which are not allocated to segments are included in the Head office. Income taxes are managed at bank level and are not allocated to operating segments.

42.4 No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2019 or 2018.

The Group has related party relationship with associates, employee benefit plans, its directors and key management personnel and their close family members. The detail of associates are stated in note 9.11 to the consolidated financial statements.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Remuneration to Chief Executive, Directors and Executives is disclosed in note 40 to the consolidated financial statements.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2019					2018				
	Directors	Key management personnel and shariah advisors	Associates	Other related parties	(Rupees in '000)	Directors	Key management personnel and shariah advisors	Associates	Other related parties	
<b>Balances with other banks</b>										
In current accounts	-	-	-	14,389		-	-	-	-	-
	-	-	-	14,389		-	-	-	-	-
<b>Investments</b>										
Opening balance	-	-	4,019,526	1,283,998		-	-	4,456,239	1,312,374	
Equity method adjustments	-	-	256,132	-		-	-	(135,549)	-	
Investment made during the year	-	-	-	8,906,732		-	-	-	2,996,011	
Investment disposed off during the year	-	-	-	(8,907,292)		-	-	(301,164)	(3,024,387)	
Closing balance	-	-	4,275,658	1,283,438		-	-	4,019,526	1,283,998	
<b>Provision for diminution in value of investments</b>										
	-	-	-	5,000		-	-	-	5,000	
<b>Advances</b>										
Opening balance	658	253,945	-	1,540,791		946	189,022	-	2,638,740	
Addition / exchange adjustment during the year	29,148	77,133	-	4,275,492		14,723	113,559	-	7,899,213	
Repaid during the period / year	(28,084)	(84,375)	-	(3,920,116)		(15,011)	(55,351)	-	(8,440,083)	
Transfer in / (out)	-	(23,365)	-	(794,710)		-	6,715	-	(557,079)	
Closing balance	1,722	223,338	-	1,101,457		658	253,945	-	1,540,791	
Provision held against advances	-	-	-	-		-	-	-	-	

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2019					2018				
	Directors	Key management personnel and shariah advisors	Associates	Other related parties		Directors	Key management personnel and shariah advisors	Associates	Other related parties	
	(Rupees in '000)					(Rupees in '000)				
<b>Other Assets</b>										
Markup receivable	-	4,948	-	21,627		-	4,731	-	29,913	
Advances, deposits, advance rent and other prepayments	-	587	246,720	612,811		-	150	86,579	633,281	
Acceptances	-	-	-	-		-	-	-	25,387	
Receivable from Pension Fund	-	-	-	3,605,121		-	-	-	3,815,170	
Provision held against other assets	-	-	-	-		-	-	-	-	
<b>Borrowings</b>										
Opening balance	-	-	-	-		-	-	-	993,755	
Borrowings / exchange adjustment during the year	-	-	-	144,166		-	-	-	-	
Settled during the year	-	-	-	(75,000)		-	-	-	(993,755)	
Closing balance	-	-	-	69,166		-	-	-	-	
<b>Deposits and other accounts</b>										
Opening balance	3,745,457	202,014	3,696,154	3,245,407		3,953,730	208,466	3,100,739	3,824,540	
Received during the year	9,889,584	1,162,025	22,234,251	78,846,758		4,259,454	1,092,745	17,580,902	64,459,081	
Withdrawn during the year	(13,025,336)	(1,139,761)	(21,916,546)	(77,299,321)		(4,457,255)	(1,121,818)	(16,985,487)	(64,891,958)	
Transfer in / (out) - net	(7,324)	(19,912)	-	331,707		(10,472)	22,621	-	(146,256)	
Closing balance	602,381	194,366	4,013,859	5,124,551		3,745,457	202,014	3,696,154	3,245,407	
<b>Other Liabilities</b>										
Markup payable	7,263	818	50,535	75,118		32,342	282	15,968	38,354	
Accrued expenses and other payable	15,326	2,640	62,402	7,629		7,409	55	82,805	11,551	
Payable to MCB Employee Security Services	-	-	-	24,565		-	-	-	-	
<b>Contingencies and Commitments</b>										
Commitments and contingent liabilities - outstanding	-	-	10,444	1,669,038		-	-	10,227	5,063,359	
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	776,734		-	-	-	790,886	
Forward purchase of government securities	-	-	-	-		-	-	-	8,739,500	

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

2018

2019

	Directors	Key management personnel and shariah advisors	Associates	Other related parties	Directors	Key management personnel and shariah advisors	Associates	Other related parties
	(Rupees in '000)							
<b>RELATED PARTY TRANSACTIONS</b>								
<b>Income</b>								
Markup / return / interest earned	-	16,843	-	87,124	38	15,458	-	142,545
Fee and commission income	-	27	1,301,954	218,005	-	21	1,109,700	136,272
Dividend Income / received	-	-	175,000	70,408	-	-	140,000	43,701
Gain on forward foreign exchange contracts matured during the year	-	-	-	12,850	-	-	-	206,723
Net gain on sale of securities	-	-	281	10,990	-	-	53	46,195
Gain on sale of fixed assets	-	186	-	-	-	85	-	156,400
Rent income and reimbursement of other expenses	-	-	8,485	44,812	-	-	3,679	49,719
Management fee and Advisory income	-	-	-	677,735	-	-	-	653,353
<b>Expense</b>								
Markup / return / interest expensed	145,454	38,562	218,029	395,520	213,722	30,629	98,218	252,549
<b>Other Operating expenses</b>								
Clearing expenses paid to NIFT	-	-	-	152,009	-	-	-	145,508
Contribution to provident fund	-	-	-	479,670	-	-	-	469,967
Rent expenses	-	-	21,347	45,055	-	-	-	53,739
Cash sorting expenses	-	-	-	160,766	-	-	-	157,249
Stationery expenses	-	-	-	258,411	-	-	-	234,318
Security guards expenses	-	-	-	414,106	-	-	-	446,267
Remuneration to key executives , shariah advisors and non-executive directors fee	165,579	523,315	-	-	143,791	687,539	-	-
Outsourcing service expenses	-	-	258,190	-	-	-	264,691	-
E-dividend processing fee and CDC charges	-	-	-	5,968	-	-	-	5,816
Travelling Expenses & Hotel stay expenses	-	-	-	40,218	-	-	-	49,247
Repair & Maintenance Charges	-	-	-	2,125	-	-	-	1,726
Advertisement Expenses	-	-	-	12,934	-	-	-	-
Miscellaneous expenses and payments	-	850	-	3,023	-	900	-	4,817
Sharia Fee Paid	-	-	-	9,147	-	-	-	14,479
Insurance premium-net of refund	-	-	719,873	106,825	-	-	554,703	95,995
Insurance claim settled	-	-	57,566	291	-	-	280,532	-
<b>Other Transactions</b>								
Proceeds from sale of fixed assets	-	466	-	-	2,503	3,216	-	425,000
Purchase of fixed assets	-	-	46,339	20,003	-	-	-	-
Sale of government securities	203,735	94,105	6,043,338	22,634,697	-	36,452	4,611,381	296,705,958
Purchase of government securities	-	58,956	6,410,544	17,302,184	-	27,486	6,699,290	297,767,019
Forward exchange contracts matured during the year	-	-	-	26,625,371	-	-	-	104,091,795
Insurance premium paid on behalf of related party	-	-	-	-	-	-	12,912	-
Reimbursement of Insurance premium paid on behalf of a related party	-	-	-	-	-	-	-	12,912
Insurance claim received on behalf of related party	-	-	-	-	-	-	333	-
Insurance claim paid to related party	-	-	-	-	-	-	-	333

The Chairman has been provided with free use of the Group maintained car. The Chief Executive and certain executives are provided with free use of the Group's maintained cars and household equipment in accordance with the terms of their employment.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
<b>44 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>44.1 Capital Adequacy</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	11,850,600	11,850,600
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	132,504,188	125,999,355
Eligible Additional Tier 1 (ADT 1) Capital	–	–
Total Eligible Tier 1 Capital	132,504,188	125,999,355
Eligible Tier 2 Capital	28,503,091	17,503,483
<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	<b>161,007,279</b>	<b>143,502,838</b>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	662,366,497	666,892,937
Market Risk	113,394,030	59,642,582
Operational Risk	126,966,330	116,673,450
<b>Total</b>	<b>902,726,857</b>	<b>843,208,969</b>
<b>Common Equity Tier 1 Capital Adequacy ratio</b>	<b>14.68%</b>	<b>14.94%</b>
<b>Tier 1 Capital Adequacy Ratio</b>	<b>14.68%</b>	<b>14.94%</b>
<b>Total Capital Adequacy Ratio</b>	<b>17.84%</b>	<b>17.02%</b>

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid up capital (net of losses) for all locally incorporated banks of Rs. 10 billion. The paid up capital of the Bank for the year ended December 31, 2019 stood at Rs. 11.851 billion and is in compliance with the SBP requirements. Further, under Basel III instructions, banks are required to maintain minimum Capital Adequacy Ratio (CAR) of 12.50% (including 2.50% capital conservation buffer), Common Equity Tier 1 (CET 1) ratio of 6.0% and Tier 1 ratio of 7.50% as at December 31, 2019. The Bank is fully compliant with prescribed ratios.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under comprehensive approach.

	2019	2018
	(Rupees in '000)	
<b>44.2 Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	132,504,188	125,999,355
Total Exposures	2,037,241,480	1,927,024,025
<b>Leverage Ratio</b>	<b>6.50%</b>	<b>6.54%</b>



# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
<b>44.3 Liquidity Requirements</b>		
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	734,587,045	625,831,686
Total Net Cash Outflow	379,626,249	355,738,136
Liquidity Coverage Ratio	193.50%	175.92%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	1,045,877,006	952,851,382
Total Required Stable Funding	745,689,676	730,504,652
Net Stable Funding Ratio	140.26%	130.44%

The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time are available at <https://www.mcb.com.pk/investor-relations/capital-adequacy-statements>.

## 45 RISK MANAGEMENT

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

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

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Group executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM&PRC), the senior management and its relevant committees, i.e. the Management Credit and Risk Committee (MC&RC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring processes which are closely aligned with the activities of the Group. The framework combines core policies, procedures and process designs with broad oversight and is supported by an efficient monitoring mechanism across the bank to ensure that risks are kept within an acceptable level.

The Group ensures that not only the relevant risks are identified but their implications are also considered and basis provided for managing and measuring the risks. Through Internal Control units, the Group ensures that effective controls are in place to mitigate each of the identified risk.

Independent from business groups, Head of Risk Management reports functionally to the Risk Management & Portfolio Review Committee (RM&PRC) and administratively to the President; the RM&PRC convenes regular meetings to evaluate bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Risk Management Policy Formulation
- Credit Risk Management
- Credit Review

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management
- IT Risk Management

Keeping in view the international best practices and SBP requirements, Board of Directors of the Bank has approved a Risk Appetite Statement, which takes into account quantitative and qualitative risk indicators, covering target ratios, credit, market, operational, liquidity and business risks.

## 45.1 Credit Risk

Credit risk arises from Group's dealings with individuals, corporate borrowers, financial institutions, sovereigns etc. The Group is exposed to credit risk through its lending and investment activities. Credit risk makes up the largest part of the Group's exposure and it stems from Group's both on and off-balance sheet activities. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Group provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.

The Group has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Group has developed rating systems and all its borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, Probability Default based internal credit risk rating (ICRR) system based on the statistical modeling and validation in line with Basel principles. The revamped ICRR is currently focused on Corporate Commercial and Corporate Large customer categories. The Internal Credit Risk Rating Model for rating of SME Customers has also been revamped to achieve more accurate results and to improve the quality of credit decisions.

In order to manage Group's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Group from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Group's Credit Risk Control is responsible for performing following activities:

- Credit disbursement authorization
- Collateral coverage and monitoring
- Compliance of loan covenants/ terms of approval
- Maintenance/ custody of collateral and security documentation
- Credit Risk Limit Controls

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Group manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulations.

The Group creates specific provision against Non-Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans and Small

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

enterprise (SEs) made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Please refer note No. 10.4 for reconciliation of changes in specific and general provisions.

## Management of Non Performing Loans

The Group has a Assets Rehabilitation Group (ARG), which is responsible for management of non performing loans. ARG undertakes restructuring / rescheduling of problem loans, as well as litigation of both civil and criminal cases for collection of debt.

## Stress Testing

Credit Risk stress testing is a regular exercise. Group's credit exposures including funded and non-funded facilities are subjected to stress tests. This exercise is conducted on a quarterly basis through assigning shocks to all assets of the Group and assessing its resulting affect on capital adequacy inline with SBP requirements.

### 45.1.1 Lendings to financial institutions

#### Credit risk by public / private sector

	Gross lendings		Non - performing lending		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public/ Government	3,580,870	1,198,704	-	-	-	-
Private	2,479,999	37,951,186	-	-	-	-
	6,060,869	39,149,890	-	-	-	-

### 45.1.2 Investment in debt securities

#### Credit risk by industry sector

	Gross Investments		Non - performing Investments		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Chemical and pharmaceuticals	1,750,000	-	-	-	-	-
Construction	-	29,964	-	29,964	-	29,964
Electricity, gas, steam and air conditioning supply	101,933	188,456	-	-	-	-
Financials including government securities	712,505,023	721,780,711	118	118	118	118
Manufacture of cement	285,000	285,000	285,000	285,000	285,000	285,000
Manufacture of sugar	145,656	150,000	145,656	-	72,828	-
Manufacture of textiles	53,531	53,531	53,531	53,531	53,531	53,531
Power (electricity), Gas, Water, Sanitary	575,000	805,000	-	-	-	-
Telecommunications	114,747	114,747	114,747	114,747	114,747	114,747
Others	14,726,579	11,047,030	7,682	7,682	7,682	7,682
	730,257,469	734,454,439	606,734	491,042	533,906	491,042
<b>Credit risk by public / private sector</b>						
Public/ Government	718,043,511	721,291,216	-	-	-	-
Private	12,213,958	13,163,223	606,734	491,042	533,906	491,042
	730,257,469	734,454,439	606,734	491,042	533,906	491,042

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 45.1.3 Advances

### Credit risk by industry sector

	Gross Advances		Non - performing Advances		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Agriculture, forestry and fishing	7,582,097	9,386,665	652,580	798,008	362,867	763,426
Construction	20,852,864	22,685,213	289,435	343,453	287,840	339,991
Electricity, gas, steam and air conditioning supply	44,370,647	45,349,612	379,846	381,282	378,125	379,485
Electronics and electrical appliances	4,760,213	6,058,899	113,496	119,040	107,776	113,320
Financials	21,334,593	15,525,588	532,286	741,551	532,286	739,169
Footwear and Leather garments	4,566,500	3,604,384	173,985	179,687	173,590	179,292
Human health and social work activities	2,760,760	4,258,217	50,211	52,395	34,981	37,025
Individuals	44,438,103	41,591,645	4,397,242	4,320,944	4,001,136	4,002,049
Manufacture of basic metals and metal products	16,420,515	14,349,676	3,104,026	2,193,872	2,892,814	2,190,086
Manufacture of cement	12,095,610	15,290,708	392,862	392,862	392,862	392,862
Manufacture of chemicals and chemical and pharmaceutical products	48,727,242	41,436,107	334,485	376,631	331,551	366,010
Manufacture of coke and refined petroleum products	14,789,736	22,581,791	399,317	361,167	398,701	360,551
Manufacture of food & beverages products	55,638,390	53,415,267	3,014,962	3,233,140	2,786,691	3,169,855
Manufacture of machinery, equipment and transport Equipment	4,835,798	2,245,534	435,301	474,815	434,527	456,142
Manufacture of rubber and plastics products	5,376,391	4,793,034	661,498	711,653	658,226	428,762
Manufacture of sugar	26,450,203	38,979,252	4,497,643	2,483,424	3,434,211	1,843,056
Manufacture of textiles	87,196,612	82,724,853	13,537,492	13,854,193	13,088,287	13,210,706
Mining and quarrying	4,252,835	2,510,868	7,286	10,078	7,286	10,013
Manufacturing of Pulp, Paper, Paperboard	5,021,705	4,170,766	242,331	261,677	213,453	232,751
Ship Breaking	8,366,211	9,207,374	2,436,614	3,040,220	2,436,614	3,040,220
Services	13,688,812	10,835,172	596,857	1,135,283	588,408	1,030,585
Telecommunications	15,883,537	17,945,996	42,798	57,304	42,798	52,791
Transportation and storage	66,336,431	67,628,034	93,955	507,773	84,307	402,386
Wholesale and retail traders	47,946,182	45,923,376	12,562,812	12,117,336	7,574,356	7,448,877
Others	8,179,645	27,530,614	856,366	818,526	694,068	754,857
	591,871,632	610,028,645	49,805,686	48,966,314	41,937,761	41,944,267
<b>Credit risk by public / private sector</b>						
Public/ Government	95,096,713	101,279,217	639,825	639,826	639,825	639,825
Private	496,774,919	508,749,428	49,165,861	48,326,488	41,297,936	41,304,442
	591,871,632	610,028,645	49,805,686	48,966,314	41,937,761	41,944,267

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
<b>45.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, forestry and fishing	626,318	929,975
Construction	28,790,117	34,658,187
Electricity, gas, steam and air conditioning supply	16,318,961	5,513,067
Electronics and electrical appliances	4,574,959	2,263,031
Financials	578,498,188	345,910,620
Footwear and Leather garments	123,152	316,345
Human health and social work activities	409,816	804,687
Individuals	6,205,880	8,758,774
Manufacture of basic metals and metal products	6,414,150	6,846,779
Manufacture of cement	1,761,514	2,367,858
Manufacture of chemicals and chemical and pharmaceutical products	19,976,862	20,291,122
Manufacture of coke and refined petroleum products	15,369,784	3,951,612
Manufacture of food & beverages products	19,550,105	13,378,114
Manufacture of machinery, equipment and transport Equipment	6,790,046	8,228,640
Manufacture of rubber and plastics products	2,162,953	1,391,038
Manufacture of sugar	3,790,969	4,202,367
Manufacture of textiles	35,676,318	18,738,315
Mining and quarrying	460,490	96,453
Manufacturing of Pulp, Paper, Paperboard	1,165,844	1,099,265
Ship Breaking	2,535,412	2,269,451
Services	55,448,997	61,467,471
Telecommunications	14,669,698	16,839,614
Transportation and storage	4,076,724	5,881,808
Wholesale and retail traders	17,521,657	15,194,470
Others	22,537,128	20,938,424
	<b>865,456,042</b>	<b>602,337,487</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	321,606,927	146,299,566
Private	543,849,115	456,037,921
	<b>865,456,042</b>	<b>602,337,487</b>

## 45.1.5 Concentration of Advances

The Group top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 236,769.236 million (2018: Rs. 233,522.506 million) are as following:

	2019	2018
	(Rupees in '000)	
Funded	80,717,454	91,638,103
Non Funded	156,051,782	141,884,403
Total Exposure	<b>236,769,236</b>	<b>233,522,506</b>

The sanctioned limits against these top 10 exposures aggregated to Rs 291,923.228 million (2018: Rs. 281,681.726 million)

There is no provision against these top 10 exposures.



# Notes To The Consolidated Financial Statements

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## 45.1.6 Advances - Province/Region-wise Disbursement & Utilization

2019							
Province / Region	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit Balochistan	
(Rupees in '000)							
Punjab	753,218,687	678,763,640	60,879,964	10,039,632	323,686	3,210,918	847
Sindh	688,753,937	12,583,438	605,024,224	3,370,558	67,547,890	227,827	-
KPK including FATA	5,481,487	73,656	-	5,407,831	-	-	-
Balochistan	1,251,413	-	9,294	-	1,242,119	-	-
Islamabad	43,495,899	5,008,912	228,682	1,789,813	-	36,393,156	75,336
AJK including Gilgit-Baltistan	368,360	29,738	-	-	-	-	338,622
Total	1,492,569,783	696,459,384	666,142,164	20,607,834	69,113,695	39,831,901	414,805
2018							
Province / Region	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit Balochistan	
(Rupees in '000)							
Punjab	572,121,989	500,803,912	57,758,820	10,024,921	322,571	3,210,918	847
Sindh	577,715,877	12,573,575	494,016,936	3,370,558	67,526,981	227,827	-
KPK including FATA	5,441,928	67,761	-	5,374,167	-	-	-
Balochistan	1,216,050	-	-	-	1,216,050	-	-
Islamabad	32,691,486	3,470,284	227,242	1,782,828	-	27,135,929	75,203
AJK including Gilgit-Baltistan	316,940	425	-	-	-	-	316,515
Total	1,189,504,270	516,915,957	552,002,998	20,552,474	69,065,602	30,574,674	392,565

## 45.2 Market Risk

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. MCB is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign Exchange Group and the Capital Market Division. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes Group to interest rate risk, foreign exchange risk and equity price risk.

The Group's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, Management Credit and Risk Committee, ALCO and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk function works in close partnership with the business segments to identify and monitor market risks throughout the Group and to define market risk policies and procedures. Market Risk seeks to facilitate efficient risk/return management decisions, reduce volatility in operating performance and provide transparency into the Group's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

In line with regulatory requirements, MCB has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Grouping Book and are treated as per SBP requirements.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

The Group measures and manages Market Risk by using different risk parameters with combinations of various limits. A specific Board approved Market Risk Limit Policy provides guidelines for assuming controlled market risk, its monitoring and management. The approved limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Besides conventional methods, the Group also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its treasury and capital market groups. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon.

A framework of stress testing, scenario analysis and reverse stress tests covering both Grouping and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by senior management and also reported to the SBP.

The Group is also exposed to interest rate risk both in trading and Grouping books. Risk parameters along with the marked to market values of government securities held by the Group's treasury are generated on daily basis. The risk parameters include duration, PVBP, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

## 45.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	142,957,358	-	142,957,358	110,165,006	-	110,165,006
Balances with other banks	21,371,753	-	21,371,753	13,338,117	-	13,338,117
Lendings to financial institutions	6,060,869	-	6,060,869	39,149,890	-	39,149,890
Investments	41,407,690	716,033,900	757,441,590	40,197,458	714,188,317	754,385,775
Advances	548,472,860	-	548,472,860	566,792,265	-	566,792,265
Fixed assets	64,201,807	-	64,201,807	43,531,396	-	43,531,396
Intangible assets	1,978,975	-	1,978,975	1,452,462	-	1,452,462
Other assets	69,729,659	-	69,729,659	56,395,096	-	56,395,096
	896,180,971	716,033,900	1,612,214,871	871,021,690	714,188,317	1,585,210,007

## 45.2.2 Foreign Exchange Risk

Foreign exchange risk exposes the Group to changes in the values of current holdings and future cash flows denominated in currencies other than home currency due to the exchange rate fluctuation and volatility. The types of instruments exposed to this risk include investments in foreign branches, foreign currency-denominated loans, foreign currency-denominated deposits, future cash flows in foreign currencies arising from foreign exchange transactions, etc.

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

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

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

	2019				2018			
	Foreign currency Assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency Assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000							
United States Dollar	42,949,125	61,958,946	20,204,447	1,194,626	29,147,140	54,998,521	26,118,156	266,775
Sri Lankan Rupees	-	164,290	148,959	(15,331)	(364,982)	-	171,106	(193,876)
Arab Emirates Dirham	194,163	949,404	590,192	(165,049)	(116,907)	-	-	(116,907)
Euro	438,134	4,960,868	4,564,076	41,342	709,714	5,412,390	4,639,790	(62,885)
Great Britain Pound Sterling	703,957	5,585,201	4,822,148	(59,096)	785,034	6,431,110	5,667,817	21,741
Japanese Yen	19,750	4,627	17,723	32,846	(90,824)	136	103,369	12,410
Other currencies	133,740	-	31,769	165,509	76,593	-	25,692	102,285
	44,438,869	73,623,336	30,379,314	1,194,847	30,145,769	66,842,157	36,725,930	29,542

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	14,545	-	8,474

## 45.2.3 Equity position Risk

Group's proprietary positions in the equity instruments exposes it to the equity price risk in its trading and Grouping books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR analysis and stress testing of the equity portfolio are also performed and reported to senior management on daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index using certain assumptions. In addition to this stress testing, historical scenario analysis on equities is also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

	2019		2018	
	AFS	HFT	AFS	HFT
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Profit and loss account	-	57,548	-	52,421
- Other comprehensive income	796,211	-	899,642	-

## 45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

The increase / (decrease) in earnings due to change in the interest rate is as follows:

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account	2,334,051	-	2,726,872	-
- Other comprehensive income	-	6,819,634	-	1,514,828

The Group has classified Available for Sale investments as Trading in Basel-II.

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## 45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2019

	Effective yield / interest rate	Total	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments		
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years	Above 10 years
			(Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.70%	142,957,358	10,517,551	-	-	-	-	-	-	-	132,439,807	
Balances with other banks	0.55%	21,371,753	7,176,640	1,340,374	-	-	-	-	-	-	12,854,739	
Lending to financial institutions	10.91%	6,060,869	2,689,205	3,371,864	-	-	-	-	-	-	-	
Investments	11.47%	757,441,590	180,997,048	58,772,960	43,600,582	187,051,328	105,606,890	14,900,121	60,307,907	83,531,045	22,673,709	
Advances	11.70%	537,499,107	484,867,924	29,157,490	6,805,578	3,157,363	1,816,256	3,009,664	1,481,043	1,759,402	-	
Other assets		58,219,618	-	-	-	-	-	-	-	-	58,219,618	
		1,523,550,295	686,248,368	92,642,488	50,406,160	190,208,691	107,423,146	17,909,805	61,788,950	85,290,447	226,187,873	
Liabilities												
Bills payable		12,795,325	-	-	-	-	-	-	-	-	12,795,325	
Borrowings	7.84%	92,859,988	55,458,386	11,294,285	8,605,720	1,507,529	2,097,344	2,217,657	3,572,934	8,106,113	-	
Deposits and other accounts	5.96%	1,226,593,025	686,055,880	35,105,817	22,527,727	24,408,630	3,459,232	2,002,175	1,270,783	-	451,762,781	
Other liabilities		85,297,242	-	-	-	-	-	-	-	-	85,297,242	
		1,417,545,560	741,514,266	46,400,102	31,133,447	25,916,159	5,556,576	4,219,832	4,843,717	8,106,113	549,855,348	
On-balance sheet gap		106,004,735	(55,265,898)	46,242,386	19,272,713	164,292,532	101,866,570	13,689,973	56,945,233	77,184,334	(323,667,475)	
Off-balance sheet financial instruments												
FX options purchase		431,449	204,798	226,651	-	-	-	-	-	-	-	
Forward purchase of Government securities		82,284,304	82,284,304	-	-	-	-	-	-	-	-	
Cross Currency Swaps purchase		4,428,663	-	311,405	-	765,490	1,522,069	857,049	972,650	-	-	
Interest Rate Swaps purchase		316,500	-	-	-	316,500	-	-	-	-	-	
Foreign exchange contracts purchase		216,647,656	81,562,475	85,102,271	45,299,680	4,683,230	-	-	-	-	-	
		304,108,572	164,051,577	85,640,327	45,299,680	5,765,220	1,522,069	857,049	972,650	-	-	
FX options sale		431,449	204,798	226,651	-	-	-	-	-	-	-	
Forward sale of Government securities		5,412,334	5,412,334	-	-	-	-	-	-	-	-	
Cross Currency Swaps sale		4,636,745	-	311,405	52,745	765,490	1,677,406	857,049	972,650	-	-	
Foreign exchange contracts sale		188,243,433	69,140,866	67,523,912	50,136,199	1,442,456	-	-	-	-	-	
		198,723,961	74,757,998	68,061,968	50,188,944	2,207,946	1,677,406	857,049	972,650	-	-	
Off-balance sheet gap		105,384,611	89,293,579	17,578,359	(4,889,264)	3,557,274	(155,337)	-	-	-	-	
Total Yield/Interest Risk Sensitivity Gap		34,027,681	63,820,745	14,383,449	167,849,806	101,711,233	13,689,973	56,945,233	77,184,334	5,444,367		
Cumulative Yield/Interest Risk Sensitivity Gap		34,027,681	97,848,426	112,231,875	280,081,681	381,792,914	395,482,887	452,428,120	529,612,454	535,056,821		

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2018

Exposed to Yield/ Interest risk										
Effective yield/ interest rate	Total	Exposed to Yield/ Interest risk								Non-interest bearing financial instruments
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 10 years	
(Rupees in '000)										
On-balance sheet financial instruments										
Assets										
1.35%	110,165,006	9,466,493	-	-	-	-	-	-	-	100,698,513
0.38%	13,338,117	3,380,508	277,724	-	-	-	-	-	-	9,679,885
6.40%	39,149,890	39,149,890	-	-	-	-	-	-	-	-
7.53%	754,385,775	466,525,985	126,401,835	42,253,700	15,156,060	38,431,913	15,658,777	15,485,864	10,071,227	24,400,414
7.68%	560,166,475	472,802,593	34,815,145	17,437,286	7,613,696	2,160,107	3,744,873	3,071,331	2,576,565	11,094,457
	38,208,613	-	-	-	-	-	-	-	-	38,208,613
	1,515,413,876	991,325,469	161,494,704	59,690,986	22,769,756	40,592,020	19,403,650	18,557,195	12,647,792	184,081,882
Liabilities										
5.10%	17,003,272	185,663,984	12,925,968	8,853,187	699,729	1,402,299	1,743,962	3,097,690	6,722,977	17,003,272
3.18%	223,216,115	624,092,239	24,571,755	16,898,047	23,460,911	2,422,004	2,237,823	996,118	-	2,116,319
7.91%	1,122,306,535	-	-	-	-	-	-	-	-	427,627,638
	3,891,019	-	-	3,891,019	-	-	-	-	-	-
	54,362,490	-	-	-	-	-	-	-	-	54,362,490
	1,420,779,431	809,746,223	37,497,723	29,642,253	24,160,640	3,824,303	3,981,785	4,093,808	6,722,977	501,109,719
	94,634,445	181,579,246	123,996,981	30,048,733	(1,390,884)	36,767,717	15,421,865	14,463,387	5,924,815	(317,027,687)
On-balance sheet gap										
Off-balance sheet financial instruments										
	1,378,370	523,732	756,090	98,548	-	-	-	-	-	-
	13,660,947	13,660,947	-	-	-	-	-	-	-	-
	4,026,814	207,483	-	-	-	1,525,885	1,209,227	1,084,219	-	-
	316,500	-	-	-	-	316,500	-	-	-	-
	126,872,293	63,760,412	34,611,958	27,979,158	520,765	-	-	-	-	-
	146,254,924	78,152,574	35,368,048	28,077,706	520,765	1,842,385	1,209,227	1,084,219	-	-
	1,378,370	523,732	756,090	98,548	-	-	-	-	-	-
	14,274,714	14,274,714	-	-	-	-	-	-	-	-
	4,185,049	207,483	-	-	-	1,684,120	1,209,227	1,084,219	-	-
	90,346,797	39,236,477	21,372,858	27,762,429	1,975,033	-	-	-	-	-
	110,184,930	54,242,406	22,128,948	27,860,977	1,975,033	1,684,120	1,209,227	1,084,219	-	-
	36,069,994	23,910,168	13,239,100	216,729	(1,454,268)	158,265	-	-	-	-
	205,469,414	137,236,081	30,265,462	(2,845,152)	36,925,982	15,421,865	14,463,387	5,924,815	4,850,422	
	205,469,414	342,725,495	372,990,957	370,145,805	407,071,787	422,493,652	436,957,039	442,881,854	447,732,276	
Total Yield/Interest Risk Sensitivity Gap										
Cumulative Yield/Interest Risk Sensitivity Gap										



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	2019 (Rupees in '000)	2018 (Rupees in '000)	2019 (Rupees in '000)	2018 (Rupees in '000)
<b>Reconciliation to total assets</b>				
<b>Balance as per balance sheet</b>	1,612,214,871	1,585,210,007	1,440,868,054	1,433,887,128
Less: Non financial assets				
Islamic financing and related assets	10,973,753	6,625,790	17,108,271	11,124,552
Fixed assets	64,201,807	43,789,201	6,214,223	1,983,145
Intangible assets	1,978,975	1,194,657	23,322,494	13,107,697
Other assets	11,510,041	18,186,483		
<b>Total financial assets</b>	88,664,576	69,796,131	1,417,545,560	1,420,779,431
	1,523,550,295	1,515,413,876		
<b>Reconciliation to total liabilities</b>				
<b>Balance as per balance sheet</b>				
Less: Non financial liabilities				
Other liabilities				
Deferred tax liability				
<b>Total financial liabilities</b>				

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

## 45.3

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Group operational risk management framework, as laid down in the operational risk policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Group. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

Operational Risk Management helps the Group understand risks and improve mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Group. Going forward, the Group will further strengthen its risk function, policies and procedures to facilitate its operations and improve quality of assets to safeguard interest of depositors.

### 45.3.1

#### Operational Risk-Disclosures Basel II Specific

Currently, the Group is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, the Group took a number of initiative with respect to operational risk management. The parallel run approval for Alternative Standardized Approach (ASA) was accorded by SBP. The Group will initiate further steps for improvement Operational Risk management in the Group.

Operational loss data pertaining to key risk events is also collected on Group-wide basis. Operational Risk Management Software (ORMS) has been developed in house in line with the regulatory requirements, which has enhanced Group's capability to capture and report operational risk events in a more systematic way. The software is also capable for periodical regulatory and management reporting. Periodic review and analysis is prepared for senior management and Risk Management and Portfolio Review Committee (RM&PRC) of the Board. The report covers the significant risk events with root cause analysis and recommendations for further improvements.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 45.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Group understands that liquidity does not come for free, and 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 Group's activities and can be grouped into three categories:

- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

### Liquidity Management

The Asset Liability Management Committee of the Group has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Groups' liquidity under normal and stress scenarios. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. Group's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing, to ensure effective and timely decision making.

Group's liquidity risk management framework is designed to identify measure and manage in a timely manner the liquidity risk position of the Group. The underlying policies and procedures include: Risk Management policy, Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy and Limit Structure which are reviewed and approved regularly by the senior management /Board members. Moreover; the Group also prepares a 'Contingency Funding Plan' (CFP) to address liquidity issues in time of stress/crises situation containing early warning indicators to pre-empt unforeseen liquidity crises. Group conducts Liquidity Risk Analysis on regular basis as well as Maturity of gaps are also reviewed in order to ensure diversification in terms of tenors. MCB liquidity Risk Policy envisages to project the Group's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling statement of financial position changes. Group performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Group under both idiosyncratic and systemic market stress conditions. Group's liquidity risk management approach involves intraday liquidity management, managing funding 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. Group has policies to ensure that sufficient cash is maintained during the day to make payments through local payment system. The policy of the Group is to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet obligations, repay depositors and fulfill commitments.

### Managing Funding Sources

Managing funding sources, as per policy Group maintain a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash flows for meeting unexpected liquidity requirement. As a part of liquidity management MCB maintains borrowing relationships to ensure the continued access to diverse market of funding sources. Group's sound credit rating together with excellent market reputation has enabled MCB to secure ample call lines with local and foreign Groups. The level of liquidity reserves as per regulatory requirements also mitigates risks. Group's investment in marketable securities is much higher than the Statutory Liquidity requirements.

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

## 45.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2019

	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 months	Over 1 or 2 months	Over 3 months	Over 6 months	Over 9 months	Over 12 months to 1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
<b>Assets</b>														
Cash and balances with treasury banks	142,957,358	142,957,358	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	21,371,753	17,709,050	541,582	1,083,933	696,814	1,340,374	-	-	-	-	-	-	-	-
Lending to financial institutions	6,060,869	209,206	500,000	-	1,980,000	3,371,663	-	-	-	-	-	-	-	-
Investments	757,441,590	1,561,402	12,087,461	1,484,042	165,948,840	4,525,813	39,055,937	37,983,828	101,715,552	86,779,634	111,060,640	18,820,516	65,033,046	111,384,879
Advances	548,472,860	116,563,089	12,087,746	9,807,984	34,999,908	27,246,925	34,646,455	65,929,233	28,106,558	35,278,081	46,252,132	39,070,405	53,513,936	44,970,408
Fixed assets	64,201,807	9,316	55,896	66,212	254,848	404,607	404,874	1,212,956	12,13,009	1,214,158	4,082,375	4,106,763	5,466,376	45,729,417
Intangible assets	1,978,975	29,291	10,296	12,012	38,546	62,705	63,157	189,591	189,829	189,836	442,526	173,054	506,395	71,737
Deferred tax assets	2,918,483	11,761	28,361	33,088	80,356	137,078	146,531	430,140	435,730	430,140	210,356	974,942	-	-
Other assets	69,729,659	481,675	3,757,122	8,150,816	8,254,924	12,845,114	13,810,916	3,683,264	3,547,514	457,875	1,214,143	2,141,963	11,584,333	-
	1,615,133,354	279,532,148	29,068,464	20,637,087	212,254,236	49,734,279	88,127,870	109,429,012	135,208,192	124,349,724	163,242,172	65,289,643	136,104,086	202,156,441
<b>Liabilities</b>														
Bills payable	12,795,325	426,511	2,559,065	2,895,576	6,824,173	-	-	-	-	-	-	-	-	-
Borrowings	92,859,968	19,690,252	24,261,935	5,906,627	5,599,571	7,876,054	3,418,232	8,605,720	704,824	802,705	2,097,344	2,217,657	3,572,934	8,106,113
Deposits and other accounts	1,226,593,025	1,100,034,930	4,344,655	8,009,608	13,914,022	16,239,575	24,611,305	23,589,167	17,002,990	11,952,021	3,482,589	2,137,880	1,274,283	-
Deferred tax liabilities	9,132,706	10,685	16,352	12,337	(30,763)	19,132	(96,955)	81,403	71,253	(18,568)	594,557	321,640	2,874,074	5,277,559
Other liabilities	102,405,513	10,311,942	8,025,836	7,761,515	17,612,872	5,700,838	5,938,865	11,057,222	6,614,626	2,060,339	2,694,699	3,753,391	14,544,640	6,328,728
	1,443,786,537	1,130,474,320	39,207,843	24,675,663	43,919,875	29,835,599	33,871,447	43,333,512	24,393,693	14,796,497	8,869,189	8,430,588	22,265,931	19,712,400
<b>Net assets</b>														
Share capital	171,346,817	(850,942,172)	(10,139,379)	(4,038,576)	168,334,361	19,898,680	54,256,423	66,095,500	110,814,499	109,553,227	154,372,983	56,859,075	113,838,155	182,444,041
Reserves	11,850,600													
Surplus on revaluation of assets	77,894,829													
Unappropriated profit	24,752,206													
Non-controlling interest	56,108,779													
	740,403													
	171,346,817													

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

2018

	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 months	Over 1 or 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
<b>Assets</b>														
Cash and balances with treasury banks	110,165,006	110,165,006	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	13,338,117	13,338,117	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	39,149,890	5,043,406	32,972,346	-	1,134,138	-	-	-	-	-	-	-	-	-
Investments	754,385,775	1,415,440	337,261,298	2,340,221	127,822,467	111,753,449	8,790,673	38,624,520	11,685,825	5,508,193	43,184,365	20,120,086	19,808,124	26,071,114
Advances	566,792,265	117,978,845	11,937,006	4,518,142	41,017,024	19,420,424	49,883,687	68,933,747	41,308,667	24,113,553	50,089,142	47,653,125	44,826,582	45,602,321
Fixed assets	43,531,396	109,122	57,964	67,625	176,024	310,527	311,417	935,113	937,639	938,668	2,253,979	2,202,397	2,109,194	33,121,737
Intangible assets	1,452,462	27,795	4,260	4,971	15,692	29,313	29,357	88,072	88,072	88,072	213,367	96,532	443,639	323,320
Deferred tax assets	4,213,929	6,796	103,740	39,761	135,032	159,521	152,178	605,797	576,506	446,715	912,972	712,463	96,893	265,555
Other assets	56,395,096	1,749,407	2,875,490	2,570,521	6,910,725	9,212,575	10,192,105	2,151,240	4,537,524	3,828,545	3,423,685	925,700	8,017,579	-
	1,589,423,936	249,833,934	385,212,104	9,541,241	177,211,102	140,885,809	68,859,417	111,338,489	59,134,233	34,923,736	100,087,510	71,710,303	75,302,011	105,384,047
<b>Liabilities</b>														
Bills payable	17,003,272	566,776	3,400,654	3,967,430	9,068,412	-	-	-	-	-	-	-	-	-
Borrowings	223,216,115	8,878,461	171,466,060	3,480,142	1,965,027	5,042,541	8,447,017	9,903,267	442,272	298,228	1,483,842	1,825,505	3,260,776	6,722,977
Deposits and other accounts	1,122,306,535	1,018,523,012	7,920,483	4,372,404	15,084,901	15,130,985	13,509,166	17,358,983	12,232,954	12,431,591	2,454,401	2,284,737	1,002,918	-
Subordinated debt	3,891,019	-	-	-	-	-	-	779	-	779	1,558	1,558	3,886,345	-
Deferred tax liabilities	6,197,074	388	2,326	2,713	6,589	11,241	12,016	35,273	35,661	35,273	141,480	141,480	1,786,574	3,986,060
Other liabilities	65,487,042	10,292,237	4,923,115	5,293,569	11,609,728	5,658,653	5,936,445	3,456,002	2,891,351	1,968,097	3,817,909	1,260,035	7,928,223	1,246,678
	1,438,101,057	1,038,280,874	187,712,638	17,121,258	37,734,657	25,243,420	27,904,644	30,754,304	15,402,238	14,733,968	7,899,190	5,513,315	17,864,836	11,955,715
<b>Net assets</b>														
	151,322,879	(788,426,940)	197,499,466	(7,580,017)	139,476,445	115,642,369	40,954,773	80,584,185	43,731,995	20,189,768	92,188,320	66,196,988	57,437,175	93,428,332
Share capital	11,850,600													
Reserves	74,374,573													
Surplus on revaluation of assets	10,417,875													
Non-controlling interest	708,752													
Unappropriated profit	53,971,079													
	151,322,879													

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For the year ended December 31, 2019

## 45.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

2019

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 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)										
<b>Assets</b>										
Cash and balances with treasury banks	142,957,358	142,957,358	-	-	-	-	-	-	-	-
Balances with other banks	21,371,753	20,031,379	1,340,374	-	-	-	-	-	-	-
Lending to financial institutions	6,060,869	2,689,205	3,371,664	-	-	-	-	-	-	-
Investments	757,441,590	180,171,442	43,831,910	38,108,079	187,726,109	111,338,352	19,095,957	65,310,758	105,613,987	6,244,996
Advances	548,472,860	100,517,088	63,393,356	57,113,936	53,862,562	72,777,509	65,172,731	81,649,276	44,506,083	9,480,319
Fixed assets	64,201,807	387,631	718,212	1,315,538	2,432,421	4,062,375	2,828,912	6,746,400	6,073,232	39,637,086
Intangible assets	1,978,975	90,144	125,863	189,591	379,665	442,526	173,054	506,395	71,737	-
Deferred tax assets	2,918,483	153,566	283,609	430,140	865,870	210,356	974,942	-	-	-
Other assets	69,729,659	20,644,536	26,430,940	3,719,452	4,005,389	1,214,143	2,141,963	11,573,236	-	-
	1,615,133,354	467,642,349	139,495,928	100,876,736	249,272,016	190,045,261	90,387,559	165,786,065	156,265,039	55,362,401
<b>Liabilities</b>										
Bills payable	12,795,325	12,795,325	-	-	-	-	-	-	-	-
Borrowings	92,859,968	55,458,386	11,294,285	8,605,720	1,507,529	2,097,344	2,217,657	3,572,934	8,106,113	-
Deposits and other accounts	1,226,593,025	80,369,330	60,509,999	51,460,105	65,341,453	289,229,540	287,884,831	287,021,234	104,776,533	-
Deferred tax liabilities	9,132,706	53,110	(78,304)	36,504	51,724	594,557	320,845	2,874,074	2,711,159	2,569,037
Other liabilities	102,405,513	43,712,165	11,639,703	11,060,721	8,671,466	2,694,699	3,753,391	14,544,640	5,790,477	538,251
	1,443,786,537	192,388,316	83,365,683	71,163,050	75,572,172	294,616,140	294,176,724	308,012,882	121,394,282	3,107,288
<b>Net assets</b>										
Share capital	171,346,817	275,254,033	56,130,245	29,713,686	173,699,844	(104,570,879)	(203,789,165)	(142,226,817)	34,880,757	52,255,113
Reserves	11,850,600									
Surplus on revaluation of assets	77,894,829									
Unappropriated profit	24,752,206									
Non-controlling interest	56,108,779									
	740,403									
	171,346,817									



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For the year ended December 31, 2019

2018

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 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)										
<b>Assets</b>										
Cash and balances with treasury banks	110,165,006	110,165,006	-	-	-	-	-	-	-	-
Balances with other banks	13,338,117	13,338,117	-	-	-	-	-	-	-	-
Lending to financial institutions	39,149,890	39,149,890	-	-	-	-	-	-	-	-
Investments	754,385,775	467,987,454	120,652,884	38,678,902	17,329,972	43,322,583	20,258,305	19,946,343	20,460,967	5,748,365
Advances	566,792,265	96,527,149	57,212,873	52,149,075	52,341,015	84,863,663	83,534,348	82,208,915	48,465,501	9,489,726
Fixed assets	43,531,396	152,928	621,945	935,113	1,876,298	2,253,979	817,187	3,494,404	3,918,495	29,461,047
Intangible assets	1,452,462	310,521	58,671	88,072	176,145	213,367	96,532	443,639	65,515	-
Deferred tax assets	4,213,929	259,728	337,300	605,797	1,023,221	912,972	712,463	96,893	265,555	-
Other assets	56,395,096	14,106,144	19,404,679	2,151,240	8,366,069	3,423,685	925,700	8,017,579	-	-
	1,589,423,936	741,996,937	198,288,352	94,608,199	81,112,720	134,990,249	106,344,535	114,207,773	73,176,033	44,699,138
<b>Liabilities</b>										
Bills payable	17,003,272	17,003,272	-	-	-	-	-	-	-	-
Borrowings	223,216,115	185,789,690	13,489,558	9,903,267	740,500	1,483,842	1,825,505	3,260,776	6,722,977	-
Deposits and other accounts	1,122,306,535	85,853,399	70,963,497	80,450,988	81,525,658	241,785,623	241,615,957	236,485,752	79,777,074	3,848,387
Subordinated debt	3,891,019	-	-	779	779	1,557	1,557	3,886,348	-	-
Deferred tax liabilities	6,197,074	12,016	22,869	34,976	70,159	141,480	141,480	1,786,574	2,408,681	1,578,839
Other liabilities	65,487,042	32,123,649	10,995,098	3,456,002	4,659,448	3,817,909	1,260,035	7,928,223	1,246,678	-
	1,438,101,057	320,782,026	95,471,022	93,846,011	86,996,743	247,230,411	244,844,534	253,347,673	90,155,410	5,427,226
<b>Net assets</b>	151,322,879	421,214,911	102,817,330	762,188	(5,884,023)	(112,240,162)	(138,499,999)	(139,139,900)	(16,979,377)	39,271,912
Share capital	11,850,600									
Reserves	74,374,573									
Surplus on revaluation of assets	10,417,875									
Non-controlling interest	708,752									
Unappropriated profit	53,971,079									
	151,322,879									

## Liquidity Gap Reporting

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity. Group regularly conducts an objective and systematic behavioral study using regression analysis technique to ascertain the maturity of its non-contractual assets and liabilities. Core and non-core parts of the non-contractual assets and liabilities are segregated through the behavioral study. Non Core part is placed among the short term maturity buckets i.e. up to 1 Year based on the model results, whereas core part is distributed among the longer terms buckets based on the discussion and decision by the ALCO. Following percentages are used to distribute the core assets and liabilities among longer term buckets:

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

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## 45.5 Derivative Risk

Most business clients have either interest rate exposures arising from debt financing or currency exposures arising out of commercial transactions from import and export of goods. Businesses face the risk of sudden movements in interest rates or foreign exchange rates that may adversely affect their profitability. Group provides solutions to this problem through its derivatives desk in major types of derivative instruments i.e.; forwards, futures, swaps and options. As an Authorized Derivative Dealer (ADD), MCB (Holding Company) is an active participant in Derivative market and has flexibility in providing a broad range of derivatives products covering both hedging and market making to satisfy customers' needs. As an ADD, the Group offers derivative products which are permitted under the Financial Derivative Business Regulations (FDBR) or as permitted by the State Bank of Pakistan. Before executing Derivative transactions, the Group ensures that the clients understand the risk and reward associated with the derivative being offered. Derivative transactions are executed with appropriate clients only.

Risk management activities take place at the following different levels.

### Strategic Level:

By senior management Assets and Liabilities Management Committee (ALCO), Management Credit and Risk Committee (MC&RC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Group-wide basis. The Board provides the overall limits/thresholds for derivatives business.

### Macro Level

By Treasury and FX Group and Risk Management Group, responsible for policy formulation, procedure development and implementation, monitoring and reporting.

### Micro Level:

Treasury Derivatives and Structured Product Desk where risks are actually created and Treasury Operations for settlements of the transactions.

### Derivative Risk Management caters the following risks:-

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. In line with SBP's regulatory guidelines, Bank hedges back-to-back all option transactions with other financial institutions. Group minimizes the exchange rate risk on its Cross Currency Swap Portfolio by hedging the exposure in interbank market. Group also manages interest rate risk on its Interest Rate Derivatives and Cross Currency Swaps through various sensitivity limits approved by ALCO. Marked to market positions and sensitivity of the derivatives transactions are monitored on regular basis. All individual deals are approved at the appropriate level of authority after analyzing the risk and benefits associated with the deals.

Credit risk is a probable risk of loss resulting from customer's inability to meet contractual obligation that may have adverse impact on Group's profitability. Group manages the risk by setting policies and limits for counterparty based on a pre-defined criteria linked with financial health of the customer. The exposure of each counterparty is monitored by Risk Management Function of the Group on daily basis.

Considering small Derivative portfolio, Group is not exposed to any liquidity risk. However; Group manages its liquidity risk through Group's Liquidity Risk Policy which is defined in relevant Liquidity Risk Section.

Group has adequate system and controls for smooth execution of derivative transactions. Transactions are executed in line with well defined accounting and operational aspects to mitigate the operational risk. Policies and control functions are regularly reviewed on periodic basis. The Group uses a third

# Notes To The Consolidated Financial Statements

For the year ended December 31, 2019

party's Super Derivative System which provides front end sales and structuring capabilities, end to end valuation solutions, risk management systems, back end processing and provides analytical tools to measure various risk exposures and carry out sensitivity analysis.

The Group uses a third party's Super Derivative System which provides front end sales and structuring capabilities, end to end valuation solutions, risk management systems, back end processing and provides analytical tools to measure various risk exposures and carry out sensitivity analysis.

The goal of asset/liability management (ALM) is to properly manage the risk related to changes in interest rates, the mix of balance sheet assets and liabilities, the holding of foreign currencies, and the use of derivatives. Due to thin liquidity in the derivative market, interest rate derivatives are not actively used to manage/alter the interest rate risk profile of the Group.

Accounting policy has been disclosed in the note 5.

## 46 EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 04, 2020 has announced a final cash dividend in respect of the year ended December 31, 2019 of Rs. 5.00 per share (2018: Rs. 4.00 per share). These consolidated financial statements for the year ended December 31, 2019 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

## 47 GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

## 48 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Group in their meeting held on February 04, 2020.



**Imran Maqbool**  
President/Chief Executive



**Hammad Khalid**  
Chief Financial Officer



**Mian Umer Mansha**  
Director



**Salman Khalid Butt**  
Director



**Masood Ahmed Puri**  
Director

## Disposal of fixed assets (refer note 11.2.6)

Description	Cost/ revalued amount	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal	Particulars of buyers	Location
(Rupees in '000)							
<b>Computers</b>							
Laptop	117	117	-	12	As per Bank's policy	Muhtashim Ashai	Lahore
Laptop	117	117	-	12	As per Bank's policy	Mohammad Nauman Chughtai	Lahore
Laptop	116	116	-	12	As per Bank's policy	Faisal Ejaz Khan	Lahore
Laptop	236	147	89	93	As per Bank's policy	Faisal Ejaz Khan	Lahore
Laptop	88	88	-	9	As per Bank's policy	Nabeela Waheed	Lahore
Laptop	80	80	-	8	As per Bank's policy	Shoab Mumtaz	Lahore
Laptop	117	117	-	12	As per Bank's policy	Aali Shafi	Lahore
Laptop	268	195	73	78	As per Bank's policy	Laqa Sarwar	Lahore
	<b>1,139</b>	<b>977</b>	<b>162</b>	<b>236</b>			

## MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

# Statement of Financial Position

As At December 31, 2019

MCB Islamic bank ( the 'Bank') is operating 185 Islamic banking branches in Pakistan (December 31, 2018: 176 branches).

	Note	2019 (Rupees in '000)	2018
<b>ASSETS</b>			
Cash and balances with treasury banks		10,252,547	6,990,369
Balances with other banks		8,822,985	1,422,701
Due from financial institutions	1	5,851,664	4,675,000
Investments - net	2	16,309,800	12,713,954
Islamic financing and related assets - net	3	51,309,967	62,907,204
Fixed assets		5,779,772	2,552,600
Intangible assets		719,723	592,171
Deferred tax assets - net		921,017	751,065
Other assets - net		5,049,786	2,289,371
		105,017,261	94,894,435
<b>LIABILITIES</b>			
Bills payable		973,627	1,303,992
Due to financial institutions		4,127,526	7,800,628
Deposits and other accounts	4	81,853,511	73,307,185
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities - net		-	-
Other liabilities		7,595,796	2,413,116
		94,550,460	84,824,921
<b>NET ASSETS</b>			
		10,466,801	10,069,514
<b>REPRESENTED BY</b>			
Share capital		11,550,000	11,200,000
Reserves		26,444	26,444
Surplus on revaluation of assets - net of tax		422,326	132,272
Accumulated losses	6	(1,531,969)	(1,289,202)
		10,466,801	10,069,514
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		



## MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

### Profit and Loss Account

For the year ended December 31, 2019

The profit and loss account of the bank's branches for the year ended 185 (December 31, 2018: 176 branches).

	Note	2019 (Rupees in '000)	2018
Profit / return earned	8	9,848,819	4,208,875
Profit / return expensed	9	5,855,061	2,304,950
Net spread earned		3,993,758	1,903,925
<b>OTHER INCOME</b>			
Fee and commission income		294,491	162,245
Dividend income		75,383	58,031
Foreign exchange income		63,685	148,228
(Loss) / gain on securities		(109,983)	17,738
Other income		19,743	13,020
Total other income		343,319	399,262
<b>Total income</b>		4,337,077	2,303,187
<b>OTHER EXPENSES</b>			
Operating expenses		4,478,636	3,083,172
Workers welfare fund		—	—
Other charges		24,386	4,582
Total other expenses		4,503,022	3,087,754
Loss before provisions		(165,945)	(784,567)
Provisions and write offs - net		199,814	895,646
Extra ordinary / unusual items		—	—
<b>LOSS BEFORE TAXATION</b>		(365,759)	(1,680,213)
<b>Taxation</b>		(122,147)	(584,231)
<b>LOSS AFTER TAXATION</b>		(243,612)	(1,095,982)

## MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

### Notes to the Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018
<b>1 DUE FROM FINANCIAL INSTITUTIONS</b>			
<b>Secured</b>			
Bai Muajjal receivable - with State Bank of Pakistan	1.1	3,371,664	–
<b>Unsecured</b>			
Musharaka arrangements	1.2	2,480,000	4,675,000
		<b>5,851,664</b>	<b>4,675,000</b>

**1.1** This represents Bai Muajjal with State Bank of Pakistan carrying profit at average rate of 10.34% per annum (2018: Nil) and having maturity till February 07, 2020.

**1.2** This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 10.80% to 11.00% per annum (2018: 9.25% to 9.55% per annum) and having maturity till January 20, 2020.

	2019 (Rupees in '000)	2018
<b>1.3</b> Particulars of due from financial institutions - local currency	<b>5,851,664</b>	<b>4,675,000</b>

## 2 INVESTMENTS

### 2.1 Investments by segments:

	2019				2018			
	Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
<b>Federal Government securities</b>								
GOP Ijarah Sukuks	10,842,666	-	(8,095)	10,834,571	8,366,893	-	(41,185)	8,325,708
WAPDA Sukuks	56,404	-	711	57,115	85,187	-	22	85,209
Bai Mu'ajjal	2,700,827	-	-	2,700,827	1,159,936	-	-	1,159,936
<b>Shares</b>								
Listed companies	1,908,146	1,059,172	175,625	1,024,599	1,831,580	881,903	(43,325)	906,352
<b>Non Government securities</b>								
Listed	854,000	-	1,309	855,309	1,159,000	-	4,367	1,163,367
Un listed	840,000	-	(2,621)	837,379	1,073,333	-	49	1,073,382
<b>Total Investments</b>	<b>17,202,043</b>	<b>1,059,172</b>	<b>166,929</b>	<b>16,309,800</b>	<b>13,675,929</b>	<b>881,903</b>	<b>(80,072)</b>	<b>12,713,954</b>

**2.2** There were no investment given as collateral as at December 31, 2019 (2018: Nil).

**2.3** Provision for diminution in value of investments

	2019 (Rupees in '000)	2018
Opening balance	881,903	–
Charge for the year	177,269	881,903
Closing balance	<b>1,059,172</b>	<b>881,903</b>

# MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited) Notes to the Financial Statements

For the year ended December 31, 2019

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
<b>3 ISLAMIC FINANCING AND RELATED ASSETS - NET</b>			
Murabaha	3.1	7,609,830	17,097,127
Musawamah		2,000	–
Istisna		2,603,493	1,793,878
Salam		111,287	4,118
Ijarah	3.2	4,881,400	4,269,903
Running Musharaka		16,669,096	19,441,575
Diminishing Musharaka		18,176,482	19,057,417
Staff finance		1,293,082	1,258,046
<b>Islamic financing and related assets - gross</b>		<b>51,346,670</b>	<b>62,922,064</b>
Less: Provision against non-performing Islamic financing and related assets			
- Specific		(3,340)	(758)
- General		(33,363)	(14,102)
		(36,703)	(14,860)
<b>Islamic financing and related assets - net of provisions</b>		<b>51,309,967</b>	<b>62,907,204</b>
<b>3.1 Murabaha</b>			
- Murabaha financing	3.1.1	4,671,163	7,334,021
- Murabaha inventory		2,649,423	6,625,790
- Advances against Murabaha financing		239,244	3,056,316
- Murabaha financing under Islamic export refinance scheme		–	–
- Advances against Murabaha financing under Islamic export refinance scheme		50,000	81,000
		<b>7,609,830</b>	<b>17,097,127</b>
<b>3.1.1 Murabaha receivable - gross</b>	3.1.1.1	<b>5,005,449</b>	<b>7,674,572</b>
Less: Deferred Murabaha income	3.1.1.3	334,286	340,551
Murabaha financing		4,671,163	7,334,021
<b>3.1.1.1 Movement in Murabaha receivable during the year</b>			
Opening balance		7,674,572	4,860,060
Sales during the year		25,845,273	23,655,655
Adjusted during the year		(28,514,396)	(20,841,143)
		<b>5,005,449</b>	<b>7,674,572</b>
<b>3.1.1.2 Murabaha sale price during the year</b>		<b>25,845,273</b>	<b>23,655,655</b>
Murabaha purchase price during the year		(24,447,190)	(22,644,766)
		<b>1,398,083</b>	<b>1,010,889</b>
<b>3.1.1.3 Deferred Murabaha income</b>			
Opening balance		340,551	158,456
Arising during the year		1,398,083	1,010,889
Recognised during the year		(1,404,348)	(828,794)
		<b>334,286</b>	<b>340,551</b>

## For the year ended December 31, 2019

### 3.2.1 Net book value of assets in lijarah under IFAS 2

### 3.2.2 Future liarah payments receivable

### 3.3 Particulars of Islamic financing and related assets - gross

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## MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

# Notes to the Financial Statements

For the year ended December 31, 2019

### 4 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local currency	In Foreign currency	Total	In Local currency	In Foreign currency	Total
(Rupees in '000)						
<b>Customers</b>						
Current deposits	20,470,659	1,721,169	22,191,828	20,498,978	1,599,388	22,098,366
Savings deposits	31,630,709	2,085,896	33,716,605	29,634,547	1,705,967	31,340,514
Term deposits	15,049,977	72,099	15,122,076	5,040,187	104,191	5,144,378
Others	4,918,750	-	4,918,750	3,690,026	-	3,690,026
	72,070,095	3,879,164	75,949,259	58,863,738	3,409,546	62,273,284
<b>Financial Institutions</b>						
Current deposits	98,729	1,605	100,334	73,166	1,206	74,372
Savings deposits	1,986,733	1,554	1,988,287	5,885,028	-	5,885,028
Term deposits	3,815,631	-	3,815,631	5,074,501	-	5,074,501
	5,901,093	3,159	5,904,252	11,032,695	1,206	11,033,901
	77,971,188	3,882,323	81,853,511	69,896,433	3,410,752	73,307,185

		2019	2018
		(Rupees in '000)	
<b>4.1</b>	<b>Composition of deposits</b>		
	Individuals	35,007,567	30,685,632
	Government (Federal and Provincial)	7,692,691	5,087,472
	Public Sector Entities	268,859	281,355
	Banking Companies	1,037,961	1,343,993
	Non-Banking Financial Institutions	4,866,288	9,689,908
	Private Sector	32,980,145	26,218,825
		81,853,511	73,307,185

**4.2** This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 51,165.607 million (2018: Rs. 40,534.489 million).

		2019	2018
		(Rupees in '000)	
<b>5</b>	<b>Charity balance</b>		
	Opening balance	25,402	5,513
	Additions during the year		
	- Received from customers against late payment	45,958	25,548
	- Dividend purification amount	7,383	2,133
	- Profit on charity saving account	1,539	308
		54,880	27,989
	Charity paid during the year	(25,500)	(8,100)
	Closing balance	54,782	25,402



# MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

## Notes to the Financial Statements

For the year ended December 31, 2019

		2019	2018
		(Rupees in '000)	
5.1	Charity was paid to the following institutions:		
	Pink Ribbon	5,000	–
	Pakistan Student Loan Scheme (Endowment fund)	3,000	–
	Indus Hospital	2,000	–
	Layton Rehmatullah Benevolent Trust	2,000	–
	Sindh Institute of Urology & Transplantation (SIUT)	2,000	700
	Shaukat Khanam Memorial Cancer Hospital	2,000	1,000
	The Citizens Foundation	2,000	600
	Arthritis Care	1,000	–
	Aziz Jehan Begum Trust for the Blind	1,000	700
	Family Welfare Society	1,000	600
	Fatmid Foundation	1,000	700
	Infaq Memorial Trust	1,000	700
	Mind Organization	1,000	–
	The Patient Behbood Society for AKUH	1,000	–
	The Lahore Hospital Welfare Society	500	500
	Care Foundation Pakistan	–	700
	Chiniot Anjuman Islamia	–	600
	Fast – NU Chiniot – Faisalabad Campus	–	600
	Rising Sun Education & Welfare Society	–	700
		25,500	8,100
5.2	Charity was not paid to any staff of the Bank or to any individual / organisation in which a director or his spouse had any interest at any time during the year.		

		2019	2018	
		(Rupees in '000)		
	Note			
6	ISLAMIC BANKING BUSINESS ACCUMULATED LOSS			
	Opening balance	(1,289,202)	(194,065)	
	Islamic banking loss for the year	(365,759)	(1,680,213)	
	Taxation	122,147	584,231	
	Other adjustments	845	845	
	Closing balance	(1,531,969)	(1,289,202)	
7	CONTINGENCIES AND COMMITMENTS			
	Guarantees	7.1	6,467,046	3,092,537
	Commitments	7.2	11,498,973	18,593,888
	Other contingent liabilities		431,439	425,820
			18,397,458	22,112,245
7.1	Guarantees:			
	Performance guarantees		3,431,726	1,099,947
	Other guarantees		3,035,320	1,992,590
			6,467,046	3,092,537

## MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

# Notes to the Financial Statements

For the year ended December 31, 2019

		2019 (Rupees in '000)		2018 (Rupees in '000)	
Note					
7.2	<b>Commitments:</b>				
	<b>Documentary credits and short-term trade-related transactions:</b>				
	Letters of credit		7,818,321		11,639,176
	<b>Commitments in respect of:</b>				
	Forward foreign exchange contracts	7.2.1	3,363,957		4,693,353
	<b>Commitments for acquisition of:</b>				
	Fixed assets		–		10,395
	Intangible assets		8,940		29,647
	Other commitments	7.2.2	307,755		2,221,317
			11,498,973		18,593,888
7.2.1	<b>Commitments in respect of forward foreign exchange contracts</b>				
	Purchase		882,210		3,465,359
	Sale		2,481,747		1,227,994
			3,363,957		4,693,353
7.2.2	<b>Other Commitments</b>				
	Commitments to extend credit	7.2.2.1	307,755		2,221,317
7.2.2.1	Other than those stated above, the Bank makes commitment(s) to extend credit in the normal course of business including related parties but these being revocable commitments do not attract any penalty or expense if the facility is unilaterally withdrawn.				
		2019 (Rupees in '000)		2018 (Rupees in '000)	
7.3	<b>Other contingent liabilities</b>				
	Claim against the Bank not acknowledged as debt		431,439		425,820

This includes claim by a third party against the Bank, amounting to Rs.425.820 million which is being contested in the Court of law. The suit has been disposed off by the Court vide Order dated May 10, 2019 wherein the status quo has been ordered to be maintained with respect to bank guarantee and the matter has been referred to arbitration with the consent of the parties. However the Bank has not received any official notice to attend the arbitration proceedings till date.

In addition to the above, this includes claim by a customer against the bank amounting to Rs.5.6 million which is pending before the court.

The Sindh Revenue Board (SRB) has issued order under "Sindh Sales Tax on Services Act, 2011", for the year 2016 thereby raising demand of Rs.0.642 million. The Bank has filed appeal before Commissioner of Inland Revenue Appeals which is pending adjudication. The management of the Bank, in consultation with its tax advisor, is confident that the decision in respect of the above matter would be in the Bank's favor and accordingly no provision has been made in these financial statements with respect thereto.

## MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

# Notes to the Financial Statements

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
<b>8 PROFIT / RETURN EARNED</b>		
Financings	7,288,776	3,419,424
<b>Investments in</b>		
- available for sale securities	1,411,649	562,606
- held to maturity securities	400,202	82,370
	1,811,851	644,976
Musharaka arrangements with financial institutions	555,462	97,176
Deposits with financial institutions	192,730	47,299
	9,848,819	4,208,875
<b>9 PROFIT / RETURN EXPENSED</b>		
Deposits and other accounts	4,936,521	1,648,860
Musharaka arrangements with the State		
Bank of Pakistan under IERS	45,860	24,067
Musharaka arrangements with other financial institutions	490,506	632,023
Musharaka arrangements with other institution	7,973	–
Unwinding of liability against right-of-use of asset	374,201	–
	5,855,061	2,304,950

## 10 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITORS' AND SPECIFIC POOLS

**10.1** The Bank is maintaining the following types of pools for profit declaration and distribution:

- 1) General Pool
- 2) IERS Musharaka Pool
- 3) Treasury Musharaka / Mudaraba Pools
- 4) Special Musharaka Pool
- 5) Equity Pool

**Features, risks and rewards of each pool are given below:**

### 1) General Pool

The Bank manages one general pool for its depositors' (Rabbul Mal) maintaining deposits in both local and foreign currencies and also commingled its equity in this pool. The income (gross income less direct expenses) generated from the pool is distributed between Bank's equity and depositors' fund in proportion to their respective share in the pool. Under the Mudaraba mechanism, the income so distributed to depositors' fund is shared between the Bank (Mudarib) and depositors' (Rabbul Mal) according to the pre-agreed profit sharing ratios and assigned weightages.

The deposits and funds accepted under the General Pool are deployed to diversified sectors and avenues of the economy / business mainly to 'Agriculture, Forestry & Fishing', 'Textile & Allied', 'Food & Allied', 'Distribution & Trade', 'Investment in Government of Pakistan Ijarah Sukuk', etc.

## MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

# Notes to the Financial Statements

For the year ended December 31, 2019

### Parameters associated with risk and rewards

Following are the consideration attached with risk and reward of general pool:

- Period, return, safety, security and liquidity of investment.
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of the Bank.
- Element of risk attached to various types of investments.
- SBP rules and Shari'ah clearance.

### 2) Islamic Export Refinance Scheme (IERS) Musharaka Pool

The Bank manages IERS Musharaka Pool for funds accepted from SBP under IERS. Under the PLS mechanism, the Bank generates revenues from the pool funds which are shared with the SBP according to the pre-agreed profit sharing ratios. Musharaka investments from the SBP under IERS are channeled towards the export sector of the economy and other financings as per SBP guidelines.

### 3) Treasury Musharaka / Mudaraba Pools

The Bank accepts funds from other banks to manage its liquidity under Musharaka / Mudaraba mode. The funds accepted are tagged to remunerative assets having maturity on or after the period for which funds are accepted. The revenue generated from the pool asset is shared between the bank and other member of the pool according to pre-agreed profit sharing ratios or assigned weightages accordingly.

### 4) Special Musharaka Pool

The Bank under Musharaka agreement accepts funds from institution(s) (other than banks). The comingled funds under this arrangement are deployed in remunerative assets as per the terms of agreement. The revenue generated from these assets are then shared as per pre-agreed profit sharing ratio.

### 5) Equity Pool

The Equity Pool consists of Bank's equity and funds accepted on Qard (non-remunerative current deposit account) basis. The funds of this pool are invested in various assets or ventures which are higher in risk or having longer funding period. In addition to that all staff financings are financed by this pool. The risk of assets in the pool is borne by the Bank.

### Charging of expenses

Direct expenses are being charged to respective pools, while indirect expenses such as general and administrative expenses are being borne by the Bank as Mudarib. No provision expense is charged to the pool unless it is written off. The direct expenses charged to the pool may include depreciation of Ijarah assets, premium amortization on Sukuk, impairment losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; the Bank's pool management framework and the respective pool creation memo may identify and specify these and any other similar expenses to be charged to the pool.

## MCB Islamic Bank Limited (A Subsidiary of MCB Bank Limited)

# Notes to the Financial Statements

For the year ended December 31, 2019

10.2 Following are the detail of profit distribution among different pool maintained by the Bank:

2019							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	(Rupees in '000)	%	%	(Rupees in '000)
General Pool	Monthly	13.36	50.00	3,710,740	8.82	31.84	1,181,467

Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	(Rupees in '000)	%	%	(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	7.92	–	–	2.00	–	–
Treasury Musharaka/Mudaraba Pool	As required	11.51	–	–	9.88	–	–
Special Musharakh Pool	Monthly	8.69	–	–	8.08	–	–
Equity Pool	Monthly	1.58	–	–	–	–	–

2018							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	(Rupees in '000)	%	%	(Rupees in '000)
General Pool	Monthly	8.18	50.00	1,350,604	5.00	22.10	298,447

Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate return distributed	General Hiba	Amount of General Hiba
		%	%	(Rupees in '000)	%	%	(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	4.63	–	–	2.00	–	–
Treasury Musharaka/Mudaraba Pool	As required	7.00	–	–	6.64	–	–
Equity Pool	Monthly	2.10	–	–	–	–	–



## Branch Network

As of December 31, 2019

Retail Banking Group - Central			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
GUJRANWALA - 119	Gujranwala	31	-
	Gujrat	26	-
	Mandi Bahauddin	28	-
	Sialkot	34	-
LAHORE EAST - 73	Lahore Defence	24	-
	Lahore Gulberg	26	-
	Lahore Johar Town	23	-
LAHORE WEST - 91	Lahore City	32	-
	Lahore The Mall	32	-
	Shiekhupura	27	-
<b>Total RBG - Central</b>		<b>283</b>	<b>-</b>
Retail Banking Group - North			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
ABBOTTABAD - 90	Abbottabad	26	-
	Attock	20	-
	Muzaffarabad A.K.	21	-
	Swat	23	-
ISLAMABAD - 94	Fateh Jang	21	1
	Islamabad	27	-
	Rawalpindi Cantt	26	1
	Rawalpindi City	20	-
PESHAWAR - 96	Kohat	26	-
	Mardan	23	-
	Peshawar East	22	1
	Peshawar West	25	-
<b>Total RBG - North</b>		<b>280</b>	<b>03</b>
Retail Banking Group - West			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
FAISALABAD - 87	Faisalabad	29	-
	Faisalabad City	29	1
	Toba Tek Singh	29	-
JHELUM - 75	Chakwal	26	-
	Jhelum	25	-
	Mirpur A.K.	24	-
SARGODHA - 94	Jhang	28	2
	Mianwali	31	-
	Sargodha	35	1
<b>Total RBG - West</b>		<b>256</b>	<b>04</b>

Retail Banking Group - East			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
BAHAWALPUR - 103	Bahawalnagar	18	-
	Bahawalpur	28	-
	Rahim Yar Khan	31	-
	Vehari	26	-
MULTAN - 113	Dera Ghazi Khan	20	-
	Multan	31	1
	Muzaffargarh	18	-
	Okara	21	1
	Sahiwal	23	-
Total RBG - East		216	02
Retail Banking Group - Karachi			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
KARACHI CITY - 58	Karachi City	29	-
	Karachi North	29	-
KARACHI EAST - 47	Karachi East	26	-
	Karachi South	21	-
KARACHI WEST - 47	Karachi Central	23	-
	Karachi West	24	-
Total RBG - Karachi		152	-
Retail Banking Group - South			
Circle/ No. of Branches	Region	No. of Branches	No. of Sub-Branches
HYDERABAD - 78	Hyderabad	29	-
	Mirpurkhas	25	1
	Nawabshah	24	-
QUETTA - 49	Khuzdar	14	-
	Makran	10	-
	Quetta	25	2
SUKKUR - 74	Larkana	24	-
	Naushero Feroze	23	-
	Sukkur	27	-
Total RBG - South		201	3
Wholesale Banking Group			
WBG Branches		11*	-
*EPZ not included			

## Branch Network

As of December 31, 2019

Overseas Branches / International Banking	
	No. of Branches
Colombo	1
EPZ	1
Galle	1
Kandy	1
Kattankudy	1
Kollupitiya	1
Maradana	1
MCB Offshore Banking Unit (OBU) Bahrain	1
Pettah	1
Wellawatte	1
MCB Dubai Wholesale Branch (UAE)	1
<b>TOTAL</b>	<b>11</b>
MCB Representative Office Dubai (UAE)	1

Groupwise			
Group	Circles	No. of Branches	No. of Sub-Branches
RBG-Central	3	283	-
RBG-North	3	280	3
RBG-West	3	256	4
RBG-East	2	216	2
RBG-Karachi	3	152	-
RBG-South	3	201	3
WBG	3	11	-
<b>Total</b>	<b>20</b>	<b>1,399</b>	<b>12</b>
Overseas	-	10	-
EPZ	-	1	-
<b>Grand Total</b>	<b>20</b>	<b>1,410</b>	<b>12</b>

Province-Wise			
Provinces/Territories/AJK	Branches	Sub-Branches	Total
Azad Jammu & Kashmir	37	-	37
Balochistan	50	2	52
Federal Capital Territory	32	1	33
Gilgit-Baltistan	6	-	6
Khyber Pakhtunkhwa	150	1	151
Punjab	818	7	825
Sindh	306	1	307
<b>Domestic Total</b>	<b>1,399</b>	<b>12</b>	<b>1,411</b>
Overseas Branches / International Banking	10	-	10
EPZ	1	-	1
<b>Grand Total</b>	<b>1,410</b>	<b>12</b>	<b>1,422</b>

## Pattern of Shareholding

As of December 31, 2019

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
28,228	1	100	900,555
13,685	101	500	3,334,441
5,729	501	1,000	4,248,659
7,621	1,001	5,000	13,155,556
401	5,001	10,000	2,877,234
446	10,001	50,000	10,133,981
108	50,001	100,000	7,514,976
149	100,001	500,000	35,246,254
49	500,001	1,000,000	35,935,152
57	1,000,001	5,000,000	132,563,511
10	5,000,001	10,000,000	70,839,990
3	10,000,001	15,000,000	38,486,608
4	15,000,001	25,000,000	74,868,331
11	25,000,001	Above	754,954,758
<b>56,501</b>			<b>1,185,060,006</b>

## Categories of Shareholders

As of December 31, 2019

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouses and Minor Children	119,605,330	10.0928%
Associated Companies, Undertakings and Related Parties	215,730,246	18.2042%
NIT and ICP	912	0.0001%
Banks, Development Financial Institutions, Non-Banking Financial Institutions	16,218,227	1.3686%
Insurance Companies	100,220,314	8.4570%
Modarabas and Mutual Funds	7,455,211	0.6291%
Shareholders Holding 10%	222,606,147	18.7844%
General Public Local	134,139,330	11.3192%
General Public Foreign	3,132,548	0.2643%
Others	365,951,741	30.8804%
<b>Grand Total</b>	<b>1,185,060,006</b>	<b>100.0000%</b>

## Categories of Shareholders

As of December 31, 2019

Categories of Shareholders	Shares Held	Percentage
<b>Directors, Chief Executive Officer, and their Spouses and Minor Children</b>		
Mian Mohammad Mansha	7,834	0.0007%
Naz Mansha	6,424,057	0.5421%
S. M. Muneer	2,059	0.0002%
Muhammad Tariq Rafi	32,094,304	2.7082%
Nighat Tariq	5,715,093	0.4823%
Mian Umer Mansha	31,986,378	2.6991%
Iqraa Hassan Mansha	8,000	0.0007%
Mian Hassan Mansha	43,363,671	3.6592%
Muhammad Ali Zeb	550	0.0000%
Mohd Suhail Amar Suresh bin Abdullah	884	0.0001%
Yahya Saleem	500	0.0000%
Salman Khalid Butt	1,000	0.0001%
Masood Ahmed Puri	1,000	0.0001%
	<b>119,605,330</b>	<b>10.0928%</b>
<b>Associated Companies, Undertakings and Related Parties</b>		
Nishat Mills Limited	88,015,291	7.4271%
Adamjee Insurance Company Limited	47,827,287	4.0359%
Siddiqsons Limited	14,276,462	1.2047%
Adamjee Life Assurance Company Ltd - IMF	5,691,200	0.4802%
Adamjee Life Assurance Company Limited - NUIL Fund	4,900	0.0004%
Adamjee Life Assurance Co. Ltd - DGF	25,000	0.0021%
Nishat (Aziz Avenue) Hotels and Properties Limited	29,000	0.0024%
Trustee - MCB Employees Pension Fund	17,328,222	1.4622%
Trustee - MCB Provident Fund Pak Staff	34,166,060	2.8831%
Trustee - Nishat (Chunian) Ltd. Employees Provident Fund Trust	8,857	0.0007%
Nishat Mills Ltd. Employees Provident Fund Trust	8,284,390	0.6991%
Trustees of Adamjee Insurance Company Ltd. Emp. Prov. Fund	73,577	0.0062%
	<b>215,730,246</b>	<b>18.2042%</b>
<b>NIT and ICP</b>		
Investment Corporation of Pakistan	912	0.0001%
	<b>912</b>	<b>0.0001%</b>
<b>Banks, Development Financial Institutions, Non-Banking Financial Institutions</b>		
The Bank of Punjab	93,341	0.0079%
Prudential Investment Bank Ltd.	1,393	0.0001%
Crescent Investment Bank Ltd.	590	0.0000%
Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd.	7,992	0.0007%
Trust Leasing Corporation Ltd.	101	0.0000%
National Bank of Pakistan - Investar A/c (Former NDFC)	943	0.0001%
Universal Leasing Corporation Ltd.	1	0.0000%
National Bank of Pakistan	2,398,493	0.2024%
Islamic Investment Bank Ltd.	4	0.0000%
National Development Finance Corporation	433	0.0000%
M/s. Al Faysal Investment Bank Ltd	49	0.0000%
IDBL (ICP Unit)	432	0.0000%
Interasia Leasing Company Limited	950	0.0001%
Pakistan Kuwait Investment Co. (Pvt) Ltd.	1,200,000	0.1013%
Allied Bank Limited	2,821,600	0.2381%
Faysal Bank Limited	2,582,670	0.2179%
Habib Bank Limited	1,306	0.0001%
Habib Metropolitan Bank Limited	3,000	0.0003%
Bank Al Habib Limited	700,000	0.0591%
Soneri Bank Limited - Ordinary Shares	1,723,600	0.1454%
Saudi Pak Leasing Company Limited	495	0.0000%
Bank Alfalah Limited	2,578,600	0.2176%
The Punjab Provincial Cooperative Bank	1,558	0.0001%



Escorts Investment Bank Limited	225	0.0000%
Askari Bank Limited	675,600	0.0570%
Saudi Pak Industrial & Agricultural Investment Co. Ltd - PMD	500,000	0.0422%
House Building Finance Company Limited	41,951	0.0035%
Summit Bank Limited	15,000	0.0013%
Pair Investment Company Limited	93,870	0.0079%
Sindh Bank Limited	770,530	0.0650%
Samba Bank Limited - MT	3,500	0.0003%
	<b>16,218,227</b>	<b>1.3686%</b>

#### Insurance Companies

National General Insurance Co. Ltd.	1,359	0.0001%
Business & Industrial Insurance Co. Ltd.	9	0.0000%
M/s. New Jubilee Insurance Co. Ltd.	2	0.0000%
The South British Insurance Company Ltd.	1,864	0.0002%
M/s. Beema Pakistan Company Ltd.	69	0.0000%
E.F.U. General Insurance Ltd.	713	0.0001%
Orient Insurance Co. Ltd.	3	0.0000%
Premier Insurance Limited	125,204	0.0106%
Jubilee General Insurance Company Limited	743,500	0.0627%
State Life Insurance Corp. of Pakistan	16,727,114	1.4115%
EFU Life Assurance Ltd	219,192	0.0185%
Pakistan Reinsurance Company Limited	500,000	0.0422%
Excel Insurance Co. Ltd.	20,000	0.0017%
The Crescent Star Insurance Co. Ltd.	3	0.0000%
Jubilee Life Insurance Company Limited	22,599,800	1.9071%
Atlas Insurance Limited	60,000	0.0051%
Security General Insurance Co. Ltd.	59,136,076	4.9901%
The Pakistan General Insurance Co. Limited	71	0.0000%
The Pakistan General Ins. Co. Ltd.	35	0.0000%
IGI Life Insurance Limited	10,200	0.0009%
Alfalsh Insurance Company Limited	75,100	0.0063%
	<b>100,220,314</b>	<b>8.4570%</b>

#### Modarabas and Mutual Funds

First Hajveri Modaraba	60	0.0000%
Crescent Modaraba Managment Co. Ltd.	17	0.0000%
First Elite Capital Modaraba	39	0.0000%
First Crescent Modaraba	4,030	0.0003%
Trust Modaraba	313	0.0000%
UNICAP Modaraba	15	0.0000%
First Interfund Modaraba	2	0.0000%
Industrial Capital Modaraba	4	0.0000%
Safeway Fund (Pvt) Ltd.	1,665	0.0001%
Pak Asian Fund Limited	162	0.0000%
Safeway Mutual Fund Ltd.	4	0.0000%
Golden Arrow Selected Stocks Fund Ltd.	15	0.0000%
Prudential Stocks Funds Limited	233	0.0000%
M/s. Safeway Mutual Fund Limited	12	0.0000%
M/s. Asian Stock Fund Ltd.	4	0.0000%
PICIC Benovelent Fund-2	29	0.0000%
UNICOL Limited Employees Provident Fund	5,000	0.0004%
Nationwide (Pvt) Ltd.	357	0.0000%
MCBFSL - Trustee JS Value Fund	96,000	0.0081%
CDC - Trustee PICIC Investment Fund	164,200	0.0139%
CDC - Trustee JS Large Cap. Fund	72,000	0.0061%
CDC - Trustee PICIC Growth Fund	229,800	0.0194%
CDC - Trustee Atlas Stock Market Fund	2,300	0.0002%
CDC - Trustee Faysal Stock Fund	35,000	0.0030%
CDC - Trustee Alfalah GHP Value Fund	102,600	0.0087%
CDC - Trustee Unit Trust of Pakistan	148,600	0.0125%

CDC - Trustee AKD Index Tracker Fund	101,128	0.0085%
Tri-Star Mutual Fund Limited	754	0.0001%
CDC - Trustee Faysal Asset Allocation Fund	5,000	0.0004%
CDC - Trustee UBL Stock Advantage Fund	1,686	0.0001%
Crescent Standard Business Management (Pvt) Limited	1	0.0000%
CDC - Trustee NBP Stock Fund	2,041,000	0.1722%
CDC - Trustee NBP Balanced Fund	156,600	0.0132%
CDC - Trustee Askari Asset Allocation Fund	3,800	0.0003%
CDC - Trustee JS Pension Savings Fund - Equity Account	27,000	0.0023%
CDC - Trustee HBL - Stock Fund	228,000	0.0192%
MC FSL - Trustee JS Growth Fund	284,000	0.0240%
CDC - Trustee HBL Multi - Asset Fund	23,500	0.0020%
CDC - Trustee Alfalah GHP Stock Fund	312,700	0.0264%
CDC - Trustee Alfalah GHP Alpha Fund	224,500	0.0189%
CDC - Trustee NIT - Equity Market Opportunity Fund	1,143,176	0.0965%
CDC - Trustee ABL Stock Fund	400	0.0000%
CDC - Trustee First Habib Stock Fund	20,470	0.0017%
CDC - Trustee NBP Sarmaya Izafa Fund	168,700	0.0142%
CDC - Trustee HBL Equity Fund	30,600	0.0026%
CDC - Trustee HBL PF Equity Sub Fund	40,100	0.0034%
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	5,300	0.0004%
CDC - Trustee First Capital Mutual Fund	20,000	0.0017%
CDC - Trustee Faysal Savings Growth Fund - MT	200	0.0000%
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	800	0.0001%
CDC - Trustee National Investment (Unit) Trust	855,735	0.0722%
CDC - Trustee NITPF Equity Sub-Fund	25,000	0.0021%
CDC - Trustee Faysal MTS Fund - MT	42,000	0.0035%
CDC - Trustee NBP Financial Sector Fund	383,200	0.0323%
CDC - Trustee Alfalah Capital Preservation Fund II	21,900	0.0018%
CDC - Trustee UBL Financial Sector Fund	425,500	0.0359%
	<b>7,455,211</b>	<b>0.6291%</b>

#### Shareholders Holding 10%

Maybank International Trust (Labuan) Berhad	222,606,147	18.7844%
	<b>222,606,147</b>	<b>18.7844%</b>

#### General Public

A. Local	134,139,330	11.3192%
B. Foreign	3,132,548	0.2643%
	<b>137,271,878</b>	<b>11.5835%</b>

#### Others

A. Foreign Companies	160,406,695	13.5357%
B. Other Companies	38,225,856	3.2256%
C. Shareholders Holding 5%		
1. D. G. Khan Cement Company Limited	102,277,232	8.6306%
2. Nishat Mills Limited (as disclosed in Associated Companies, Undertakings and Related Parties)	—	—
3. Bugis Investments (Mauritius) PTE Ltd.	65,020,947	5.4867%
D. Executives (as per the threshold determined by the Board of Directors)	21,011	0.0018%
	<b>365,951,741</b>	<b>30.8804%</b>

<b>Grand Total</b>	<b>1,185,060,006</b>	<b>100.0000%</b>
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All the trades in shares carried out by Directors, CEO, CFO, Secretary, Executives, their Spouses and Minor Children during the year 2019 are given below:

Name	Status	No. of Shares	Purchase/Sale/Transfer
Mr. Masood Ahmed Puri	Director	1,000	Purchased

## Notice of 72<sup>nd</sup> Annual General Meeting

Notice is hereby given that 72<sup>nd</sup> Annual General Meeting of **MCB Bank Limited** (the “Bank” or “MCB”) will be held on **Thursday, March 19, 2020 at 11:00 AM (PST)** at Grand Ball Room-D, The Nishat Hotel, Emporium Mall, Near Expo Center, Abdul Haq Road, Johar Town, Lahore to transact the following business:

### Ordinary Business:

1. To confirm/approve the Minutes of Extraordinary General Meeting held on November 21, 2019.
2. To receive, consider and adopt the Annual Audited Separate and Consolidated Financial Statements of the Bank together with the Directors' and Auditors' reports thereon and Chairman's Review for the year ended December 31, 2019.
3. To appoint Statutory Auditors of the Bank and fix their remuneration for the year ending December 31, 2020. The Members are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants, for appointment as Statutory Auditors of the Bank.
4. To approve, as recommended by the Board of Directors, payment of Final Cash Dividend @ 50% i.e., PKR 5.00 per share having face value of PKR 10/- in addition to 120% (40% each for 1st, 2nd and 3rd quarter) Interim Cash Dividend already declared and paid, thus total 170% i.e., PKR 17.00 per share for the year ended December 31, 2019.

### Special Business:

5. To consider and if deemed fit, to pass an Ordinary Resolution as proposed in the Statement of Material Facts annexed to this Notice to approve the Directors' Remuneration Policy of the Bank.
6. To consider and if deemed fit, to pass an Ordinary Resolution, as proposed in the Statement of Material Facts annexed to this Notice to approve the scale of remuneration to be paid to the Board Members for attending the Board and its Committee(s) meetings of the Bank.
7. To consider and if deemed fit, to pass a resolution as Special Resolution, as proposed in the Statement of Material Facts annexed to this Notice to approve the alterations in the Articles of Association of the Bank.

To transact any other business with the permission of the Chair.

By Order of the Board,

Sd/-

**FIDA ALI MIRZA**  
Company Secretary

**February 27, 2020**  
**Lahore.**

Statement of Material Facts under Section 134(3) of the Companies Act, 2017 (“Act”) pertaining to the above mentioned Special Business is annexed to this Notice of Annual General Meeting circulated to the members of the Bank.

### Notes:

1. Copies of the Minutes of the Extraordinary General Meeting held on November 21, 2019 of MCB Bank Limited (the “Bank” or “MCB”) are available for inspection by Members as required under Section 152 of the Companies Act, 2017.
2. The Shares Transfer Books of the Bank will remain closed from March 12, 2020 to March 19, 2020 (both days inclusive). Transfers received at the Bank's Share Registrar and Transfer Agent's Office at the below mentioned address, at the close of business hours on March 11, 2020 will be treated as being in time for the purpose of entitlement of Final Cash Dividend and also to attend, speak and vote at the 72nd Annual General Meeting (the “Meeting” or “AGM”) of the Bank.

3. All Members are entitled to attend, speak and vote at the Meeting. A member entitled to attend, speak and vote at AGM is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporate entity, being a member, may authorize an individual to act as its representative and the individual so authorized shall be entitled to exercise the same powers on behalf of the corporate entity which he represents.
4. The proxies and in case of corporate entity, the power of attorney or resolution of the board of directors or other governing body (if any) under which it is signed, a notarized/certified copy of the same in order to be effective must be deposited at the Share Registrar and Transfer Agent Office of the Bank not less than 48 hours (no account shall be taken of any part of the day that is not a working day) before the time for holding the Meeting, and must be duly stamped, signed and witnessed.
5. Members having physical scrip of shares are requested to immediately notify the change, if any, in their registered and/or e-mail addresses, in writing, to the Share Registrar and Transfer Agent of the Bank, whereas, CDC Account holders are requested to contact their CDC Participant/CDC Account Services.
6. Central Depository Company of Pakistan ("CDC") Accountholders will further have to follow the under mentioned guidelines as laid down by Circular No. 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

**For Attending the Meeting:**

- i. In case of individuals, the accountholder or sub-acountholder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card ("CNIC") or original passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

**For Appointing of Proxies:**

- i. In case of individuals, the accountholder or sub-acountholder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.
7. A Proxy Form, both in English and Urdu language, is being separately sent to the Members, along with Notice of AGM.
8. Copies of the Notice of AGM, the latest annual audited/quarterly financial statements, Directors' Remuneration Policy and the existing and the amended Memorandum & Articles of Association of the Bank have been kept at the Registered Office of the Bank which can be obtained and/or inspected during the business hours on any working day from the date of publication of this Notice of AGM till the conclusion of the Meeting by the shareholders and other persons entitled to attend the Meeting. Notice of AGM, Directors' Remuneration Policy and the latest annual audited/quarterly financial statements have also been placed on website of the Bank: [www.mcb.com.pk](http://www.mcb.com.pk)
9. Members can attend and participate in the AGM through Video-Link. Pursuant to the provisions of the Companies Act, 2017 the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand

the Bank to provide the facility of video-link for participating in the AGM. The demand for video-link facility shall be received by the Company Secretary at the Registered Office of the Bank located at MCB Building, 15-Main Gulberg, Jail Road, Lahore, at least seven (7) days prior to the date of AGM. In this regard, a 'Standard Request Form for Video-Link Facility' is available on the Bank's website. [www.mcb.com.pk](http://www.mcb.com.pk)

**STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017**  
**IN RESPECT OF SPECIAL BUSINESS**

This statement sets out the material facts under Section 134(3) of the Companies Act, 2017 pertaining to the special business to be transacted at Annual General Meeting (the "Meeting" or "AGM") of MCB Bank Limited (the "Bank" or "MCB") scheduled to be held on March 19, 2020.

**Agenda Item No. 5**

**Directors' Remuneration Policy of the Bank:**

The Board of Directors, on the recommendations of the Board's Human Resource & Remuneration Committee ("HR&RC"), has approved the Directors' Remuneration Policy (the "Policy") of MCB Bank Limited (the "Bank" or "MCB") for attending the Board and its Committees Meetings in compliance of BPRD Circular No. 03 of 2019 dated August 17, 2019 ("SBP Circular") issued by the State Bank of Pakistan ("SBP"). The Policy is being presented to the Shareholders of the Bank for their approval as required by the SBP Circular.

The salient features of the Policy are given below:

- The Policy aims to set out the requirements and methodology for the determination of the scale of the remuneration to be paid, from time to time, to the Chairman and other Directors for attending the Board and its Committees meetings.
- It ensures that the Board Members are fairly rewarded with regard to their respective responsibilities undertaken, and also to attract and retain high-caliber, experienced directors by offering appropriate remuneration levels commensurate with their expertise, skill and experience.
- The Policy has been formulated with clear mandate and charter, keeping in view the ownership structure, governance mechanism, risk profile, scope of operations and performance of the Bank.
- The Policy is applicable to Non-Executive/Independent Directors, Executive Director(s) and the Chairman of the Board of Directors.
- The Board Members shall be accountable for their conduct according to the scope of their roles and responsibilities as determined by the Board of Directors, from time to time, and the scale of remuneration may be reviewed/adjusted based on their annual performance evaluation conducted as per Guidelines issued vide SBP BPRD Circular No. 11 of 2016.
- No consultancy or allied work shall be awarded to a director or to the firm(s), institution(s) or company (ies) etc. in which he/she individually and/or in concert with other directors of the same Bank, holds substantial interest.
- The Administrative expenses pertaining to the office, staff and security allocated etc., to the Chairman of the Board shall be determined rationally.
- Proper disclosures of remuneration and other benefits/facilities provided to the Board Members shall be made in the annual financial statements of the Bank. The disclosure shall also include the details of attendance of each director in Board and its Committees meetings.
- The Policy shall be reviewed by the Board of Directors biennially or on need basis and any change(s) therein shall be approved by the Shareholders of the Bank, on pre or post facto basis, in its Annual General Meeting.

The Shareholders are requested to consider and if thought fit, to approve, with or without modification, the Directors' Remuneration Policy of the Bank by passing the following resolution as an Ordinary Resolution:

***"RESOLVED THAT the Directors' Remuneration Policy, as recommended by the Board of Directors of the Bank, effective from February 05, 2020, in compliance with the requirements of BPRD Circular No. 03 of 2019 dated August 17, 2019 issued by the State Bank of Pakistan, be and is hereby approved."***

The Directors of the Bank have no personal interest, directly or indirectly, in the above special business, save to the extent of their respective shareholding in the Bank as given below and payment of remuneration as per Remuneration Policy/ Shareholders' approval.



## Agenda Item No. 6

### The Scale of Remuneration including Additional Remuneration:

The Board of Directors, on the recommendations of the Board's Human Resource & Remuneration Committee ("HR&RC"), has determined the scale of remuneration to be paid to Board Members for attending the Board and its Committees meetings and for holding office of the Chairman, effective from February 05, 2020 in accordance with the requirements of BPRD Circular No. 03 of 2019 dated August 17, 2019 ("SBP Circular") issued by the State Bank of Pakistan ("SBP").

In addition to the above, the Bank shall either make all arrangements for travelling, boarding and lodging of Board Members for attending Board and its Committees meetings and any other meeting relating to Bank's business or reimburse such expenses to the Board Members, on actual basis.

Non-Executive/Independent Directors shall be entitled for maximum of First Class airfare along with boarding, lodging expenses and/or any ancillary expenses incurred for attending Board and its Committees meetings and any other meeting relating to Bank's business, on actual basis. However, considering the stature of the Chairman, he is allowed the option of availing the services of chartered plane and expenses related to such facility shall be borne by the Bank, on actual basis.

Executive Director(s) shall be entitled for travelling, boarding, lodging and/or any other expenses incurred for attending Board and its Committees meetings, on actual basis, as per the Bank's standard rules and regulations.

The scale of remuneration including additional remuneration and travelling arrangement as mentioned above are being presented to the Shareholders of the Bank for their approval.

Following are the present shareholdings of the Directors of MCB Bank Limited:

Share held by Directors and their Spouses	As at December 31, 2019
Mian Mohammad Mansha	7,834
Mrs. Naz Mansha	6,424,057
Mr. S. M. Muneer	2,059
Mr. Muhammad Tariq Rafi	32,094,304
Mrs. Nighat Tariq	5,715,093
Mian Umer Mansha	31,986,378
Mrs. Iqraa Hassan Mansha	8,000
Mian Hassan Mansha	43,363,671
Mr. Muhammad Ali Zeb	550
Mr. Mohd Suhail Amar Suresh Bin Abdullah	884
Mr. Yahya Saleem	500
Mr. Salman Khalid Butt	1,000
Mr. Masood Ahmed Puri	1,000

The Shareholders are requested to consider and if thought fit, to approve, with or without any modification, the following resolutions as Ordinary Resolutions:

***"RESOLVED THAT in suppression of the previous resolutions approved by the Shareholders, the scale of remuneration including additional remuneration to be paid to Non-Executive Directors / Independent Directors and the Chairman for attending the Board and its Committees meetings, effective from February 05, 2020 as recommended by the Board of Directors of the Bank as detailed below, in compliance with the requirements of BPRD Circular No. 03 of 2019 dated August 17, 2019 issued by the State Bank of Pakistan, be and is hereby approved."***

Amount in PKR

	Board Meeting Fee	Additional Remuneration for Chairman	Committee Meeting Fee
Resident Directors	400,000/- per Meeting	--	100,000/- per Committee per Meeting
Non-Resident / Foreign Directors	800,000/- per Meeting	--	100,000/- per Committee per Meeting
Chairman of the Board	800,000/- per Meeting	20% of Board Meeting Fee	100,000/- per Committee per Meeting

All the payments are subject to applicable taxes.

*“FURTHER RESOLVED THAT in addition to above scale of remuneration, the travelling, boarding and lodging of Non-Executive Directors including Independent Directors for attending Board and its Committees meetings and any other meeting relating to Bank’s business and travelling entitlement of the Chairman by availing the facility of chartered plane, as mentioned in Directors’ Remuneration Policy of the Bank, be and is hereby approved.”*

The Directors of the Bank have no personal interest, directly or indirectly, in the above special business, save to the extent of their respective shareholding as given hereinabove in the Bank and payment of remuneration as per Remuneration Policy/Shareholders’ approval.

#### Agenda Item No. 7

##### Alteration in the Articles of Association of the Bank:

In order to make the Article 94 (titled ‘Remuneration’) of the Articles of Association in line with Directors’ Remuneration Policy of the Bank, the Board of Directors has recommended certain amendments in the said Article. A comparison of existing and proposed Articles is given below:

Title	Existing Article	Proposed Article	Reason for Change
<b>First Paragraph of Article 94</b>	The scale of the remuneration to be paid, from time to time, to the Non-Executive including Independent Directors and the Chairman for attending the Board and its Committee(s) meetings shall be determined by the Board and approved by the shareholders on a pre or post facto basis in the Annual General Meeting.	No Change.	--
<b>Second Paragraph of Article 94</b>	A Director shall also be paid any reasonable traveling and hotel and other expenses incurred in consequence of his attendance at Board Meeting and otherwise in the execution of his duties as Director. The Directors may also be remunerated for any services done by them outside their ordinary duties.	The Bank shall either make all arrangements for travelling, boarding and lodging of Board Members for attending Board and its Committees meetings and any other meeting relating to Bank’s business or reimburse such expenses to the Board Members, on actual basis.	To make the enabling provisions of the Articles of Association in line with the Directors’ Remuneration Policy as recommended by the Board of Directors and approved by the Shareholders of the Bank.

Title	Existing Article	Proposed Article	Reason for Change
<b>Third Paragraph of Article 94</b>	The chartered plane round trips (domestic and/or international) by the Chairman for Bank business will be limited to twelve in a Calendar year starting January, 2014 and any additional trips may be paid by the Chairman out of his annual compensation/pocket. The details of the twelve chartered plane round trips (domestic and/or international) by the Chairman, allowed by the Board on annual basis and approved by the shareholders, shall be placed before the Board for its information and record.	<b>N o n - E x e c u t i v e /</b> Independent Directors shall be entitled for maximum of First Class airfare along with boarding, lodging expenses and/or any ancillary expenses incurred for attending Board and its Committees meetings and any other meeting relating to Bank's business, on actual basis. However, considering the stature of the Chairman, he is allowed the option of availing the services of chartered plane and expenses related to such facility shall be borne by the Bank, on actual basis.	To make the enabling provisions of the Articles of Association in line with the Directors' Remuneration Policy as recommended by the Board of Directors and approved by the Shareholders of the Bank.

Section 38 of the Companies Act, 2017 ("Act") requires that the alteration in the Articles of Association shall be approved by the shareholders through special resolution; therefore, the Board of Directors has recommended the amendments in Article 94 of the Articles of Association of the Bank to shareholders for their approval.

The Shareholders are requested to consider and if thought fit, to pass the following resolutions as Special Resolutions, with or without modifications, to approve alterations in the Articles of Association of the Bank in accordance with the provisions of Section 38 of the Companies Act, 2017:

***"RESOLVED THAT the approval be and is hereby accorded to amend the second and third Paragraph of Article 94 of the Articles of Association of MCB Bank Limited in terms of the provisions of Section 38 of the Companies Act, 2017 to read as follows:***

***The Bank shall either make all arrangements for travelling, boarding and lodging of Board Members for attending Board and its Committees meetings and any other meeting relating to Bank's business or reimburse such expenses to the Board Members, on actual basis.***

***Non-Executive/Independent Directors shall be entitled for maximum of First Class airfare along with boarding, lodging expenses and/or any ancillary expenses incurred for attending Board and its Committees meetings and any other meeting relating to Bank's business, on actual basis. However, considering the stature of the Chairman, he is allowed the option of availing the services of chartered plane and expenses related to such facility shall be borne by the Bank, on actual basis.***

***"FURTHER RESOLVED THAT the Company Secretary and/or Chief Financial Officer be and are hereby jointly/severally authorized to do all acts, deeds and things, take all steps and actions necessary, ancillary and incidental for altering the Articles of Association of the Bank, including filing of all requisite documents/statutory forms, as may be required to be filed with the Registrar of Companies and complying with all other regulatory requirements, so as to effectuate the alterations in the Articles of Association and implementing the aforesaid resolution."***

The Board of Directors of the Bank has confirmed that the proposed alteration in the Article 94 of the Articles of Association of the Bank is in line with the applicable provisions of the law and regulatory framework.

The Directors of the Bank have no personal interest, directly or indirectly, in the above special business, save to the extent of their respective shareholding in the Bank as given above and payment of remuneration as per Remuneration Policy/ Shareholders approval.

**Attention of Shareholders is drawn towards Circulars/Notifications:**

The following Circulars/Notifications require special attention of shareholders of the Bank:

**1. Requirement of Valid CNIC and IBAN:**

As per the requirements of the Companies (Distribution of Dividends) Regulations, 2017 issued by the Securities and Exchange Commission of Pakistan (“SECP”) and SRO 275 (I)/2016, dated March 31, 2016 issued by the SECP, the payment of cash dividend shall only be made to the Shareholders who have provided copies of their valid CNIC/ NICOP/ Passport (in the case of Individuals) and NTN (in the case of Corporate Entities) and valid details of designated International Bank Account Number (“IBAN”). Therefore, in order to comply with the above regulatory requirements, the Bank has withheld and shall be withholding the payment of cash dividend to those shareholders who have not yet provided copies of their valid CNIC/NICOP/NTN/Passport and details of valid IBAN.

**2. Requirement of FBR's Approval or Valid Tax Exemption Certificate for Claim of Exemption U/S 150 of the Income Tax Ordinance, 2001:**

The Honorable Lahore High Court, Lahore, in its recent decision has advised that the Mutual Funds as approved by the Federal Board of Revenue (“FBR”), would not be required to provide exemption certificate under Section 159 of the Income Tax Ordinance, 2001 (“Ordinance”) to claim tax immunity as per clause (47B) of Part-IV of the Second Schedule to the Ordinance. It is, therefore, requested to provide either approval certificate or valid exemption certificate under Section 159 (1) of the Ordinance issued by the concerned Commissioner of the Income Tax, Inland Revenue, FBR. In case of non-availability of approval / exemption certificate(s), the deduction of advance tax on dividend shall be made as per the relevant provisions of the Ordinance.

**3. Deduction of Withholding Tax on the Amount of Dividend:**

The Government of Pakistan through the Finance Act, 2019, has made amendment in Section 150 of the Income Tax Ordinance, 2001, whereby, withholding tax on dividends has been enhanced as follows:

- For Filers of Income Tax Returns: 15%
- For Non-Filers of Income Tax Returns: 30%

In case of joint-shareholders, tax is to be deducted as per ratio of their respective share in the ownership.

Federal Board of Revenue (“FBR”) has provided the Active Tax-Payer List (“ATL”), for identification on the basis of NTN/CNIC number; hence, in case of non-availability of valid NTN/CNIC number with MCB's Share Registrar and Transfer Agent, it would not be possible to identify the same in ATL and the shareholder will constraint to be treated as ‘Non-Filer’ to qualify for tax at higher rate of 30%. Therefore, shareholders who have not yet provided such information are requested to ensure that their valid NTN/CNIC number is available with the Share Registrar and Transfer Agent of MCB. In case of shares held as book-entry securities, the said information would be required to be provided to CDS, through CDS Participants.

**4. Deduction of Withholding Tax on Joint Account Holder(s):**

The Joint Account Holders whose shareholding details as to Principal Shareholder have not yet been determined for deduction of withholding tax on the upcoming dividend of the Bank, are requested to please furnish to the Share Registrar and Transfer Agent of the Bank; the shareholding details of yourself as Principal Shareholder and your Joint Holder(s) in the following manner, enabling MCB to compute withholding tax of each shareholder accordingly:

CDC Account No./ Folio No.	Name of Principal Shareholder/Joint Holders	Shareholding Proportion	CNIC No. (copy attached)	Signature

Kindly note that in case of non-receipt of the information each Account Holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly.

**5. Circulation of Annual Audited Financial Statements and Notice of AGM to Members:**

SECP through its Notification No. SRO 787 (I)/2014, dated September 08, 2014, has allowed companies to circulate Annual Audited Financial Statements along with Notice of Annual General Meeting to its members through email. Further, as per the requirements of the SECP Notification No. SRO 470 (I)/2016, dated May 31, 2016, the Bank is circulating its Annual Accounts to shareholders through electronic medium, i.e., DVD at their registered addresses instead of transmitting the said annual accounts in hard copies. However, in case a shareholder is required hard copy of the Annual Accounts, the same can be obtained, free of cost, within one week of the request. In this regard, a Standard Request Form has been placed on website of the Bank for shareholders to communicate the need of hard copies of the Annual Accounts instead of sending the same through DVD. A shareholder may also prefer to receive hard copies for all future Annual Accounts.

**6. Unclaimed Dividends and Shares Certificates:**

The shareholders who have not yet claimed their cash dividends, right and bonus shares which are kept with the Share Registrar of the Bank, namely, M/s THK Associates (Pvt.) Limited, as undelivered/unclaimed dividends and shares certificates or which are in their custody are requested that they should either en-cash their dividend warrants already available with them, or make a claim for cash dividends, right and bonus shares kept by MCB's Share Registrar and Transfer Agent.

**7. Deposit of Physical Shares into CDC Account:**

The Shareholders having physical shareholding may open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into scripless form, this will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange. Further, Section 72 of the Act states that after the commencement of the Act from a date notified by SECP, a company having share capital, shall have shares in book-entry form only. Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the commencement of the Act.

**8. Merger of Different Folios into One Folio:**

As per record, some of the shareholders are maintaining more than one folio(s) under the same particulars. Carrying two different folios may be a hassle for the shareholders to reconcile and receive different benefits in the shape of dividends/ bonus. In order to provide better services and convenience, such shareholders are requested to send requests to the MCB's Share Registrar and Transfer Agent to merge their folios into one folio.

While sending the copy of NTN/CNIC/NICOP number, shareholders are requested to quote their respective Folio/ CDC Account Numbers for identification purpose.

**M/s THK Associates (Pvt) Ltd.,**  
**Share Registrar and Transfer Agent-MCB Bank Limited**  
First Floor, 40-C, Block-6, P.E.C.H.S., Karachi-75400.  
P.O. Box No. 8533, UAN: +92 (21) 111-000-322,  
Fax: +92 (21) 3 4168271.  
Email: [sfc@thk.com.pk](mailto:sfc@thk.com.pk)



## Glossary of Terms

Important terms and formulae used for calculation in Financial Statements are briefly described here;

### **Accrual Basis**

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

### **Basis point**

One hundredth of a per cent i.e. 0.01 per cent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

### **Breakup Value per share**

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets excluding the impact of revaluation on fixed assets, divided by the total number of share outstanding at year end.

### **BSD**

Banking Surveillance Department of State Bank of Pakistan

### **BPRD**

Banking Policy and Regulation Department of State Bank of Pakistan

### **CAGR**

An abbreviation for Compound Annual Growth Rate.

### **Capital Adequacy Ratio (CAR)**

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan.

### **Cash Reserve Ratio (CRR)**

Cash Reserve Ratio is the amount of funds that the banks have to keep with SBP.

### **Cash Equivalents**

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Commitment to Extend Credit**

Credit facilities approved but not yet utilized by the client as at the Balance Sheet date.

### **Cost to Income Ratio**

The proportion of admin expenses to total income, represented as combination of net interest income and non interest income.

### **Credit Risk Spread**

The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.

### **Discount rate**

Discount is the rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

### **Dividend Payout Ratio**

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

### **Dividend Yield Ratio**

Dividend per share divided by the market value of share.

### **Earnings Per Share**

Profit after taxation divided by the weighted average number of ordinary shares in issue

### **Fixed Deposits**

Deposits having fixed maturity dates and a rate of return.

### **Forced Sale Value (FSV)**

Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged / pledged assets in a forced / distressed sale conditions.

### **Government Securities**

Government Securities shall include such types of Pak. Rupee obligations of the Federal Government or a Provincial Government or of a Corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government as the Federal Government may, by notification in the Official Gazette, declare, to the extent determined from time to time, to be Government Securities.

### **Impairment allowances**

A provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss inherent in the lending book. An impairment allowance may either be identified or unidentified and individual or collective.

### **Foreign Exchange Options(FX Options)**

Contracts that give the buyer the right, but not the obligation, to buy or sell one currency against the other, at a predetermined price and on or before a predetermined date. The buyer of a call/ put FX option has the right to buy/sell a currency against another at a specified rate.

### **Forward Purchase Contract**

Forward purchase contract is one in which the exporter enters into the forward booking contract to protect himself from the exchange rate fluctuation at the time of receiving payment.

### **Forward Sale Contract**

In a forward sale contract the importer enters into a transaction to buy foreign currency from the Bank at the predetermined rate to protect himself from the exchange fluctuation at the date the payment.

### **Historical Cost Convention**

Recording transactions at the actual value received or paid.

### **IAS**

International Accounting Standards

### **IFRS**

International Financial Reporting Standards

### **IFRIC**

International Financial Reporting Interpretation Committee

### **Interest Spread**

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

### **Loan losses and provisions**

Amount set aside against identified and possible losses on loans, advances and other credit facilities as a result of their becoming partly or wholly uncollectible.

# Glossary of Terms

## Liquid Assets

The assets which are readily convertible into cash without recourse to a court of law and mean encashment / realizable value of government securities, bank deposits, certificates of deposit, shares of listed companies which are actively traded on the stock exchange, NIT Units, certificates of mutual funds, Certificates of Investment (COIs) issued by DFIs / NBFCs rated at least 'A' by a credit rating agency on the approved panel of State Bank of Pakistan, listed TFCs rated at least 'A' by a credit rating agency on the approved panel of State Bank of Pakistan and certificates of asset management companies for which there is a book maker quoting daily offer and bid rates and there is active secondary market trading. These assets with appropriate margins should be in possession of the banks / DFIs with perfected lien.

## Market Capitalization

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

## Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

## Net Interest Income (NII)

Net interest income is the difference between the interest earned on assets and interest expensed on liabilities.

## Non-Performing Loan

A non-performing loan is a loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

## NPLs to Gross Advances/Loans

Represents the infected portfolio of the bank and is calculated by dividing the total non-performing loans by gross advances.

## Non Performing Loan-Substandard Category

Where markup/interest or principal is overdue by 90 days or more from the due date.

## Non Performing Loan-Doubtful Category

Where markup/interest or principal is overdue by 180 days or more from the due date.

## Non Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

## Off Balance Sheet Transactions

Transactions that are not recognized as assets or liabilities in the statement of financial position but which give rise to contingencies and commitments.

## Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share. Repo / Reverse Repo A repurchase agreement, or repo, is a short term funding agreements which allow a borrower to sell a financial asset, such as ABS or government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of

the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

## Return on Equity (ROE)

Represents the ratio of the current year's profit available for distribution to the weighted average shareholders equity over the period under review, calculated by dividing the net profit (profit after tax) to the average equity (before surplus) for the period.

## Return on Assets (ROA)

Indicator of profitability of the business relative to the value of its assets, calculated by dividing the net profit (profit after tax) to the average total assets for the period.

## Statutory Reserve Funds

A capital reserve created as per the provisions of the section 21 of Banking Companies Ordinance, 1962.

## Small Enterprise

A Small Enterprise (SE) is a business entity which meets both the following parameters:

Number of Employees	Annual Sales Turnover
*Up to 50	Up to Rs. 150 million
*including contract employees.	

## Basel III

Basel III (or the Third Basel Accord) is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk.

## Strategic Investment

Strategic Investment is an investment which a bank / DFI makes with the intention to hold it for a period of minimum 5 years.

The following must be noted further in respect of strategic investment:

- The bank should mark strategic investment as such at the time of investment
- If there are a series of purchases of stocks of a company, the minimum retention period of 5 years shall be counted from the date of the last purchase.

## SRO

Statutory Regulatory Order

## KIBOR – (Karachi Interbank Offered Rate)

KIBOR is the interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

## LIBOR (London Interbank Offered Rate)

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

## VaR

Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.

## Weighted Average Cost of Deposits

Percentage of the total interest expense on average deposit of the bank for the period.

## Form of Proxy

### 72<sup>nd</sup> Annual General Meeting

I/We \_\_\_\_\_  
 of \_\_\_\_\_ being a member (s) of **MCB Bank Limited**, and holder of \_\_\_\_\_  
 Ordinary Shares, do hereby appoint \_\_\_\_\_  
 of \_\_\_\_\_ vide Folio/CDC Account No. \_\_\_\_\_ or failing him/her  
 \_\_\_\_\_ of \_\_\_\_\_ who is also  
 a member of the Bank, vide Folio/CDC Account No. \_\_\_\_\_ as my/our proxy in my/our  
 absence to attend, speak and vote for me/us and on my/our behalf at the **72<sup>nd</sup> Annual General Meeting** of the Bank  
 to be held on **Thursday, March 19, 2020 at 11:00 AM (PST)** at Grand Ball Room-D, The Nishat Hotel, Emporium Mall,  
 Near Expo Center, Abdul Haq Road, Johar Town, Lahore, and at any adjournment thereof.

As witness my/our hand/Seal this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

Signed by \_\_\_\_\_

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on  
Five-Rupees  
Revenue Stamp

The signature should agree  
with the specimen registered  
with the Bank.

#### Witnesses:

1. Name : _____	2. Name : _____
Address : _____	Address : _____
CNIC No. : _____	CNIC No. : _____
Signature : _____	Signature : _____

#### Note:

- A member eligible to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting.
- This Proxy Form, duly completed and signed, must be deposited in the office of M/s THK Associates (Pvt) Limited, the Share Registrar and Transfer Agent of the Bank, situated at First Floor, 40-C, Block 6, P.E.C.H.S., Karachi-75400, not less than 48 hours before the time of holding the meeting.
- If a member appoints more than one proxy and more than one instrument of proxies are deposited by a member with the Share Registrar and Transfer Agent of the Bank, all such instruments of proxy shall be rendered invalid.
- For CDC Account Holders / Corporate Entities:**
  - Attested copies of Computerized National Identity Card ("CNIC") or the passport of the beneficial owners and the proxy shall be provided with the Proxy Form.
  - The proxy shall produce his/her original CNIC or passport at the time of the meeting.
  - In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with Proxy Form to the Share Registrar and Transfer Agent of the Bank.

## پراکسی فارم

72 واں سالانہ عام اجلاس

میں / ہم

ساکن \_\_\_\_\_ بحیثیت ممبر ایم سی بی بینک لمیٹڈ اور \_\_\_\_\_ عام حصص کا مالک مسی / مسماۃ \_\_\_\_\_  
 ساکن \_\_\_\_\_ کوجس کا فولیو ای سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ یا اس کی عدم دستیابی کی صورت میں مسی / مسماۃ \_\_\_\_\_  
 ساکن \_\_\_\_\_ کوجس کہ بینک کا ممبر بھی ہے، جس کا فولیو ای سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ ہے بطور پراکسی مقرر کرتا ہوں / کرتی ہوں /  
 کرتے ہیں تاکہ وہ میری / ہماری غیر موجودگی میں میری / ہماری جانب سے بینک کا 72 واں سالانہ عام اجلاس جو بروز جمعرات، مورخہ 19 مارچ 2020ء، بوقت 11:00 بجے صبح، بمقام گریڈ بال  
 روم۔ ڈی، وی نشاط ہوٹل، الیپو رہیم مال، نزد ایکسپو سینٹر، عبدالق روضہ، لاہور منعقد ہو رہا ہے اس میں اور اس کی کسی ملوثی شدہ اجلاس میں شرکت کرے، بات کرے اور ووٹ ڈالے۔

میرے / ہمارے دستخط، بتاریخ \_\_\_\_\_ 2020ء

دستخطی

پانچ روپیہ کے ریونیو سٹامپ  
 پر دستخط

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر
پارٹنر شپ ID	اکاؤنٹ نمبر

دستخط بینک میں رجسٹرڈ نمونے سے مطابقت رکھتے ہوں

گواہان:

(1) نام: \_\_\_\_\_ (2) نام: \_\_\_\_\_  
 پتہ: \_\_\_\_\_ پتہ: \_\_\_\_\_  
 شناختی کارڈ نمبر: \_\_\_\_\_ شناختی کارڈ نمبر: \_\_\_\_\_  
 دستخط: \_\_\_\_\_ دستخط: \_\_\_\_\_

نوٹ:

- 1۔ اجلاس میں شرکت کرنے، ووٹ دینے کا اہل رکن کسی دوسرے رکن کو اپنا اپنی پراکسی مقرر کر سکتا ہے جس کو شرکت کرنے، بولنے اور ووٹ ڈالنے کا حق حاصل ہوگا۔
  - 2۔ یہ مکمل پُر کردہ اور دستخط شدہ پراکسی فارم بینک کے شیئر رجسٹرار اور ٹرانسفر ایجنٹ میسرز فی ایچ کے ایسوی ایٹس (پرائیویٹ) لمیٹڈ، بمقام پہلی منزل، 40۔ سی، بلاک 6، پی ای سی ایچ ایس، کراچی کے دفتر میں اجلاس کے انعقاد سے 48 گھنٹے پہلے جمع کروانا ہوگا۔
  - 3۔ اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور بینک شیئر رجسٹرار اور ٹرانسفر ایجنٹ کے پاس رکن کی طرف سے پراکسی فارم کی ایک سے زائد دستاویزات جمع کرائی جائیں تو پراکسی کی ایسی تمام دستاویزات کا اہم تصور ہوں گی۔
  - 4۔ سی ڈی سی اکاؤنٹ رکھنے والوں / کارپوریٹ اداروں کیلئے:
- مستفید مالکان اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) یا پاسپورٹ کی تصدیق شدہ کاپیاں پراکسی فارم کے ساتھ مہیا کی جائیں گی۔
  - اجلاس کے موقع پر پراکسی اپنا اصل شناختی کارڈ یا پاسپورٹ مہیا کرے گا۔



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